



# Office of Audit



Fiscal Year 2008  
Work Plan





I am pleased to present the Office of Audit's *Fiscal Year 2008 Annual Work Plan*. The reviews described in the *Plan* are designed to address those areas that are most vulnerable to fraud, waste, and abuse. Since 1997, we have provided our perspective on the top challenges facing Social Security Administration (SSA) management to the Congress, SSA and other key decisionmakers. For Fiscal Year 2008, the Office of the Inspector General has identified the following management challenges: Social Security Number Protection, Management of the Disability Process, Improper Payments and Recovery of Overpayments, Internal Control Environment and Performance Management, Systems Security and Critical Infrastructure Protection, and Service Delivery and Electronic Government.

The *Plan* describes 105 reviews we plan to complete in Fiscal Year 2008, including 4 reviews of SSA's performance measures we plan to oversee, and 106 reviews we plan to begin in Fiscal Year 2008. The four reviews of SSA's performance measures will be performed by a public accounting firm. In developing these reviews, we worked with Agency management as well as our own Offices of Investigations, Chief Counsel to the Inspector General and Resource Management to ensure we provide a coordinated effort.

Our *Plan* is dynamic, so we encourage continuous feedback and additional study suggestions. This flexibility enables us to meet emerging and critical issues evolving in the upcoming year.

A handwritten signature in black ink, reading "Steven L. Schaeffer".

Steven L. Schaeffer  
Assistant Inspector General for Audit  
October 11, 2007



Our Annual Audit Plan (Plan) outlines our perspective of the top management challenges facing SSA and serves as a tool for communicating our priorities to SSA, the Congress, the Office of Management and Budget (OMB), and other interested parties. The activities described address the fundamental goals related to SSA's mission to administer 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 Resource Management.











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

The PMA was designed to coordinate agency efforts to "address the most apparent deficiencies and focus resources where the opportunity to improve performance is the greatest." The PMA's goal is to establish a more responsible and responsive Government that is citizen-centered, results-oriented, and market-based. OMB provides each Federal agency a scorecard rating their performance. The scorecard is designed around a simple grading system: green for success, yellow for mixed results, and red for unsatisfactory. Following is the status of SSA's efforts, as reported by OMB's June 2007 Scorecard.

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

The Office of Audit conducts and/or supervises financial and performance audits of SSA's programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits determine whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. The Office of Audit also conducts short-term management and program evaluations and projects on issues of concern to SSA, the Congress, and the general public. In Fiscal Year (FY) 2007, we issued 108 reports with about \$4.3 billion in monetary findings.

*The President's Management Agenda*  
**SSA's Management Scorecard**  
**As of June 30, 2007**

	Status	Progress
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 105 reviews we intend to complete, including 4 performance indicator reviews we will oversee in FY 2008, and 106 reviews we intend to begin, in the following issue areas.

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

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

**Crosswalk of OIG Management Challenges to PMA, SSA’s Priorities, Social Security Advisory Board, and GAO Challenges**

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

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.

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## ACRONYMS

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<b>Administrative Law Judge</b>	<b>ALJ</b>
<b>Death Alert, Control and Update System</b>	<b>DACUS</b>
<b>Disability Determination Services</b>	<b>DDS</b>
<b>Department of Homeland Security</b>	<b>DHS</b>
<b>Disability Insurance</b>	<b>DI</b>
<b>Death Master File</b>	<b>DMF</b>
<b>Electronic Disability</b>	<b>eDib</b>
<b>Earnings Suspense File</b>	<b>ESF</b>
<i>Federal Employees' Compensation Act</i>	<b>FECA</b>
<b>Fiscal Year</b>	<b>FY</b>
<b>Government Accountability Office</b>	<b>GAO</b>
<b>Government Performance and Results Act</b>	<b>GPRA</b>
<b>Internal Revenue Service</b>	<b>IRS</b>
<i>Intelligence Reform and Terrorism Prevention Act of 2004</i>	<b>IRTPA</b>
<b>Master Beneficiary Record</b>	<b>MBR</b>
<b>Master Earnings File</b>	<b>MEF</b>
<b>Old-Age, Survivors and Disability Insurance</b>	<b>OASDI</b>
<b>Office of Disability Adjudication and Review</b>	<b>ODAR</b>
<b>Office of Management and Budget</b>	<b>OMB</b>
<b>On-site Security Control and Audit Review</b>	<b>OSCAR</b>
<b>Substantial Gainful Activity</b>	<b>SGA</b>
<b>Social Security Administration</b>	<b>SSA</b>
<b>Supplemental Security Income</b>	<b>SSI</b>
<b>Social Security Number</b>	<b>SSN</b>
<b>Social Security Number Verification Service</b>	<b>SSNVS</b>
<b>Supplemental Security Record</b>	<b>SSR</b>
<b>Third Party Payment System</b>	<b>TPPS</b>
<b>Voice over Internet Protocol</b>	<b>VoIP</b>
<b>Worker's Compensation</b>	<b>WC</b>

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# SOCIAL SECURITY NUMBER PROTECTION

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*In FY 2006, SSA issued over 17 million original and replacement SSN cards and received approximately \$620 billion in employment taxes related to earnings under assigned SSNs. Protecting SSNs and properly posting the earnings reported under SSNs are critical to ensuring individuals entitled to benefits receive the full benefits due them.*

## *Efforts to Protect the Social Security Number*

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

To improve controls in its enumeration process, SSA verifies all immigration documents before assigning SSNs to noncitizens. SSA also requires (1) mandatory interviews for all applicants for original SSNs who are age 12 or older (lowered from age 18) and (2) evidence of identity for all children, regardless of age. In addition, SSA has established Enumeration Centers in Brooklyn and Queens, New York; Las Vegas, Nevada; and Phoenix, Arizona, that focus exclusively on assigning SSNs and issuing SSN cards—and it plans to open several more in the future. Finally, SSA requires that field office personnel processing SSN applications use the Agency's *SS-5 Assistant*, a Microsoft Access-based application intended to increase control over the SSN application process, improve the quality of data used to assign an SSN, and enable management to better control this workload. This program provides field office personnel processing SSN applications structured interview questions and requires certain data to complete the application process.

In addition to these improvements, SSA has implemented several enhancements that will better ensure SSN protection. These endeavors were required by the *Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA)* and include

- restricting the issuance of multiple replacement SSN cards to 3 per year and 10 in a lifetime;
- requiring independent verification of any birth record submitted by an individual to establish eligibility for an SSN, other than for purposes of enumeration at birth;
- coordinating with the Department of Homeland Security (DHS) and other agencies to further improve the security of Social Security cards and numbers; and
- strengthening the standards and requirements for identity documents presented with SSN applications to ensure the correct individual obtains the correct SSN.

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We applaud the Agency for these efforts and believe it has made significant strides in providing greater protection for the SSN. Nevertheless, incidences of SSN misuse continue.

While SSA has implemented controls to prevent improper SSN assignment, we are concerned the Agency has few mechanisms to curb the unnecessary collection and use of SSNs. Our audit and investigative work have taught us that the more SSNs are unnecessarily used, the higher the probability that these numbers could be used to commit crimes throughout society. We are also concerned about the practice of assigning SSNs to noncitizens who will only be in the United States for a few months-but are allowed to obtain SSNs that are *valid for life*. We are currently examining the practice of allowing noncitizens who enter the country with a fiancé visa to obtain an SSN before marriage.

To further enhance SSN integrity, we believe SSA should

- support legislation to limit public and private entities' collection and use of SSNs and improve the protection of this information when obtained,
- work with the Internal Revenue Service to develop alternatives to assigning SSNs to noncitizens who may only be in the country for a few months,
- continue its efforts to safeguard and protect personally identifiable information, and
- continue to coordinate with partner agencies to pursue any relevant data sharing agreements.

### *The Social Security Number and Reported Earnings*

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

SSA spends scarce resources correcting earnings data when incorrect information is reported. The Earnings Suspense File (ESF) is the Agency's record of annual wage reports for which wage earners' names and SSNs fail to match SSA's records. As of October 2006, the ESF had accumulated about \$586 billion in wages and 264 million wage items for Tax Years (TY) 1937 through 2004. In TY 2004 alone, the ESF grew by \$66 billion in wages and 9.5 million wage items.

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While SSA has limited control over the factors that cause 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, encouraging greater use of the Agency's employee verification programs, and enhancing the employee verification feedback to provide employers with sufficient information on potential employee issues. SSA also needs to coordinate with other Federal agencies with separate, yet related, mandates, such as the Internal Revenue Service (IRS) and DHS.

In our audits, we have encouraged SSA to increase collaboration with the IRS to achieve more accurate wage reporting, including cases where earnings are disclaimed by individuals and need to be removed from SSA and IRS records. Both the IRS and SSA have encountered cases where the name and SSN combination is correct and the wages are posted to an earner's record only to learn that the SSN owner did not work for the employer and is the victim of SSN misuse. In other cases, the earners reported fraudulent income in an attempt to gain SSA and/or IRS benefits. SSA needs to ensure it works closely with the IRS to remove such wages to (1) assist the SSN owners with earnings discrepancies, (2) minimize improper IRS tax assessments, and (3) reduce the chance of improper SSA and IRS payments based on incorrect information.

We have also encouraged greater collaboration with DHS on some of these employer and verification issues. For example, in a September 2006 audit, we identified vulnerabilities in DHS's Employment Eligibility Verification System or eVerify (formerly the Basic Pilot) and noted that coordination between DHS, SSA, and IRS would lead to more effective controls to minimize the potential misuse of this program. In the past year, SSA has met with DHS officials to discuss these issues and assist in the development of controls to protect sensitive data.

In FY 2008, we plan to complete 14 reviews and begin 11 reviews in this area.

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## **WE PLAN TO COMPLETE THE FOLLOWING REVIEWS IN FY 2008**

Assigning Social Security Numbers to Fiancé Visa Nonimmigrants  
Consent-based Social Security Number Verification Program  
Earnings Records with Multiple Employers  
Effectiveness of the Social Security Statement in Correcting Earnings Records  
Follow-up: Assessment of the Enumeration at Entry Process  
Follow-up: The Social Security Administration's Internal Use of Employees' Social Security Numbers  
Follow-up: The Social Security Administration's Processing of Internal Revenue Service Overstated Wage Referrals  
Impact of the Release of Personally Identifiable Information Through the Death Master File  
Medicare's Use of the Social Security Number on Cards Issued to Participants  
Social Security Cards Mailed to Social Security Administration Field Offices and Card Centers  
The Effect of Social Security Number Misuse on the Social Security Administration's Master Earnings File  
The Social Security Administration's Compliance with *Intelligence Reform and Terrorism Prevention Act of 2004* Provisions Involving Security of Social Security Cards and Numbers  
The Social Security Administration's Special Indicator Codes  
The Social Security Administration's Wage Reconciliation Process with the Internal Revenue Service

## **WE PLAN TO BEGIN THE FOLLOWING REVIEWS IN FY 2008**

Completeness of Death Information in the Social Security Administration's Systems  
Correspondence Containing Personally Identifiable Information Mailed to Claimants  
Effectiveness of Educational Correspondence to Employers  
Fraudulent, Overstated and/or Missing Wages in the Master Earnings File  
Potential Misuse of the Social Security Administration's Employee Verification Programs  
Prisoners with Earnings in the Master Earnings File  
Social Security Numbers Assigned to Religious Workers  
Social Security Numbers Issued to Immigrants in the Northern Marianas Islands and American Samoa  
The North Phoenix Social Security Card Center  
The Social Security Administration's Access to Online Vital Records  
The Social Security Administration's Compliance with *Intelligence Reform and Terrorism Prevention Act of 2004* Provisions Involving Issuance of Social Security Number Replacement Cards

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## ***Assigning Social Security Numbers to Fiancé Visa Nonimmigrants***

### ***Objective***

To assess SSA's process for assigning SSNs to noncitizens with fiancé visas.

### ***Background***

U.S. citizens who plan to marry a citizen of another country may petition the Department of State (State) to allow the noncitizen to enter the United States with a K-1 fiancé visa. Upon admission, the K-1 visa holder and the U.S. citizen have 90 days to marry. If they do not marry, the K-1 visa holder must leave the United States or adjust their immigration status with DHS. If they marry, the K-1 visa holder must request Lawfully Admitted Permanent Resident status in the United States from DHS.

To obtain an SSN, the K-1 visa holder must provide SSA evidence of age and identity as well as a valid, unexpired I-94 (Admission/Departure Record). SSA considers those individuals with a K-1 classification authorized to work in the United States.

In 2005, SSA assigned about 14,000 original SSNs to K-1 visa holders, and DHS admitted about 33,000 K-1 visa holders into the United States. Thus, only about 40 percent of the K-1 visa holders admitted into the United States in 2005 applied for an SSN. SSA field office personnel expressed concern regarding the Agency's issuance of an SSN card to someone whose legal duration of stay may only be 90 days.

## ***Consent-based Social Security Number Verification Program***

### ***Objective***

To assess the results of the on-line, consent-based verification pilot and determine what lessons can be applied to an expanded program.

### ***Background***

Since October 2002, SSA has assisted four mortgage companies in verifying the names and SSNs of their customers through a pilot verification program. SSA charges a small fee for each SSN verified through the pilot.

