

**SSA'S OBLIGATION TO ENSURE THAT  
THE PUBLIC'S FUNDS ARE RESPONSIBLY  
COLLECTED AND EXPENDED**

**Social Security Advisory Board**

**March 2002**

## The Magnitude of SSA's Operations

SSA's operations are large and complex. At the end of fiscal year 2001, the agency was paying benefits to about **46 million** beneficiaries of Old-Age, Survivors, and Disability Insurance, and about **6.7 million** beneficiaries of the Supplemental Security Income (SSI) program.

In addition, during fiscal year 2001, SSA:

- processed **18.1 million** applications for Social Security cards;
- received applications from **3.1 million** Retirement and Survivors Insurance applicants and dependents, **1.7 million** Disability Insurance applicants and dependents, **1.6 million** Supplemental Security Income (SSI) disability applicants, and **160,000** SSI aged applicants;
- took action on **11.6 million** changes of address and **4.3 million** overpayments; and
- conducted **1.7 million** continuing disability reviews.

During fiscal year 2001, **85.9 million** calls were placed to SSA's 800 number. SSA actually served **59.3 million** of those calls – **41.6 million** by an SSA representative, and **17.7 million** by automated attendant.

SSA is also responsible for a number of other vital functions. These include:

- **Maintaining wage records.** SSA maintains records of the lifetime earnings of all workers who are covered by Social Security. In 2001, SSA posted **252 million** tax year 2000 wage items for **148 million** workers. In calculating benefits, both the amount and the number of years of earnings are considered.
- **Delivery of related beneficiary services.** SSA determines eligibility for Medicare, and also performs work on behalf of the Medicaid, Food Stamp, Railroad Retirement, and Black Lung programs. Field offices provide beneficiaries with information regarding other public and private programs available in their communities, such as vocational rehabilitation and welfare.
- **Providing public information.** SSA employees prepare pamphlets, use the public media, and give speeches in local communities to communicate with the public. Beginning in fiscal year 2000, SSA began annual mailing of Social Security Statements to all taxpayers age 25 and over showing the amount of Social Security taxes they and their employers paid and their earnings and estimated benefits. In fiscal year 2001, SSA mailed out about **136 million** of these statements.
- **Developing program policy.** SSA adopts rules and regulations to ensure its programs are administered according to law. It conducts research and analysis to help policy makers address problems and develop proposals for change.
- **Resolving disputes.** Individuals may appeal Social Security decisions through an administrative appeals process, including a hearing before an administrative law judge. In fiscal year 2001, SSA's hearing offices prepared **465,228** case dispositions and issued **401,283** hearing decisions.

### Social Security Advisory Board

An independent, bipartisan Board created by the Congress and appointed by the President and the Congress to advise the President, the Congress, and the Commissioner of Social Security on matters related to the Social Security and Supplemental Security Income programs

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# Financial Impact of Social Security Administration Programs

The programs administered by SSA are among the largest in the Federal government. In fiscal year 2002, benefits and administrative expenses of the Old-Age, Survivors, and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs are expected to be about **\$490 billion**, or about **24 percent** of all Federal expenditures. This includes **\$451 billion** in OASDI benefits, **\$31 billion** in SSI benefits, and nearly **\$8 billion** in administrative expenses for the two programs. (Data are derived from the Administration's budget submission for fiscal year 2003.)

## Income

- Income to the OASDI trust funds in fiscal year 2002 is expected to total about **\$617 billion**, of which about **\$528 billion** will be from payroll taxes and about **\$77 billion** will be from interest on the investments of the trust funds. Additional funds come from taxation of benefits and general revenue transfers for special programs.

## Benefits

- Benefits paid to retired and disabled workers and their dependents and survivors in 2002 will total **\$451 billion**, which includes **\$384 billion** in retirement and survivors benefits and **\$67 billion** in disability benefits. More than **\$31 billion** in Federal benefits will be paid to SSI recipients.
- About **\$157 billion** will be added to trust fund reserves to pay future OASDI benefits.

## Administrative Costs

- SSA expects to spend **\$7.7 billion** for administrative costs in fiscal year 2002. About **60 percent** of administrative costs are used for personnel compensation and benefits.
- Of the **\$7.7 billion** SSA expects to spend for administrative expenses, about **47 percent** will be expended from the OASDI trust funds for retirement, survivors and disability program expenses, **36 percent** will come from general revenues for SSI program expenses, roughly **16 percent** will be expended from the HI and SMI trust funds for work related to the Medicare program, and about **1 percent** will be expended from user fees paid by States for the administration of State supplements to the SSI program.
- More than **\$5 billion** of SSA's administrative budget will support the agency's disability programs – including both the DI program and the SSI disability program. This amount is about two-thirds of the agency's administrative budget.
- Total administrative expenses are expected to be about **1.6 percent** of total outlays for the agency. As a percentage of benefits, administrative costs for the OASDI program are under **1 percent**. OASDI trust fund costs are about **.5 percent** and DI costs are about **4 percent** of expenditures. For SSI, administrative outlays are about **9 percent** of benefits, reflecting the more labor-intensive nature of SSI workloads and the fact that most SSI benefits are disability, as compared to old age.

## EXECUTIVE SUMMARY

The care with which the Social Security Administration carries out its responsibilities is important to almost everyone. Today, about 154 million workers, or 96 percent of the workforce, are engaged in employment covered by Social Security and, together with their employers, are paying the taxes that are used to support the system. Nearly 33 million individuals, or 91 percent of those age 65 and over, are receiving retirement benefits. About 90 percent of those age 21 to 64 who worked in covered employment in 2001 can count on monthly cash benefits in the event of a severe and prolonged disability. About 6.7 million needy individuals are receiving Supplemental Security Income (SSI) benefits based on old age or disability.

Over the last five years much of the Board's work has been directed at evaluating the quality of service that SSA provides to the public and we have issued several reports with recommendations for how service can be improved. The purpose of this report is to set forth for the President, the Congress, and the agency our serious concerns that major changes must be made to improve the integrity of SSA's operations. Ensuring program integrity is an inherent aspect of the agency's responsibility to provide good service to the public. Taxpayers who support the Social Security and SSI programs must be confident that their tax dollars are accurately collected and expended. Claimants and beneficiaries must believe that program rules and procedures are rigorously followed and that the benefits they and others receive are accurate. A full reporting of SSA's use of taxpayers' dollars is essential to meeting these objectives, as the Board has noted in its earlier reports.

SSA's employees understand and want to meet the public's expectations and needs, and one of the agency's stated objectives is to ensure program integrity. But as workloads have grown and resources have declined, managers and employees throughout the agency's administrative structure are increasingly frustrated that they lack both the time and the tools they need to do the high quality work that the agency expects and that they expect of themselves.

This report describes aspects of the agency's work that urgently need improvement. The most critical is to improve the integrity of SSA's enumeration process. An unknown number of Social Security numbers are being issued on the basis of fraudulent documents. Fraudulent use of the SSN has become a significant public policy issue, an issue that is expected to grow as the number of SSN-related crimes continues to escalate. Other areas of the agency's work that need strengthening include the accuracy of disability determinations, accuracy of SSI payments, collection of overpayments, accountability of representative payees, posting and reporting of wages, and systems security.

SSA needs to improve both policies and practices. The culture of the agency needs to be changed to strengthen teamwork and speed up decision making so that program integrity issues can be addressed promptly and forthrightly. The agency also needs sufficient staff with the right skills. SSA's budget proposals should reflect the staffing levels and the staff qualifications that the agency needs to serve the public appropriately and to meet its stewardship responsibilities. SSA's administrative budget for Social Security should be excluded from any cap that sets an arbitrary limit on discretionary spending. In addition, as a way of addressing immediate needs, there should be a separate funding mechanism – outside of the spending cap – to enable the agency to implement program integrity initiatives that will pay for themselves, such as the current funding arrangement for conducting continuing disability reviews (CDRs). In the longer term, the new budget process that the Commissioner is developing can integrate the agency's stewardship activities with overall service requirements.

## **HOW THE BOARD CONDUCTED ITS STUDY**

Over the last five years the Board has conducted an extensive study of SSA's service to the public, of which program integrity is an integral part. Our study has taken us to offices in cities throughout the country—Atlanta, Austin, Baton Rouge, Birmingham, Boston, Brooklyn, Chicago, Dallas, Detroit, Fort Lauderdale, Fort Worth, Harrisburg, Kansas City, Lansing, Los Angeles, Miami, New Orleans, New York City, Newark, Philadelphia, Raleigh, Richmond, San Francisco, Seattle, and Trenton—and to offices in rural and suburban areas as well. We have met with employees in field offices, hearing offices, regional offices, program service centers, teleservice centers and State disability determination agencies. We have also met with executives at SSA's Baltimore, Washington, and Falls Church, Virginia headquarters, and consulted with SSA's Office of the Inspector General and its Office of General Counsel.

We have consulted with a number of other organizations, both public and private. These include the Federal Trade Commission, the General Accounting Office, and the Internal Revenue Service.

Our work also reflects comments and suggestions we have received from the Congress.

We have held public hearings in San Francisco, Dallas, Chicago, Philadelphia, and Seattle, at which time we heard from Social Security officials, advocates for the elderly and disabled, State government officials, academics, legal services and private attorneys, representatives from private and non-profit organizations concerned with Social Security and Supplemental Security Income program issues, and members of the public.

## I. SSA'S RESPONSIBILITY TO ENSURE PROGRAM INTEGRITY

The care with which the Social Security Administration performs its responsibilities is important to almost everyone. Today, about 154 million workers, or 96 percent of the workforce, are engaged in employment covered by Social Security and, together with their employers, are paying the taxes that are used to support the system. Nearly 33 million individuals, or 91 percent of those age 65 and over, are receiving retirement benefits. About 90 percent of those age 21 to 64 who worked in covered employment in 2001 can count on monthly cash benefits in the event of a severe and prolonged disability. About 6.7 million needy individuals are receiving Supplemental Security Income (SSI) benefits based on old age or disability.

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In fiscal year 2002, the Social Security trust funds are expected to collect \$617 billion in payroll taxes, interest, and other income, and

pay \$451 billion in benefits. SSA will pay another \$31 billion in SSI benefits, which are financed out of general revenues. This year, SSA's outlays for the Social Security and SSI programs will account for about 24 percent of all Federal expenditures.

As the steward of these large and critically important programs, the Social Security Administration has an obligation to ensure that they are administered with the utmost care and accuracy. How well it fulfills this obligation has a major influence on the public's trust in government.

The 1994 law that established the Social Security Advisory Board charged the Board with the responsibility of recommending how SSA can improve its service to the public. In responding to this charge, the Board has issued a number of reports that analyze where the agency needs to make improvements and what it can and should do to improve the quality of the service that it provides to the public.

We have urged SSA to develop a service delivery plan that will clarify the agency's priorities and the reasons for them so that they can be understood by the agency's own employees as well as by policy makers and the public. We believe that SSA currently has inadequate resources to carry out its many complex responsibilities, and have recommended

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that the agency develop a budget that is work-based and more coherent. We have noted that SSA needs to change the way it measures its performance and we have recommended improvements in many areas of the agency's work, including providing easier access to its 800 telephone number and shorter waiting times in field offices. We have urged the agency's leadership to address longstanding institutional problems. These problems include a culture that discourages open discussion and timely resolution of problems, weaknesses in communication between SSA's headquarters and operations in the field, and inadequate teamwork.

Providing high quality service to the public requires SSA to carry out a broad range of responsibilities. Good service includes providing prompt, courteous, and helpful service to the public at large, including workers and employers as well as beneficiaries and claimants. It includes helping the public to understand Social Security's principles, benefits, and costs, and what they need to do to ensure their economic security in retirement. These aspects of service to the public have been the subject of Advisory Board reports over the last five years.<sup>1</sup>

In this report, we focus on program integrity. Ensuring program integrity is an inherent aspect of the agency's responsibility

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<sup>1</sup> A complete listing of the Board's reports and statements can be found on p. 49 of this report.

to provide good service to the public. Taxpayers who support the Social Security and SSI programs must be confident that their tax dollars are accurately collected and expended. Claimants and beneficiaries must believe that program rules and procedures are rigorously followed and that the benefits they and others receive are accurate. Full accountability is critical to the integrity of SSA's programs. Just as efficiency and accuracy are an essential concern of beneficiaries, the efficient and effective use of worker contributions to Social Security is essential to those who are supporting the system. The amounts involved are significant from the standpoint of taxpayers. In fiscal year 2002, Social Security payroll taxes are expected to amount to \$528 billion, or 27 percent of all taxes taken in by the Federal government. The workers and employers who pay these taxes deserve to know how their dollars are being used.

Since the early years of the Social Security program, SSA has faced the challenge of striking a balance among all of these aspects of the agency's work. Throughout its earlier history, SSA was generally successful in meeting this challenge, earning the reputation of being one of the most efficient, courteous, and accurate providers of service in the government. Its long-standing commitment has been "the right check, to the right person, on time."

