IG STATEMENT ON SSA'S MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES

SOCIAL SECURITY

November 4, 2011

The Honorable Michael J. Astrue
Commissioner

Dear Mr. Astrue:

The *Reports Consolidation Act of 2000* (Pub. L. No. 106-531) 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 review is enclosed. The *Reports Consolidation Act* requires that the Social Security Administration (SSA) place the final version of this Statement in its Annual *Performance and Accountability Report*.

In Fiscal Year (FY) 2011, we continued to focus on the management and performance challenges from the previous year. Those challenges are listed below.

- Implement the *American Recovery and Reinvestment Act* Effectively and Efficiently

- Reduce the Hearings Backlog and Prevent its Recurrence

- Improve the Timeliness and Quality of the Disability Process

- Reduce Improper Payments and Increase Overpayment Recoveries

- Improve Customer Service

- Invest in Information Technology Infrastructure to Support Current and Future Workloads

- Strengthen the Integrity and Protection of the Social Security Number

- Improve Transparency and Accountability

My office will continue assessing SSA's operations and the environment in which it operates to ensure our reviews focus on the most salient issues facing the Agency. To that end, we believe an emerging issue is the Agency's ability to plan both tactically and strategically to ensure it can meet its mission today and well into the future. We plan to include this issue as a management challenge in FY 2012.

I congratulate you on the progress made in FY 2011 in addressing these challenges. I look forward to working with you to continue improving the Agency's ability to address these challenges and meet its mission efficiently and effectively.

Sincerely,

Patrick P. O'Carroll, Jr.
Inspector General

Fiscal Year 2011
Inspector General Statement
on the
Social Security Administration's
Major Management and
Performance Challenges

November 2011

IMPLEMENT THE *AMERICAN RECOVERY AND REINVESTMENT ACT* EFFECTIVELY AND EFFICIENTLY

CHALLENGE: *While the completion of a new data center, which is funded by the American Recovery and Reinvestment Act of 2009 (ARRA) (Pub. L. No. 111-5), is critical to SSA's operations, the purchase of the building was delayed, further delaying construction.*

On February 17, 2009, the President signed ARRA into law. ARRA provided SSA funds to address three major efforts.

- $500 million to replace SSA's National Computer Center (NCC).

- $500 million to process disability and retirement workloads, including information technology (IT) acquisitions and research in support of these workloads.

- $90 million to reimburse costs for processing a one-time ERP of $250 to millions of qualified individuals receiving Social Security and Supplemental Security Income (SSI) payments. (On August 10, 2010, section 318 of Pub. L. No. 111-226 rescinded $47 million of the funds SSA received to administer the $250 ERPs.)

We believe the timely replacement of the NCC and the capacity of SSA's computer systems continue to be major challenges for the Agency. SSA's NCC houses the infrastructure that supports the Social Security programs provided to the public and other services provided to Federal, State, international, and private agencies. In FY 2011, we issued two reports on SSA's efforts to replace the NCC with a new data center.

Data Center Site Selection: In February 2011, we issued our report on *The Social Security Administration's New Data Center Site Alternatives.* We evaluated the appropriateness of the short list of potential building sites for the new data center selected by the General Services Administration's (GSA) site selection team. We found that the site selection team had developed a highly sophisticated set of selection criteria to evaluate general geographic areas and prospective individual properties. GSA's decision criterion sought to avoid both natural and man-made risks that could be hazardous to the data center's operation.

However, we had questions about the process the GSA site selection team employed to cull the site properties down to a short list. The three finalist sites had conflicts with one, two, or three secondary criteria, while several unsolicited sites had only one documented secondary criteria conflict.

Data Center Requirements: In May 2011, we issued our report on *The Program of Requirements for the Social Security Administration's New Data Center.* The objective of the review was to determine whether GSA and SSA followed best practices in developing the overall Program of Requirements for a new data center. The Program of Requirements provides the minimum design requirements that assist qualified design-build contractors in generating and presenting conceptual designs, budgets, and schedules for complete turnkey construction of the new Data Center.

We found that the GSA/SSA team had developed a comprehensive list of requirements. The team was thorough in creating a document that effectively communicated the needs of a new data center and the expected performance requirements. However, the structural design limits for wind speed force were lower than expected for best practice standards. Also, the information related to the redundancy requirements for the air-handling units was not clearly defined.

Purchase of the Data Center Site: The purchase of the property where a new data center will be built was delayed. GSA planned to purchase the required land in June 2011, but did not purchase it until August 2011, thus delaying the start of construction. The timely completion of a new data center is critical to SSA's ability to continue providing the level of service the American public expects and needs.

Agency Actions

In response to ARRA and Office of Management and Budget (OMB) guidance, SSA developed an ARRA Risk Management Plan that outlined the major challenges and risk mitigation activities facing SSA in implementing the requirements of ARRA. The challenges fell into five major categories: Overall Recovery Act Implementation, One-Time ERP Administrative Expenses, One-Time ERP Payments, Disability and Retirement Workloads, and Replacement of the NCC. The major areas were further defined by challenges specific to each category. SSA developed risk mitigation activities to address each identified challenge, and continues to implement them.

Data Center: In FYs 2010 and 2011, SSA, in coordination with GSA, developed the Program of Requirements for a new data center. GSA selected a site for a new data center and solicited for a design/builder. GSA purchased the site in August 2011, and plans to award construction by March 2012. It plans to complete construction in December 2014. After completion of construction and commissioning, IT migration to the new data center will take an additional 18 months. SSA stated that the new data center should be operational in 2016.