Companies participating in the pilot are expected to obtain a written release from customers before verifying their names and SSNs. An independent auditor was hired under the pilot to periodically inspect company records to ensure verified accounts include the required release form.

SSA plans to expand this service to include more financial-related companies. The new Consent Based SSN Verification program will provide businesses with a need to verify SSNs (banks etc.) a vehicle for purchasing SSN verifications from SSA. After completing a registration process and paying a fee, the requesting party can submit a file through the Consent Based SSN Verification Internet application containing the names of number holders who have given consent, along with each numberholder's SSN, date of birth and gender (if available). SSA matches the information against its files. The requesting party retrieves the results from Consent Based SSN Verification.

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## ***Earnings Records with Multiple Employers***

### ***Objective***

To assess SSNs with earnings data that indicate an improbable number of employers for a specific tax year.

### ***Background***

SSA provides Old-Age, Survivors and Disability Insurance (OASDI) benefits to individuals based on their lifetime earnings reported under a valid SSN. SSA records all earnings data reported by employers and self employed individuals in its Master Earnings File (MEF). Earnings recorded in the MEF determine whether an individual has enough quarters of coverage to qualify for SSA benefits. Although U.S. citizens are automatically entitled to work in the economy, noncitizens are not. Noncitizens whom DHS authorizes to work in the United States may apply for an SSN.

Some individuals' earnings records showed multiple employers. In Tax Year 2004, based on a 1-percent sample of the employers listed in SSA's earnings records, some numberholders worked for as many as 23 employers. Some 8,000 earnings records indicated the wage earner worked for 6 or more employers in 2004.

## ***Effectiveness of the Social Security Statement in Correcting Earnings Records***

### ***Objective***

To assess the effectiveness of the annual Social Security Statements in correcting individuals' earnings records.

### ***Background***

Section 1143 of the Act requires that SSA send an annual statement of potential Social Security benefits to workers who are age 25 or older and not receiving Social Security benefits. The statements are designed to help workers with financial planning by providing estimates of their retirement, disability and survivors' benefits.

Further, the statements provide workers an easy way to determine whether their earnings are accurately posted on their Social Security records. This is an important feature because Social Security benefits are based on an individual's career wage record. In FY 2006, SSA mailed approximately 145 million statements.



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## ***Follow-up: Assessment of the Enumeration at Entry Process***

### ***Objective***

To determine the status of corrective actions SSA has taken to address recommendations resulting from our March 2005 *Assessment of the Enumeration at Entry Process*.

### ***Background***

SSA entered into agreements with State and the Immigration and Naturalization Service, in 1996 and 2000, respectively, to assist SSA in assigning SSNs to certain classes of immigrants. SSA's goal in implementing the Enumeration at Entry process was to reduce the possible acceptance of counterfeit immigration documents by SSA personnel and eliminate duplicate contacts immigrants must make with Federal agencies. In October 2002, State and DHS, formerly the Immigration and Naturalization Service, began assisting SSA by collecting data needed for SSN assignment as part of the immigration process.

Our March 2005 report identified weaknesses in existing controls and operations SSA needed to address to improve the efficiency and effectiveness of the Enumeration at Entry process. We found SSA assigned multiple SSNs to immigrants. In addition, SSA could not process thousands of applications because of data compatibility issues among SSA, State and DHS.

## ***Follow-up: The Social Security Administration's Internal Use of Employees' Social Security Numbers***

### ***Objective***

To determine the extent to which SSA implemented recommendations from our August 2004 report, *The Social Security Administration's Internal Use of Employees' Social Security Numbers*.

### ***Background***

SSA used SSNs extensively to identify its employees; had implemented some safeguards to protect the confidentiality of its employees' SSNs; and needed to ensure policies protecting employees' SSNs were being enforced.

To address these conditions, we made five recommendations with which the Agency agreed.

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## ***Follow-up: The Social Security Administration's Processing of Internal Revenue Service Overstated Wage Referrals***

### ***Objective***

To determine whether SSA has (1) processed the IRS' overstated wage referrals and (2) coordinated with the IRS to streamline or automate the IRS referral process.

### ***Background***

Our prior review found that, as of March 2002, the IRS had sent SSA about 12,000 disputed wage referrals for TY 1999. SSA had not processed these referrals to determine whether individuals had overstated wages on the MEF. By not reviewing these IRS referrals, SSA was missing an opportunity to correct individual earnings records, prevent the misuse of SSNs, and reduce improper benefit payments. We estimated that the TY 1999 wage referrals represented about \$105 million in disputed earnings.

To correct the deficiencies identified in the audit, we recommended SSA:

1. Begin processing the backlogged IRS referrals, starting with those that were most likely to (a) reduce overpayments, and (b) minimize identity theft.
2. Work with the IRS to establish and implement procedures to process the referrals.

## ***Impact of the Release of Personally Identifiable Information Through the Death Master File***

### ***Objective***

To determine whether SSA's publication of the Death Master File (DMF) results in the disclosure of personally identifiable information.

### ***Background***

Personally identifiable information refers to name, SSN and biometric records that can be used to distinguish an individual's identity alone, or in combination with other identifying information that is linked to a specific individual, such as date of birth and mother's maiden name.

SSA is required to disclose the DMF to the public. The DMF contains about 70 million records, including Social Security beneficiaries and non-beneficiaries, with verified and unverified reports of death. The information disclosed in the DMF includes the deceased's SSN; first, middle, and surname; dates of birth and death; and state, county and ZIP code of the last address on record.

SSA produces electronic files containing updates made to the DMF, including instances when individual records were removed from the DMF. Preliminary analysis of these files indicates SSA has removed over 46,000 records from the DMF since January 2004, indicating these individuals are alive, and their personally identifiable information has been exposed to the public.

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## ***Medicare's Use of the Social Security Number on Cards Issued to Participants***

### ***Objective***

To assess Medicare's use of SSNs and the potential risks associated with such use.

### ***Background***

SSA and other Federal agencies have warned the public about identity theft and restricted the use of SSNs in Government mailings. For example, SSNs were removed from all SSA checks to the public. In addition, SSA and the Federal Trade Commission have continually warned the public not to carry Social Security cards in their wallets. In addition, some State Departments of Motor Vehicles have removed SSNs from driver's licenses.

Given these efforts, the continued use of the SSN as the identifier on Medicare cards is troublesome. Medicare participants often carry their cards in their wallets and could be unnecessarily exposed to identity theft should their wallets be stolen or their Medicare numbers lifted from a medical document.

The Centers for Medicare and Medicaid Services have conducted a study to determine the cost and system requirements that would be needed to remove SSNs from Medicare cards. The Centers provided the results to Congress. As of April 15, 2007, the Centers had not taken action to remove the SSNs from Medicare cards.

## ***Social Security Cards Mailed to Social Security Administration Field Offices and Card Centers***

### ***Objective***

To evaluate SSA's controls over the receipt, safeguarding and disposition of Social Security cards mailed to its field offices and card centers.

### ***Background***

SSA policies state that applicants who plan to relocate but do not have a forwarding address, are homeless or have experienced problems receiving mail may have their Social Security cards mailed to an SSA office. However, a prior review of a Social Security Card Center found that SSA policies do not provide specific guidance for securing, monitoring, tracking, or, if necessary, destroying cards mailed to the office.

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## ***The Effect of Social Security Number Misuse on the Social Security Administration's Master Earnings File***

### ***Objective***

To determine whether (1) wage items associated with SSN misuse are being posted to the MEF and (2) SSA has established effective controls to detect such postings and prevent future occurrences.

### ***Background***

SSA's Annual Wage Reporting process posts reported earnings to the MEF if the name and SSN on the Form W-2 matches SSA's records. If the name and SSN reported on the W-2 does not match SSA's records, the wage item will be posted to the ESF. When it appears excessive wages have been posted to an earnings record, the SSN owner can visit an SSA field office and disclaim these wages—called “scrambled wages.” These “scrambled wages” are then removed from the individual's earnings record and posted to the ESF. The excessive earnings may relate to SSN misuse within the workplace.

## ***The Social Security Administration's Compliance with Intelligence Reform and Terrorism Prevention Act of 2004 Provisions Involving Security of Social Security Cards and Numbers***

### ***Objective***

To determine whether SSA complied with the IRTPA provision involving security enhancements of Social Security cards and numbers.

### ***Background***

IRTPA was enacted in part to reform the intelligence community and intelligence-related Government activities. Section 7213 concerns SSA security enhancements for Social Security cards and numbers.

Section 7213(a)(1)(B) mandates that SSA establish minimum standards for acceptable evidentiary documents individuals should submit to SSA when applying for an original or replacement social security card, other than for purposes of enumeration at birth.

Sections 7213(b)(1) and (2) require that SSA's Commissioner, in consultation with the Secretary of DHS, form an Interagency Task Force to establish requirements for improving the security of Social Security cards and numbers. The law further states that the Commissioner is to provide for the implementation of security requirements, including standards for safeguarding Social Security cards from counterfeiting, tampering, alteration, and theft and probative value of documents submitted for obtaining a replacement SSN card.

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## ***The Social Security Administration's Special Indicator Codes***

### ***Objective***

To assess the accuracy and utility of the special indicator codes housed on SSA's Numident record.

### ***Background***

Special indicator codes are added to Numident records to alert SSA employees to SSNs that were obtained fraudulently or using a fictitious identity, prevent unauthorized disclosure of information, block the issuance of replacement SSN cards and SSN verification printouts, and prevent verification of SSNs. Each special indicator serves a unique purpose and requires specific procedures for adding and deleting the indicator.

Currently, an enumeration investigate message and/or alert is generated when an individual requests a replacement SSN card and his/her Numident record contains a special indicator code. An alert is also generated when an original SSN card is requested, and the applicant's identifying information matches an existing Numident record housing a special indicator code.

Section 7213(a)(2) of IRTPA, requires that SSA add fraud and death indicators to SSN verification systems for employers, State agencies issuing driver's licenses and identity cards and other verification routines determined by the Commissioner. IRTPA requires that SSA add the death indicators within 18 months of enactment and the fraud indicators within 36 months of enactment.

## ***The Social Security Administration's Wage Reconciliation Process with the Internal Revenue Service***

### ***Objective***

To assess the effectiveness of SSA and the IRS' reconciliation process in posting wages to individuals' earnings records.

### ***Background***

Employers are required to report wages annually to SSA. Furthermore, employers are required to report to the IRS quarterly the total of wages paid. The total of the quarterly wages reported to the IRS for a tax year should equal the total wages reported to SSA. In some cases, these totals do not match.

Each year, about 6.5 million employers file about 230 million employee wage reports with SSA. SSA and the IRS compare total wages reported by employers for the tax year. When the amount of wages differs, efforts are made to reconcile the differences.

When the amount reported to SSA is greater than the amount reported to the IRS, the IRS corresponds with the employer to resolve the difference. When the amount reported to the IRS is greater than the amount reported to SSA, it is SSA's responsibility to reconcile the difference. Personnel in the Division of Earnings and Adjustments in the Office of Central Operations resolve cases either by contact with the employer or by investigating the Agency's earnings records. When the employer provides information, the Office of Central Operations can then correct information in SSA's records.



# MANAGEMENT OF THE DISABILITY PROCESS

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*SSA needs to continue to improve critical parts of the disability process, such as making timely disability decisions and safeguarding the integrity of its disability programs. Modernizing Federal Disability Programs has been on GAO's high-risk list since 2003 due, in part, to outmoded concepts of disability, lengthy processing times, and inconsistencies in disability decisions across adjudicative levels and locations. The Federal Disability Programs include SSA's disability programs as well as the Veterans Administration's disability program.*

At the forefront of congressional and Agency concern is the timeliness of SSA's disability decisions at the hearings adjudicative level. The average processing time at the hearings level continues to increase—from 293 days in FY 2001 to an estimated 512 days in FY 2007. Additionally, the hearings pending workload continues to increase. At the end of FY 2007, the preliminary pending workload was 746,744 cases—up from 392,387 cases in FY 2001.

As of May 2007, all State Disability Determination Services (DDS) and Offices of Disability Adjudication and Review (ODAR) are processing disability claims using the electronic folder. Processing disability claims electronically should reduce processing delays caused by organizing, mailing, locating, and reconstructing paper folders.

In August 2006, SSA implemented the Disability Service Improvement initiative in the Boston region—making significant changes in the Agency's disability programs, such as:

- A Quick Disability Determination process for individuals who are obviously disabled;
- A Medical-Vocational Expert System to enhance the quality and availability of the expertise needed to make accurate and timely decisions at all adjudicative levels;
- A Federal Reviewing Official to review initial level decisions upon the request of the claimant;
- Closing the record after the Administrative Law Judge (ALJ) issues a decision—allowing for the consideration of new and material evidence only under very limited circumstances; and
- A Decision Review Board to review ALJ decisions and policies and procedures throughout the disability adjudication process.

The Quick Disability Determination process has shown success. By using a computer model, cases are identified where the individuals are obviously disabled and are likely to be allowed. The DDSs issued decisions on 97 percent of the Quick Disability Determination cases within the required 20 days with a mean decision time of 11 days. However, there are areas of Disability Service Improvement that have been identified as not performing as expected. SSA has taken steps to make corrections in these areas.