From the beginning, the administrators of the Social Security program worked to create an agency-wide culture that would ensure high

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quality service. They instructed employees at all levels of the organization to treat everyone who communicated with the agency with respect and to provide helpful service to all. They also stressed the need to protect the trust funds against improper payments and earn the public's respect for the integrity of their administration.

In more recent decades, as the agency's mission has expanded and become more complex and staffing levels have been reduced, employees have found it increasingly difficult to meet what many have come to view as

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conflicting objectives. There is a widely held perception that although the agency's stated objectives continue to express sound principles, there is an emphasis on speed of processing over all else, including quality and accuracy. Program integrity, while a stated agency objective, is not a priority that in practice is given adequate weight.

*In our observation, managers and employees throughout SSA's administrative structure are being forced to look the other way, and ignore their instincts to do the job right. Without sufficient staff to meet stated objectives, they are forced to decide which aspects of their work should have priority.*

The Board has heard this view from employees in Social Security and State disability agency offices throughout the country. As one field office manager recently asked rhetorically: "What am I to do when the goal is not quality, but numbers for quantity and processing times?"

In its 2000 – 2005 strategic plan, SSA sets out as two of its five goals the delivery of "customer-responsive, world-class service" and ensuring the integrity of Social Security programs, "with zero tolerance for fraud and abuse."

The reality, however, is that with the current level of resources these two goals do not appear to be attainable in any meaningful way. In our observation, managers and employees throughout SSA's administrative structure are being forced to look the other way, and ignore their instincts to do the job right. Without sufficient staff to meet stated objectives, they are forced to decide which aspects of their work should have priority.

Not unreasonably, the choice is most often to try to address the immediate crisis – to speed up interviews in order to reduce the crowd in the waiting room, or speed up the processing of disability applications to reduce the time a claimant may have to wait to receive a benefit check. Actions that are important to program integrity, such as careful cross checking of documentation to prevent incorrect payments, are put aside for later action, or, in some cases, not taken at all. An SSA area director told the Board, "There is a real and palpable sense of anxiety in the field over stewardship issues. The field is meeting its measured goals and objectives, but there is anxiety over the things that are not measured, such as quality."

As we pointed out in our September 1999 report, *How the Social Security Administration Can Improve Its Service to the Public*, the kind of tradeoff employees must now make has not always been routinely required. In an earlier time, adequate funding for Social Security's programs was a higher priority than it has been in more recent years. There was a widely accepted view in the Congress and elsewhere that, because Social Security was separately financed, with funding coming out of contributions by workers and employers, the agency should be given adequate resources to administer the program properly. When the agency made a case for additional funding, the Administration and the Congress gave the agency the funding that it urged was needed.

Illustrating the high priority that early leaders of SSA placed on the funding issue, a 1958 agency statement of objectives cited as inherent to the rights of the public the obligation "to obtain and maintain adequate resources to do the work," and to develop sound budget estimates based on firm documentation so as to ensure that the Congress would provide the funds that were needed.

Pressures over the last two decades to downsize government have left SSA with a staff in the field that is nearly 30 percent smaller than it was 20 years ago when workloads were far smaller than they are today. The universal view heard by the Board in its meetings with employees across the country and expressed by

witnesses at our public hearings is that SSA no longer has adequate resources to do the work that should be done.

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In testimony before the Congress and in its reports, SSA's Office of the Inspector General has been placing increasing emphasis on the need by the agency to focus greater attention on program integrity, pointing to agency vulnerabilities in such areas as SSI, disability, and issuance of Social Security numbers. The Inspector General recently told the House Ways and Means Social Security Subcommittee that the agency is faced with balancing "speed and convenience on the one hand and accuracy and security on the other."

***If employees in the field are to be able to carry out the additional work that is required...the agency will need a higher level of funding for staff and systems than it is currently receiving. The Board has urged SSA to develop a service delivery budget that reflects the agency's work requirements and provides the resources that are needed to meet those requirements.***

As this report makes clear, there are a number of steps SSA should take to ensure that program integrity receives the attention that it deserves. These include underscoring to employees the high value that the agency places on stewardship work by rewarding it through new performance and quality measures, speeding up decision making within the agency, becoming more aggressive in working with other agencies to address difficult workloads, accelerating systems improvements, and reducing policy and program complexities wherever possible.

If employees in the field are to be able to carry out the additional work that is required, however, the agency will need a higher level of funding for staff and systems than it is currently receiving. The Board has urged SSA to develop a service delivery budget that reflects the agency's work requirements and provides the resources that are needed to meet those requirements. The new Commissioner has made a commitment to develop a budget along the lines the Board has recommended. This new budget process should enable the Administration and the Congress to make better informed decisions about the level of funding that is needed to carry out appropriately all of the agency's responsibilities, including its important stewardship responsibilities.

SSA's administrative budget for Social Security, like its program budget, should be explicitly excluded from any spending cap that imposes a limit on the amount of discretionary government spending. It is inappropriate to apply a discretionary spending cap to spending

required for the proper administration of the Social Security program, which is funded out of dedicated taxes paid by workers and employers.

While SSA's administrative budget is large in absolute terms, \$7.7 billion for the current fiscal year, it is small in relationship to program expenditures, about 1.6 percent. It is also relatively small compared with social security agencies in other developed countries, which generally operate with a larger expense ratio. It is smaller yet in comparison to the operating costs of private sector insurance companies, where cost ratios of 10 or 20 percent or more are not uncommon. Most importantly, it is demonstrably inadequate to meet not only existing needs, but also future challenges facing the agency.

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As a way of addressing immediate needs for greater stewardship activities, we urge policy makers to establish a separate funding mechanism – outside of the spending cap – that will enable the agency to implement initiatives that will pay for themselves. This should include funds for activities that have been demonstrated to be cost effective, such as conducting thorough

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periodic redeterminations of SSI eligibility and collecting overpayments. For the last several years the Congress has provided funding outside the cap for continuing disability reviews (CDRs) to determine whether individuals who are on the disability rolls continue to be disabled. These reviews are currently showing a savings of \$10 in benefits for each \$1 of administrative costs. SSA should be given the funds that are needed to perform these kinds of program integrity efforts without sacrificing other critical aspects of service to the public.

We recognize that when the agency has insufficient resources to do all of its work, authorizing funds to be used for specific types of activities has the potential for causing important work to be put aside in favor of the work that has been funded. As an example, State disability administrators have expressed concern that, because of the special funding for CDRs that the agency has been given, they are being asked to give priority to conducting CDRs rather than determining eligibility for new claimants at a time when initial applications for benefits are growing.

We have heard from many within SSA that too often the agency has lurched from one priority workload to another, causing confusion among employees in the field and distortions in work processes. It is critically important that the agency's priorities be

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established coherently so as to prevent such distortions. The legislation for special funding that we advocate should be carefully crafted with the objective of achieving both efficiency and service quality.

In the longer term, the new budget process that the Commissioner is developing can integrate the agency's stewardship activities with overall service requirements. We strongly endorse this new approach to budgeting and look forward to working with the agency and the Congress to produce once again a budget that meets demonstrable public needs and rightful expectations for high quality service.

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## II. THE NEED FOR BETTER STEWARDSHIP WILL CONTINUE TO GROW

Few outside of the Social Security Administration have a good understanding of the massive scale of the work that the agency performs. Most think of the agency as a simple check writing operation. The reality is far different.

### *A. SSA's workloads are massive and will become more so*

In fiscal year 2001, the agency processed 18.1 million applications for Social Security cards. It received 3.1 million applications for Retirement and Survivors Insurance, and 1.7 million applications for Disability Insurance. SSA also received about 1.6 million applications for SSI disability and 160,000 applications for SSI benefits based on age. It conducted 1.7 million continuing disability reviews and made 11.6 million changes of address.

The agency's 1,300 field offices had 26.5 million visitors. About 86 million calls were placed to the agency's 800 number, and approximately an equal number went to field offices.

Simple workload numbers such as these do not fully convey the magnitude of the effort

that is required to carry them out. Most of the work performed by SSA and State disability agency employees demands a high level of knowledge and skill and close attention to detail. For example, although processing a retirement claim is often relatively straightforward, many involve complex or time-consuming actions, such as establishing spousal relationships in cases involving common-law marriage or proof of age for claimants born outside of the United States.

Processing a disability claim is nearly always complex, requiring establishment of a date of onset of the disability, the gathering of medical evidence and work history, and sifting through and rationalizing any conflicts in evidence. Applications for SSI benefits always require determining the claimant's income, assets, citizenship, place of residence, and living arrangements. Processing applications for Social Security cards for individuals born outside the United States requires authenticating documentation that proves they have a right to a card issued in their name.

As shown below, the agency's current workload statistics reflect the rapid growth that has been occurring and is expected to accelerate in the decades to come.

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## Recent program growth

Over the last decade, the number of people receiving Social Security and SSI benefits grew at a rate significantly faster than the population as a whole. In 2001, about 46 million people received Social Security benefits, including about 39 million beneficiaries of retirement or survivors benefits and about 6.8 million DI beneficiaries. This represented growth of about 14 percent over the number of beneficiaries in 1990, compared with a growth of 10.7 percent for the population as a whole.

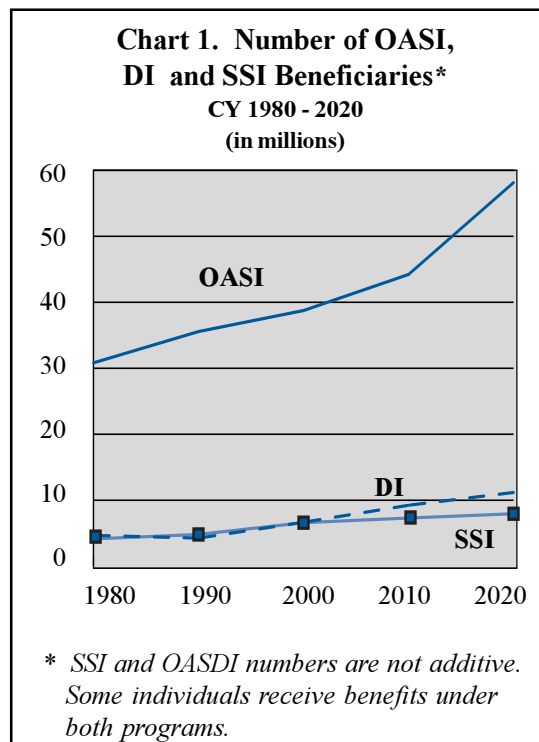
The growth in beneficiaries was largely accounted for by the DI portion of the program. Over the period 1990-2001, the rate of growth in the number of retirement and survivors beneficiaries was slightly less than for the population as a whole. But the growth in the DI rolls was dramatic. The number of beneficiaries receiving DI benefits grew by 61 percent during this time period. Growth in the number of individuals receiving Federally administered SSI benefits was also dramatic, increasing from 4.8 million in 1990 to 6.7 million in 2001, an increase of 39 percent.

## Projected future growth

This rapid growth in the rolls will accelerate as the baby boom generation ages. Between 2000 and 2020 the general population is expected to grow by about 16 percent, but the number of Social Security beneficiaries is expected to grow by 53 percent. (Chart 1)

The growth in the SSI program is projected to be considerably slower, at 21 percent. More

than 9 out of 10 applications for SSI are for disability, however, so even a moderate rate of growth has important consequences for SSA's administrative resources because of the labor-intensive nature of making complex disability determinations.

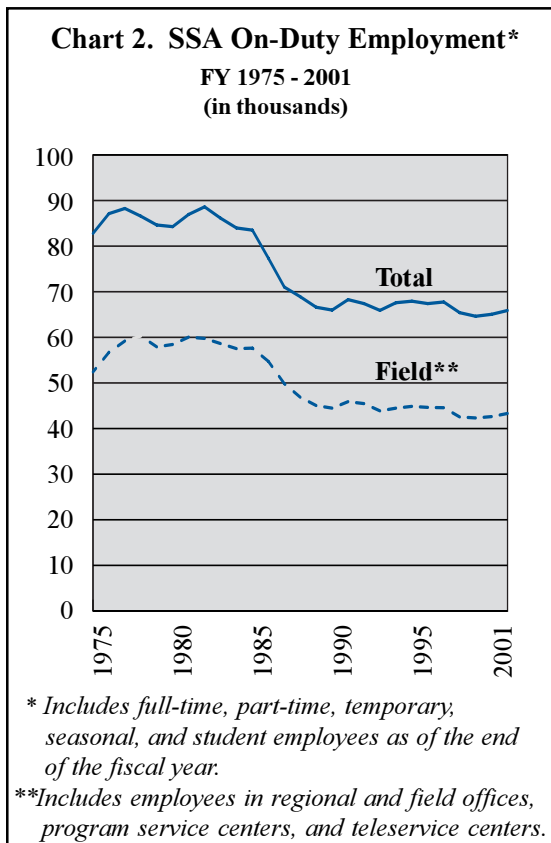


Another factor affecting SSA's workloads is the increasing diversity of the population, requiring a wider range of language skills than the agency has had in the past. The size of the U.S. population that is foreign-born grew from 14.1 million in 1980 to 19.8 million in 1990 and 28.4 million in 2000. Field offices all across the country, even in rural areas, are finding it necessary to hire bilingual employees or to contract with interpreters. SSA now has employees who speak more than 90 languages.

