Oversight Hearing on the Progress made by the Social Security
Administration in Implementing the *American Recovery and Reinvestment
Act of 2009*

Statement of Sylvester J. Schieber, Chairman
Social Security Advisory Board
To the
Subcommittee on Social Security of the
Committee on Ways and Means
U.S. House of Representatives
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Chairman Tanner, Mr. Johnson, Members of the Subcommittee. I am pleased to have this
opportunity to appear on behalf of the Social Security Advisory Board to present the
Board's view on the progress made by the Social Security Administration in
implementing the *American Recovery and Reinvestment Act of 2009* (ARRA). The
investment that the Congress has made in the Social Security Administration will ensure
that the agency is able to fulfill its vital role in helping American families when they need
it most.

Through the services it provides, the Social Security Administration (SSA) touches the
lives of nearly 60 million beneficiaries, 145 million workers and nearly every American.
One out of every six individuals receives monthly cash benefits from Social Security or
Supplemental Security Income (SSI), the major programs that SSA administers. This fact
alone should be an indicator of the importance of continuous, smooth operations of this
agency.

The role of Social Security in our society is not only pervasive; it is an extremely
important economic lifeline for millions of vulnerable citizens. The beneficiaries and
recipients of Social Security's monthly check include aged individuals and persons with
disabilities, their spouses, other dependents, and survivors. In fiscal year 2008,
41.2 million people were receiving retirement and survivor benefits and another
15.1 million were receiving disability benefits. SSA processed nearly 4.1
million retirement and survivor claims, 2.3 million initial disability claims, and
559,000 disability hearings during that same fiscal year. The agency provided services to
the public in general by processing over 19 million requests for new or replacement
Social Security cards, posting 273 million earnings items to individual earnings records,
answering 63 million calls to its 800-number and handling over 42 million visitors to
local field offices.

Over the past 74 years, the agency has been a diligent steward of the public's trust,
overseeing the benefit programs that so many individuals and families depend on. In
recent years, however, SSA's ability to fulfill its mission has been severely strained.
Chronic underfunding despite growing workloads exacerbated the situation. The

expansion of electronic disability case processing coupled with the need to request and store millions of images of electronic medical records has sorely tested the agency's processing and storage capacity. Moreover, they have continued, far too long in our opinion, to operate with outmoded information technology and database structures that could not support new and more efficient business rules and processes.

Last April I had the opportunity to testify before the Committee on Ways and Means. The issue under discussion was whether SSA had the resources to substantially reduce the growing disability claims backlog. At that time over 756,000 people were waiting nearly 500 days for disability decisions from administrative law judges. The increased productivity in the hearings offices this year has aided the growing momentum in reducing the backlog. These backlogs were-and still are-alarming in their own right, but become even more so when they are juxtaposed with the anticipated rise in claims over the next 10 years. SSA's workload will increase dramatically. Retirement claims will jump by over 40 percent and disability claims will rise by nearly 10 percent. The 2008 OASDI Trustees Report estimated that by 2015 there will be 50 million retirees, widows and widowers, and dependents receiving benefits and they will be expecting efficient and modern service from the Social Security Administration.

But the anticipated growth in claims does not stop there. The baby boomers are entering their disability prone years and the number of initial disability claims is projected to rise steadily from the 2.5 million claims received in 2008. A year ago SSA's actuaries estimated in Fiscal Year 2009 SSA could expect to receive over 2.6 million new disability claims.

The economic downturn that became apparent at the end of last year is having a significant impact on SSA's workloads in the current year and is expected to continue to affect workloads over the next couple of years. DDSs have already received over 11 percent more claims this year than at this same point in time last year. Over 664,000 new initial claims are pending in the DDS. This is over 100,000 more than they had at the start of the fiscal year in October 2008. It is highly likely that SSA will receive approximately 2.9 million disability claims this year: 300,000 more than anticipated. About 75 percent of those who are denied benefits at the DDS level eventually find their way to the hearings level and this will lead to another 50,000 claims in the hearings backlog. All of this puts immense stress on the agency's ability to provide timely, accurate, and efficient service.