REDUCE THE HEARINGS BACKLOG AND PREVENT ITS RECURRENCE

CHALLENGE: *While SSA has a plan to eliminate the hearings backlog by 2013, budgetary challenges may affect its ability to do so. In addition, there is a growing concern with administrative law judges' (ALJ) adherence to SSA's policies, and variation in their decisional outcomes.*

Hearings Backlog: At the forefront of congressional and Agency concerns is the timeliness and accuracy of SSA's disability decisions at the hearings adjudicative level. SSA has made progress with its plans to eliminate the hearings backlog and improve average processing time to 270 days by 2013, though increases in hearing receipts and higher than expected ALJ attrition have hindered progress in FY 2011.

As the end of FY 2011, SSA's hearings backlog was approximately 787,000 cases—about 82,000 cases higher than the backlog at the end of FY 2010 and 62,000 higher than its goal for FY 2011. However, SSA continued to improve the timeliness of hearing decisions. The cumulative average processing time for hearings dropped to 360 days as of the end of FY 2011, compared to 426 days as of the end of FY 2010.

As we noted in a June 2011 Congressional Response Report, *The Office of Disability Adjudication and Review's Hearings Backlog and Processing Times*, SSA is facing significant budgetary challenges in meeting the 2013 goal of eliminating the pending hearings backlog. Based on our 2012 backlog projections, we concluded that SSA will miss its goal to eliminate the backlog by 2013 if ALJ availability, productivity, or projected hearing receipts varied by as little as 1 percent.

ALJ Performance: SSA is also facing increased scrutiny of the hearings process itself. Members of Congress have expressed concerns about ALJ adherence to the Agency's policies and procedures, as well as their ability to demonstrate good stewardship of taxpayer dollars. Other concerns, such as ALJ workloads, variances in ALJ decisional outcomes, management controls over the hearings process, and quality reviews of ALJ decisions have also come to the forefront. We have begun work to address these issues, which we expect to complete in FY 2012. Throughout these reviews, we plan to work with SSA management to identify any weaknesses in processes, recommend strengthened controls where appropriate, and ensure the continuing integrity of the hearings process.

We will also continue focusing our audit resources on other hearing-related areas to determine whether Agency processes are working as intended, including payments to claimant representatives, processing of complaints from the public, and availability of electronic services for the public. The hearings process is an important component of SSA's disability programs, and it is essential that the public receives a timely hearing and believes the underlying process treats them fairly.

Agency Actions

The Agency continued to implement the Commissioner's plan to eliminate the backlog through a variety of initiatives including

- expanding the list of diseases and conditions covered under compassionate allowances;

- increasing adjudicatory capacity through additional hiring, new hearing offices, and the use of senior attorney adjudicators;

- reducing the volume of aged cases in the hearings pipeline; and

- improving hearing efficiency with automation and improved business processes, such as the expansion of video hearings.

SSA hired 143 new ALJs in FY 2011, and adjudicated approximately 53,000 cases using the senior attorney adjudication program. It opened or expanded eight hearing offices in FY 2011. It held almost 130,000 video hearings nationwide in the FY, an increase of more than 9,000 video hearings than in FY 2010.

IMPROVE THE TIMELINESS AND QUALITY OF THE DISABILITY PROCESS

CHALLENGE: *The number of pending initial and reconsideration disability claims continues to increase and a backlog of continuing disability reviews (CDR) remains.*

Disability Claims Backlog: SSA is facing a considerable increase in initial and reconsideration claims. In FY 2011, SSA received over 3.2 million initial disability and 836,000 reconsideration claims. The increase in claims is matched by an increase in the number of claims pending completion. For example, at the end of FY 2008, there were over 556,000 initial claims pending. At the end of FY 2011, there were over 759,000 initial claims pending, an increase of 36 percent over the FY 2008 year-end pending level.

DDS Personnel Issues: In addition to the increased receipts, some disability determination services (DDS) are facing high attrition rates, hiring freezes, and employee furloughs, all of which affect SSA's ability to process the disability workload. In FY 2011, DDS staffing decreased from 18,269 employees to 17,271 employees – a loss of 998 employees. With the hiring freeze, DDSs are not allowed to replace the lost staff. At the end of 2011, five States were still furloughing DDS employees. In our November 2009 review of the *Impact of State Budget Issues on the Social Security Administration's Disability Programs*, we reported that State furloughs affected the number of disability determinations some DDSs would make in FY 2010. As a result of the furloughs, we estimated approximately 69,000 cases would be delayed in processing, resulting in about $126 million in benefit payments being delayed to newly disabled claimants.

CDR Backlog: In our March 2010 report on *Full Medical Continuing Disability Reviews,* we reported that SSA estimated a backlog of over 1.5 million medical CDRs at the end of FY 2010. As a result, we estimated that from Calendar Years (CY) 2005 through 2010, SSA made benefit payments of between $1.3 and $2.6 billion that it could have avoided if the medical CDRs in the backlog had been conducted by state DDSs when they became due. While SSA completed over 345,000 medical CDRs in FY 2011, over 1.3 million medical CDRs were pending completion at the FY's end.

Agency Actions

SSA's Strategy: In November 2010, SSA released its *Strategy to Address Increasing Initial Disability Claim Receipts* (Strategy) to reduce the initial claims backlog to a pre-recession level by FY 2014. The multi-year Strategy includes

- increasing staffing in the DDS and Federal disability processing components;
- improving efficiency through automation;
- expanding the use of screening tools to assist in identifying claims likely to be allowed; and
- refining policies and business processes to expedite case completion.