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***B. While the agency’s workload has grown, its resources have been drastically reduced***

Since 1982, SSA has experienced a 26 percent decline in the number of employees. SSA’s field operations have experienced an even greater reduction. Between 1982 and 2001, the number of employees in regional and field offices, teleservice centers, and program service centers fell by 28 percent, from 60,000 to 43,000. (Chart 2)



As recommended by the National Performance Review in 1993, SSA has also reduced its management-staff ratio, from 1:7 in 1993 to 1:14 in 2001. We have heard from many employees in the field that the agency’s current dearth of managers and supervisors is having a significant and negative impact on the quality of work, particularly in the agency’s field offices. As one field office manager told the Board, “Employees are making more mistakes because managers are not available to answer questions, provide training, and review work.” The heavy burden that some managers now carry is making their jobs unattractive to the point that recruiting able replacements for those who choose to retire is becoming increasingly difficult.

***C. Major areas of the agency’s work need to be strengthened***

Taxpayers who support SSA’s programs want and deserve to know that their tax dollars are being accurately accounted for and expended. Beneficiaries want their payments to be accurate so that they do not have the inconvenience or hardship of dealing with either an overpayment or an underpayment.

SSA’s dedicated employees understand and want to meet these public expectations and needs. A field office manager told the Board: “Quality of work is a big issue for us. No one has told us not to value quality. But pressure for speed and volume now predominates.”

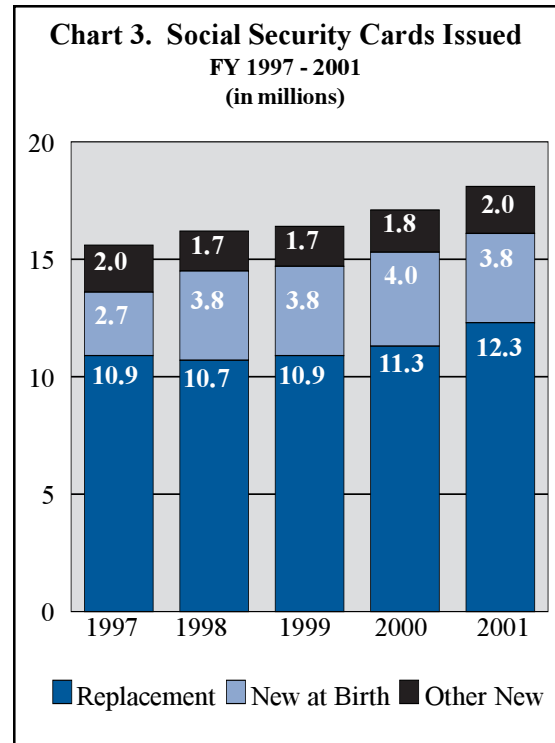
***Taxpayers who support SSA’s programs want and deserve to know that their tax dollars are being accurately accounted for and expended. Beneficiaries want their payments to be accurate so that they do not have the inconvenience or hardship of dealing with either an overpayment or an underpayment.***

The agency has undertaken a number of initiatives aimed specifically at improving management and reducing error and fraud. It has issued reports on the disability and SSI programs that describe the initiatives the agency is making to improve program management and integrity. Software improvements have been made to increase the speed and accuracy of wage reporting by employers. The agency has supported staff increases for the Office of the Inspector General, enhancing its capacity to focus on program integrity issues. Recent anti-fraud initiatives by the OIG include projects being conducted with the Immigration and Naturalization Service (INS) and the Department of the Treasury to detect incidents where individuals have concealed assets or foreign travel during the SSI redetermination interviews, or have applied for a new or replacement Social Security card using fraudulent documentation of identity.

Despite the many important efforts that the agency has been making, however, there are critical areas where vast improvements remain to be made. The following are among the most urgent.

### **Integrity of the Social Security number**

Many of those who crowd into SSA's field office waiting rooms across the country have come to apply for a new or – more often – a replacement Social Security card. In fact, handling applications for new and replacement cards is the largest category of work that field offices perform. In fiscal year 2001, the agency issued 18.1 million cards, a 16 percent



increase since 1997. Currently, about 32 percent of all Social Security number-related requests are for new cards and about 68 percent are for replacement cards for people with existing numbers. (Chart 3)

The importance of the Social Security card (or number) to the government and to any individual who wants to work or transact some other kind of business in the United States cannot be overstated. Employers are required to ask for an individual's Social Security number (SSN) before hiring, and the number is the identifier used in all claims for Social Security or SSI benefits as well as for many other Federal and State programs, such as Medicare, Medicaid, and public assistance

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benefits. The IRS uses the SSN as an identifier for most individual taxpayers, for identifying taxpayer dependents, and for tracking income and payroll tax contributions. Many States use it in their individual drivers license systems. Many businesses and organizations in the private sector, including banks and credit card companies, also depend on the Social Security number as an identifier for maintaining their records.

SSA's performance standards for issuing cards reflect a concern for both speed of issuance and accuracy. With regard to speed, the agency's statistics show that in fiscal year 2001, 96.8 percent of SSN applicants were advised of their assigned SSN within 24 hours of initial processing. Agency statistics for 2000 show that 99.8 percent of numbers were issued accurately.

Nonetheless, SSA's Office of the Inspector General has expressed a high level of concern about the integrity of the agency's enumeration process. It points out that given the importance of the Social Security number, many unscrupulous individuals have a strong motive for fraudulently acquiring a number and using it for illegal purposes. According to the OIG, Social Security numbers have been associated with all 19 of the September 11 hijackers. Although the investigation is continuing, it has been determined that at least five of them had multiple Social Security numbers. It is not yet known whether SSA assigned any of these numbers. Invalid or

nonexistent SSNs have been associated with the names of the 14 other hijackers. As the IG noted in the most recent semiannual report to Congress, "It quickly became apparent just how instrumental the use of fraudulent Social Security numbers has been for these individuals, who rely on aliases and assumed identities to integrate themselves anonymously into our society."

Problems that the OIG has identified include use of an illegally obtained number to receive government services or benefits, obtain employment, or enter the country. They also include identity fraud – the use of another individual's number to steal their identity and commit crimes, usually financial crimes, in that person's name.

Among other concerns, the OIG has criticized the agency's procedures for validating identity documents that are used by individuals to illegally obtain cards. In 1999, PriceWaterhouseCoopers conducted an independent study that also found that SSA's front-end controls for enumeration were deficient. In one recent review the OIG conducted, it found that significant numbers of cards had been issued based on invalid or inappropriate evidentiary documents presented as evidence of age, identity, citizenship, or legal alien status. These included INS forms that were never issued, and forms that INS had issued to individuals other than the SSN applicants, or had issued with a different alien classification. SSA had also assigned many SSNs to applicants whose U. S. birth certificates were counterfeit.

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The OIG concluded that SSA employees in the field do not have adequate training or the tools they need to determine the validity of evidentiary documents. Some within SSA have observed, however, that SSA employees should not be expected to be experts in identifying the highly sophisticated false documents that are now commonly available.

One SSA executive observed that new approaches are needed for functions like enumeration, recommending that the agency consider establishing enumeration centers – local offices that would specialize in enumeration and have staff with the appropriate expertise to do the job thoroughly and accurately. Others have recommended that SSA and INS offices be co-located, so that SSA could benefit from the expertise that is available in INS.

The Board has heard repeated complaints about the poor coordination that now exists between SSA and INS. SSA employees are instructed to check with an online INS system to determine whether the documents that an alien SSN applicant has presented are valid, but the INS verification system is not up-to-date and is limited in scope, often requiring that suspect documents be sent to INS for validation. This manual process can take several months.

The Inspector General has identified replacement Social Security cards as an area of special concern. The number of replacement cards issued annually has grown by more than 25 percent since 1991. A recent OIG report noted that over a recent one-year period in which SSA issued over 11 million replacement cards, the

agency issued three or more cards to more than 35,000 people. In notable examples, the OIG reported that SSA had issued 20 replacement cards to a two-year-old child and 10 to a 90-year-old woman, speculating that in both cases someone else was obtaining the cards for their own purposes. A field office employee told the Board, “We have people who come in week after week.”

***According to an OIG audit of 1998 data, if the agency included major errors in its calculations, the SSN accuracy rate would have been 90.7 percent rather than the 99.8 percent that was claimed by the agency for that year.***

The OIG has also criticized the manner in which SSA has used its performance measures. The SSN accuracy rate reported by the agency, for example, excludes major categories of errors, such as inaccurate names, dates of birth, and coding errors. In identifying erroneous SSNs, SSA does not test the validity of evidence presented by SSN applicants. According to an OIG audit of 1998 data, if the agency included major errors in its calculations, the SSN accuracy rate would have been 90.7 percent rather than the 99.8 percent that was claimed by the agency for that year.

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SSA managers and employees have told the Board of their own concerns about the integrity of the SSN. They believe that many of the documents they are seeing are not valid, but as one field office employee noted, the policy is, “Unless you have a specific reason to suspect the validity of a document, you should go ahead and process.” A field office manager told the Board that false identity documents are easily obtained. For example, a false drivers license “can be bought down the street,” and there is no cross check with the Department of Motor Vehicles. Employees in one office the Board visited recently observed that every office follows its own processing procedures. Some are stricter than others, and the result is that people shop around for the office that is most likely to issue a card.

One SSA executive told the Board that in his area the selling of SSNs is one of the agency’s biggest stewardship problems. There are gangs who routinely approach SSA employees who might be vulnerable. These gangs are sophisticated in finding out about employees’ personal situations and they use this information as leverage to coerce or entice employees to steal SSNs or provide them with personal information from SSA’s databases—information that can then be used to establish fraudulent identities.

Another problem that concerns many employees is that, without a photo ID or some form of biometric identification, neither of which is required, there is no way they can be sure that individuals who come into the office are who they say they are. This is an issue that goes beyond the issuance of an SSN and includes individuals who claim benefits as well.

In response to the events of September 11, the Acting Commissioner of Social Security appointed an Enumeration Task Force to develop proposals for strengthening the enumeration process and a number of changes are being implemented. One change the agency is implementing is that an SSN will not be issued to an alien who is not authorized to work but only wants it to apply for a drivers license. Field office employees are also receiving refresher training on enumeration policy and procedures.

The agency has stated that it will work with the INS and with the Department of State to implement an enumeration-at-entry program to allow non-citizens to apply for an SSN as a part of the immigration process. In addition, the agency and the INS are developing several pilot projects to allow employers to verify SSNs of newly hired employees through automated systems. Software changes planned for 2002-2003 are being designed to interrupt issuances of a Social Security card in certain “abnormal” circumstances. In its performance plan for fiscal year 2002, SSA states that it will reexamine the enumeration process to determine how best to balance its commitment to assign numbers quickly with ensuring the integrity of the SSN.

For many years, Committees and Members of Congress have emphasized the importance of the integrity of the Social Security number and the Social Security card. Hearings have been held, and bills have been introduced. During the last session of Congress the Chairman and Ranking Minority Member of the House Social Security Subcommittee, along with other Members of Congress, introduced a bill to limit the display by public and private entities of the

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Social Security number, including on motor vehicle licenses and registrations. It provided for making refusal to do business without receipt of an SSN an unfair or deceptive act or practice, and provided new criminal penalties for misuse of SSNs. In earlier years, the Congress passed legislation requiring SSA to study the feasibility of issuing a secure Social Security card. The agency issued a report, but no action was taken.

SSA's reluctance to implement initiatives that would slow down SSN processing likely reflects a fear that such a move would be unpopular with some employers and workers. Employees in field offices have told the Board that interviews with individuals who are applying for SSNs – and who want them right away – are the most contentious that they must face. There is also a fear within the agency that more careful checking of documentation or developing a more secure card would require substantial additional resources, which the agency does not currently have.

Fraudulent use of the SSN has become a significant public policy issue, an issue that is expected to grow as the number of SSN-related crimes continues to escalate. The FBI recently recognized identity fraud as the fastest growing white-collar crime in America and since September 11 it has become a national security concern as well. The Social Security number is widely used and considered by many to be a *de facto* national identification number. Although many oppose the concept of a national ID, the reality is that ensuring the integrity of the SSN has become critically important to both individuals and the government. SSA and policy makers need to address the SSN integrity issue more directly and forthrightly than they have heretofore.