In light of the growing backlog of disability cases at SSA, the Commissioner of Social Security recently announced additional initiatives in an effort to reduce the hearings backlog by FY 2012. Many of these initiatives are either ongoing or anticipated to begin within the next few months. The Commissioner's initiatives focus on four main areas:

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- **Compassionate allowances** where SSA plans to build on the success of the Quick Disability Determination by increasing allowances on cases where disability is obvious.
  - **Improved hearing office procedures** focused on accelerated and expanded efforts to address cases that have been waiting 1,000 days or more for a hearing – with the goal of having these cases to a negligible level by the end of FY 2007.
  - **Increased adjudicatory capacity** which includes filling hearing dockets of current ALJs to capacity by increasing staff overtime, hiring approximately 150 ALJs and 600 to 700 additional support staff, streamlining folder assembly, and using personnel from other SSA components to assist the most affected hearing offices.
  - **Using automation and business processes** such as the installation of video equipment in all hearings offices to improve case processing at all adjudicative levels.

The Commissioner has proposed to amend SSA's regulations to (1) extend the Quick Disability Determination process to all DDSs and to remove the requirement that each case referred under Quick Disability Determination be adjudicated within 20 days and (2) suspend the review of new claims to the Federal Reviewing Official level and to remove the Medical Vocational Expert System/Office of Medical and Vocation Expertise from the disability adjudication process for new claims.

### *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 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 continue to work with SSA to address the integrity of the disability programs through the Cooperative Disability Investigations program. The Cooperative Disability Investigations program's mission is to obtain evidence that can resolve questions of fraud in SSA's disability claims. The Cooperative Disability Investigations program is managed in a cooperative effort between SSA's Offices of Operations, Inspector General, and Disability Programs. Since the program's inception in FY 1998 through May 2007, the 19 Cooperative Disability Investigations units, operating in 17 States, have been responsible for over \$813 million in projected savings to SSA's disability programs and over \$493 million in projected savings to non-SSA programs.

In FY 2008, we plan to complete 17 reviews and begin 18 reviews in this area.



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## **WE PLAN TO COMPLETE THE FOLLOWING REVIEWS IN FY 2008**

Accuracy of Disability Insurance Benefits Processed with Worker's Compensation Settlements

Accuracy of Special Disability Workload Decisions

Adjustment of Disabled Wage Earner Benefits at Full Retirement Age

Administrative Law Judges' Caseload Performance

Aged Cases at the Hearing Level

Application Review: Modernized Claim System and National Disability Determination Services System

Association of Administrative Law Judges' Training Conference Costs

Controls over Contracts for Verbatim Hearing Recordings

Disabled Individuals Hiding Self-employment Income or Earnings (2 Reviews)

Dismissals by Administrative Law Judges

Hearing Office Remand Processing

Initial Disability Determination Services' Decisions Subsequently Allowed by the Office of Disability Adjudication and Review

Medical Consultant Contracts Review

The Social Security Administration's Disability Insurance Triennial Redetermination Process

The Social Security Administration's Ticket to Work—Cost-Effectiveness

Use of Video Hearings to Reduce the Hearing Case Backlog

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## **WE PLAN TO BEGIN THE FOLLOWING REVIEWS IN FY 2008**

Administrative Law Judge Register Maintained by the Office of Personnel Management  
Airline Pilots Receiving Disability Benefits  
Compassionate Allowances for the Social Security Administration' Disability Programs  
Continuing Disability Reviews  
Contract Cost for Youth Transition Demonstration Projects  
Disability Allowances Not Effectuated  
Follow-up: Disabled Title II Beneficiaries with Earnings in the Master Earnings File  
Hearing Office Staff Retention and Advancement  
Prison Hearings and the Use of Video Equipment  
Request for Program Consultation Initiative  
The Social Security Administration's Match of Disability Insurance Records with Ohio's  
Worker's Compensation Payment Data  
The Social Security Administration's Medical Listings  
The Social Security Administration's Progress in Resolving eDib Workaround Issues  
The Social Security Administration's Use of Outdated Occupational Titles  
Title II Claimants Who Are Denied Disability Benefits and Are Deceased Within 3 Years  
Transfer of Case Workload Among Hearing Offices  
Untimely Benefit Termination for Title II Beneficiaries  
Untimely Benefit Termination for Title XVI Recipients

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## ***Accuracy of Disability Insurance Benefits Processed with Worker's Compensation Settlements***

### ***Objective***

To determine whether the “not proven” WC benefits (as indicated) on the Master Beneficiary Record (MBR) have been verified and are accurate. If not, determine whether DI payments are accurate.

### ***Background***

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

## ***Accuracy of Special Disability Workload Decisions***

### ***Objective***

To determine whether SSA is accurately calculating windfall offset payments pertaining to the Special Disability Workload.

### ***Background***

The OASDI program provides benefits to qualified retired and disabled workers and their dependents as well as to survivors of insured workers. The SSI program provides payment to individuals who have limited income and resources and who are either age 65 or older, blind or disabled.

Section 1611 (e)(2) of the Act requires that SSI recipients who are eligible for OASDI file for those benefits. In FY 2002, SSA identified approximately 251,000 SSI recipients who were eligible to receive Title II disability insurance benefits. The Agency categorized these individuals as Special Disability Workload cases. As of September 30, 2006, SSA reported potential Disability Insurance (DI) entitlement with estimated liability due disabled beneficiaries totaling \$1.4 billion.

A windfall offset applies to people due both SSI and OASDI benefits. The windfall offset prevents a person from receiving more benefits retroactively than would have been received if all benefits were paid in the month they were due. Windfall offsets are calculated automatically and manually by SSA. If the manual offsets are not posted timely to SSA's systems, the windfall offset and retroactive payments are incorrect.

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## ***Adjustment of Disabled Wage Earner Benefits at Full Retirement Age***

### ***Objective***

To determine whether SSA accurately adjusts benefits of disabled wages earners upon their attainment of full retirement age.

### ***Background***

Disabled wage earners may elect a reduced retirement benefit at age 62 to avoid a WC offset or receive a higher total family benefit amount. In these instances, the wage earner is simultaneously entitled to disability and reduced retirement benefits. When the wage earner attains full retirement age, SSA must adjust benefits to eliminate the reduction.

## ***Administrative Law Judges' Caseload Performance***

### ***Objective***

To evaluate the effect of varying levels of ALJ caseload performance on ODAR's ability to process expected case receipts and address the growing backlog of cases.

### ***Background***

Federal legislation prevents SSA from requiring that ALJs process a certain number of cases. However, SSA may set reasonable production goals for ALJs as long as the goals do not infringe on ALJs' independent decision-making processes. Federal legislation also prevents SSA from establishing a performance appraisal system for ALJs. However, disciplinary actions can be taken against ALJs if the Merit Systems Protection Board finds good cause.

## ***Aged Cases at the Hearing Level***

### ***Objective***

To review the aged listing of cases, identify areas for improvement, and recommend actions that can assist SSA in reducing the aged case backlog.

### ***Background***

Each year since FY 2001, hearing receipts have been increasing while the timeliness of hearings processed has worsened, resulting in an increase in the number of hearings pending. For example, there were 436,000 pending claims in FY 2001, which increased to 716,000 in FY 2006. In addition, average processing time was 307 days in FY 2001, but increased to 481 days in FY 2006. A review of the hearing offices with older cases in their backlog, as well as the hearing offices with fewer such cases, may identify potential problems in the overall process as well some best practices for reducing their number. For instance, an earlier audit related to case processing found that management's inattention to benchmark reports contributed to cases becoming lost in the process.

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***Application Review:  
Modernized Claim System  
and National Disability  
Determination Services  
System***

***Objective***

To assess the effectiveness of automated and manual internal controls and test key controls over access, data input, data processing, data rejection and data output as they relate to the performance indicators. We will also assess the overall reliability of the applications' computer-processed data.

***Background***

The National Disability Determination Services System provides case control management and reporting capabilities for disability claims. This system is used to develop the goals and actual results for the following two performance indicators:

1. Number of SSI disabled beneficiaries earning at least \$100 per month
2. SSI non-disability redeterminations processed

The Modernized Claims System captures Title II benefit claims. This system is used to develop the goals and actual results for the following two performance indicators:

1. DDS net accuracy rate (allowances/denials combined)
2. Maintain the number of initial disability claims pending in the DDS

***Association of Administrative  
Law Judges' Training  
Conference Costs***

***Objective***

To (1) examine SSA's contributions to previous Association of Administrative Law Judges' training conferences; (2) assess the support for, and reasonableness of, conference costs; and (3) evaluate the nature of the training provided to determine the appropriateness of continued SSA support.

***Background***

The Association of Administrative Law Judges has conducted annual training conferences since 1992 to assist ALJs in meeting their continuing legal education needs. Each year, approximately 200 of SSA's 1,100 ALJs attend the conferences. While non-management ALJ attendees paid their own travel, hotel costs and registration fees, the registration fees have been reimbursed by SSA in the past. In addition, over the years the Agency has provided

- travel for presenters, management ALJs and headquarters personnel;
- fees and contract support for presenters;
- financial support for printed material and rental equipment; and
- duty time for those who attend, present, and/or organize the conference.

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## ***Controls over Contracts for Verbatim Hearing Recordings***

### ***Objective***

To determine whether the contract to acquire hearing reporters for ODAR, effective for FY 2006, is (1) effective in obtaining hearing reports; (2) clear in the specifications related to contractor duties; and (3) being consistently implemented within each region.

### ***Background***

Contract hearing reporters are responsible for delivery of a final product consisting of complete summary notes of the hearing; a complete set of exhibits; and a complete and audible tape or digital recording. In the remote sites, the contractor is responsible for setting up recording equipment if it is not in place. The hearing reporter may not perform any services for SSA other than those stated in the contract.

The contract stipulates that the prices quoted by SSA will be as low, or lower than, those charged to the contractor's most favored customer. Another contract provision stipulates that payment is made per final product, rather than payment per hour.

## ***Disabled Individuals Hiding Self-employment Income or Earnings (2 Reviews)***

### ***Objective***

To identify DI beneficiaries who concealed their self-employment income or earnings by transferring them to another individual.

### ***Background***

An individual is considered disabled, for the purposes of the DI program, if (s)he cannot engage in any SGA. SGA is used to describe a level of work activity and earnings. Substantial work activity involves significant physical or mental work, or a combination of both that is productive. If an individual is engaging in SGA, (s)he is not eligible for disability benefits. Because of the SGA stipulations, some unscrupulous individuals awarded disability benefits under the DI program may be inclined to deliberately conceal self-employment income or earnings by transferring the income to another person, such as a spouse.

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## ***Dismissals by Administrative Law Judges***

### ***Objective***

To determine whether cases dismissed by ALJs could have been dismissed more timely.

### ***Background***

Of 558,760 dispositions made by ALJs in FY 2006 we analyzed, ALJs dismissed 79,362 cases (14 percent). Dismissals are included in ODAR's and ALJs' production numbers. There are 10 types of dismissals, each of which may take differing amounts of time to process. Below are the categories and the number of cases in each category in FY 2006.

- 2,003 Death of claimant
- 42,729 Abandonment - No show to hearing
- 45 Improper party filed for hearing
- 100 Favorable Determination - Revised favorable action issued by lower level
- 21,511 Claimant withdraws request for hearing
- 614 Favorable determination made on new claim
- 3,991 Claimant has no right to hearing
- 2,361 Other - Appeals Council remands or earlier application
- 765 Special - Used under management direction

- 5,243 Untimely request for hearing and no good cause

Preliminary analyses of cases processed in FY 2006 show that the average processing time for dismissals was longer than the average processing time for all cases. Further, the average processing time for dismissals due to the claimant's death had the longest processing time of all dismissals.

## ***Hearing Office Remand Processing***

### ***Objective***

To determine whether hearing offices are appropriately reviewing and processing remands as required.

### ***Background***

As part of the hearings and appeals process for claimants, the Appeals Council can remand a case to an ALJ for additional review. A remand order requires that an ALJ issue a new decision. In addition, the remand order may direct an ALJ to take further action, such as developing evidence or holding a supplemental hearing. The Appeals Council has the authority to review and remand a case if there is

- an appearance of abuse of discretion by the ALJ;
- an error of law;
- an action, finding or conclusion by the ALJ that is not supported by substantial evidence; or
- the existence of a broad policy or procedural issue that may affect the general public interest.

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***Initial Disability Determination Services' Determinations Subsequently Allowed by the Office of Disability Adjudication and Review***

***Objective***

To analyze trends in initial DDS decisions reversed by ODAR.

***Background***

SSA faces a considerable challenge in processing the approximately 740,000 cases pending in ODAR.

We analyzed the 453,432 cases ODAR closed in FY 2006 that were appeals of initial DDS decisions. Of these, ODAR reversed 330,207 cases (73 percent). We analyzed the impairments with an ODAR reversal rate of 75 percent or greater and found that 4 impairments most frequently appealed accounted for 218,698 (48 percent) of the 453,432 initial cases decided by ODAR in FY 2006.