As part of the Strategy, SSA hired additional DDS employees and plans to maintain higher staffing levels over the next several years. In addition, SSA continues to use overtime in the DDSs. SSA also created centralized units, called Extended Service Teams, in Arkansas, Mississippi, Oklahoma, and Virginia. The Teams assist by taking claims from the States with the highest pending levels. As of end of FY 2011, the total staffing for the Extended Service Teams was 300 employees. At year's end, SSA had 786 employees in the Federal disability processing components that support DDSs.

In our June 2011 review, *SSA's Strategy for Reducing the Initial Claims Backlog*, we reported that SSA had taken actions to reduce its initial disability claims backlog—primarily by hiring additional staff using both annual appropriations and funding provided under the *American Recovery and Reinvestment Act of 2009*. We also reported that the Strategy outlined additional actions SSA has taken or plans to take to reduce initial disability claims to a pending level goal of 525,000 by FY 2014. Based on SSA's projections for initial disability claims receipts,

workyears, and productivity, we reported that it appears SSA will meet its goal. However, achieving this goal is dependent upon SSA receiving funding that will enable it to achieve the projections for work years and productivity.

Moreover, the Agency has initiated a project to modernize its Disability Case Processing System to develop a single case processing system to replace the 54 different existing systems that support the DDSs. The Disability Case Processing System will integrate case analysis tools and health IT. A single case processing system will help to rapidly distribute policy changes. It should also have a positive effect on processing times and the accuracy of disability decisions.

Cooperative Disability Investigations: We will continue working with SSA to address the integrity of the disability programs through the Cooperative Disability Investigations (CDI) program. The mission of the 24 CDI units is to obtain evidence that can resolve questions of fraud in SSA's disability claims. The program is managed jointly by SSA's Offices of Operations, the Inspector General, and Disability Programs. Since its inception in FY 1998 through FY 2011, the program efforts have resulted in $1.9 billion in projected savings to the Disability Insurance and SSI programs and over $1.2 billion in projected savings to non-SSA programs. In FY 2011, SSA opened three new CDI units.

REDUCE IMPROPER PAYMENTS AND INCREASE OVERPAYMENT RECOVERIES

CHALLENGE: *SSA is one of the top three Federal agencies with high improper payments. In FY 2010, SSA reported about $9 billion in improper payments, and the Agency incurred an administrative cost of $0.07 for every overpayment dollar it collected. Further, SSA needs to adhere to requirements in Executive Order 13520 – Reducing Improper Payments and Eliminating Waste in Federal Programs – and the Improper Payments Elimination and Recovery Act of 2010 (IPERA) (Pub. L. No. 111-204) to address improper payments.*

SSA is responsible for issuing over $700 billion in benefit payments annually to about 60 million people. Given the large overall dollars involved in SSA's payments, even the slightest error in the overall process can result in millions of dollars in over- or underpayments.

Improper Payment Rates: Workers, employers, and taxpayers who fund SSA's programs deserve to have their tax dollars effectively managed. As a result, SSA must be a responsible steward of the funds entrusted to its care and minimize the risk of making improper payments. SSA strives to balance its service commitments to the public with its stewardship responsibilities. However, given the size and complexity of the programs the Agency administers, some payment errors will occur.

For example, according to SSA, in FY 2010,

- Old-Age, Survivors and Disability Insurance (OASDI) overpayments were $2.7 billion (0.39 percent of outlays), and underpayments were $1.8 billion (0.25 percent of outlays).

- SSI overpayments were $3.3 billion (6.7 percent of outlays), and underpayments were $1.2 billion (2.4 percent of outlays) and

For FY 2010, SSA's goal was to maintain OASDI payment accuracy at 99.8 percent for both over- and underpayments; for SSI, the Agency's goal was to achieve an underpayment accuracy rate of 98.8 percent and an overpayment accuracy rate of 91.6 percent. SSA only met its payment accuracy goal for SSI overpayments.

For FY 2011, SSA's goals for OASDI payment accuracy and for SSI underpayments were the same as those in FY 2010. The SSI overpayment payment accuracy goal increased to 93.3 percent. (FY 2011 payment accuracy rates were not available at the end of FY 2011; they will be available in June 2012.)

Executive Order 13520 and IPERA: In November 2009, the President issued Executive Order 13520 on reducing improper payments; and in March 2010, OMB issued guidance for implementing it. Also, in July 2010, IPERA was enacted. OMB issued guidance on implementing IPERA in April 2011. As a result, all agencies with high-priority programs—those with significant improper payments—are required to intensify their efforts to eliminate payment errors. OMB designated SSA's programs as high-risk.

Agency Actions

Improper Payment Causes: SSA identifies the major causes of improper payments and takes steps to address them. For example, one of the major causes of improper payments in the OASDI program is benefit computation errors. SSA has developed automated tools to address the more troublesome computation issues. Another major cause of improper payments in the SSI program is recipients' failure to provide accurate and timely reports of new or increased wages. In response, SSA developed a monthly wage reporting system incorporating touch-tone and voice-recognition telephone technology. SSA also implemented its Access to Financial Institutions project to reduce SSI payment errors by identifying undisclosed financial accounts with balances that place recipients over the SSI resource limit.

Debt Collection Tools: SSA uses a variety of methods to collect the debt related to overpayments. Collection techniques include internal methods, such as benefit withholding and billing with follow-up. In addition, SSA uses

external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (Pub. L. No. 104-134) for OASDI debts, and the *Foster Care Independence Act of 1999* (Pub. L. No. 106-169) for SSI debts. These debt collection tools include the Treasury Offset Program, credit bureau reporting, administrative wage garnishment, and Federal Salary Offset. In FY 2010, SSA recovered $3.14 billion in improper payments at an administrative cost of $0.07 for every dollar collected.