To improve the integrity of Social Security cards issued to aliens, many in SSA believe that

the INS is the appropriate government agency to do the job. At the present time, however, the INS appears to be unable to meet its current responsibilities, much less take on new ones. In addition, as indicated above, the problems related to enumeration go beyond validating INS documents for incoming aliens. Use of false documents such as U.S. birth certificates is reportedly becoming increasingly common, as is acquiring multiple Social Security cards for a child. As one field office manager stated, "If we tighten up on the foreign born procedures, we'll just see a switchover to more fraud involving U.S. born documentation."

Enumeration is basically an SSA responsibility and the agency has an obligation to develop a comprehensive action plan to improve the integrity of the process. The consequences of particular actions should be explicitly set forth so that the merits can be openly debated. If the agency finds that it will need additional resources to carry out new initiatives, it should make the urgency of its needs known to the President and the Congress.

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### **Accuracy of disability determinations**

Of all the functions performed by SSA, none is more complex and labor intensive than determining whether an individual is eligible for disability benefits. State disability agencies,

*SSA and policy makers need to address the SSN integrity issue more directly and forthrightly than they have heretofore.*

under regulations of SSA, make more than two million initial disability determinations a year. About half a million decisions are made each year at the administrative law judge hearing level. Disability work accounts for two-thirds of SSA's administrative budget. It dominates the attention of management at all levels of the organization.

***Of all the functions performed by SSA, none is more complex and labor intensive than determining whether an individual is eligible for disability benefits.***

Providing the highest possible quality of disability decision making constitutes one of the agency's most difficult stewardship challenges. As the Board has emphasized in reports on SSA's disability programs issued in August 1998 and January 2001, there is urgent need for improvement.<sup>2</sup>

Data developed by the Board show large inconsistencies in decision making over time, among regions of the country, and between State agency and ALJ levels of adjudication. Allowance and denial rates, both overall and for specific impairment categories, vary widely from State to State and region to region.

The inconsistencies that the Board has documented raise fundamental questions about whether claimants are being treated fairly. As the Board has emphasized, some degree of inconsistency can be explained by such factors as differences in economic and demographic

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<sup>2</sup> See *How SSA's Disability Programs Can Be Improved*, August 1998; *Charting the Future of Social Security's Disability Programs: The Need for Fundamental Change*, January 2001; and *Disability Decision Making: Data and Materials*, January 2001. These reports are available on the Board's Web site at [www.ssab.gov](http://www.ssab.gov).

circumstances, the fact that the claimant has no opportunity to meet with the decision maker until the face-to-face hearing at the ALJ level, and the fact that the record remains open throughout the appeals process.

But there is a widely held belief among disability adjudicators and others who have studied the disability programs that the agency's own policies and procedures, as well as organizational structure, are also significant causes of inconsistency in decision making.

The question of whether the agency's disability decisions are fair and accurate involves large sums of money, both from the standpoint of individual claimants and from the standpoint of the government. According to SSA's actuaries, the value to an individual over a lifetime of being awarded Disability Insurance benefits is about \$80,000 in cash and \$45,000 in Medicare benefits. The value of SSI benefits is \$40,000. When Medicaid is included the value increases to \$60,000. In fiscal year 2002, estimated total Federal expenditures for DI and SSI disability cash benefits are estimated at nearly \$95 billion. Although SSA has no statistics as to the dollar value of incorrect decisions either before or after the appeals process, the cost of the agency's incorrect decisions is likely quite high to the government, in the case of incorrect allowances, and to disabled individuals, in the case of incorrect denials.

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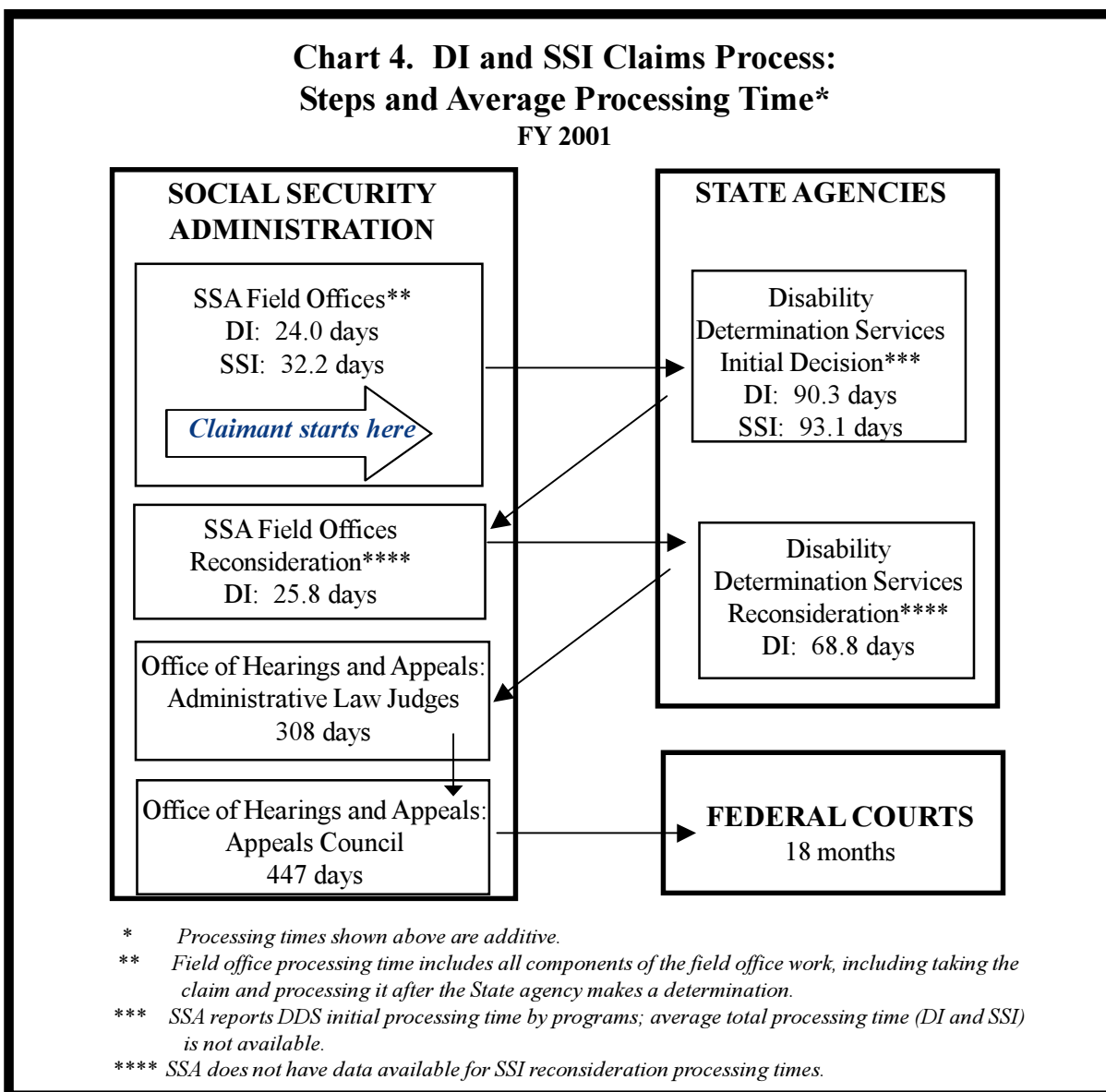
The complex disability adjudication process is slow and difficult for claimants to negotiate. As shown in Chart 4, a claimant who chooses to appeal an initial decision to the reconsideration and administrative law judge levels of appeal will likely wait more than another year to get a decision. Appeals are costly to claimants, most of whom turn to an attorney to assist them with their claim.<sup>3</sup> They are also costly to the agency

and ultimately to taxpayers. In 2001, a decision made at the ALJ level cost \$2,157, more than three and a half times the cost of an initial decision at the State agency level (\$583).

The Board's reports referenced above describe the major shortcomings that we have found in the present disability determination system and our recommendations for how these shortcomings could be addressed. As we make clear, there is no simple fix.

<sup>3</sup> SSA has the responsibility of paying attorney fees on behalf of Social Security claimants. Fee amounts are deducted from the benefit that is owed to the claimant. In calendar year 2000, SSA paid fees to attorneys totaling \$512 million.

SSA's administrative structure needs to be strengthened to improve the agency's capacity to provide appropriate leadership in areas of both



policy and procedure. The agency's current quality assurance system is of limited value in analyzing overall performance and in providing information that can be used to improve the quality of the work that is being performed. The agency needs to replace it with a new quality management system that will produce the comprehensive program information that policy makers need to guide disability policy and procedures and to ensure accuracy and consistency in decision making. This information should be available on an ongoing basis to all those working within the system so that they can identify problems early and do what is needed to correct them.

Fundamental structural problems in the current disability adjudication system need to be addressed. Communication among the various components of the system is poor. Field offices, State disability agencies, hearing offices, and the appeals council operate independently of one another, with little or no feedback on how the action of one level affects the efficiency or quality of the process as a whole.

The Federal-State relationship needs to be strengthened. Regulations should be revised to require States to follow specific Federal guidelines relating to educational requirements and salaries for staff, training, carrying out quality assurance procedures, and other areas that have a direct impact on the quality of their employees and their ability to make decisions that are both of high quality and timely.

Reform of the hearing process needs to be considered, including having the agency represented at the hearing, closing the record after the ALJ decision, and establishing new rules for claimant representatives. The establishment of a Social Security Court or Social Security Court of Appeals should also be considered.

As noted above, the Administration and the Congress should continue to provide the agency with the funding it needs to conduct continuing disability reviews to ensure that those who are on the disability rolls continue to meet the Social Security criteria for eligibility. SSA will be required to conduct 11.6 million CDRs over the next seven years if it is to comply with the law. It is critical to the integrity of the program that the agency conduct the reviews that the law requires. The CDR process is highly cost effective. SSA's actuaries estimate that it will have saved \$7.7 billion for the Disability Insurance and SSI disability programs over the seven-year period 1996-2002.

***The Administration and the Congress...need to address the fundamental issue of the current lack of alignment between disability policy and administrative capacity.***

The Administration and the Congress also need to address the fundamental issue of the current lack of alignment between disability policy and administrative capacity. Over the last decade and a half SSA has issued numerous regulations and rulings that require more time and expertise on the part of disability adjudicators than was the case in the past. The number of cases being appealed to the Federal courts has been increasing rapidly, and the courts have been remanding growing numbers of cases to the agency. Some agency executives have expressed their concerns to the Board that SSA's credibility before the Courts is in jeopardy. The concern the Board has heard is that the agency needs to do a better job of following its own rules and regulations.

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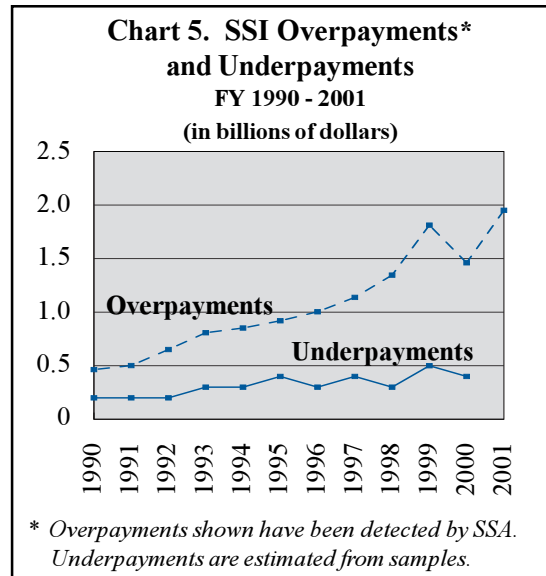
But adjudicators in both State agencies and hearing offices are faced with the fact that their workloads are also growing rapidly and resources are constrained. The result is that there is a large gap between policy requirements and the agency's capacity to meet these requirements. To bridge it will require changes in policy, structure, or resources, or – more likely – in all three of these interrelated aspects of the disability system.

### Accuracy of SSI payments

Since 1997, when the General Accounting Office added the SSI program to its list of government programs at high risk of fraud, waste, abuse, and mismanagement, SSA has given increased attention to the problem of inaccuracy in SSI payments. Despite SSA's efforts to improve the SSI determination and redetermination processes, however, the 2000 overpayment accuracy rate of 93.6 percent is only fractionally above the 1998 level of 93.5 percent. Both of these rates are below those reported in earlier years. For example, in fiscal year 1991, the SSI overpayment accuracy rate stood at 96.3 percent. Underpayments are also a problem, although of lesser magnitude. The underpayment accuracy rate for 2000 was 98.6 percent. In 1991, it was 98.9 percent.