***Medical Consultant Contracts Review***

***Objective***

To ensure SSA had appropriate oversight over contracts with medical consultants in FY 2006. Specifically, we will determine whether

- SSA received the services prescribed;
- there are differences in how the contracts were monitored in SSA's regional offices and Headquarters; and
- best practices related to the oversight of the contracts.

***Background***

Medical consultant services are contracted with physicians and other medical providers (psychologists, speech pathologists, etc.) by each regional office. The medical consultants are contracted to review certain medical decisions rendered by the each State DDS. The sample of cases to review is selected by each region's Disability Quality Branch. In each region, the contracting officer works with the medical consultants while a team of project officers from the Center for Disability unit certifies the medical consultants performed the contracted work.

In FY 2006, there were 654 medical consultants providing medical reviews nationwide. These contracts totaled about \$33.1 million.



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## ***The Social Security Administration's Disability Insurance Triennial Redetermination Process***

### ***Objective***

To determine whether SSA is properly identifying and processing cases subject to the triennial redetermination process.

### ***Background***

DI beneficiaries whose benefits have been offset for 3 consecutive years because of WC benefits are eligible for a triennial redetermination. When SSA conducts a triennial review, staff is required to obtain current WC verification if the verification on file is more than 1 year old.

## ***The Social Security Administration's Ticket to Work—Cost-Effectiveness***

### ***Objective***

To determine whether the costs of the Ticket to Work and Self-Sufficiency Program (Ticket Program) have led to sustained economic self-sufficiency for disabled beneficiaries and generated savings for SSA.

### ***Background***

The Ticket Program was established by the *Ticket to Work and Work Incentives Improvement Act of 1999*. The Ticket Program provides eligible DI beneficiaries and SSI recipients with tickets, which can be used to obtain State Vocational Rehabilitation Agency or Employment Network services. The Program was intended to provide beneficiaries with

greater freedom and choice of service providers and increase the access and quality of rehabilitation and employment services available. To date, SSA has mailed over 12 million tickets to disabled beneficiaries. As of March 30, 2007, approximately 165,500 tickets had been assigned.

## ***Use of Video Hearings to Reduce the Hearing Case Backlog***

### ***Objective***

To determine whether ODAR's use of video hearings has increased the number of hearings scheduled and heard, increased dispositions, minimized travel by ALJs, reduced pending caseload, and decreased processing time.

### ***Background***

Video hearings allow ALJs to conduct hearings without being in the same location as the claimant and representative. In FY 2006, ODAR held 40,000 hearings using video equipment. SSA has installed 376 video hearing units.

During video hearings, the ALJ sees and speaks with the claimant and anyone who accompanies the claimant via a television screen. A person at the videoconference site monitors the equipment and assists the claimant before and during the hearing. The claimant can see and speak with the ALJ and anyone who is with the ALJ or at another video teleconference site, such as a medical or vocational expert. The audio/visual transmission is secure, and the hearing is not videotaped. An audio recording is made for the case record.



## IMPROPER PAYMENTS AND RECOVERY OF OVERPAYMENTS

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*Improper payments are defined as any payment that should not have been made or was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Examples of improper payments include payments made to ineligible recipients, duplicate payments, and payments that are for the incorrect amount. Furthermore, the risk of improper payments increases in programs with a significant volume of transactions, complex criteria for computing payments, and an overemphasis on expediting payments.*

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

The President and Congress continue to express interest in measuring the universe of improper payments in the Government. In August 2001, OMB published the President's Management Agenda, which included a Government-wide initiative for improving financial performance, including reducing improper payments. The *Improper Payments Information Act of 2002* was enacted in November 2002, and OMB issued guidance in May 2003 on implementing this law. In August 2006, OMB updated and revised this guidance. Significant updates to the guidance include new language to clarify the definition of an improper payment and clarification of OMB's authority to require that agencies track programs with low error rates (that is, less than 2.5 percent) but significant improper payment amounts.

In FY 2006, SSA issued over \$575 billion in OASDI and SSI benefit payments to about 53 million people—and some improper payments are unavoidable. Since SSA is responsible for issuing timely benefit payments for complex entitlement programs to millions of people, even the slightest error in the overall process can result in millions of dollars in over- or underpayments.

In January 2007, OMB issued a report *Improving the Accuracy and Integrity of Federal Payments* that noted that eight Federal programs—including SSA's OASDI and SSI programs—accounted for more than 89 percent of the improper payments in FY 2006. However, this report also noted that the OASDI error rate dropped by one-tenth of 1 percent which translated to a \$401 million reduction in improper payments.

SSA has been working to improve its ability to prevent over- and underpayments by obtaining beneficiary information from independent sources sooner and using technology more effectively. For example, the Agency is continuing its efforts to prevent payments after a beneficiary dies through the use of Electronic Death Registration information. Also, the Agency's continuing disability review process is in place to identify and prevent beneficiaries who are no longer disabled from receiving payments.

In April 2006, we issued a report on overpayments in SSA's disability programs where we estimated that SSA had not detected about \$3.2 billion in overpayments from October 2003

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through November 2005 as a result of conditions that existed as of October 2003 or earlier. We also estimated that SSA paid about \$2.1 billion in benefits annually to potentially ineligible beneficiaries. More recently, in the second quarter of FY 2007, SSA detected about \$293.7 million in new overpayments under its DI program.

We will continue to work with SSA to identify and address improper payments in its programs. For example, in our November 2006 review, *Title II Disability Insurance Benefits with a Workers' Compensation Offset*, we found that the percentage of payments in error identified in this report declined significantly when compared to the percentage we reported in our prior WC offset audits. However, although there has been improvement in reducing improper payments due to WC, we still identified about 25,377 disability insurance claims totaling approximately \$149 million that had payment errors. SSA agreed to implement the five recommendations we made regarding this workload.

In FY 2008, we plan to complete 22 reviews and begin 32 reviews in this area.

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## **WE PLAN TO COMPLETE THE FOLLOWING REVIEWS IN FY 2008**

Adjustment of Overpayment Balances Related to Critical Payments  
Administrative Wage Garnishment  
Automated One-time Payments  
Disabled Individuals Potentially Eligible as Auxiliary Beneficiaries  
Dually Entitled Beneficiaries Subject to Government Pension Offset and the Windfall Elimination Provisions  
Follow-up: Impact on the Social Security Administration's Programs When Auxiliary Beneficiaries Do Not Have Their Own Social Security Numbers  
Follow-up: The Social Security Administration's Management of its *Federal Employees' Compensation Act* Program  
Manual Override of System Calculations of Supplemental Security Income Payments  
Old-Age, Survivors and Disability Insurance Benefits Affected by Government Pensions  
Overstated Earnings and Their Impact on Title XVI Recipients  
Retirement Benefits Payable to Spouses and Surviving Spouses over Age 70  
Social Security Administration Employees Receiving Benefits  
Status of Repayment Agreements  
Supplemental Security Income Recipients with Automated Teller Machine Withdrawals Indicating They Are Outside the United States  
The Social Security Administration's Computation of Delayed Retirement Credits  
The Social Security Administration's Controls over Deleted Title II Overpayments  
The Social Security Administration's Use of Administrative Sanctions  
Title II Beneficiaries in Canada  
Title II Benefits to Fugitives  
Underpayments Payable on Behalf of Terminated Title II Beneficiaries  
Unprocessed Annual Earnings Test Workload  
Unprocessed Manual Recalculations for Title II Overpayments

## **WE PLAN TO BEGIN THE FOLLOWING REVIEWS IN FY 2008**

AB Accruals Processed Through MADCAP  
Cessation of Auxiliaries' Benefits When Primary Beneficiary's Benefits are Terminated  
Concurrent Receipt of Title XVI and Title IV-E Payments  
Concurrently Entitled Beneficiaries with Inconsistent Payment Status Codes  
Controls over Changes Made to Title II Direct Deposit Routing Numbers

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Controls over Retroactive Partial Withholding Actions

Controls over Title 16 Immediate Payments

Corporate Officers Receiving Disability Insurance or Supplemental Security Income Payments

Discrepancies in Medicare Enrollment Data on Social Security Administration and Centers for Medicare and Medicaid Services Records

Effectiveness of the Treasury Office Program

Federal Employees Receiving both *Federal Employees' Compensation Act* and Disability Insurance Payments

Follow-up: Controls over Recording Supplemental Security Income Overpayments

Follow-up: Title II Benefit Payments to Individuals Whose Numident Record Contains a Death Entry

Follow-up: Title XVI Overpayment Waivers

Improper Payments Resulting from Unresolved Delayed Claims

Manual Adjustment, Credit and Award Process Payments Greater than \$3,000 Issued for Survivor Benefits

Multiple Benefit Payments to the Same Post Office Box and Commercial Mail Boxes

Overpayment Compromise Settlements for Title II Beneficiaries

Overpayment Compromise Settlements for Title XVI Recipients

Potential Overpayments due to Incomplete Quarterly Wage Data from the Office of Child Support Enforcement

Streamlining of the Medicare Non-Usage Project

Supplemental Security Income Recipient Marriages Not Recorded on the Social Security Administration's Systems

Supplemental Security Income Recipients with Unverified Wages

The Social Security Administration's Collection of Fraud Restitution

The Social Security Administration's Controls for Underpayments Deposited into Dedicated Accounts

The Social Security Administration's Foreign Enforcement Questionnaire

The Social Security Administration's Unverified Prisoner System

Underpayments Payable Under the Annual Earnings Test Provisions

Unmatched Items in the Death Alert Control and Update System

Unresolved Title II Overpayments

Unresolved Title XVI Overpayments

Usefulness of Bank Account Data to Identify Supplemental Security Income Recipients with Excess Income or Resources

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## ***Adjustment of Overpayment Balances Related to Critical Payments***

### ***Objective***

To determine whether overpayment balances were properly adjusted after the issuance of a critical or immediate payment.

### ***Background***

When the amount of benefits paid is more than the amount due, the difference is an overpayment. Once detected, the liable individual is sent an overpayment notice of the debt and the options available. The overpayment notice provides an explanation of how and when the overpayment occurred.

If the liable individual questions the overpayment determination, SSA will not interrupt the benefit payments until there is a final decision. However, when a beneficiary fails to respond timely, withholding of monthly benefits will occur to recover the overpayment. For beneficiaries who depend on Title II benefits to meet living expenses, SSA's withholding can create a hardship. In "critical cases," when a beneficiary subsequently objects to the withholding, SSA can issue a critical or immediate payment to expedite the replacement of benefits not received.

When benefits are withheld to recover an overpayment and are later re-issued to the beneficiary, responsible program service center technicians must adjust (or update) the beneficiary's Recovery of Overpayments, Accounting and Reporting Record to show the overpayment amount is still outstanding.

## ***Administrative Wage Garnishment***

### ***Objective***

To assess SSA's implementation of administrative wage garnishment.

### ***Background***

*The Debt Collection Improvement Act of 1996* authorizes Federal agencies to use wage garnishment to collect delinquent debts, including those owed to SSA. Administrative wage garnishment is a process whereby an employer withholds amounts from an employee's wages and pays those amounts to the employee's creditor.

The Agency decided to implement administrative wage garnishment in phases. The first phase included prospective debts, or debt that became delinquent after January 2005. The last phase, which included debt delinquent prior to January 2005, was implemented in August 2006. As of January 29, 2007, SSA had about 7,381 active administrative wage garnishment accounts totaling about \$102,738,483 in overpayments. SSA reported it had collected about \$1,576,364 in delinquent debt using administrative wage garnishment.

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## ***Automated One-time Payments***

### ***Objective***

To determine whether SSA effectively managed automated one-time payments.

### ***Background***

Automated one-time payments are out-of-cycle, one-time payments that can be issued to Title XVI recipients. In a recent fraud case, an SSA manager awarded SSI payments to individuals not otherwise authorized to receive SSI. In a hand-written note, the manager stated an ALJ awarded the individual retroactive, multi-year benefits. He prepared SSA Forms 4618 authorizing payment and requested the claims representative process the payments.

The manager also authorized automated one-time payments on legitimate SSI records but diverted the payments to bank accounts controlled by friends. In these instances, overpayment notices were generated to the innocent recipients. However, in most instances, the recipients repaid the overpayments without question. The manager redirected more than \$300,000 before his actions were detected.

## ***Disabled Individuals Potentially Eligible as Auxiliary Beneficiaries***

### ***Objective***

To determine whether SSI recipients are eligible as auxiliary beneficiaries for OASDI benefits as disabled children.

### ***Background***

The SSI program provides cash assistance to individuals who have limited income and resources and who are either age 65 or older, blind or disabled. The OASDI program provides benefits to qualified retired and disabled workers and their dependents, and to survivors of insured workers. According to SSA policy, an application for benefits under any one program is considered an application for all programs administered by the Agency.

Individuals receiving SSI payments may also be eligible for OASDI benefits as disabled children. A date of disability onset before age 22 could allow applicants to become eligible for OASDI payments as disabled children. These individuals may be eligible based on their parents' entitlement to OASDI benefits, or upon a parents' death. Generally, non-medical factors are not considered when determining eligibility for benefit payments when applicants are classified as disabled children under the OASDI program. For example, an individual's resources are not considered by the Agency when determining OASDI eligibility.