CDRs: The CDR is a powerful tool for reducing improper payments. Through completion of CDRs, SSA periodically verifies that individuals are still disabled and eligible for disability payments. Available data indicate that SSA saves about $10.50 for every $1 spent on CDRs. However, the Agency has cut back on this workload over the past several years. From CYs 2005 through 2010, we estimated SSA would make between $1.3 and $2.6 billion in disability benefit payments that it could have avoided if it conducted the medical CDRs when they became due. We estimated SSA would pay between $556 million and $1.1 billion in CY 2011 that it could have avoided if it had conducted medical CDRs when they became due.

Audit Recommendations: SSA has worked to improve its ability to prevent over- and underpayments by implementing our audit recommendations. For example, in April 2011, we issued a report, *Title II Beneficiaries Whose Benefits Have Been Suspended and Who Have A Date of Death on the Numident*, which estimated that SSA improperly paid 2,976 beneficiaries approximately $23.8 million. SSA agreed with the recommendations we made to improve this area. We also issued a report in June 2011, *Supplemental Security Income Recipients with Unreported Real Property,* where we estimated that SSA improperly paid 320,940 recipients over $2.2 billion because of their unreported real property. SSA agreed with our recommendations.

IMPROVE CUSTOMER SERVICE

CHALLENGE: *SSA acknowledges that it has struggled to maintain the level of service the American people deserve. Many factors challenge SSA, including growing workloads, changing customer expectations, an aging workforce, and budget constraints.*

SSA is receiving increasing numbers of claims. The Agency received 3.2 million disability claims in FY 2011—about 100,000 more than in FY 2010. It also received about 4.8 million retirement and survivor claims (including Medicare applications) in FY 2011. Nearly 80 million baby boomers are expected to file for retirement over the next 20 years—an average of 10,000 per day. Also, SSA is finding that the public expects it to provide services in new ways made possible by technology. Further, the projected retirement of its employees continues to present a challenge to SSA's customer service capability. SSA estimates that over 47 percent of its employees, including 63 percent of its supervisors, will be eligible to retire by FY 2019. This loss of institutional knowledge may adversely affect SSA's ability to deliver the quality service the public expects.

Budget: The budget has also affected SSA's ability to provide service to the public. For example, in March 2011, SSA suspended mailing all Social Security Statements, and in August 2011, SSA began closing field offices 30 minutes earlier each day because of budget constraints. Further, in February 2011, the Commissioner stated SSA's FY 2012 budget would not allow the Agency to keep up with representative payee accountings.

Customer Service Plan: Despite these challenges, the public deserves competent, efficient, and responsive service. In April 2011, the President issued Executive Order 13571—*Streamlining Service Delivery and Improving Customer Service*—which requires Federal agencies to develop ". . .a Customer Service Plan to address how the agency will provide services in a manner that seeks to streamline service delivery and improve the experience of its customers." In a July 2011 review, *The Social Security Administration's Customer Service Delivery Plan*, we found SSA did not have a long-term (10 years or longer) customer service delivery plan. Instead, SSA uses its Agency Strategic Plan to present the incremental steps it must take to reach a greater vision for the Agency. It describes the goals and milestones of mostly short- and mid-range (3 to 5 years) initiatives, but does not prepare SSA for customer service demands in the long term. Because we believe long-term strategic planning presents a significant challenge for the Agency, we identified a new management challenge starting in FY 2012—*Strengthen Strategic and Tactical Planning*.

Representative Payee Program: Providing oversight to ensure representative payees properly manage the Social Security benefits of vulnerable beneficiaries is a critical customer service performed by SSA. SSA appoints representative payees to receive and manage the benefits of beneficiaries who are incapable of managing or directing the management of their finances because of their age or mental or physical impairment. Our reviews continue to identify problems with SSA's representative payee program. We found that SSA spends a great deal of resources pursuing representative payees who do not provide annual accountings of how they spend Social Security benefits on behalf of the beneficiaries in their care. Also, some minor children are not assigned representative payees as required by Agency policy. Additionally, some representative payees are not properly titling bank accounts of beneficiaries in their care; and certain individual and organizational representative payees have not complied with SSA's policies and procedures. For example, several of our audits identified problems with representative payees allowing SSI recipients' conserved funds to exceed the $2,000 resource limit, therefore making them ineligible for payments. Finally, we continue to find problems with representative payees not returning conserved funds to SSA for beneficiaries who are no longer in their care.

Agency Actions

SSA has implemented various initiatives to improve customer service, such as clarifying correspondence, expanding the use of online and automated services, improving telephone and field office services, and improving the representative payee program.

Correspondence: SSA issues approximately 390 million notices to the public each year, which makes notices the Agency's most common communication method. Therefore, SSA is improving its notices to ensure they are clear,

concise, and easily understood. For example, SSA revised the payment explanations and language concerning reporting responsibilities. SSA added its Internet address to encourage the use of online services. SSA is making its notices available in Braille, in large print, in audio, and on compact disc. These options are especially helpful to people who are blind, visually impaired, or have difficulty reading.

Online and Automated Services: One of SSA's priorities is to provide the public with more service options through a wide range of online and automated services. The Agency is working to implement a new, more secure authentication process to provide a safe environment for people to conduct business with SSA online. In FY 2011, SSA launched a new homepage to help the public more easily find information and services on its Website. SSA is also working on an initiative to provide the public with access to a variety of personalized online services, such as verifying earnings history, receiving notices, and requesting routine actions. Further, SSA is implementing an online Spanish-language retirement application, and developing a Spanish version of the Medicare Extra Help Application.