In 2001 SSA detected overpayments of nearly \$2 billion. In 2000 (the last year for which data are available) underpayments were estimated at \$440 million. (Chart 5)

SSA's payment accuracy reviews show that wages are the leading cause of overpayments, accounting for about one-fourth of all



overpayment dollars in 2000. Most of these overpayment dollars are due to fluctuating wages. Financial accounts represent another 18 percent of overpayment dollars, most of which result from the increasing value of the account since the last field office contact. Changes in living arrangements and wages together account for nearly 60 percent of underpayment deficiencies.

Although overpayments and underpayments are a more readily identifiable problem, there is also concern about SSI fraud. Studies by the Office of Inspector General show that the use of representative payees, middlemen, and third party facilitators is a particularly troublesome area, with representative payees improperly collecting benefits on deceased recipients' records, and middlemen providing false information to get non-English speaking applicants on the SSI rolls. Fraud also occurs through avoidance of reporting receipt of child

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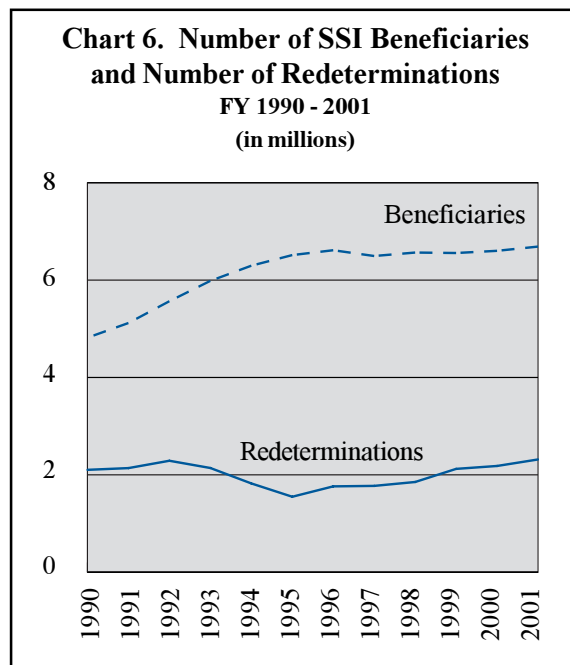
support and providing false residency information. Some prisoners and fugitive felons are also illegally collecting benefits.

The agency points to a number of initiatives that it is pursuing to improve payment accuracy, including gaining easier access to bank account balance information; improving the quality of SSI adjudications, particularly redeterminations; and improving efficiency in identifying and processing changes that affect payments.

But as the agency has acknowledged, up to now the initiatives it has taken have been offset by resource constraints, which have limited its ability to take the corrective actions that are necessary to avoid payment errors. For example, in April 2000 fifty of SSA's field offices participated in a pilot program that involved matching wage data contained in the database of the Office of Child Support Enforcement (OCSE). A match with SSI records can reveal possible undisclosed income. A cost-benefit analysis showed that requiring all field offices to use the OCSE online database for redeterminations would yield a benefit to cost ratio of 8.5 to 1. However, it would require an additional 300 work years. SSA therefore decided to limit its use to certain initial claims, where it was found to have a benefit-cost ratio of only 3.6 to 1. This example illustrates the incongruity of the agency's actions when its resources are too limited to do the necessary work.

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Although conducting redeterminations is one of the most useful mechanisms that the agency has to prevent and identify SSI payment errors, over the last decade program growth has far outstripped the growth in the number of redeterminations. Over the period 1990 – 2001, the number of SSI beneficiaries increased by 39 percent, but the number of redeterminations increased by only 10 percent. (Chart 6) In recent years, however, the agency has attempted to make the redetermination process more efficient by increasing the number of redeterminations of cases that it believes are at high risk of error. The agency reportedly has concluded that field offices do not have sufficient resources to handle more redeterminations than they are currently assigned.



Some employees have told the Board that the profiles SSA has been using to identify the individuals who should be called into the office for a redetermination need to be improved and the agency is working to refine its criteria. The agency has stated that its data also indicate the need to do a more thorough job of conducting redeterminations than has been done in the past, so that errors are more likely to be found and rectified.

Throughout SSA's field operations there is widespread concern about the agency's capacity to properly administer the SSI program. In a 1999 survey of field office managers, half of those who responded rated the quality of the SSI claims work that was being done in their offices as only fair or poor. Sixty percent rated SSI postentitlement work as fair or poor.

In our visits to field offices, employees have told the Board that they sometimes do not pursue certain lines of questioning, such as the details of an individual's living arrangements, because it takes too long to resolve the issues that may be raised. They have told us that they are also unable to process reports of earnings or changes in living arrangements as promptly as they should because interviewing claimants who are sitting in an overcrowded waiting room is a higher priority.

A number of agency employees have told the Board that many SSI claims are currently being paid based largely on allegations. They recommended that more information be obtained at the initial interview to ensure correct entitlement to benefits.

These comments reflect the fact that policies relating to eligibility for SSI, like those for most means-tested programs, are complex and difficult to administer. The General Accounting Office has criticized the agency for failing to be more proactive in dealing with SSI problems and in carrying out its planning and policy development role.

The GAO has also observed that the agency harbors an organizational culture that places a

higher priority on processing and paying claims than on controlling expenditures by verifying financial eligibility and deterring fraud and abuse.

Both the GAO and the OIG have stated that SSA needs to commit more time and energy to training field office employees who do the frontline work of obtaining and verifying information from SSI applicants. Both have also urged the agency to change the way it measures work so as to provide rewards for preventing overpayments and fraud as well as rewarding the processing of claims.

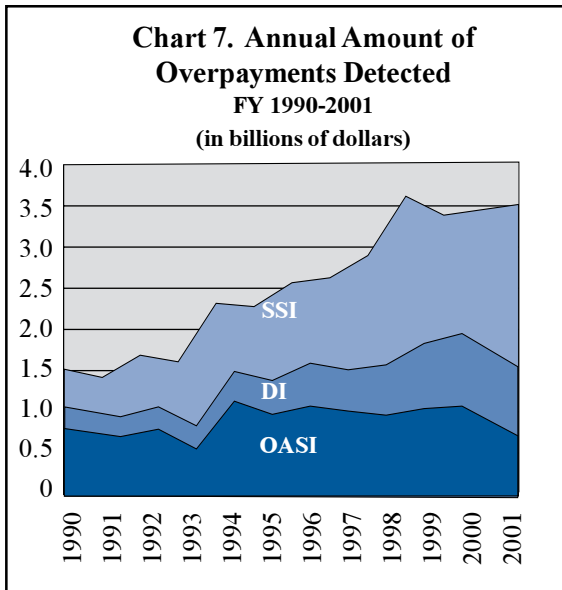
As the result of its own work, the Board believes that the concerns of the GAO and OIG are well-founded, and that the agency needs to take appropriate action.

## Collection of overpayments

Although the percentage of Social Security benefits that SSA reports as being paid in error is very small, even small percentages of error translate into billions of dollars paid incorrectly. In fiscal year 2001, the amount of overpayments to beneficiaries of the Old-Age, Survivors, and Disability Insurance programs totaled \$1.6 billion. Together with the SSI overpayments noted above, SSA paid a total of \$3.5 billion in error in that year. (Chart 7)

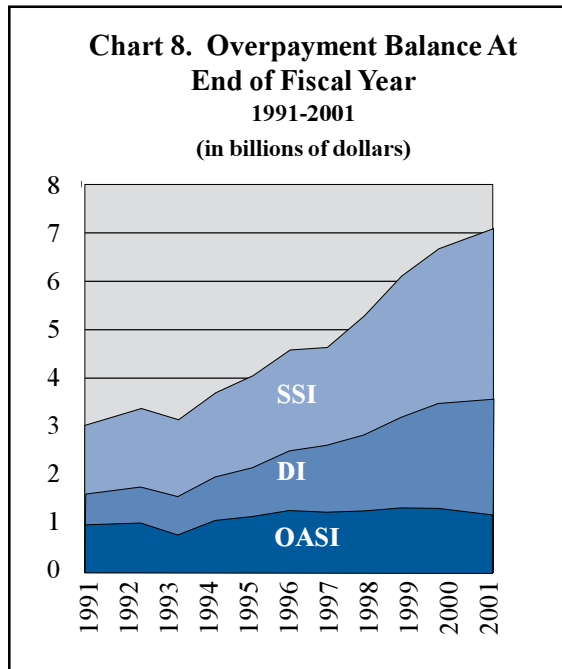
Between 1991 and 2001, the annual amount of overpayments collected by the agency grew from \$1.1 billion to \$1.9 billion, but the amount of overpayments detected more than doubled, from \$1.4 billion to \$3.5 billion. During this period the amount of SSA's total outstanding overpayments grew by 133 percent, from \$3 billion in 1991 to \$7 billion in 2001. (Chart 8)

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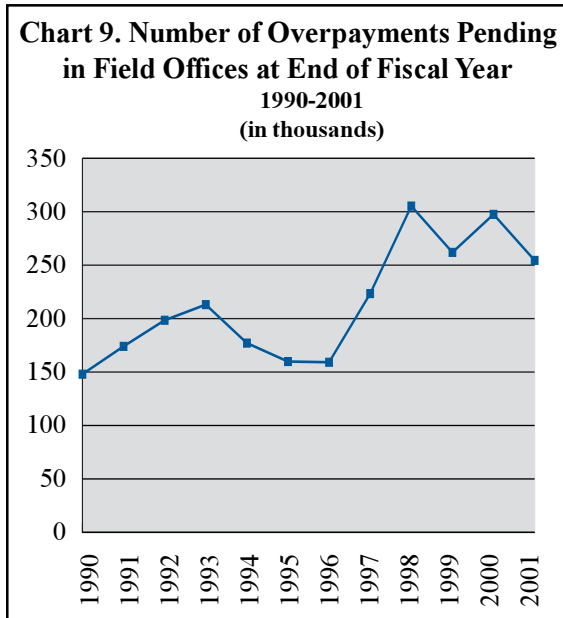


2001. Despite this growing workload, the number of field office work years devoted to working on overpayments declined by 23 percent. (Charts 9 and 10)

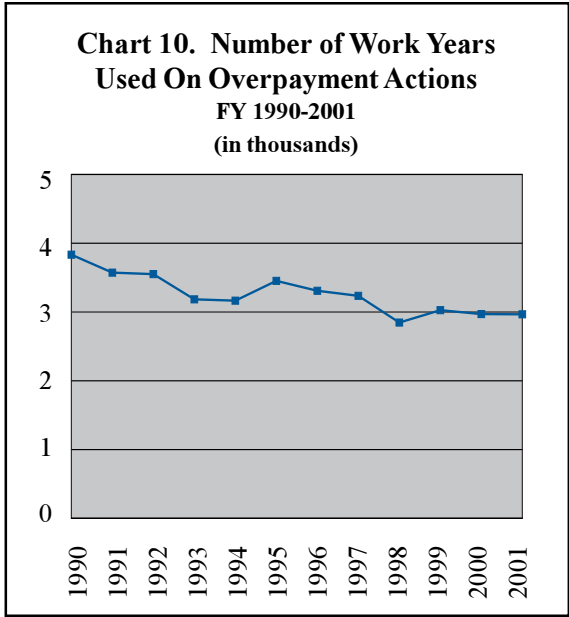
Debts to the government such as the amount of overpayments owed to SSA have prompted Congressional action. Over the last decade the Congress has authorized government agencies to use a number of collection tools that have increased substantially their ability to collect debt. SSA has been gradually implementing these tools, beginning with the implementation of the tax refund offset program in 1992, which is now being used to collect delinquent debts for both the Social Security and SSI programs. The tax refund offset program was later expanded to allow the collection of a Social Security debt from a Federal payment other than a tax refund. To date, these two devices have produced \$535 million in debt collections.



Both field offices and program service centers have responsibility for taking actions to collect overpayments. SSA field offices are responsible for actions related to overpayments to current SSI beneficiaries and to Social Security beneficiaries who request a waiver, reconsideration, or an explanation of the overpayment. The number of individuals who were overpaid but whose cases were pending action in field offices at the end of the fiscal year grew by 72 percent between 1990 and



Another tool that has been authorized and is being used for both the Social Security and SSI programs is reporting delinquent debts to credit bureaus. In addition, SSA expects to implement a pilot of administrative wage garnishment for both programs in the relatively near future. This will allow SSA to serve garnishment orders directly upon a debtor's employer.



With respect to SSI, the agency recently implemented two new tools: collection of a debt from another Federal payment an individual is due, and cross program recovery. Cross program recovery will allow SSA to collect the debt owed by a former SSI beneficiary from any Social Security benefits due that person.

Three tools that have been authorized for Social Security and SSI but for which implementation is not yet scheduled include collecting debt from an individual who is a Federal employee by withholding from the employee's salary, charging interest, and using private collection agencies.