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***Dually Entitled Beneficiaries Subject to Government Pension Offset and the Windfall Elimination Provisions***

***Objective***

To determine whether SSA properly imposes Government Pension Offset and Windfall Elimination Provisions for dually entitled beneficiaries.

***Background***

The Windfall Elimination Provision of the Act eliminates “windfall” Social Security benefits for retired and disabled workers receiving pensions from employment not covered by Social Security. Under this provision, a modified benefit formula is used to determine a wage earner’s monthly benefit.

The Government Pension Offset provision reduces monthly benefits for spouses, divorced spouses, and surviving spouses who also receive a pension based on their own work for a State or local government that was not covered by Social Security. The Government Pension Offset reduction is equal to two-thirds of the government pension.

***Follow-up: Impact on the Social Security Administration’s Programs When Auxiliary Beneficiaries Do Not Have Their Own Social Security Numbers***

***Objective***

To determine whether SSA implemented the recommendations from our September 2002 report, *Impact on the Social Security Administration’s Programs When Auxiliary Beneficiaries Do Not Have their Own Social Security Numbers*.

***Background***

Auxiliary beneficiaries are children, widows, spouses and parents who receive OASDI benefits based on another wage earner’s Social Security record. As such, the primary wage earner’s SSN - not the auxiliary beneficiary’s SSN - is used to track the auxiliary beneficiary’s benefit payments on the MBR. SSA commonly refers to the auxiliary beneficiary’s SSN as the Beneficiary’s Own Account Number.

Our 2002 audit found that SSA’s ability to ensure payment accuracy in the OASDI and SSI programs was impacted when auxiliary beneficiaries did not have their own SSN on the primary wage earner’s MBR. Specifically, we found 126,471 auxiliary beneficiaries receiving benefits as of August 2001 whose SSNs were missing from the MBR, and we identified approximately \$8.91 million incorrectly paid because SSNs were missing.

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

***Objective***

To determine the extent to which SSA implemented certain recommendations from our October 2001 report, *The Social Security Administration's Management of its Federal Employees' Compensation Act Program*.

***Background***

During our prior review, we assessed SSA's management of its *Federal Employees' Compensation Act* (FECA) program. In addition, we reviewed the extent to which SSA implemented other related audit recommendations.

We will review the actions taken by the Agency to implement our prior recommendations.

***Manual Override of System Calculations of Supplemental Security Income Payments***

***Objective***

To determine whether SSA's internal controls are adequate to ensure manual overrides of system calculations for SSI payments are reviewed in accordance with SSA's policies and procedures.

***Background***

In 1972, Title XVI of the Act established the SSI program, which is a nationwide Federal cash assistance program that guarantees a minimum level of income to financially needy individuals who meet certain criteria.

When SSA's automated system cannot compute an accurate SSI payment, the payment must be manually computed, and the system must be forced to pay the manually computed amount (force due cases).

Any qualified employee designated by management may manually override system-calculated SSI payments. SSA policy requires peer or higher review of all forced payments. Documentation of the review should be recorded in SSA's system.

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## ***Old-Age, Survivors and Disability Insurance Benefits Affected by Government Pensions***

### ***Objective***

To determine whether applicable reductions occurred to OASDI benefits as a result of beneficiaries receiving government pensions.

### ***Background***

Two provisions of the Act can impact OASDI benefits of individuals who are also receiving pensions from non-*Federal Insurance Contributions Act* taxable wages. First, the Windfall Elimination Provision affects the computation of OASDI benefits for individuals receiving such payments based on their own earnings. Second, the Government Pension Offset Provision affects OASDI benefits made to spouses. When these provisions are applicable, beneficiaries receive reduced OASDI benefits. However, under Government Pension Offset, the OASDI benefits can be eliminated.

SSA relies on beneficiaries to report their government pensions. Failure to report the receipt of a pension or annuity based on non-*Federal Insurance Contributions Act* taxable wages after 1956 could result in overpayments and monetary penalties.

## ***Overstated Earnings and Their Impact on Title XVI Recipients***

### ***Objective***

To determine what impact intentionally overstated self-employment income has on individuals receiving Title XVI payments.

### ***Background***

SSA is responsible for maintaining accurate individual earnings records. Self-employed individuals report their self-employment income on the appropriate Federal income tax schedules. This self-employment income is posted to the MEF. SSA uses earnings posted to the MEF to determine eligibility for retirement, survivors, disability, and health insurance benefits and to calculate benefit amounts.

In a prior audit, we reviewed overstated self-employment income related to the Title II beneficiaries and found that beneficiaries were reporting false earnings on their Federal income tax form to receive the IRS' Earned Income Tax Credit. Title II beneficiaries would file tax returns with self-employment income, receive the Earned Income Tax Credit, and later disclaim the self-employment income to SSA.

Title XVI benefits are adjusted downward when SSA becomes aware of earnings. When the earnings are removed, the benefits are adjusted upwards.

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## ***Retirement Benefits Payable to Spouses and Surviving Spouses over Age 70***

### ***Objective***

To determine the effectiveness of SSA's controls and procedures to ensure spouses and surviving spouses who postpone retirement to accumulate delayed retirement credits receive the highest benefits due them after age 70.

### ***Background***

The Act requires that spousal and survivor benefits be terminated when the beneficiary becomes entitled to retirement or disability benefits that equal or exceed one-half of the worker's primary insurance amount. However, SSA does not terminate the spousal or survivor benefits until the beneficiary reapplies for the higher retirement or disability benefits.

The delayed retirement credit is a monthly credit awarded to workers who are eligible for, but are not paid, retirement benefits from full retirement age until age 70. The delayed retirement credit increases the amount of benefits payable to eligible workers who voluntarily postpone retirement. Currently, the delayed retirement credits provide for annual increases of up to 8 percent in retirement benefits.

## ***Social Security Administration Employees Receiving Benefits***

### ***Objective***

To identify SSA employees receiving OASDI benefits inappropriately by not reporting their earnings.

### ***Background***

Individuals are disabled under SSA's regulations if they are unable to engage in SGA by reason of any medically determinable physical or mental impairment that can be expected to result in death or has lasted, or can be expected to last, for a continuous period of no less than 12 months.

SGA is defined as work that involves significant physical or mental activities performed for pay or profit. SSA has established earnings guidelines to determine whether an individual is engaged in SGA. Average monthly earnings of over \$900 may indicate the ability to engage in SGA. Because an individual's entitlement to disability benefits is based on the determination that he/she cannot engage in SGA, SSA must perform a continuing disability review when earnings indicate the beneficiary has returned to work.

The annual earnings test is used to determine whether retirement beneficiaries below the full retirement age have earnings over the annual exempt amount—\$12,480 in 2006 and \$12,960 in 2007. Beneficiaries who are younger than full retirement age and earn over the annual exempt amount should receive reduced benefits.

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## ***Status of Repayment Agreements***

### ***Objective***

To determine whether overpaid beneficiaries who have agreements with SSA to make installment payments to repay the improper payments are doing so according to the agreement.

### ***Background***

Generally, SSA has two types of debt that are determined by entitlement status (1) current pay debt, owed by individuals who receive benefits and (2) nonpay debt, owed by those who are not on the benefit rolls.

SSA's collection process depends mainly upon the debtor's entitlement status. When the debtor is a beneficiary, SSA's initial overpayment letter informs the individual that, if full repayment is not made, recovery will be accomplished through offset of future benefits.

If the debtor is no longer a beneficiary, SSA sends an initial overpayment letter requesting payment in full or by regular installments. If no payment is received, SSA uses its billing and follow-up system to send a series of progressively stronger follow-up notices, then has debt collectors attempt personal contact to establish a repayment agreement. At any time during this process that the individual contacts SSA to establish a repayment arrangement, SSA's debt collectors negotiate an arrangement with the individual and set up the account for monthly billing. If the individual misses any of the monthly payments, a follow-up process is set in motion.

## ***Supplemental Security Income Recipients with Automated Teller Machine Withdrawals Indicating They Are Outside the United States***

### ***Objective***

To determine whether automated teller machine data can be used to identify SSI recipients in current pay status who appear to be outside the United States for longer than 30 days and no longer eligible for payments.

### ***Background***

The Act states that no individual shall be considered eligible for SSI payments for any month they are outside the United States. Additionally, the Act states that "...after an individual has been outside the U.S. for any period of 30 consecutive days, he shall be treated as remaining outside the U.S. until he has been in the U.S. for a period of 30 consecutive days."

A July 2003, GAO report *SSI: SSA Could Enhance Its Ability to Detect Residency Violations* noted that overpayments resulting from residency violations totaled about \$118 million between 1997 and 2001, and recipients born outside the United States accounted for at least 87 percent of these overpayments. The \$118 million, however, only represented violations detected by SSA. Our review will obtain automated teller machine withdrawal records from financial institutions to help identify SSI recipients who may be accessing their SSI payments outside the United States for extended periods of time.

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***The Social Security Administration's Computation of Delayed Retirement Credits***

***Objective***

To determine whether SSA accurately adjusts benefits of retired wages earners for delayed retirement credits.

***Background***

Individuals may increase the amount of retirement benefits they will receive by delaying retirement beyond full retirement age. The amount of the increase, referred to as a delayed retirement credit, depends on the number of months a worker was at least full retirement age and fully insured and eligible for retirement benefits but did not receive benefits because he or she was working or had not filed an application for benefits. Workers can continue to earn delayed retirement credits until they attain age 70.

***The Social Security Administration's Controls over Deleted Title II Overpayments***

***Objective***

To determine whether deleted Title II overpayment actions were proper and did not result in the elimination of a valid overpayment.

***Background***

An overpayment is the total amount an individual received for any period that exceeds the total amount that should have been paid for that period. An overpayment for which a refund is requested or an adjustment is proposed against the person primarily liable is established on an overpayment accounting system known as Recovery of Overpayments, Accounting and Reporting.

Each Recovery of Overpayments, Accounting and Reporting record is established by SSN and, in most cases, includes recent actions processed against the record, the cause of the overpayment, overpayment amount and status, remittance agreement status where applicable, reconsideration and waiver information and identification of the individual liable for the overpayment.

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## ***The Social Security Administration's Use of Administrative Sanctions***

### ***Objective***

To determine whether SSA is using administrative sanctions to the fullest extent possible as a deterrent to fraud and abuse in its programs.

### ***Background***

Amendments to the Act, effective December 1999, authorize the Agency to impose a period of benefit suspension as a deterrent to fraud and abuse of SSA's programs and operations. Administrative sanctions can be imposed on benefits under certain conditions.

When a sanction is imposed, the claimant will not receive benefit payments for the duration of the sanction period. The length of the penalty for sanctioned individuals increases with each offense. The individual is sanctioned by suspension of their payments for 6, 12, or 24 months for the first, second, or third offense, respectively.

## ***Title II Beneficiaries in Canada***

### ***Objective***

To verify the existence of Title II beneficiaries residing in Canada and ensure SSA's records are accurate.

### ***Background***

Under the Title II program, SSA pays retirement, disability or survivor benefits to eligible individuals and/or their family members. Unlike the SSI program, there is no prohibition against receiving Title II benefits while residing in a foreign country. However, because these beneficiaries reside outside the United States, we believe there is an increased risk that SSA will not timely detect events (such as death) that could impact the beneficiaries' eligibility for payments.

Of the approximately 400,000 Title II beneficiaries residing outside the United States, about 97,000 have a Canadian address. Also, about 95 percent of the beneficiaries in Canada are over 65 and receiving retirement benefits. The remaining 5 percent are either receiving disability or survivor benefits.

In April 2007, an appendix to the existing Administrative Understanding on Mutual Assistance between Canada and the United States was approved by both countries allowing for a project to verify the existence of a sample of beneficiaries in both Canada and the United States.

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## ***Title II Benefits to Fugitives***

### ***Objective***

To quantify the actual savings achieved and determine the final outcome for Title II beneficiaries identified as fugitives.

### ***Background***

Section 202(x)(1)(A) of the Act, as amended by Public Law No. 108-203, provides that, beginning January 2005, no monthly benefits will be paid to any individual for any month during which he/she has an unsatisfied Federal, state or international law enforcement warrant for more than 30 continuous days for a

- crime, or attempted crime, that is a felony or, in jurisdictions that do not classify crimes as felonies, a crime that is punishable by death or imprisonment for more than 1 year (regardless of the actual sentence imposed) or
- violation of a condition of probation/parole imposed under Federal or State law.

## ***Underpayments Payable on Behalf of Terminated Title II Beneficiaries***

### ***Objective***

To determine whether SSA takes appropriate actions to pay underpayments due terminated beneficiaries.

### ***Background***

A Title II underpayment is a benefit amount due an entitled individual that has not been paid. Underpayments usually result from unpaid accrued benefits or unnegotiated checks to deceased individuals. An underpayment due a living person will generally be paid automatically to the individual or representative payee. An underpayment due a deceased person can be claimed by third parties, such as auxiliary beneficiaries.



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## ***Unprocessed Annual Earnings Test Workload***

### ***Objective***

To assess SSA's efforts in resolving its backlog of unprocessed records that are subject to the annual earnings test.