SSA continues expanding its nationwide marketing campaign for its Internet services through public service announcements, press releases, videos, and news articles, to encourage the public to apply for retirement and Medicare online. SSA is also using social media such as Facebook, Twitter, and YouTube to provide the public with updates and highlight its online applications.

SSA reported that applicants filed 41 percent of retirement claims and 33 percent of disability claims online in FY 2011. In our March 2011 review, *Applicant Experiences with Retirement Insurance Benefit Internet Claim Applications*, and our June 2011 review, *Applicant Experiences with Disability Insurance Benefit Internet Claim Applications*, we found that applicants had a positive perception of the process and found it was very easy to navigate and understand the information. In FY 2011, the *American Customer Satisfaction Index* ranked SSA's online services as the best in Government, exceeding the top private-sector sites in customer satisfaction.

Telephone Services: In FY 2011, SSA completed more than 62 million actions on its national 800-number. SSA continues to replace its 800-number infrastructure with a new system that will help improve service and increase efficiency. The redesigned system will feature shorter navigation menus and revised scripts for automated applications. It will also offer callers the opportunity to hang up and receive a return call from SSA when wait times exceed 3 minutes. In addition, SSA continues to use technology to forecast call volumes, anticipate staffing needs, and better distribute calls across the network. As a result, SSA reported it reduced busy rates to 3 percent in FY 2011. In FY 2011, SSA answered calls in 180 seconds, 23 seconds faster than in FY 2010.

Field Offices and Processing Centers: SSA continues to upgrade its field offices to offer improved services, such as videoconferencing for individuals living in rural areas and televisions in field office reception areas to broadcast information about SSA programs. SSA reported it installed video service at 361 locations, which include field offices. Additionally, in FY 2011, SSA installed televisions in 453 offices, ending the FY with 592 offices with televisions.

In our October 2010 review, *Customer Waiting Times in the Social Security Administration's Field Offices*, we found wait times had improved during our audit period, even though a significant number of customers still waited more than 1 hour for service, and many customers left before receiving service. The improvement occurred despite an increase of over 1 million visitors. Based on our review, we believe SSA is focused on providing timely service to its customers, and the majority of customers we interviewed agreed that SSA was successful in this goal.

Representative Payee Program: To ensure the benefits of minor children are properly managed, SSA agreed to evaluate the feasibility of identifying all children under age 15 without a representative payee. SSA released a new Web-based electronic representative payee misuse system to store and track misuse allegations. To protect beneficiaries from potential harm resulting from conflict of interest, SSA hired a contractor to perform reviews of organizational representative payees serving in dual roles as both the payee and employer. SSA has issued publications reminding Agency staff to follow policy governing the representative payee program, and has worked with payees to correct deficiencies identified during audits.

INVEST IN INFORMATION TECHNOLOGY INFRASTRUCTURE TO SUPPORT CURRENT AND FUTURE WORKLOADS

CHALLENGE: *At a time when SSA needs to provide additional electronic services to meet the growing needs of its customers, SSA's systems capacity is severely strained and in need of modernization. Additionally, SSA has a significant deficiency in its control of access to sensitive information.*

SSA faces the challenge of how to best use technology to meet its increasing workloads. SSA will not be able to manage its current and future workloads without the proper IT infrastructure. The Agency uses a variety of technologies, including telephone service, the Internet, and videoconferencing to deliver service to its customers. We, along with other organizations including SSA's Advisory Board and the Future Systems Technology Advisory Panel, have concerns regarding the Agency's lack of IT strategic planning, as well as its IT physical infrastructure, system modernization efforts, security of sensitive information, and IT service delivery.

IT Physical Infrastructure: SSA's NCC, built in 1979, houses the infrastructure that supports the Social Security programs provided to the public and other services provided to Federal, State, international, and private agencies. SSA's primary IT investment over the next few years is the replacement of the NCC. Increased workloads and growing telecommunication services have strained the NCC's ability to support the Agency's business. However, the Agency has projected that its new facility will not be operational before 2016.

Systems Modernization: Another major challenge facing SSA is the modernization of its systems and applications. SSA's systems modernization is constrained by multiple underlying challenges. The first is that the foundation of SSA's IT infrastructure is an outdated database management system called the Master Data Access Method (MADAM), which SSA developed in the 1980s. There is a concern that future operating system changes may render MADAM unusable, and the technical knowledge and skills needed to remedy the situation timely may not be available. Consequently, future operating system changes could lead to prolonged outages. Further, the Agency's continued reliance on MADAM exposes it to significant risks, including delays in its ability to improve its systems functionality.

Further, some of SSA's legacy applications are in Common Business Oriented Language (COBOL), which constrains SSA's modernization efforts. Studies of SSA's use of COBOL have identified challenges, including cumbersome maintenance, lengthy redevelopment time, and potential loss of institutional knowledge as experienced COBOL programmers retire. In addition, COBOL restricts SSA from developing more sophisticated Web services to enable the Agency to meet the growing needs of its customers.

Security of Sensitive Information: The Agency faces another challenge to keep the sensitive information it houses secure. SSA's FY 2009, 2010, and 2011 Financial Statement Audits identified a significant deficiency in the Agency's control of access to its sensitive information. For example, SSA did not consistently comply with policies and procedures to periodically reassess the content of security access given to its employees and contractors. Moreover, some employees and contractors had greater access to systems than they needed to perform their jobs. Additionally, certain configurations increased the risk of unauthorized access to key financial data and programs.

Electronic Services: Finally, SSA must provide additional electronic services to meet the growing needs of its customers. Because of the economic times and baby boom generation retirements, more individuals are filing for retirement and disability benefits. SSA must find ways to expand easy-to-use and secure electronic services for its customers.