SSA's Approach to Managing the Increased Workload

SSA has experienced extraordinary spikes in its workload before and has always stepped up to meet the challenge. These prior surges in workload were, for the most part, fairly well defined and eventually leveled off. But this time it is different. Now there are burgeoning workloads that are not likely to decline for several years. Significant

numbers of experienced staff are leaving through retirement and the agency's ability to replace them has been uncertain. The additional funding provided by an increased FY 2009 appropriation and the *American Recovery and Reinvestment Act* has allowed SSA to hire a significant number of new staff to fill the critical vacancies in the field offices, DDSs, and hearings offices. While this new staff will not bring relief in the short run, they are essential for the agency's future.

Business Process Modeling and Performance Management

Throughout the Board's existence, we have spent the vast majority of our time studying the disability program and how well it serves the public. In our 1999 report on how SSA can improve service to the public, we noted that more sophisticated performance management tools were needed. This is an agency that collects a wealth of data on case characteristics, decisional outcomes, timeliness, productivity, quality, and cost. The data are tallied and put into charts and called "management information."

We have commented in the past that the Office of Disability Adjudication and Review's (ODAR) Case Processing Management System (CPMS) technology makes it possible to create and retrieve information and yet historically there has been little innovative analysis occurring. The only way to understand and improve performance is by identifying and targeting the root cause of bottlenecks and vulnerable processes and then implementing measures that track outcomes.

The Board was recently briefed on several new initiatives underway in ODAR and it appears to us that there is a growing emphasis on data analysis and process management. They have developed an electronic business process model that simulates how work currently is processed, and for the first time, will be able to systematically identify steps in the process that create bottlenecks or do not add value to the process. While this initiative is very new and still in the validation stage, it does hold promise for improving workload management throughout the hearings process.

We have been assured by senior management that the modeling capabilities being developed to help identify problems in the hearings process will be able to isolate variance in performance from office-to-office and determine the root cause for that variance. If this approach proves effective, through process modeling, ODAR will be able to plan proactively for changes in receipts and how to redistribute workload, anticipate the need for changes in staffing mix, and determine what legitimately can be mitigated by improved management practices. The current use is focused on assuring the success of the agency's plan to reduce the backlog and going forward it will give them the capability to manage proactively, not just reactively. It is a new direction for ODAR and we are encouraged by this initiative.

Overall workload management can be dramatically improved through sophisticated forecasting and modeling tools. SSAB continues to urge the agency to use its research capacity more broadly and tap those resources in order to take a more systematic long range look at growth in workload, where it is happening and the underlying causes, and then develop simulation models that demonstrate the effects of different variables on all parts of the adjudication process. ODAR is in the early stages of analyzing the characteristics of the hearings population and this will better inform the agency leadership about managing cases at that level; but we believe that there is much that SSA can learn about the characteristics of potential filers at the initial claim level as well.

Current State of Data Center Operations

SSA's main computer operations center, the National Computer Center or NCC, is a thirty year old facility located on SSA's main campus in Baltimore. While originally designed to house the agency's large mainframe processing units and associated peripheral equipment, the NCC has been retooled and modernized over the years in an attempt to keep pace with SSA's ever-growing computer needs. But growing workloads, expanding telecommunications, storage requirements for huge volumes of electronic images, the electronic disability folder process, and ever tighter security measures have pushed the NCC's capacity to the limit. We were recently told that the storage capacity at the NCC has been expanded from 12 terabytes in 2000 to 483 terabytes in 2009 and the agency is estimating that storage requirements could increase by four times that amount in the next five years.