### ***Background***

Social Security benefits are meant to replace, in part, earnings lost to an individual or family because of retirement, disability or death. SSA uses an earnings test to measure the extent of a beneficiary's retirement and determine any amounts to be deducted from monthly benefits. Benefit deductions are made from benefits due any beneficiary under full retirement age who earns an amount, either in wages or self-employment income or both, over the annual exempt amount.

SSA compares the earnings posted to the MEF with the amount on the MBR. This process, called the Earnings Enforcement Operation, is designed to detect potential over- and underpayments for beneficiaries subject to the annual earnings test. SSA then adjusts beneficiaries' payments based on the earnings on the MEF. SSA performs the Earnings Enforcement Operation three times per year, after the end of each calendar year—usually in May, July, and the following February.

## ***Unprocessed Manual Recalculations for Title II Overpayments***

### ***Objective***

To determine whether SSA (1) adjusts Title II benefits when earnings are removed from beneficiaries' earnings records and (2) calculates and assesses over- and underpayments when appropriate

### ***Background***

SSA's Title II program depends on accurate earnings information to determine whether an individual is eligible for benefits and calculate the amount of benefit payments. Hence, new, removed, and adjusted earnings may change benefit amounts.

Benefit recalculations based on new earnings are initiated through SSA's Automated Earnings Reappraisal Operations system, which is a process that screens earnings records that have changes in earnings information and computes the necessary changes. Automated Earnings Reappraisal Operations adjust benefits when earnings are added to a beneficiary's earnings record. However, when earnings are removed, the system generates an alert that must be manually processed by SSA employees.



## INTERNAL CONTROL ENVIRONMENT AND PERFORMANCE MANAGEMENT

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*Sound management of public programs includes effective internal control and performance management. Internal control comprises the plans, methods and procedures used to meet missions, goals and objectives. SSA management is responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Similarly, SSA management is responsible for determining whether the programs it manages achieve intended objectives.*

OMB Circular A-123 requires that SSA develop and implement cost-effective internal controls for results-oriented management. Internal controls are important when SSA works with third parties to help complete its important workloads. For example, disability determinations under DI and SSI are performed by DDSs in each State. DDSs are responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations. SSA reimburses the DDS for 100 percent of allowable expenditures up to its approved funding authorization. We conduct audits of state DDSs to ensure the costs they claimed are allowable, and the DDSs have proper internal controls over the accounting and reporting of the administrative costs SSA reimburses.

From FY 2000 through September 2007, we conducted 61 DDS administrative cost audits. In 32 of the 61 audits, we identified internal control weaknesses and over \$110 million in questioned costs and/or funds that could be put to better use. Fourteen of the 61 audits conducted were completed in FY 2007. Six of these reports noted similar control weaknesses identified in DDS audits in previous years and over \$28 million of questioned costs and/or funds that could be put to better use. We believe the large dollar amounts claimed by State DDSs and the control issues we have identified warrant that this issue remains a major management challenge.

Another area that involves third parties and requires effective internal controls is the selection and oversight of contractors. Contracting is increasingly seen as an effective way to support Federal agencies in managing increasing workloads with diminished levels of staff. In FY 2006, SSA spent over \$820 million on contracts. We will review multiple contracts in FY 2008 to ensure SSA is getting the services it is paying for and that SSA has proper internal controls in place to ensure effective oversight of contractors.

Multiple initiatives have highlighted the importance of performance management. The *Government Performance and Results Act* requires that SSA develop multi-year strategic and annual performance plans that establish its strategic and performance goals. The PMA has focused on the integration of the budget and performance measurement processes. The PMA calls for agencies to identify high quality outcome measures, accurately monitor program performance, and integrate this presentation with associated costs. OMB developed the Program Assessment Rating Tool (PART) to identify government programs' strengths and weaknesses and inform funding and management decisions aimed at making the programs more effective. The PART includes a review of multiple factors that affect and reflect performance including program purpose and design; performance measurement, evaluations, and strategic planning; program management; and program results. In FY 2008, we will continue to assess SSA's ability to manage performance and meet the goals established to accomplish SSA's mission and serve the American public.

In FY 2008, we plan to complete 25 reviews, begin 24 reviews, and oversee the reviews of 4 performance measures in this area.

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## **WE PLAN TO COMPLETE THE FOLLOWING REVIEWS IN FY 2008**

Administrative Costs Claimed by the Alabama, Colorado, Connecticut, District of Columbia, Georgia, Kentucky, Michigan, Nebraska, New Mexico, Rhode Island and Washington State Disability Determination Services (11 Reviews)

CESSI Incurred Cost Rates for Fiscal Years 2006 and 2007

Compliance with On-site Security Control and Audit Review Requirements (2 Reviews)

Contract Audits: ABT Associates; E-Structors, Inc.; Lockheed Martin Government Services, Inc.; MDRC; and Unified Consultants Group (5 Reviews)

Controls over Benefit Payments in Instances where the Social Security Administration Removed a Death Entry from the Beneficiary's Record

Controls over the Social Security Administration's Transit Subsidy Program

Fiscal Year 2007 Financial Statement Audit Oversight

Fiscal Year 2007 Inspector General Statement on the Social Security Administration's Major Management Challenges

MAXIMUS' Youth Continuing Disability Review Contract Closeout

Oversight of Social Security Administration Contract with SourceLink to Mail Social Security Statements

Performance Indicator Audits: Earnings, Hearings and Appeals, Post-entitlement Disability Actions, and Disability Determination Service Processing (4 Reviews)

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## WE PLAN TO BEGIN THE FOLLOWING REVIEWS IN FY 2008

Administrative Costs Claimed by the Arizona, Kansas, Ohio, Oregon, Pennsylvania, Texas and Utah Disability Determination Services (7 Reviews)

Collection of Backup Withholdings Taxes from Vendors

Contract Audits: Nobis Enterprises, Virginia Commonwealth University and Westat (3 Reviews)

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

Effectiveness of Inter-agency Agreements

Effectiveness of the Social Security Administration's Inventory of its Equipment That Contains Personally Identifiable Information

Fiscal Year 2008 Financial Statement Audit Oversight

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

Grants Management

Headquarters Mailroom Contract

Indirect Costs Claimed by the New York Division of Disability Determination

Internal Controls over the *Freedom of Information Act* Process

Issuance of Internal Revenue Service Forms 1099 to Attorneys

MAXIMUS' Incurred Cost Rates and Ticket to Work Contract Closeout (2 Reviews)

The Social Security Administration's Strategic Vision Planning Process

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***Administrative Costs Claimed by the Alabama, Colorado, Connecticut, District of Columbia, Georgia, Kentucky, Michigan, Nebraska, New Mexico, Rhode Island and Washington State Disability Determination Services***

***Objective***

To (1) evaluate the DDS' internal controls over the accounting and reporting of administrative costs, (2) determine whether costs claimed by the DDS were allowable and funds were properly drawn, and (3) assess limited areas of the general security controls environment.

***Background***

Disability determinations under both DI and SSI are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligation, each State agency is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations.

***CESSI Incurred Cost Rates for Fiscal Years 2006 and 2007***

***Objective***

To evaluate the indirect cost rates as reported in the CESSI indirect cost rate proposals. We will determine whether the costs used to develop these rates were reasonable, allowable, and allocable in accordance with the contract terms and applicable Government acquisition regulations.

***Background***

CESSI corporation offers various program management and operations services to Federal clients. In FYs 2006 and 2007, CESSI was an SSA contractor. CESSI must submit indirect cost proposals to the cognizant Federal agency for approval. For the years of our audit, SSA was the cognizant agency.

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## ***Compliance with On-site Security Control and Audit Review Requirements***

DDSs and Program Service Centers

### ***Objective***

To assess SSA's procedures for (1) selecting offices for On-site Security Control and Audit Reviews (OSCAR), (2) ensuring appropriate coverage of vulnerable areas, (3) correcting identified deficiencies, and (4) using the results to improve the overall OSCAR process.

### ***Background***

SSA designed the OSCAR program to comply with the Federal requirements associated with management controls and provide assurance the financial, program and administrative processes are functioning as intended. These requirements include the *Federal Managers' Financial Integrity Act*.

SSA conducts OSCARs at DDSs, field offices, teleservice centers, hearing offices, and program service centers. OSCARs cover program and administrative functions. For example, the field office OSCARs cover third-party draft accounts; acquisitions; refund and remittance processes; time and attendance; security of automated systems; physical and protective security; enumeration; and integrity review areas.

Successful implementation of the OSCAR process, as well as appropriate follow up on problem areas, can correct deficiencies in SSA's programs, ensure adequate controls, and reduce the potential risk to the safety of Federal employees and the public, Federal resources, and sensitive information.

## ***Contract Audits***

### ***Background***

**ABT Associates**—This contract is to develop a multi-site, demonstration project that tests alternate methods of treating work activity in the Title II disability program. This award was conditional upon successful performance of the design phase. The contract period is September 30, 2004 to June 30, 2007 in the amount of \$5,504,081.

**E-Structors, Inc.**—To provide off-site commercial document destruction and recycling services for various buildings at SSA Headquarters and several leased facilities in Woodlawn, Maryland. The contract was awarded in September 2006 for \$55,500.00.

**Lockheed Martin Government Services, Inc.**—To provide scanning of medical and non-medical evidence, and provides related activities, including data transmission, and electronic and paper document control to support SSA offices, DDSs and the eDIB initiative.

**MDRC**—For program review/development services to test the impact of providing immediate cash benefits and Medicare to Title II applicants. The contract is for \$41 million for the contracted service period from January 2006 through January 2011.

**Unified Consultants Group**—To analyze existing security measures in SSA facilities and provide findings and recommendations for corrective actions to enhance the Agency's physical security programs. Option year I was funded and will extend through September 28, 2007. There is another option year through September 28, 2008, which SSA plans to exercise.

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***Controls over Benefit Payments in Instances where the Social Security Administration Removed a Death Entry from the Beneficiary's Record***

***Objective***

To evaluate the appropriateness of benefits paid in instances when SSA has removed a death entry for a current beneficiary.

***Background***

SSA will accept and post an individual's death on their record when the death is reported by the individual's relative, friend, neighbor, or other source. The person who reports the death must provide SSA with the name, date of birth, and SSN of the deceased individual before SSA can add the death to the DMF. Erroneous death entries can lead to benefit termination and result in severe financial hardship and distress to the beneficiary/recipient. Conversely, the removal of legitimate death entries could allow for the authorization and payment of fraudulent retirement and disability benefits.

If a death report is posted in error, SSA will delete the death entry from the DMF (resurrect the record) and, when applicable, reinstate benefit payments. SSA employees may only process transactions to resurrect a record when presented with proof the original death entry was posted in error. Unless it is an administrative error, a face-to-face interview is required. To validate the integrity of these transactions, SSA requires that two employees process the resurrection. SSA requires that employees document the circumstances surrounding the resurrection and reinstatement.

***Controls over the Social Security Administration's Transit Subsidy Program***

***Objective***

To determine whether SSA employees receiving transit benefits are qualified to receive this benefit and using them as intended.

***Background***

The transit benefit program covers 300,000 Federal employees nationwide. A recent GAO review found workers in the Washington D.C. metropolitan area have defrauded the Government of at least \$17 million. GAO monitored sales on eBay over 3 days in August 2006 and found 58 people were selling Metrochek cards. GAO investigated 20, all of whom were Federal employees.



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## ***Fiscal Year 2007 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' audit of SSA's financial statements.

### ***Background***

The *Chief Financial Officers Act* 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. The audit work to support this opinion of SSA's financial statement will be performed by PricewaterhouseCoopers. We will monitor the contract to ensure reliability of PricewaterhouseCoopers' work to meet our statutory requirements for auditing the Agency's financial statements.

## ***Fiscal Year 2007 Inspector General Statement on the Social Security Administration's Major Management Challenges***

### ***Objective***

To summarize for inclusion in SSA's Performance and Accountability Report, our perspective of the most serious management and performance challenges facing SSA.

### ***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 Federal agencies and the agencies' progress in addressing them. This assessment is included in SSA's annual Performance and Accountability Report.

The top management issues facing SSA in FY 2007, as determined by the Office of the Inspector General, are listed below.

1. Social Security Number Protection
2. Management of the Disability Process
3. Improper Payments and Recovery of Overpayments
4. Internal Control Environment and Performance Measures
5. Systems Security and Critical Infrastructure Protection
6. Service Delivery and Electronic Government

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## ***MAXIMUS' Youth Continuing Disability Review Contract Closeout***

### ***Objective***

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

### ***Background***

On September 30, 1999, SSA awarded a \$3,830,941 Youth Continuing Disability Review contract to assist young SSI recipients with disabilities in becoming gainfully employed. The contract period of performance was September 3, 1999 through September 30, 2002.

The purpose of this initiative is to assess the impact of a more proactive approach on the successful transition of 15 to 17 year old SSI recipients from school and/or the SSI disability rolls to work. The desired outcomes are to inform and motivate young SSI recipients about work; assist them in transitioning to work; inform them of the vocational rehabilitation process; and decrease benefit costs.