In FY 2011, 41 percent of all retirement applications and 33 percent of initial disability applications were filed online. In December 2009, Commissioner Astrue testified that to keep field offices from being overwhelmed by increasing workloads, the Agency would need to increase electronic filing to 50 percent by 2013.

Agency Actions

IT Physical Infrastructure: SSA has taken steps to address its IT physical infrastructure challenge. The Agency has taken or planned actions to address the NCC's sustainability through 2014. Moreover, in February 2009, SSA received $500 million in ARRA funding to replace its NCC. GSA selected a site for SSA's new data center in June 2011 and purchased it in August 2011. GSA and SSA also developed a Program of Requirements, and GSA plans to award design and construction for a new data center in March 2012. The planned completion of construction date is December 2014. After completion of construction and commissioning, IT migration to the new data center will take an additional 18 months. The new data center is expected to be operational in 2016.

In addition, SSA completed the construction of the Second Support Center and took occupancy in January 2009. The Second Support Center can recover all Agency mission-critical workloads, with the exception of some of the disability workloads, should the NCC become unavailable.

Systems Modernization: To address its outdated database management system, SSA is converting its major program databases from MADAM to an industry-standard, modern database management system to ensure continuity of operations and provide more functionality and flexibility for future workloads. This conversion involves changes to the current database structure. These enhancements will take several years to complete. To date, SSA has successfully completed the conversion of its Numident/Alphident and Master Earnings Files. SSA is currently converting the Supplemental Security Record file and plans to convert Master Beneficiary Records file from FY 2012 to 2014.

The Agency's strategy to address the challenges related to its use of COBOL includes plans to develop new IT applications with more modern programming languages. SSA plans to transition existing COBOL legacy applications to more modern programming languages as well. Per SSA, its budget, business priorities, and changing legislation will affect how quickly these modernization efforts proceed.

The Agency has also initiated a project to modernize its Disability Case Processing System (DCPS). The objective of the DCPS project is to develop a single case processing system to replace the 54 different existing systems that support the DDSs. DCPS will integrate case analysis tools and health information technology. Also, having a common case processing system will help to rapidly distribute policy changes and have a positive effect on processing times and the accuracy of disability decisions.

Security of Sensitive Information: SSA has taken steps to address the security of sensitive information. SSA assembled a workgroup to address the access control weaknesses identified as a significant deficiency. The workgroup is testing a commercial tool to manage its employee and contractor access. SSA plans to roll out a pilot program in December 2011 to resolve some of its access control weaknesses.

Electronic Services: To address this challenge and reduce the workload in field offices, SSA offers over 30 electronic services. Further, SSA has researched Internet authentication solutions to secure such online initiatives as Ready Retirement, replacement SSN cards, and other automated services.

SSA is developing the Citizen Authentication Initiative to authenticate its electronic service users in the future. The authentication system will register and authenticate users and provide controlled, single sign-on access. SSA plans to use this authentication system to enable members of the public to access SSA's electronic services. The authentication system will position SSA to meet its strategic goals of expanding electronic government and increasing the use of electronic services. By increasing the functionality and scope of SSA's electronic applications and providing strong, secure, and robust authentication protocols, the Agency expects to channel more members of the public toward doing business electronically.

STRENGTHEN THE INTEGRITY AND PROTECTION OF THE SOCIAL SECURITY NUMBER

CHALLENGE: *Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full benefits they are due.*

In FY 2011, SSA issued approximately 16.4 million new and replacement SSN cards and received approximately $580 billion in employment taxes related to earnings under assigned SSNs. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full benefits due them.

SSN Use: Since the SSN's inception, SSN collection and use has significantly increased nationwide. These unique nine-digit numbers have become commonly used identifiers, and therefore, are valuable as illegal commodities. It has become, in effect, a de facto national identifier, and the Social Security card is used as a breeder document to establish identity and to access other services in American society.

While SSA has strengthened controls in the enumeration process and worked to better protect SSNs in its records, the Agency has little control over an SSN's collection, use, and disclosure by external entities once it is assigned. For example, while the vast majority of wage reports received from employers are accurate, SSA has had limited success correcting and posting wage reports with erroneous employee names or SSNs.

Currently, there is no Federal law that imposes broad restrictions on the use of the SSN. In fact, some Federal and State laws require the use of SSNs in certain governmental programs, such as Medicare. To better protect SSNs and assist SSA in improving the accuracy of its earnings records, we believe Congress and the Agency should continue seeking measures to limit the collection, use, and disclosure of SSNs—in addition to other measures discussed below.

SSN Assignment and Protection: We commend the Agency for numerous improvements in its enumeration process. Nevertheless, we continue to have concerns regarding SSN assignment and protection. For example, the Agency has no authority 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 they could be used to commit crimes throughout society. We believe SSA should support legislation to limit public and private entities' collection and use of SSNs, and to improve the protection of this information when obtained.

We are also concerned that some noncitizens who are authorized to work by the Department of Homeland Security (DHS), but will only be in the United States for a few months, are permitted to obtain SSNs that are valid for life. Further, we believe controls over the issuance of Social Security Number Printouts are insufficient to prevent improper access to these sensitive documents and disclosure of personally identifiable information (PII). As such, SSA should continue its efforts to safeguard and protect PII. Finally, we are concerned with the growth in the demand for Social Security Number Printouts, because the proof of identity required for obtaining these is less than that required for SSN replacement cards. We believe SSA should consider charging its customers standardized fees for Social Security Number Printouts to reduce the incentive for obtaining duplicative copies of these documents.