SSA has told the Board that implementation of the numerous tools that have been authorized is labor intensive, requiring

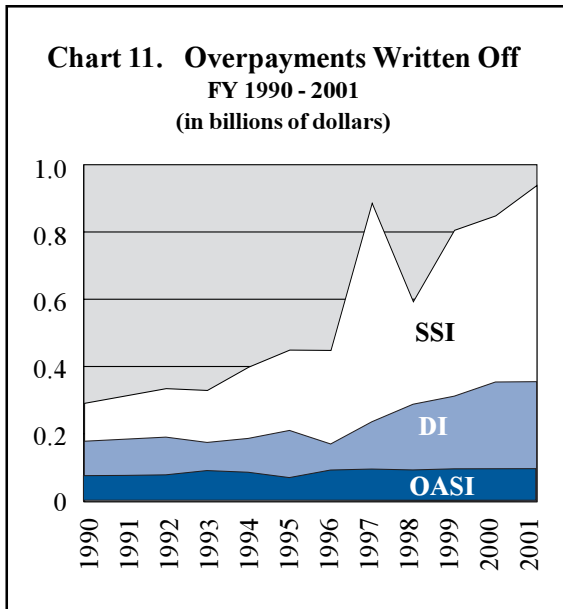
coordination among components of SSA and between SSA and other agencies. Implementing these new collection tools also requires new systems developments. Because of resource limitations, SSA has followed a policy of implementing those collection tools that the agency thinks will have the biggest payoff, but progress has been too slow.

Not all overpayments are subject to the use of SSA's collection tools. The law provides that Social Security and SSI beneficiaries who are overpaid may request a waiver. Under the statute SSA has authority to grant a waiver and forego recovery if it finds that the beneficiary is without fault in causing the overpayment and that recovery of the overpayment would "defeat the purpose" of the Social Security Act or is "against equity and good conscience." If a debt has been waived there are no additional attempts to collect it.

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As a result of granting waivers or of a determination by the agency that for various reasons the debt cannot be collected, the amount of debt written off by the agency each year has

*Debts to the government such as the amount of overpayments owed to SSA have prompted Congressional action. Over the last decade the Congress has authorized government agencies to use a number of collection tools that have increased substantially their ability to collect debt. SSA has been gradually implementing these tools...*



more than tripled over the last decade, from \$293 million in 1991 to \$940 million in 2001. (Chart 11)

The Office of Inspector General has raised questions about SSA's waiver practices. In a sample review of Social Security waivers granted by the agency between August 1996 and June 1997, the OIG found that nearly nine percent of the waivers were incorrectly granted and half were inadequately supported. An SSA executive recently told the Board that field offices often do not pursue overpayment collection because the staffs are too busy. "It is easier for them to waive the debt."

Collecting overpayments is highly cost-effective. According to SSA, the cost of collecting a dollar of overpayments is currently about 11 cents. SSA should be moving much more effectively and aggressively to collect overpayments if it is to properly discharge its

stewardship responsibilities. It should move rapidly to implement fully all existing authorities. Collecting overpayments promptly is in the interests of both taxpayers and future beneficiaries.

### Accountability of representative payees

Currently, about 6.5 million, or 13 percent of Social Security and SSI beneficiaries, have their benefits paid to representative payees. About 4.2 million representative payees manage benefit payments for these beneficiaries.

Since 1939, the law has authorized the agency to appoint a representative payee if it determines that payment of the benefit in this form is in a beneficiary's interest. Beneficiaries who have representative payees are generally those who have mental or physical impairments, are incapable of exercising good financial judgment, or are a minor child.

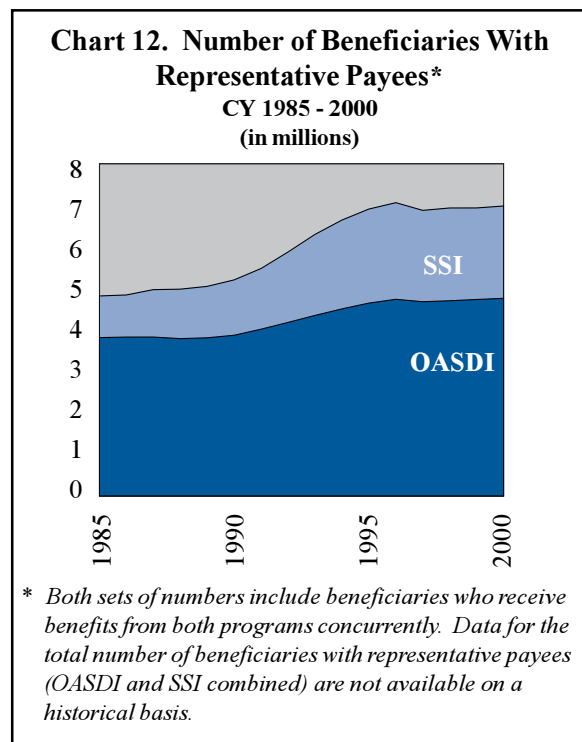
Most representative payees are relatives of the beneficiary. Others are unrelated individuals and governmental or non-profit organizations. There are 850 non-profit social service organizations that charge beneficiaries a fee for the representative payee services that they provide. Their fees are limited by statute to the lesser of 10 percent of an individual's monthly benefit or, in 2002, \$30 a month (\$57 a month for alcoholics and addicts).

The number of representative payees appointed by the agency has been growing rapidly. Between 1990 and 2000, there was a 23 percent increase in the number of Social Security beneficiaries who have representative

*An SSA executive recently told the Board that field offices often do not pursue overpayment collection because the staffs are too busy. "It is easier for them to waive the debt."*

payees. The number of SSI beneficiaries with payees rose 67 percent. (Chart 12)

According to SSA, the growth in payees reflects the increase in the number of beneficiaries who have been diagnosed with mental impairments. In addition, for the SSI program, the trend reflects an increase in the number of children receiving SSI payments. (After 1996, however, the number of SSI beneficiaries declined because of legislative changes that reduced the number of children, drug addicts and alcoholics, and aliens who are eligible to receive benefits.)



Under the law, representative payees must –

- expend funds only for the beneficiary’s use and benefit,
- report any event that will affect the benefit amount or eligibility, and
- provide an annual written report explaining how benefits were used.

The agency’s implementation of representative payee requirements has been problematic for many years. The Congress has tried to build in statutory protections to guard against harmful or fraudulent actions by

representative payees. For example, legislation enacted in 1990 required SSA to make a more extensive investigation of representative payee applicants than the agency had done in the past. It specified strict standards for the agency to follow in determining the fitness of individuals who apply to serve as a representative payee.

Despite these statutory protections, a 1995-96 Representative Payment Advisory Committee established by SSA raised concerns about the agency’s policies for determining whether payees are needed, how payees are selected, and how SSA educates payees about their responsibilities. In its 1996 report the Committee stated, “It is clear that SSA places a premium on speedy case processing to get payments out quickly.”

In a December 2001 report the OIG similarly observed that SSA is not performing background checks of payees to determine whether they have financial problems, bad credit, or have been convicted of a felony. In addition, it noted that SSA’s systems do not effectively track payees who do not respond to and complete the required representative payee reports.

In May 2000, the Inspector General told the House Ways and Means Social Security Subcommittee that representative payee activities are a workload that gets deferred in field offices. “It is not addressed because there are other priorities that interfere.”

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SSA's own employees have also raised concerns about the quality of representative payees. They have told the Board that pressures to move the work make it difficult or impossible for them to spend the time they need to investigate carefully the qualifications of potential payees, and applicants' claims are ordinarily not verified. The Board has heard the recommendation that SSA establish standardized procedures for selecting payees and provide better orientation for payees concerning their responsibilities.

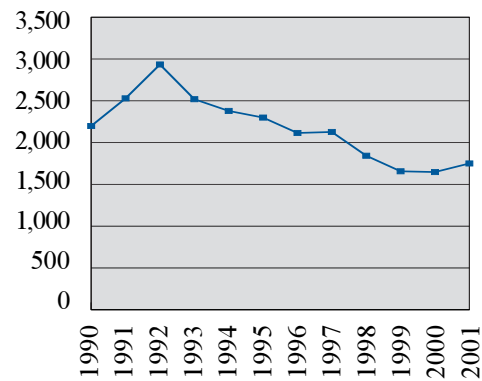
In recent years there have been notorious cases of abuse. The Aurora Foundation, a fee-for-service payee servicing disabled individuals in West Virginia, embezzled over \$300,000 in Social Security benefit funds between April 1995 and May 1999. SSA never performed an onsite review of the company. Another fee-for-service organization operating in Phoenix and Denver misused \$275,000 of 330 beneficiaries' payments.

SSA has recently taken steps to improve its administration of the representative payee program. It has initiated a program of triennial on-site reviews of all fee-for-service payees, all other organizational payees serving 100 or more beneficiaries, and all individual payees serving 20 or more beneficiaries. It has also said that it will conduct a sample review of other volume payees. In addition, the agency has begun to verify annually that fee-for-service payees meet the statutory requirement that they be licensed or bonded. An agency executive told the Board, however, that SSA is just scratching the surface on organizational payee problems. "The problems are deep and it will take a tremendous amount of staff time to resolve them."

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The initiatives that SSA has undertaken to provide better oversight of institutional and other large-scale payees are urgently needed. In addition, however, there are 5.5 million beneficiaries whose well being is dependent upon the diligence and integrity of individual payees. It is a matter of concern that although the agency's representative payee workload grew by 28 percent between 1990 and 2001, the number of work years devoted to handling that workload declined by 20 percent. (Chart 13)

**Chart 13. Number of Work Years Used On Representative Payee Actions  
FY 1990 - 2001**



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It seems clear that if vulnerable beneficiaries are to be protected from misuse of benefits, the agency will need to devote considerably more resources to the task of screening and monitoring payees than it has done heretofore.

The agency urgently needs to determine the steps it needs to take to improve the quality of its work with respect to representative payees. It also needs to make the case for the additional funding it needs to do a proper job.

### **Proper reporting and posting of wages**

The accuracy of the wage records maintained by SSA is critically important to workers. These records determine whether an individual has earned enough wage credits to be eligible for benefits and the amount that will be paid. SSA has always regarded the collection and maintenance of wage records as a matter of the highest importance and has handled them with care.

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SSA is able to credit the great majority of wages to the correct worker's record. According to SSA, about 99 percent of earnings and 98 percent of individual wage items (W-2s) have been posted correctly to a worker's earnings record.

Tax Year	Suspended Wages	Number of Suspended Wage Items
1991	\$10,095	3.4
1992	\$11,795	4.0
1993	\$15,180	4.8
1994	\$16,671	5.1
1995	\$19,059	5.6
1996	\$22,748	6.1
1997	\$26,779	6.5
1998	\$31,998	7.1
1999	\$41,636	8.4

Despite this, the amount of wages that cannot be assigned is substantial and has been growing. SSA maintains a record of all wages reported by employers that the agency has been unable to credit to an individual worker due to inadequate or incorrect information. SSA's record, called the Earnings Suspense File (ESF), covers the period from 1937 to the present. At the end of tax year 1999, there were more than 227 million wage items in the ESF.

These wage items represented \$328 billion in wages that have not been credited to a worker's record. In 1999, about 8.4 million wage items, involving \$41.6 billion in wages, went into the ESF, compared to 3.4 million wage items and \$10.1 billion, in 1991. (Table 1)

*...the amount of wages that cannot be assigned is substantial and has been growing.*



The information that SSA uses to credit wages comes from wage reports submitted annually by employers using the Treasury Department's W-2 forms. If the name and Social Security number reported by an employer exactly match a record for a worker in SSA's Master Earnings File, SSA posts the wages that are reported to that worker's file. As indicated by the numbers cited above, however, the number of instances in which this cannot be done has been growing rapidly.

There are various reasons for the errors that are being made. Some are due to simple mistakes in reporting, such as an employer's misstatement of the worker's Social Security number or misspelling the name. Others may represent situations in which workers do not want to be identified and give the employer inaccurate information. This may be because they are working illegally or because they do not want to be identified for income tax purposes. In still other cases, employers appear to be knowingly making erroneous reports.

SSA, both on its own and in conjunction with the Internal Revenue Service, conducts seminars around the country to assist employers in learning to file wage records and taxes accurately. In addition, SSA will provide employers with software to help them submit their wage reports electronically. The agency operates an Enumeration Verification Service that allows employers to verify the validity of names and Social Security numbers given to them by employees.

Most employers, about 88 percent, report their workers' earnings accurately. Another nine percent submit reports with five or fewer errors. However, a relatively small number of employers (about 3,000 in 1997) submit reports with 200 or more errors. These 3,000 employers accounted for 30 percent of wage items reported in error and 20 percent of the dollars that went into the agency's Earnings Suspense File because they could not be attributed to a worker's account. Some of these

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reports unquestionably reflect simple error, but work by the OIG has shown highly disturbing patterns of reporting by certain employers.