## ***Oversight of the Social Security Administration's Contract with SourceLink to Mail Social Security Statements***

### ***Objective***

To examine the contractor's quality control processes to ensure the annual Social Security Statements contain valid addresses. Also, we will evaluate SourceLink's compliance with the Contractor Processing Security Requirements.

### ***Background***

SSA provides annual statements with benefits and earnings information to individuals over the age of 25 who are not in benefit status. These individuals must have an SSN, wages or earnings from self-employment, and a valid mailing address. Each statement is required to contain an (1) estimate of potential monthly Social Security benefits, (2) annual listing of wages and self-employment income earned, and (3) estimate of Social Security and Medicare taxes paid. These statements are generally mailed about 3 months before the individual's birthday.

Since these mailings began in October 1999, a large number have been returned because the addresses are incorrect. During our audit of *The Security Administration's Ability to Reach Individuals Using the Social Security Statements*, we determined that, during a 5-day period, approximately 166,000 Statements were returned as undeliverable; there were instances where envelopes were empty; Statements were improperly inserted in the envelopes; or envelopes contained incomplete mailing addresses.

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***Performance Indicator  
Audits: Earnings, Hearings  
and Appeals, Post-entitlement  
Disability Actions, and  
Disability Determination  
Service Processing***

***Objective***

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

***Background***

Congress passed GPRA to bring greater accountability to Federal agencies. GPRA establishes a system for strategic and annual performance planning and reporting to set goals for program performance and 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, which covers FYs 2006 through 2011, in 2006. The Agency's 2008 annual performance plan was released in February 2007. It presents 4 strategic goals, 38 GPRA performance measures, and 17 Program Assessment Rating Tool performance measures.

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



## SYSTEMS SECURITY AND CRITICAL INFRASTRUCTURE PROTECTION

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*The vulnerability of critical infrastructures and the unique risks associated with networked computing have been recognized for some time. Federal Agencies rely heavily on information technology to run their daily operations and deliver products and services. With an increasing reliability on information technology, a growing complexity of Federal information technology infrastructure, and a constantly changing information security threat and risk environment, information security has become a mission-essential function. This function must be managed and governed to reduce the risks to Federal operations and to ensure the Government's ability to do business and serve the American public.*

Federal agencies maintain significant amounts of information concerning individuals known as personally identifiable information. The loss of personally identifiable information can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. Agencies have a special duty to protect that information from loss and misuse. OMB issued three memorandums in FY 2006 regarding the protection of personally identifiable information.

SSA's information security challenge is to understand and mitigate system vulnerabilities. At SSA, this means ensuring the security of its critical information infrastructure and sensitive data. A recent incident of the massive loss of personally identifiable information of a Federal agency demonstrates the importance of data security. The public will be reluctant to use electronic access to SSA services if it does not believe the Agency's systems and data are secure. Without due diligence, sensitive information can become available to those who are not entitled to it and may use it for personal gain. To address increasing workloads and the changing work environment, SSA constantly introduces new technologies, such as the Internet Protocol version 6 (IPv6) and Voice Over Internet Protocol (VoIP). New technology often brings advantages but also presents new security challenges. The Agency needs to understand and address potential risks before such technology is implemented.

SSA addresses critical information infrastructure and systems security in a variety of ways. For example, it has created a Critical Infrastructure Protection work group that works toward compliance with various directives, such as the Homeland Security Presidential Directives (HSPD) and the *Federal Information Security Management Act of 2002* (FISMA). SSA created pages on its Intranet site on how to properly protect PII. In addition, SSA plans to minimize the risks associated with a single, national computing facility by acquiring a second, fully functional, co-processing data center.

HSPD 12 mandates the development of a common identification standard for all Federal employees and contractors. Federal Information Processing Standard 201, entitled *Personal Identity Verification (PIV) of Federal Employees and Contractors*, was developed to satisfy the requirements of HSPD 12. SSA worked with other agencies and OMB to address HSPD 12 and comply with PIV I. To date, the HSPD 12 identity proofing has been completed for all employees. Registration and issuance of HSPD 12 credentials is in the rollout phase in Headquarters as well as in Region 2.

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Under FISMA, we annually evaluate SSA's security program. FISMA requires Agencies to institute a sound information security program and framework. Since the inception of FISMA, we have worked with the Agency to ensure prompt resolution of security issues. The House Government Reform Committee rated the Agency "A" in 2006 on computer security based on its compliance with FISMA.

We continuously monitor the Agency's efforts to protect PII as well as its implementation of new technology, such as IPv6 and VoIP, to ensure the information security program is operating effectively.

In FY 2008, we plan to complete 10 reviews and begin 6 reviews in this area.

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## **WE PLAN TO COMPLETE THE FOLLOWING REVIEWS IN FY 2008**

Decision Path Consulting Contract

Development of a Single Disability Determination Services Case Processing Application

Fiscal Year 2008 *Federal Information Security Management Act*

Physical Security at the Office of Disability Adjudication and Review's Headquarters Building

Reliability and Accuracy of Social Security Administration Exhibit 300 Submissions to the Office of Management and Budget

Risks Posed by Digital Copiers Used in Social Security Administration Offices

Security Review of the Social Security Administration's Internet Protocol Version 6

Social Security Administration Field Offices' Management of Allegations

SSANet Infrastructure Contract with Northrop Grumman Computing Systems, Inc.

The Social Security Administration's Voice over Internet Protocol

## **WE PLAN TO BEGIN THE FOLLOWING REVIEWS IN FY 2008**

Controls over the Social Security Administration's Direct Deposit Internet Application

Follow-up: The Social Security Administration's Implementation of System Security Requirements at Disability Determination Services

General Controls Review of the Disability Determination Services' Claims Processing System

Security over the Social Security Administration's Information Technology and Telecommunication Devices

The Social Security Administration's On-line Claim Application Process

The Social Security Administration's Remediation and Notification of Personally Identifiable Information Incidents

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## ***Decision Path Consulting Contract***

### ***Objective***

To determine whether SSA has adequate controls in place for the administration, oversight and accountability of its contract with APA Inc., DBA Decision Path Consulting.

### ***Background***

SSA provides services through a network of community-based offices, central processing facilities, associated State agencies, telephone centers and web site applications. This network is supported by a staff that provides policy guidance, human resource support, automation, infrastructure service, financial services and administrative oversight.

SSA is developing a new Time Allocation System, which is expected to improve the way in which workload data are captured to be used for such purposes as determining resource requirements and measuring productivity. The Time Allocation System project supports the Social Security Unified Measurement System and the Managerial Cost Accountability System. These Systems use more accurate and consistent information, provide access to management information, improve workpower allocation, improve customer service and reduce manual work.

Decision Path Consulting will provide the program management, project management, data warehousing, systems engineering and integration, and business intelligence expertise required to assist SSA in developing and deploying the Time Allocation System.

The period of contract performance is May 14, 2004 through May 13, 2008.

## ***Development of a Single Disability Determination Services Case Processing Application***

### ***Objective***

To evaluate the (1) project's internal controls, (2) effectiveness of SSA's management of the system development life-cycle and (3) compliance with related laws and regulations.

### ***Background***

The *Social Security Act* mandates that the DDS in each State make determinations of disability for residents of that State who file for Social Security DI or SSI benefits. DDSs are funded by SSA. Ongoing investments in DDS automation are a critical enabler of SSA's strategic objective to position the Agency's resources for maximum case processing in the 54 State DDSs. SSA's eDib process means that DDSs must rely more heavily on their automated systems to process work and meet their workload objectives.



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## ***Fiscal Year 2008 Federal Information Security Management Act***

### ***Objective***

To determine whether SSA is in compliance with the *Federal Information Security Management Act* for FY 2008.

### ***Background***

The *Federal Information Security Management Act* requires an Agency-wide information security program and separate annual reviews of the security program performed by the Agency and by the Office of the Inspector General. Each year, OMB issues questions to be answered concerning agencies' compliance with the *Federal Information Security Management Act*. Congress and OMB use these reports to judge how well Agencies are protecting their critical infrastructure and sensitive information.

## ***Physical Security at the Office of Disability Adjudication and Review's Headquarters Building***

### ***Objective***

To determine whether the ODAR building in Falls Church, Virginia, complies with physical security standards.

### ***Background***

ODAR headquarters occupies approximately 15 floors of a 26-story commercial building in Falls Church, Virginia. The building contains other Federal and private tenants.

A Department of Justice study created minimum physical security standards for Federal buildings. The President directed Federal agencies to upgrade the physical security of their facilities based on the Department of Justice's recommendations. SSA placed its version of the Department of Justice standards into its Administrative Instructions Manual System.

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

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***Reliability and Accuracy of Social Security Administration Exhibit 300 Submissions to the Office of Management and Budget***

***Objective***

To determine whether SSA has implemented controls to ensure its Exhibit 300 submissions to OMB for information technology projects are based on adequate support.

***Background***

Each year, Agencies submit to OMB a Capital Asset Plan and Business Case—the Exhibit 300—to justify each request for a major information technology investment. The Exhibit’s content should reflect controls Agencies have established to ensure good project management as well as document that Agencies have defined cost, schedule, and performance goals. It is therefore a tool to help OMB and Agencies identify and correct poorly planned or performing investments.

In a January 2006 report, GAO concluded that “underlying support was often inadequate for information provided in the Exhibit 300s reviewed” and raised questions about the accuracy and reliability of Exhibits 300. As a result, OMB has expressed interest in having the Inspector General community ascertain the validity of the Exhibits 300.

***Risks Posed by Digital Copiers Used in Social Security Administration Offices***

***Objective***

To determine whether SSA uses at risk digital copiers and if the use of these digital copiers poses a threat to sensitive information.

***Background***

Most digital copiers manufactured in the past 5 years come with disk drives, which, in the wrong hands, can reproduce documents. A survey that revealed more than half of Americans did not know copiers had this data security risk. We will determine how many of the Agency’s copiers have unprotected disk drives and who has access to the drives.

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## ***Security Review of the Social Security Administration's Internet Protocol Version 6***

### ***Objective***

To review SSA's implementation of IPv6.

### ***Background***

IPv6 is used to provide more addresses for networked devices, allowing, for example, each cellular telephone and mobile electronic device to have its own address.

OMB mandated that all Federal agencies deploy IPv6 by June 2008. SSA has begun its plan to implement IPv6. We will review its implementation leading up to the deadline to determine whether major issues exist that would be more costly to correct later.

## ***Social Security Administration Field Offices' Management of Allegations***

### ***Objective***

To assess SSA's management and review of allegations referred from the Office of the Inspector General to SSA's field offices.

### ***Background***

We conduct and coordinate investigative activities related to SSA programs and operations. Reports concerning instances of potential fraud, waste, abuse and mismanagement are frequently made to our Office of Investigations' Allegation Management Division. Often, the allegations the Division receives are referred to SSA field offices for further review and development. Development activities include, but are not limited to, actions to determine whether allegations can be substantiated. SSA policies provide guidance for the appropriate steps to complete to develop allegations of fraud.

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## ***SSANet Infrastructure Contract with Northrop Grumman Computing Systems, Inc.***

### ***Objective***

To determine whether SSA has adequate controls in place for the administration, oversight and accountability of its contract with Northrop Grumman Computing Systems, Inc., to support the SSA enterprise-wide Network Infrastructure.

### ***Background***

SSA's contract with Northrop Grumman Computing Systems, Inc., is for support of the SSA enterprise-wide SSANet infrastructure.

SSA's enterprise network is comprised of 1,800 SSA offices and State DDSs. These sites are located in the 50 States, the District of Columbia, Guam, Puerto Rico and the U.S. Virgin Islands. SSA supports network connections to approximately 115 external business partners including various State entities, other Federal agencies and vendors. The contractor assists the Agency in installing and optimizing hardware, software and procedures. The contract period is September 28, 2005 through September 27, 2010. The estimated systems life value of the contract is \$153.2 million.

## ***The Social Security Administration's Voice over Internet Protocol***

### ***Objective***

To determine whether SSA addressed, to an acceptable level, the known risks associated with the implementation of VoIP telephone systems technology.

### ***Background***

VoIP is the routing of voice conversations over the Internet. In general, telephone service via VoIP costs less than its equivalent service from traditional sources and is similar to providers of alternative Public Switched Telephone Network service. Cost savings can result from using a single network to carry voice and data transmissions.

SSA is replacing its telephone system with a VoIP system. As a result, all SSA employees and individuals or companies that interact with SSA by telephone will be impacted.

The aspects that make the VoIP software model powerful—its flexible, open, distributed design—make it potentially problematic. There is no central entity responsible for the design, implementation, and monitoring of the voice service. VoIP is an environment where many programmers can create voice applications. However, poorly designed code opens the door to potential security vulnerabilities. Choices regarding the invocation of security mechanisms will be in the hands of the developer, and the testing and validation of these services may be done in a distributed and possibly ad hoc manner.

## SERVICE DELIVERY AND ELECTRONIC GOVERNMENT

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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 such areas as the Medicare Prescription Drug Program, the Representative Payee Process, Electronic Government and Managing Human Capital.