Posting of Earnings: Maintaining the integrity of the SSN and Social Security programs also involves properly posting earnings reported under SSNs. SSA needs accurate earnings records to determine both the eligibility for Social Security benefits and the amount of those benefits. SSA expends scarce resources correcting earnings data when employers report incorrect information. The Earnings Suspense File (ESF) is the Agency's record of annual wage reports for wage earners whose names and SSNs cannot be matched to SSA's records. As of October 2010, the ESF had accumulated approximately 305 million wage items for Tax Years (TY) 1937 through 2008, representing about $921 billion in wages. In TY 2008 alone, SSA posted 9.4 million wage items, representing $86 billion, to the ESF.

While SSA cannot control all the factors associated with erroneous wage reports, it can improve wage reporting by informing employers about potential SSN misuse cases, identifying and resolving employer reporting problems, encouraging greater use of the Agency's employee verification programs, and enhancing employee verification

feedback to provide employers with sufficient information on potential employee issues. SSA can also improve coordination with other Federal agencies with separate, yet related, mandates. For example, the Agency needs to work with the Internal Revenue Service to achieve more accurate wage reporting.

Agency Actions

Despite related challenges, we believe SSA's improved procedures have reduced its risk of improperly assigning these important numbers. Some of SSA's more notable enumeration improvements include (1) establishing Enumeration Centers in many States that focus exclusively on assigning SSNs and issuing SSN cards; (2) requiring that field office personnel processing SSN applications use a Web-based Intranet application known as SSNAP, which combines the functionality of the *SS-5 Assistant* and the Modernized Enumeration System; and (3) implementing a new SSN assignment methodology called SSN randomization.

SSA has also taken steps to reduce the size and growth of the ESF. The Agency has increased its electronic wage reporting, expanded the use of its Social Security Number Verification Service (SSNVS) program, and continued to support DHS in administering the E-Verify program.

Increased Electronic Wage Reporting: SSA has been working to eliminate paper wage reports while migrating to an electronic earnings record process, because paper wage reports are more error-prone, labor-intensive, and expensive to process. SSA encourages employers to use Business Services Online to electronically file *Wage and Tax Statements* (Forms W-2) for their employees. In FY 2011, SSA processed over 184 million Forms W-2 electronically.

Expanded Use of SSNVS: SSA has been working with the business community to encourage additional employers to use SSNVS. SSNVS allows employers to determine, almost instantly, whether an employee's reported name and SSN match SSA's records. Increased use of SSNVS helps reduce fraud and improves the accuracy of individuals' earnings records. In FY 2011, approximately 43,000 registered employers used SSNVS to check over 106 million SSNs.

Collaborated with DHS: SSA continues to support E-Verify, a DHS program that allows employers to verify electronically whether newly hired employees are authorized to work in the United States under immigration law. With SSA's assistance, DHS has made program improvements. For example, DHS implemented E-Verify's Photo Screening Tool, which allows employers to check the photograph on the new hire's Employment Authorization Document or Permanent Resident Card against the 15 million images stored in DHS' immigration databases. Further, the Photo Screening Tool helps employers identify instances of identity theft in the employment eligibility process.

In March 2011, DHS implemented the E-Verify Self Check service, which is a free, Internet-based application that can be used by U.S. workers over age 16 to confirm their employment eligibility. DHS is implementing the Self Check service in phases—it is now available in 21 States. For FY 2011, about 293,000 employers were enrolled to use E-Verify, and they submitted over 18 million queries during this period. Additionally, nearly 23,000 transactions were processed through the E-Verify Self Check Service.

IMPROVE TRANSPARENCY AND ACCOUNTABILITY

CHALLENGE: *SSA continues to lack a full set of performance indicators that measure whether it is meeting all its strategic goals. Additionally, SSA faces a number of challenges ensuring accountability, including concerns over its systems security, administrative cost allocations, and IT investment fund transfers.*

There have been a number of efforts to make Federal agencies more transparent and accountable. The *Chief Financial Officers Act of 1990* (Pub. L. No. 101-576) provides for the production of complete, reliable, timely, and consistent financial information for use by the executive branch of the Government and Congress in the financing, management, and evaluation of Federal programs. The *Government Performance and Results Act of 1993* (GPRA) (Pub. L. No. 103-62) and the *GPRA Modernization Act of 2010* (Pub. L. No. 111-352) seek to improve Federal program effectiveness and public accountability by focusing on results, service quality, and customer satisfaction. More recently, the Open Government Directive requires that Federal agencies improve the quality of Government information, publish Government information online, create and institutionalize a culture of open Government, and create an enabling policy framework for open Government.

Performance Indicators: While SSA has increased the transparency of its operations through its *Annual Performance Plans, Performance and Accountability Reports*, and *Open Government Plan*, we believe the Agency can strengthen public reporting of its performance. In our report, *Performance Indicator Audit: The Social Security Administration's Fiscal Year 2010 Performance Indicators*, our contractor concluded that SSA could develop more outcome-based performance indicators (PI). Our contractor evaluated SSA's alignment of its PIs with its strategic goals and objectives and found that 3 strategic goals and objectives did not have an associated PI, and 16 PIs were ineffective measures of the Agency's progress in achieving its strategic goals and objectives.

We believe SSA is more transparent when it measures and publicly reports on the performance of its critical programs or activities. Neither SSA's *Strategic Plan* nor the *Annual Performance Plan* contained a performance measure to publicly track SSA's progress in constructing a new data center, even though the *Strategic Plan* states that all the Agency's plans depend on a strong 21st-century data center to replace the aged NCC. Also, SSA does not have a performance measure to track progress in updating its computer programs, even though its *Strategic Plan* noted that its IT infrastructure was resting on a foundation of aging computer programs. The aging computer systems make it difficult to implement new business processes and service delivery models.