Coupled with these processing capacity issues, we learned in late 2008 that the NCC also has significant structural problems. Electrical supplies into the building are rapidly becoming inadequate; the backup power supplies are so old that it is virtually impossible to get replacement parts; and the fire suppression system needs upgrading. In addition, the General Services Administration (GSA) has advised the agency that in order to keep the NCC functioning, SSA would have to significantly increase the number of times it shuts down the data center on an annual basis to do routine maintenance, potentially curtailing the agency's ongoing operations to a considerable degree. To identify options for shoring up the NCC operation the agency consulted with external experts and learned that by the end of 2012 the NCC would no longer be viable and replacing it could not wait until the second data center was fully up and running.

We have been told by agency executives that, in the best case scenario, a new NCC will take 4 to 5 years to plan, develop, and build; another 2 to 3 years would be needed to complete all systems set-up and integration activities. The agency has estimated that the replacement facility would be fully operational by January 2016; however, given the typically long lead time to build and outfit such a governmental facility, there is some risk that it could take longer to complete. In fact, we recently learned that the process for acquiring the land may not be complete until March 2010. The $500 million the agency

received in the economic stimulus package for the NCC is a sizeable and necessary investment and speaks to the urgency of this project. Making this project a reality is the shared responsibility of SSA and the General Services Administration. In our view, pursuing this building project in a "business as usual" process is unacceptable and I would guess that much of the American public would find the timelines I have outlined here laughable if they were not so appalling. Due diligence is essential, but areas where red tape can be cut or timeframes shortened should be pursued.

You might wonder why I would suggest that many in the American public would find taking five years or more to build a new computer center and another two to three years to get the operating equipment in place as laughable. I do not believe that most people would consider the five-to-eight-year time frame involved would reflect the urgency this project deserves given the national dependence on this agency. I do not believe that most people would accept that we could not do this on a timelier basis if we were truly committed to the task.

By way of contrast, I would like to offer a little lesson from history. Early in World War II, the government was pressed for office space for the growing military effort associated with our joining the war. On Thursday July 17, 1941, Brigadier General Brehon B. Somervell summoned two of his subordinates and told them that by the following Monday morning he wanted basic plans and an architectural perspective for an air-conditioned office building to house 40,000 workers in four million square feet of space, not more than four stories high and with no elevators. After what Lt. Col. Hugh Casey called a busy weekend, he and his staff completed the basic layout of a five-sided building by the following Monday. The building's basic concept was approved that Monday by General Somervell and by the Secretary of War the next day who then informed President Roosevelt of his plans. At the same time President Roosevelt was being briefed, General Somervell was presenting the plan to Congress. Congress and the President moved quickly to approve the supplemental appropriation bill to fund the project. Construction commenced on Sept. 11, 1941. One section was completed by the end of April 1942 and the first tenants moved in. The basic shell and roof were finished in one year, and the building was completed by Jan. 15, 1943. Since then, we have known that building just across the Potomac River as the Pentagon which today still is the central administration facility for the U.S. Defense Department.

I believe that the American public believes that where there is a will, there is a way to get things done in a timely fashion even by our government. If we were able to take a building as complex and large as the Pentagon from nothing to complete in 18 months while we were in the middle of one of the most daunting military conflicts in world history, then assuming we cannot do something better than five to eight years in building a new Social Security computer center is, well, laughable.

Second Data Center and Plans for Disaster Recovery

In researching our recent report on SSA's information technology infrastructure, we learned that the agency began planning a second data center more than five years ago as part of a new strategy for comprehensive data backup and recovery. In response to September 11, 2001, the Department of Homeland Security issued a directive in 2003 requiring all federal agencies to develop plans that identify, prioritize and protect critical infrastructure. At that time, SSA had not updated its disaster recovery plans in over ten years and, therefore, had not taken into account the impact of the electronic disability processing system or the disability electronic folder. Agency executives recognized that their contingency plans were not nearly sufficient. In the event of a disaster, plans called for the use of private backup and recovery facilities at an offsite commercial hot site. However, the arrangements only allow for the recovery of 25 to 30 percent of the agency's production capability and recovery would take seven to nine days. In addition, SSA would have to queue up with other businesses or governmental agencies for access to the facility. This is, in fact, the disaster recovery plan still in effect today; the plan that will remain in effect until the two data center strategy is fully operational.