In a study of the 100 employers with the largest number of wage items going into the Earnings Suspense File during the period 1993-1996, the OIG identified a number of suspicious patterns of reporting errors. Ninety-six of the employers reported workers' Social Security numbers that have not been assigned. One employer submitted 663 records with an SSN of "000-00-0000." Another pattern involved the use of duplicate numbers for different workers. For example, a temporary services agency reported the same Social Security number for 215 employees and another number for 50 or more.

SSA has established several routines to try to resolve discrepancies in wage reports. The first is a purely electronic routine that assumes that the name is correct and that the Social Security number is scrambled. It reconfigures the digits in the SSN and looks for a match with a name and SSN in its Master Earnings File. If one and only one exact match is found, the wages are posted to that file. This routine resolves about 80 percent of the errors and allows these earnings to be posted to a worker's record.

Wage items not resolved by this routine are placed in the Earnings Suspense File. For tax year 1999, this was 3.4 percent of all items received, up from 2.6 percent in 1994. (Table 2) These unresolved items are sent to SSA's Wilkes-Barre, Pennsylvania Data Operations Center where additional routines are tried. Some of these are performed only once a year. One of them assumes that the SSN is correct and that the name is improperly recorded. Staff attempt to find a name in the files that the wage item goes with. This would include such things as misspelled names, names recorded in the wrong order, and use of nicknames on the W-2. Another routine involves mailing letters to employees for whom there is a name and address notifying them of the discrepancy. If there is no address for the employee, the letter is sent to the employer.

**Table 2. Percent of Wage Items Added to Earnings Suspense File 1994 - 1999**  
(Items in millions)

Tax Year	Number of Items Reported	Percent Placed in Suspense File
1994	226.5	2.6%
1995	228.9	2.7%
1996	232.2	2.8%
1997	238.3	2.8%
1998	245.3	3.0%
1999	248.0	3.4%

For tax year 1999, after all routines were completed, the agency was still unable to credit to a worker's account more than 8 million of the wage items submitted by employers. Some of these, however, may yet be identified after additional information is received or after the development and application of new screening routines.

The cost of processing a wage item that is not correctly submitted is high. The OIG, using a statement in 1998 by SSA's senior financial

executive, has cited an estimate of \$300 per item. While there is some disagreement about whether this number is still accurate, it nonetheless far exceeds the cost of a correctly submitted item, which is about 23 cents.

Over the last two years the OIG has issued five reports on the problems that exist with the Earnings Suspense File and related SSN issues. It is working on another six reports. The OIG has recommended that SSA seek authority to apply substantial monetary penalties to employers who repeatedly submit large numbers of invalid wage items. SSA has declined to seek this authority on the grounds that IRS already has it and is the appropriate agency to take this action. It has written to the IRS urging it to consider imposing penalties on problem employers. The IRS has expressed concern about applying penalties because of the complexity and difficulty in determining whether an employer has exercised appropriate diligence in obtaining the necessary information.

The OIG has also recommended that SSA seek legislative authority to share SSA's information with INS regarding chronic employer offenders, many of whom the OIG and others believe to be employers of illegal aliens. The implicit assumption is that, along with improving the accuracy of reporting, the information would be used by INS in enforcing immigration law. SSA has disagreed with this recommendation, suggesting that this would be inconsistent with the purposes of the Social Security program and SSA's disclosure policies.

The fact that the amount of uncredited wages is growing so rapidly is cause for concern, and both SSA and the IRS need to take responsibility for reversing this trend. The work of the OIG indicates clear and deliberate disregard of reporting requirements on the part of some employers, which in some instances is undoubtedly covering up the hiring of individuals who are not eligible to work in the United States. The growth in uncredited wages

also means that a substantial number of potential future beneficiaries will be shortchanged. This situation requires the close attention of both the Administration and the Congress. The Federal government needs to be far more aggressive than it has been in the past in dealing with this problem.

SSA has undertaken several initiatives that, although they are unlikely to reduce significantly the size of the ESF, should facilitate and improve the reporting process. It is encouraging employers to file their reports electronically. In 2001, more than a quarter of all reports were filed this way. It is also planning to expand the use of its voluntary Employee Verification Service, which is available to employers to help them in verifying the names and SSNs of new hires. New internal data matching routines are being developed to assist in posting wages to the appropriate record.

The problem of uncredited wages may be alleviated to some degree by the fact that SSA is now sending an annual Social Security Statement to all workers age 25 and over for whom they have an address. This will give these workers an opportunity to review their records and to ask SSA to make any necessary corrections. Making these corrections may be problematic, however, if employers' records are not properly maintained.

Although SSA, IRS, and INS all have a role, it is incumbent on SSA to show leadership on this issue. It must assess what it needs in terms of additional authorities and resources and make the effort needed to secure them. SSA

needs to be a more forceful advocate for the contributors to the Social Security program, getting the earnings records that will be the basis for their benefits right.

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### **Issues related to systems security**

SSA's massive and complex computer system contains confidential information related to every Social Security and SSI beneficiary and every employee who has wages that are covered by Social Security. Preventing illegal access to this confidential information and protecting it from fraudulent use is of the highest importance.

SSA is continually working to address systems vulnerabilities that could lead to unauthorized access to, or sabotage of, its records. Its security program includes an authentication process that users must complete prior to accessing SSA systems, an audit trail system that can identify individuals who have accessed or processed specific records and identify suspected problems, firewall

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technology to protect the network, and continuous monitoring of the network.

Examination of SSA's system by outside auditors, however, has indicated that there continue to be security problems that need to be addressed. An audit report issued by PriceWaterhouseCoopers in November 2001 noted that although SSA has continued to make improvements to its security program and standards, there are several weaknesses that could expose SSA's systems and networks to unauthorized access to sensitive data. The report included a number of recommendations for how SSA should continue to improve its information security framework. In a June 2001 report, the General Accounting Office reported that "information infrastructure weaknesses persist" in SSA's systems.

The OIG has recommended measures that the agency should take to improve security, including performing background checks on SSA employees and contractors to protect its most sensitive data, limiting employee access to those on a need to know basis, implementing more stringent physical security measures at all SSA facilities to protect employees, and continuing to perform risk and possibly vulnerability assessments.

Several components of the agency are involved in systems security. The Office of Finance, Assessment and Management is responsible for systems security policy; the Office of Systems is responsible for implementing the policy; and the Office of Operations is responsible for making sure that

SSA's regional Centers for Security and Integrity carry out their security and integrity responsibilities nationwide. It will be the responsibility of the Chief Information Officer, once one has been appointed for the agency, to provide oversight and guidance for systems security agency-wide.

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SSA employees have told the Board that the agency needs to give people in the field more guidance than they are currently providing. Regional offices around the country vary in the amount of resources they have available to deal with systems security issues. They are developing their own processes and procedures for systems security, leading to different processes and procedures in different regions. There is concern that they lack the technical expertise needed to carry out their responsibilities as well as they should be doing.

Systems security is an area to which the agency must devote a high level of attention and effort. If additional expertise is needed in either SSA's headquarters or the field, it should be secured by the agency as promptly as possible.

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### III. WHAT NEEDS TO BE DONE TO FULFILL THE AGENCY'S STEWARDSHIP RESPONSIBILITIES

#### *A. Improve SSI and disability program policies*

For many years, the high level of complexity of SSI and disability policies has been a source of frustration for the workers who are responsible for administering them. The pressures for ever-faster processing of caseloads mean that errors both of omission and commission inevitably occur. Speed tends to take precedence over quality and, most importantly, production numbers take precedence over substantive concerns.

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#### **Supplemental Security Income program**

When the Congress enacted the SSI program in 1972, it gave SSA the responsibility of administering the new program largely because of the agency's record of providing high quality service to aged and disabled individuals and because it wanted the individuals who were to become its beneficiaries to receive this same high quality service. It was assumed that SSA could fairly easily absorb this new responsibility because estimates by the agency indicated that a large portion of SSI

beneficiaries would also be receiving Social Security benefits. During the discussions leading up to enactment, the Congress was assured that the agency would be able to take on the additional administrative burden without compromising its earlier high standards.

In fact, SSA badly underestimated the difficulties it would experience in administering the needs-based SSI program. At the time SSI was enacted it was estimated that the aged would constitute nearly three-quarters of the caseload. In reality, in the early months of the program approximately three out of every four applications were for disability benefits, which required far more work on the part of the agency and the State Disability Determination Services than had been anticipated. Interviewing and making determinations of income and resource eligibility for both aged and disabled claimants required substantially more time than had been budgeted by the agency.

Responding to the crisis that ensued, SSA requested a major increase in staffing (which was partially granted) and instituted massive use of overtime. Looking for ways to ease the burden further, an SSI Study Group was appointed, made up of a panel of specialists in public administration and computer technology. With staff support from SSA, the panel studied SSI's policies, processes, and procedures.

This was the first of a series of special panels or workgroups that over the last three decades have been assigned the job of looking for ways to simplify SSI policy. Although some changes have been made as a result of these efforts, through the years SSI policy has tended to become more, rather than less, complex. Some of this complexity has been the result of legislative changes. Some has

resulted from rules and regulations that the agency itself has promulgated to address issues that have arisen in administering the law.

According to SSA, the initial interview for some SSI applicants involves answering over 100 questions, and many answers require supporting documentation. For beneficiaries, eligibility and benefit amount may change with changes in circumstances. Even small changes, such as receipt of gifts of cash or clothing, must be reported to the agency. In fiscal year 2001, the agency processed over 8.2 million SSI changes. As one field office manager commented, "It is ridiculous how we pursue the minutiae of income and assets."

In fiscal year 2002, SSA is expected to spend 36 percent of its total administrative budget on administering the SSI program<sup>4</sup>. But despite the effort that the agency expends, outstanding SSI debt and newly detected overpayments continue to rise. Outstanding debt totaled more than \$3.4 billion at the end of fiscal year 2001, compared with \$1.1 billion at the end of 1990.

As noted earlier in this report, wages are the leading cause of SSI overpayment dollars and resources are the second leading cause. SSA's Office of Policy issued a detailed report in December 2000 that analyzed options for simplifying SSA's policies in both of these areas. In January 2001, an agency-appointed

<sup>4</sup> Unlike Social Security, which is funded out of dedicated taxes paid by workers and employers, the costs of SSI benefits and administration are paid out of general revenues.

workgroup identified additional changes the agency could implement to improve SSI program integrity.

The options for change described by these and previous agency-appointed study panels have generally passed unnoticed by policy makers. The limited changes that the agency has implemented have most frequently involved process changes, such as increased data exchanges to identify unreported income and assets, rather than changes in policy.

SSA needs to address the question of whether continuing to rely on making relatively easy to implement process changes like these will achieve the improvements in payment accuracy that the agency believes should be made. It is our view that, in addition to such changes, the agency should take the lead in developing measures, however incremental, that will change SSI policy rules so that they will be less difficult for the agency to administer and easier for applicants and beneficiaries to understand and comply with. SSI rules are currently causing considerable inconvenience and hardship for many people. To the extent possible, these problems should be alleviated.

## **Disability programs**

The agency also urgently needs to conduct a thorough review of disability policy rules and regulations to determine where changes can and should be made to improve the quality and consistency of decision making. Attention should be given to how these rules and regulations can be written more clearly and

***...the agency should take the lead in developing measures, however incremental, that will change SSI policy rules so that they will be less difficult for the agency to administer and easier for applicants and beneficiaries to understand and comply with.***

simply so that adjudicators in different regions of the country and different levels of decision making will interpret and use them in the same way. Both medical listings and vocational guidelines should be included in this review.

***The agency...urgently needs to conduct a thorough review of disability policy rules and regulations to determine where changes can and should be made to improve the quality and consistency of decision making.***

The series of rulings issued by SSA in 1996 need close attention. These rulings are commonly referred to as “process unification” rulings, because they were aimed at bringing State agency and ALJ decisions closer together.

Under these rulings adjudicators must adhere to more detailed and intricate rules in weighing the opinion of treating sources than was the case in earlier years of the programs. They must make a finding on the credibility of claimants’ statements about the effect of pain and other symptoms on their ability to function. As we have emphasized in our earlier reports on the disability programs, the effect of these and other changes in policy is that disability decision making by both State agency examiners and administrative law judges has become considerably more subjective and complex.

Adjudicators in State agencies have told the Board that some of these rulings are so difficult that State agency employees cannot adhere to them without spending substantially increased time on a large percentage of the cases they are adjudicating. Some also require analytical and writing skills that many employees do not have.

The Board has also heard from administrative law judges that the process unification rulings establish standards for developing cases that they believe over time will be difficult for them to meet as well. The result will likely be a continuing increase in the number of cases taken to the courts on appeal.

The Board has previously recommended that SSA bring together into a single policy unit individuals with knowledge and experience in the Office of Disability, the Office of Hearings and Appeals, and the State disability agencies. If employees who understand the work of these offices participate in writing the agency’s policy, it is more likely to take into account the important differences in the perspectives and needs of adjudicators in both State agencies and hearing offices. It is also more likely to be interpreted and implemented uniformly throughout the disability determination process. We urge the agency to move forward as expeditiously as possible in strengthening its capacity to develop and oversee the implementation of disability program policy.