Performance Data: Our contractor completed more in-depth analyses of performance data that support 10 PIs that measure SSA's Environmental Management System, electronic service delivery, disability process, and hearings and appeals process. It tested critical controls of the systems that produced the data, and determined their adequacy, accuracy, reasonableness, completeness, and consistency. It concluded that SSA could improve the underlying data supporting the PIs for each of the key activities we examined. For example, our contractor was unable to test the controls and reliability of the data for the PIs measuring electronic service delivery, since SSA did not maintain the data that supported the reported performance in its PAR. SSA stated that it did not maintain data to support some PIs because of computer storage issues and staffing resources. Our contractor concluded SSA should reevaluate its computer storage capacity since such technology has evolved over the past several years. Also, our contractor found that SSA could improve the internal controls and accuracy of the underlying data supporting the measurement of the hearings and appeals process.

Information Security: Sound internal controls help ensure the Agency is accountable to its mission and relevant laws, regulations, and policies. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Last year, we reported a significant deficiency in SSA's internal control over information security in our *Report on Management's Assertion about the Effectiveness of Internal Control*. We are reporting the same deficiency this year. Specifically, SSA had not consistently complied with the policies and procedures on periodic reassessments of the content of security access profiles. Additionally, security permissions provided to some employees and contractors were in excess of access required to complete their job responsibilities. Lastly, SSA's mainframe operating system contained configurations that increased the risk of unauthorized access to key financial data and programs.

Administrative Cost Allocation: We also believe SSA can bring greater accountability to its administrative cost allocation. The *Social Security Act* authorizes SSA to allocate administrative costs to the four Trust Funds for which it provides administrative support: the Retirement and Survivors Insurance Trust, the Disability Insurance Trust, the Hospital Insurance Trust, and the Supplementary Medical Insurance Trust. SSA uses its Cost Analysis System (CAS) to allocate administrative costs to these four Trust Funds and general fund programs administered by SSA, such as the SSI program.

We hired a contractor to review CAS given its importance to SSA's ability to provide reliable and timely information on the full costs of the programs it administers. Our contractor found that CAS has certain risks that SSA needs to address to ensure it provides viable calculations of SSA's administrative costs. For example, SSA has not updated the CAS cost allocation methodology in over 30 years to account for changes in business processes, system technology, or Federal accounting standards. The failure to periodically revisit and update the cost allocation methodology could result in costing assumptions and cost factors that are no longer valid or accurate. Consequently, the equitable and appropriate allocation of SSA's administrative costs to the Trust Funds could be at risk.

Similarly, the Office of Disability Adjudication and Review cost allocation process was outdated and inaccurate. The Office developed the original standard time values in the early 1980s. The specific details regarding the rationale and calculation of the standard time values were unclear, as there is no documentation on their development, and individuals who created them have retired. The ODAR cost allocation process standard time values were revised in FY 2011. During the first quarter of Fiscal Year (FY) 2010, ODAR conducted an internal Cost Reporting ODAR Workgroup (CROW) study of the standard time values used in its workload measurement process. ODAR managers requested the study because they believed that some of the standard time values they were using in their cost allocation process were outdated and inaccurate. Based on the CROW study results, ODAR reduced standard time values for hearings by an average of 16.22 hours and reduced travel times for ALJs from 1.1 hours per workday to 3.55 hours per month.

Time Allocation System: In 2001, SSA developed a workgroup to develop and implement a unified system for measuring and distributing work hours among organizations and workloads that would be accurate, reliable, and cost-effective. The workgroup proposed the Time Allocation System (TAS) to replace the District Office Work Sample used in the Work Measurement System, which submits to CAS. In 2009, SSA identified many instances of differences between observed activities and TAS reporting. That same year, SSA terminated the TAS project. We believe that if SSA had conducted sufficient project planning before initiating the TAS project, most, if not all, of the events that led SSA to terminate the project could have been resolved before expending approximately $36 million of Agency resources.

IT Investment Account: Accountability includes using budgeted funds efficiently and effectively. Each FY, SSA does not spend approximately 1 percent of its administrative budget to cover adjustments to existing obligations. SSA can transfer the unspent administrative funds that are not used to cover adjustments to an account for IT investment. Based on a historical review, we found that SSA did not need to leave any funds unspent at the end of the FY to cover adjustments. Accordingly, we recommended that SSA review its existing policy and procedures and make changes as needed to decrease the amount of administrative funds remaining at the end of each FY.

As of May 2011, Congress rescinded $275 million from SSA's unspent administrative budget in the no-year account. While we found that SSA was transferring unspent funds for IT investment in accordance with public laws, we believe SSA could improve the transparency of the process if the Agency seeks the explicit approval of its congressional oversight committee before making the transfer and obtains agreement on the amount to transfer.

Agency Actions

Transparency: SSA has continually revised its performance indicators and goals to provide the public an indication of its performance. SSA has also taken steps to implement the Open Government Directive, which is focused on increasing transparency within the Federal government. It released its first Open Government Plan in June 2010 and has continued to update its Open Government Website. SSA also released 34 different datasets on Data.gov as of the end of September 2011. These datasets are accessible by the public.

Accountability: SSA has taken steps to address the security of its sensitive information. SSA assembled a workgroup to address the access control weaknesses identified as a significant deficiency. The workgroup is testing a commercial tool to manage its employee and contractor access. SSA plans to roll out a pilot program in December 2011 to resolve some of its access control weaknesses.