### *Medicare Prescription Drug Program*

The *Medicare Prescription Drug, Improvement and Modernization Act of 2003* requires that SSA undertake several Medicare-related responsibilities. This includes making initial low-income subsidy determinations under Medicare Part D, establishing appeals procedures for subsidy eligibility determinations, and periodically reviewing income and resources to verify continued eligibility.

By February 2007, SSA had rendered over 4.6 million low-income subsidy eligibility decisions, awarding subsidies to approximately 2.1 million applicants and denying subsidies to approximately 2.5 million applicants. Approximately 80,000 individuals whose applications for low income subsidy were denied by SSA, appealed those denial decisions.

### *Representative Payee Process*

When SSA determines a beneficiary cannot manage his or her benefits, SSA selects a representative payee who must use the payments for the beneficiary's interests. SSA reports there are approximately 5.3 million representative payees who manage about \$49.9 billion in annual benefit payments for approximately 7.1 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. In addition, the *Social Security Protection Act of 2004* requires that SSA conduct periodic site reviews of certain types of representative payees. As of June 2007, SSA staff reports that approximately 2,800 organizational representative payees serving 50 or more beneficiaries, 370 individual payees serving 15 or more beneficiaries, and 1,060 representative payees who are authorized to collect a fee are subject to these periodic reviews. During these reviews, SSA assesses the representative payee's performance by examining beneficiaries' records, reviewing the representative payee's financial records, and interviewing beneficiaries. Finally, if a representative payee is problematic or SSA suspects representative payee misuse of benefits, it will request an audit or investigation by the Office of the Inspector General.

In a July 2007 study of individual representative payees serving 14 or fewer beneficiaries and non-fee-for-service organizational payees serving fewer than 50 beneficiaries, the National Academy of Sciences (NAS) reported that SSA should take steps to better prevent and detect misuse of beneficiary funds. In addition, NAS concluded that SSA's current methods to detect misuse of benefits are not reliable. As such, NAS recommended that SSA conduct targeted reviews of those representative payees most likely to misuse benefits. NAS

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estimated this approach would identify about 7,000 cases of misuse and another 7,000 cases of possible misuse. To identify those representative payees most likely to commit misuse, we are planning a review to determine whether certain characteristics of representative payees—as identified by NAS—result in an increased risk of misuse. In addition, we are planning a review of individual representative payees who act as organizations or operate "group homes," which NAS believes need more thorough monitoring.

### *Electronic Government*

Electronic Government has changed the way government operates and the way citizens relate to Government. Americans are taking advantage of e-Government services offered to them. In the near future, SSA expects to provide cost-effective e-Government services to citizens, businesses and other government agencies that will allow them to easily and securely transact most of their business with SSA electronically. SSA has five goals in support of this vision.

1. Offer citizens the e-Government services they want and need.
2. Protect on-line security and privacy and the integrity of the SSA benefit payment process.
3. Pursue e-Government partnerships and collaborations with other government agencies and private sector organizations.
4. Implement e-Government programs that offer sound business case justification.
5. Align the organization and invest in human capital to maximize e-Government progress.

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

### *Managing Human Capital*

SSA, like many other Federal agencies, is being challenged to address its human capital shortfalls. As of January 2007, GAO continued to identify strategic human capital management on its list of high-risk Federal programs and operations. GAO initially identified strategic human capital management as high-risk in January 2001. In addition, Strategic Management of Human Capital is one of five Government-wide initiatives contained in the PMA.

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By the end of 2012, SSA projects its DI rolls will have increased by 35 percent. Further, by FY 2015, 54 percent of current SSA employees will be eligible to retire. This will result in a loss of institutional knowledge that will affect SSA's ability to deliver quality service to the public. This, combined with the workload increase and the incredible pace of technological change, will have a profound impact on the public's expectations and SSA's ability to meet those expectations.

SSA's service and staffing challenges must be addressed by succession planning, strong recruitment and retention efforts, increased training, and the effective use of technology. As of June 30, 2007, SSA had scored "green" in "Current Status" and "Progress in Implementing the President's Management Agenda" in Human Capital on the Executive Branch Management Scorecard. The scorecard tracks how well the departments and major agencies are executing the five government-wide management initiatives.

In FY 2008, we plan to complete 13 reviews and begin 15 reviews in this area.

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## **WE PLAN TO COMPLETE THE FOLLOWING REVIEWS IN FY 2008**

Bank Fees Charged to Social Security Beneficiaries  
In Care of Addresses Used by Title II Beneficiaries and Title XVI Recipients  
Medicare Modernization Act-Part D Low-income Subsidy Income and Resource Verification  
Organizational Payees Reporting Beneficiaries' Deaths  
Representative Payees for the Social Security Administration (4 Reviews)  
Social Security Administration Employees Serving as Representative Payees  
The Social Security Administration's 800-number Automation  
The Social Security Administration Field Office Training of Staff  
The Social Security Administration's Medicare Part D Low-income Subsidy Appeals Process  
Volume Individual Representative Payee for the Social Security Administration

## **WE PLAN TO BEGIN THE FOLLOWING REVIEWS IN FY 2008**

Automating Workloads for Succession Planning  
Bank Accounts Where Representative Payee and Beneficiary Can Access Funds  
Benefit Payments Managed by Representative Payees of Children in Foster Care  
Follow-up: Concurrent Title II and Title XVI Beneficiaries Receiving Representative Payee and Direct Payments  
Follow-up: Employee-related Allegations  
Follow-up: Fugitives Serving as Representative Payees  
Individual Representative Payees Likely to Commit Misuse  
Individual Representative Payees with Multiple Beneficiaries  
Individuals Convicted of Offenses Serving as Representative Payees  
Liability of Representative Payees for Misused Funds  
Medicare Prescription Drug Program Low-income Subsidy Redeterminations  
Social Security Administration Controls to Ensure Non-governmental Fee-for-Service Organizational Payees are Licensed and Bonded  
The Social Security Administration's Controls over Organizational Representative Payees (2 Reviews)  
Timely Payment of Conserved Funds to New Representative Payees



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## ***Bank Fees Charged to Social Security Beneficiaries***

### ***Objective***

To determine whether banks are deducting service fees from low income and impoverished beneficiary's Social Security payments direct deposited into personal bank accounts.

### ***Background***

The Act prohibits the seizure of Social Security benefits by execution, levy, attachment, garnishment or other legal process. However, some banks deduct fees (that is, automated teller machine transactions, insufficient funds, low account balances, account maintenance, etc.) and loan payments directly from accounts holding Social Security benefits without the beneficiary's approval or notice. The banks assert they can legally take these funds because the manner used to take them is not explicitly prohibited by the Act.

## ***In Care of Addresses Used by Title II Beneficiaries and Title XVI Recipients***

### ***Objective***

To perform a nation-wide review to determine the extent of abuse of in-care-of addresses by individuals, organizations or facilities.

### ***Background***

Some facilities, such as nursing homes, are instructing residents (upon admission) to call SSA's 800-number and change the resident's address to "in care of" the facility. This circumvents the representative payee process and allows the facility to avoid the obligations that go with being officially designated as payee. This is done without regard to the resident's capability of managing his or her funds. The funds are paid via direct deposit to an account the facility controls.

In-care-of addresses may also disguise other schemes to assume control of beneficiaries' funds or make it appear the beneficiaries are living in the United States when they are not.

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## ***Medicare Modernization Act- Part D Low-income Subsidy Income and Resource Verification***

### ***Objective***

To determine whether SSA Subjected income and resource information provided by applicants to appropriate methods of verification.

### ***Background***

The *Medicare Prescription Drug, Improvement and Modernization Act of 2003*, also known as the *Medicare Modernization Act*, established a new voluntary Part D Prescription Drug Program. The *Medicare Modernization Act* requires that SSA take applications and determine eligibility for a new subsidy program. The purpose of the subsidy program is to assist some Medicare beneficiaries who have limited financial means, to pay for prescription drug coverage under the Medicare Part D program. Individuals who have Medicare and are receiving SSI and/or Medicaid or who participate in the Medicare Savings Program are deemed eligible for a subsidy.

SSA makes subsidy eligibility determinations based on a comparison of the income and resource information provided on the application with income and resource data. When SSA processes a subsidy application, it compares the application data with the Agency data. If data inconsistencies are detected, the case will go through SSA's verification process.

## ***Organizational Payees Reporting Beneficiaries' Deaths***

### ***Objective***

To determine whether organizational representative payees promptly notify SSA when beneficiaries in their care die.

### ***Background***

While conducting our *Follow-up Review of Old-Age, Survivors and Disability Insurance Benefits Paid to Deceased Auxiliary Beneficiaries*, we encountered situations in which it appeared organizational representative payees did not promptly notify SSA when beneficiaries in their care died, and, as a result, benefit payments continued to be issued after death.

We identified 238 deceased beneficiaries whose Social Security benefits were sent to organizational representative payees and more than 1 benefit payment was issued after their deaths. Based on our preliminary analysis of 50 cases, we determined that between 2 and 16 months had elapsed before SSA discovered the beneficiaries' deaths and stopped the benefit payments. In total, \$150,290 was paid to these organizational representative payees after the beneficiaries died. Of this amount, about \$48,464 (32 percent) had not been recovered by SSA as of January 2007. Most of these organizations continue to serve as representative payees for other beneficiaries

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## ***Representative Payees for the Social Security Administration (4 Reviews)***

### ***Objective***

To review organizational or individual representative payees in the New York, Kansas City and San Francisco Regions. To determine whether the representative payee

- has effective safeguards over the receipt and disbursement of Social Security benefits and
- uses and accounts for Social Security benefits in accordance with SSA policies and procedures.

### ***Background***

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

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

## ***Social Security Administration Employees Serving as Representative Payees***

### ***Objectives***

To determine whether (1) SSA employees are complying with representative payee duties and (2) controls are in place to prohibit SSA employees who are acting as representative payees from accessing beneficiaries' records.

### ***Background***

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

An SSA employee may be a representative payee for a minor child or incapable individual without prior approval. However, the employee may not take any formal or informal action as an SSA employee in connection with the claim, such as participating in the development or prosecution of the claim. Services by an SSA employee serving in this capacity are limited to filing for and/or receiving benefits on an individual's behalf.

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## ***The Social Security Administration's 800-number Automation***

### ***Objective***

To review the effectiveness of the Social Security Administration's 800-number automated service system.

### ***Background***

SSA maintains a national 800-number for individuals to file claims, update records, and request information about SSA's programs. Since becoming available nationwide in 1989, SSA's 800-number has become a principal contact point for individuals seeking Agency services. Although the public has a variety of other options to obtain information or conduct business with SSA, for example, Internet, field offices, etc., most customers conduct their business with SSA by telephone. In FY 2006, SSA reported that 59,475,747 customers accessed the national 800-number network.

Callers to the 800-number may use a menu of automated services or request to speak with a representative. To keep pace with the growing demand for SSA's 800-number telephone services, the Agency has expanded the service options to callers available through its automated system. The automated 800-number network offers a variety of services, in English or Spanish, 24 hours a day, 7 days a week.

## ***The Social Security Administration Field Office Training of Staff***

### ***Objective***

To review SSA field offices' training of claims and service representatives and determine field office employees' perception of the training provided.

### ***Background***

SSA has about 1,270 field offices nationally, where individuals can apply for OASDI and SSI payments, check on earnings posted to their earnings record, apply for an SSN, and appeal an unfavorable benefit determination or report changes affecting their benefits. Field office staff comprises approximately 14,000 claims representatives and 5,000 service representatives who provide front-line service to the public.

For SSA field offices to continue providing the quality service its customers expect, training is needed to enable staff to remain current on Agency policies, procedures, operations, and changes in technology. This review will provide SSA field office employees' perception of training received.

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## ***The Social Security Administration's Medicare Part D Low-income Subsidy Appeals Process***

### ***Objective***

To determine whether SSA effectively managed the Medicare Part D low income subsidy appeals process.

### ***Background***

*The Medicare Modernization Act* requires that SSA take applications and determine eligibility for a low-income subsidy. The Centers for Medicare and Medicaid Services automatically approved the full subsidy for 6 million individuals based on enrollment in other government low-income programs. The Centers for Medicare and Medicaid Services estimates an additional 6 to 8 million individuals may be eligible for the subsidy. SSA is responsible for processing subsidy applications for these individuals.

SSA determines subsidy eligibility through a review of the applicant's income, resources and ownership of real property. SSA's subsidy eligibility determinations are subject to appeal/administrative review. Applicants appealing the initial determination can request telephone hearings or a case review. These hearings will be conducted by individuals not involved in making the initial determination. Determinations rendered during this administrative review process can be appealed to Federal District Court.

## ***Volume Individual Representative Payee for the Social Security Administration***

### ***Objective***

To determine whether SSA's internal controls are adequate to ensure volume individual representative payees ensure Social Security benefits are used and accounted for in accordance with SSA's policies and procedures.

### ***Background***

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

From SSA's Representative Payee System, we identified 74 individual representative payees nationwide who serve 35 or more beneficiaries (these individuals serve a total of 4,255 beneficiaries). Furthermore, 6 of these individual payees serve more than 100 beneficiaries: 3 payees in the Chicago Region, 1 payee in the San Francisco Region, 1 payee in the Seattle Region, and 1 payee in the Boston Region.