The vision for a second data center is that it would function in tandem with the primary NCC as "a fully functional, co-processing facility." The plans call for about 50 percent of the work currently processed in the NCC to be transferred to the second center. Functionally, the two facilities would "mirror" each other and provide backup capability. In the event of a disaster, the second center would have the capacity to process virtually all of SSA's priority workloads almost immediately. The new site would also have sufficient space available so that additional equipment and staff could be brought in to handle 100 percent of the agency's computing needs in the event the NCC was non-operational. SSA took occupancy of the new facility in Durham, North Carolina in January 2009. Over the next 12 months, the agency will be installing the data processing and storage infrastructure. Backup capability between the NCC and the second center is scheduled to be operational by the end of the second year with full functionality in place by 2013. However, in discussions with the agency's executives, we have learned that they are trying to accelerate the schedule because of the problems with the NCC.

Continued Risk

Where does all this leave the agency in terms of operational capacity and its ability to backup data and recover operations as the transition between data centers takes place? Sometime within the next two years the second data center should have sufficient capacity to process some workloads on an ongoing basis as well as provide additional backup and recovery for other critical workloads. This will certainly improve the situation for a period of time. However, by late 2012 when the NCC is at the end of its projected life-cycle, the second data center will most likely need to serve as the agency's primary computing center with disaster recovery once again reliant on commercial hot sites. To date, we are unaware of any efforts the agency has taken to actively pursue

alternative recovery scenarios such as contracting for the use of other governmental or commercial hot sites in the event the NCC becomes non-operational.

The National Research Council referred to the data stored by SSA as the "crown jewels." The current two data center strategy affords some assurance that the data are secure and recoverable. The agency recently appointed a highly talented Future Systems Technical Advisory Panel to advise them on emerging technologies and infrastructure needs. We suggest that this panel be enlisted to perform a quick analysis of the situation and provide recommendations to the Commissioner within 30 days.

In the interim, over the next seven years until the new NCC and the second data center are fully operational, there is a risk that at some point benefit checks could be significantly delayed or not delivered and important data could be lost. Given the economic role that Social Security plays in the lives of a large segment of the American population, I find this situation deeply disturbing.

How did SSA get in this situation?

As I mentioned previously, the Board has just finished a two-year study that focused on how SSA's public service can be improved through technology. During that time we met with several agency executives on a host of issues, including systems development, strategic planning, infrastructure needs, and resource allocation. Discussions relative to the NCC revolved around its limited capacity to meet future workload demands and how the second data center in Durham would fulfill the need to expand processing and backup capacity. In fact, the Board first learned of the critical nature of the NCC's physical plant from the Commissioner in the fall of 2008 and I believe he informed the Board virtually immediately upon becoming aware of the problems himself.

I can only hazard a guess as to why this issue has only come before our viewfinder in the last several months and I doubt that my guessing about root causes would add much of value. Instead, I believe that it will be more productive to ensure that this potential for great risk to SSA's infrastructure does not happen again. The Board strongly urges SSA to undertake a self-assessment that would identify the underlying factors that allowed the current NCC situation to occur. While this particular story is about the development and maintenance of systems operations at Social Security, the root of the problems associated with it are about the role of senior career managers in the agency, their sense of fiduciary responsibility in their roles and how they handle these roles when the agency leadership is not open to the messages being delivered.

SSA needs to develop a governance structure of *shared ownership and accountability* that is committed to diligently identifying and managing all risk factors and strengthening its strategic and tactical planning processes.

Governance of the Information Technology (IT) Investments

Given the recent developments with regard to the National Computer Center, there is clearly reason to question the governance of the agency's IT investments. With different planning and oversight of the IT process, perhaps the critical situation the agency finds itself in could have been avoided. As the Board looked at the IT planning and management process at SSA, there is evidence that the current process could be more effective.

Governance of IT investments at the agency is a decentralized process. While the Chief Information Officer (CIO) and the Deputy Commissioner for Systems (DCS) are the principle players, IT oversight is split among a number of senior executives. The CIO has responsibility for such functions as IT capital planning and investment management, overall enterprise architecture, strategic planning for IT, and e-government initiatives. The DCS has responsibility for systems acquisition, development, and integration. All of these disparate functions are supposed to be brought together and managed under the auspices of the Information Technology Advisory Board (ITAB). The ITAB has the overall responsibility for shaping the agency's IT strategy and for approving and allocating resources for the hundreds of projects that are proposed each year. While originally designed as a way to ensure transparency and foster shared responsibility for IT investment, the result has been more of a dilution of ownership and management of the agency's overall IT process.

During our research, we talked with a number of organizations, both public and private, and found some major differences in the way IT governance is handled. For most of these organizations, the responsibility for governance is a centralized process with ultimate accountability invested with the CIO. The CIO is responsible for comprehensive planning, development, and implementation of new IT projects as well as for the ongoing maintenance of current systems. It is the CIO's responsibility to ensure IT investments are aligned with the organization's strategic plan and that they are properly evaluated to measure their success or failure. I believe that this is the type of oversight that the Congress intended when it passed the 1996 Clinger-Cohen Act. This Act requires agencies to designate a CIO to help control risk, better manage technology spending, and achieve real, measurable improvements in agency performance through the use of technology.

The Board has recommended that the agency restructure its governance process and that it centralize overall responsibility for all IT processes. I believe that the current structure has left the agency open to the type of risk we are talking about here. While some may argue that capital planning and the management of the overall enterprise architecture are separate and distinct functions from the more tactical responsibilities for systems acquisition, development and implementation, this bifurcated process, for whatever reason, simply has not worked at SSA. The agency's ability to deliver public service will

increasingly depend on technology and governance of the IT process must have strong leadership who is empowered to make critical decisions and is held accountable for those decisions.

Further, the more theoretical process of assessing emerging technologies and new IT-related strategies has for too long been divorced from the practical development of processing systems. The result has been that an agency once considered a pioneer in systems automation is now struggling to provide service with an outdated technology infrastructure. The recently appointed Future Systems Technical Advisory Panel will be instrumental in helping the agency create a system for the future. However, I believe it will take strong leadership to ensure that the agency breaks out of its insular view of technology and embraces what it can bring to the delivery of quality public service.

Strategic Planning

SSA's original endeavors in strategic planning described a comprehensive and ambitious vision for the future of the agency. While high-level in nature, these early plans described in broad terms the necessary steps that would be needed to carry out that vision. In recent years SSA's strategic plans have been primarily narrowly focused shorter range tactical plans designed to address a more immediate issue. While it is only conjecture, it is possible that the failure of SSA to anticipate and adequately plan for a replacement national computer center when the current building came to the end of its lifecycle is partly the result of inadequate enterprise-wide long-range planning. The more immediate need to support the agency's computing capacity with a second data center may have overshadowed the need to develop a longer-range plan for replacing and transitioning out of the current NCC facility.

The Board believes SSA needs to return to longer-range planning that envisions how the agency will deliver service and what the supporting infrastructure must be to make this plan a reality. We urge SSA to begin the planning process for the next decade and develop a "to be" 2020 vision. The process must include a broad scan of environmental factors that will arise within the next decade, a thorough assessment of future technologies, a comprehensive review of all major business processes, and in-depth analyses of service delivery channels and opportunities for change or improvement. Short-term planning and implementation strategies are not sufficient for the type of technological changes SSA will need to make if it is to meet future challenges.

The Advisory for this hearing rightly noted that Congress has made a significant investment in SSA's capacity to continue to effectively serve the American public. We firmly believe that your confidence has not been misplaced and that this investment will yield significant dividends. In our role as an Advisory Board that serves the President, the Congress, and the Social Security Administration, we are committed to ensuring SSA's ability to fulfill its mission.

Mr. Chairman, I hope these comments are helpful to the Subcommittee. I would be happy to provide any additional assistance you may want, and I would be happy to answer any questions you may have.