In addition, given the history of the many difficulties that SSA has had in carrying out the disability policies that it has formulated, there is a demonstrable need for the agency to institute a policy of rigorously assessing the potential impact of major policy changes before they are

***We urge the agency to move forward as expeditiously as possible in strengthening its capacity to develop and oversee the implementation of disability program policy.***

implemented. Over the last decade SSA has tested many proposed changes in process, but it has not tested important changes in policy for their impact on claimants, on the administrative structure, and on the integrity of the disability programs.

The main point to be made is that SSA's disability policies and procedures should be as clear and administrable as possible so that disability applicants are treated consistently and fairly at all levels of adjudication and do not have to wait an unreasonable time for a decision on their claims.

### ***B. Improve the tools the agency uses to measure performance and quality***

A field office manager recently told the Board, "I like goals and objectives. Tell me what it is the agency thinks is important, and we will do it."

This "can do" attitude has long prevailed throughout SSA and is an important source of the agency's strength. But it can also be a weakness if the agency's goals and objectives are not realistic and carefully crafted.

As we have indicated elsewhere in this report, many throughout SSA's organizational structure believe that the measures the agency uses are skewed toward speed and productivity and away from other indicators that would

provide a better approach to the work that the agency is doing. Commenting on this problem, one agency executive told the Board, "Stewardship isn't part of service delivery yet. We don't have qualitative standards."

At the national level, SSA does have some measures of the quality of work that is being done in the field, but these are not what drive performance. SSA's central office allocates staffing among its regions on the basis of their relative productivity, and regional offices in turn rely largely on this same measure to allocate staffing among field offices. Managers throughout the system thus have an overwhelming incentive to process work as quickly as possible in order to protect their staffing levels. There are no counterbalancing measures of quality at the local level. "Moving the work" is the guiding force, whether or not the work is done well. Efficient processing is a laudable objective, so long as quality of work is also maintained.

Field office managers complain that they rarely receive any information from the agency that they can use to improve the quality of work in their offices. Furthermore, because in recent years the agency has greatly reduced the number of managers and supervisors in the field, they do not have time to review the work that is being done in their offices and thus cannot accurately assess the quality of work that their employees are performing. This means that they lack the information they need to determine the kind of training they should be providing.

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In addition, experts from the private sector whom the Board has consulted have advised us that the agency's use of averages to measure performance should be expanded to capture information on a full range of performance. This concern has also been raised by employees in the field. A field office manager told the Board, "We are not very sophisticated in analysis. Our data don't give us information on outliers. By relying on averages, we don't get an accurate picture. We need to understand the effect of outliers."

It would seem essential that if SSA genuinely wants to ensure the integrity of its programs – which is one of the five goals set forth in its strategic plan – it must put into place a more useful set of measures to drive performance in the field than it currently has.

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Productivity is also a driving force in the disability system, but here the situation is more complicated. SSA constantly communicates to the State disability agencies the need to meet productivity goals, and the State agencies are aware that how well they do in this regard will influence the funding that the agency gives them. But SSA also has a quality assessment system that drives agency decision making.

Many who work in the disability system do not believe that the current quality assessment

system accurately reflects the quality of the work that is being done. They think that the "end of line" review that the system provides is not helpful in finding and correcting problems before they occur.

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An outside evaluation of this system by The Lewin Group and Pugh Ettinger McCarthy Associates completed last year concluded that SSA's current system is of limited value in analyzing overall performance and in providing information that can be used to improve the quality of decisions.<sup>5</sup> What the evaluators recommended, and the Board has supported, is the replacement of the present quality assurance system by a totally new quality management system. The new system would require a definition of quality that would have multiple dimensions (accuracy, timeliness, efficiency, customer service, due process), and would provide information that can be used to improve disability policy and the disability process. It would identify variations in decision making by various components in the system and provide the information needed to address them.

<sup>5</sup> *Evaluation of SSA's Disability Quality Assurance (QA) Processes and Development of QA Options That Will Support the Long-Term Management of the Disability Program, Final Report, Prepared by The Lewin Group, Inc. and Pugh Ettinger McCarthy Associates, L.L.C., March 16, 2001.*

SSA has been making some tentative steps toward endorsing the concepts of this kind of quality management system, but thus far little real progress has been made. The agency needs to decide how it can employ the concepts of quality management throughout the organization, not simply with respect to the disability system, and to follow through to do it. We urge SSA to move forward promptly in this effort and give it the high priority it deserves. Again, if additional expertise is needed to further this work, it should be provided.

SSA's leadership needs to make fundamental changes in the way the agency conducts its work so that quality becomes a guiding principle for all aspects of its work.

### ***C. Accelerate systems improvements***

In discussions with employees throughout SSA's administrative system, the Board has been told of many areas in which SSA could expedite and improve the quality of its work if its systems capabilities were improved.

One of the foremost examples is in the area of disability. For many years SSA has been working on developing and implementing the capacity to create an electronic claims folder for each person who applies for disability benefits. The information in this electronic folder would be accessible to adjudicators at each step of the application and appeals process. The creation of this new system would prevent lost documents and speed up the transfer of information from one level of the process to another. SSA estimated in 1994 that it would

have a system in place by 2001, but it has had to make fundamental changes in design and is now suggesting that the new process will be ready in 2004, a full decade after it was first envisaged.

A major factor in the delay has been the failure in the past to consult adequately with the various components of the disability process so that the needs and perspectives of each could be taken fully into account. As the development of the disability electronic folder system moves forward, we strongly urge the agency to make certain that all components are closely involved in the design so that it will be developed holistically and will facilitate the work of each to the maximum extent possible.

There is widespread acknowledgement that SSA's work measurement, management information, customer satisfaction, and performance measurement systems all need to be improved, and all require significant systems developments. New systems developments would also be an integral part of the new quality management system that the Board has recommended, as described above.

In addition, there are many specific systems tools that could be implemented or enhanced to improve the integrity of the agency's work. Among those that have been brought to the attention of the Board are the ability to cross check information about potential representative payees, improve access to State birth and death records, to military and Veterans Affairs records, and numerous others.

Although these systems developments will enable SSA to better manage its programs and improve service to the public, it is unlikely that

***As the development of the disability electronic folder system moves forward, we strongly urge the agency to make certain that all components are closely involved in the design so that it will be developed holistically and will facilitate the work of each to the maximum extent possible.***

they will result in significant reductions in the agency's staffing needs.

In the past, SSA has generally justified its systems investments to the Office of Management and Budget and the Congress by promising that they would increase production and require fewer staff. We believe that the agency should be cautious about expectations for future large increases in productivity and savings from systems improvements. SSA's administrators and managers generally agree that the steps that could produce a significant payoff have already been taken.

But systems improvements that will enhance the agency's stewardship of its programs are critically needed, and we urge the agency, the Administration, and the Congress to give them the high priority that they deserve.

*...systems improvements that will enhance the agency's stewardship of its programs are critically needed, and we urge the agency, the Administration, and the Congress to give them the high priority that they deserve.*

#### ***D. Expedite decision making***

In our discussions with employees at all levels of the agency we have heard many recommendations for new approaches to address stewardship responsibilities and some of these have been formally proposed within the agency. There is a high level of frustration, however, about the fact that because the agency is segmented into so many insular components, it takes too long to decide whether a proposal should be implemented, and even after a decision is made, to put it into effect.

As one executive told the Board, "We are too stove-piped. It took SSA two and a half years to implement a small pilot program."

Although we are not recommending the implementation of any particular initiatives at this time, we do urge the agency to work more quickly and efficiently in assessing proposals for change and in moving forward on those that it finds worthwhile. This may require new delineations of responsibility. Without question, it will require better coordination and teamwork. The complaint that the agency is "stove-piped" and unable to take timely action is one that the Board has heard many times both within SSA's headquarters and in offices throughout the country. It is a complaint that needs to be addressed.

Many of the recommendations we have heard from managers and employees relate to changing business processes. One that the Board has heard repeatedly is that the agency should do more to identify problems before they occur. For example, more thorough interviewing and cross checking of data with the IRS or other sources at the time of the initial claimant interview would likely prevent many overpayments, relieving the agency from the time-consuming effort of trying to collect them after they occur. An SSA executive told the Board, "The key is to prevent errors, not just to find them."

*One [recommendation] that the Board has heard repeatedly is that the agency should do more to identify problems before they occur... "The key is to prevent errors, not just to find them."*

Particularly in the wake of the events of September 11, many employees have a heightened anxiety about the integrity of the agency's work in issuing new and replacement Social Security cards. As described earlier, the Inspector General has made a number of recommendations for enhancing SSN integrity and the Board has also heard many recommendations from employees in the field, such as to require more reliable sources of identification, validate the documentation that is presented with issuing sources, limit the number of replacement cards that an individual can receive without special review, and charge a fee for a replacement card.

The agency has already decided to implement some short-term measures to tighten up its SSN processes and has other, longer-term options under review. With respect to these long-term options, the agency's predilection for lengthy discussion and protecting the turf of individual components should be overcome so that decisions can be swiftly made and implemented.

### ***E. Become more aggressive in working with other agencies***

The agency should also determine how it can enlist the help of other governmental and non-governmental entities. There are many recommendations for greater use of computer matches to verify information. Clearly, information in the records of the INS, the IRS, and State welfare offices and departments of vital statistics are extremely valuable to the agency in conducting its work. Much information is already being shared, but there are areas in which processes could be greatly improved. One example is acquiring electronic

access to up-to-date information from the INS regarding individuals who have been admitted to the United States so that SSA's employees can quickly verify that applicants for Social Security numbers are eligible to receive them. As another example, electronic access to data maintained by State Boards of Workers Compensation would help the agency reduce the number and size of overpayments and the cost of developing and recovering those overpayments. It could also speed the payment of pending underpayments.

***Clearly, information in the records of the INS, the IRS, and State welfare offices and departments of vital statistics are extremely valuable to the agency in conducting its work.***

Greater access to electronic information from other agencies and organizations may in some instances raise concerns about privacy. SSA should be prepared to work closely with these other entities to ensure that privacy issues are appropriately addressed.

In addition to making greater use of data matching, SSA should look for new ways to join with other agencies in improving the quality and availability of services to claimants and beneficiaries. In particular, in implementing the new Ticket to Work program, the agency should draw upon the expertise and resources of the Departments of Education and Labor to the maximum extent possible.

***In addition to making greater use of data matching, SSA should look for new ways to join with other agencies in improving the quality and availability of services to claimants and beneficiaries.***

SSA, like most other government agencies, has tended to look at its functions in isolation. Although the agency has been making a greater effort in recent years to build relationships with other entities, this effort needs to be made a higher priority so that these relationships will be strengthened further. An agency executive has commented to the Board that SSA is surprisingly insular in the way it goes about its business. This can and should be changed.

But other agencies will also have to be convinced that working with SSA to better meet the needs of the public is worthwhile. Where warranted, the agency should turn to the Congress and the Office of Management and Budget for assistance in making interagency cooperation and collaboration a high priority.

***We urge the agency to take the lead in identifying and pursuing interagency efforts that will provide better service and also be cost effective.***

We urge the agency to take the lead in identifying and pursuing interagency efforts that will provide better service and also be cost effective. In some instances this effort would be greatly expedited by having enabling legislation. SSA should be forthright in asking the Congress for new laws where it determines that this would be helpful in improving the quality and integrity of its work with respect to the issuance of Social Security numbers and the administration of the Social Security and SSI programs.

***When SSA issued its strategic plan for 2000 – 2005, it made “ensuring the integrity of Social Security programs, with zero tolerance for fraud and abuse” one of the agency’s five strategic goals. Yet many employees with whom we have met have been outspoken in their concern that the agency is not putting sufficient emphasis on program integrity.***

## ***F. Ensure that maintaining the integrity of the agency’s work is in practice a priority***

When SSA issued its strategic plan for 2000 – 2005, it made “ensuring the integrity of Social Security programs, with zero tolerance for fraud and abuse” one of the agency’s five strategic goals. Yet many employees with whom we have met have been outspoken in their concern that the agency is not putting sufficient emphasis on program integrity. They hear a great deal from management about the need to do a high quality job and they agree with this objective. But in their understanding of agency policy, processing cases quickly is a higher priority.

In fact, the very wording of the goal invokes cynicism. Given the level of resources the agency has, employees in the field know that “zero tolerance” for fraud and abuse is not realistic. A goal that is honest rather than rhetorical would be far preferable.

In addition, if the agency wants to convince employees that program integrity is highly valued, that message needs to be given real substance. Perhaps the most effective way, as we have noted above, is to make certain that the work that is performed to improve program integrity is reflected in the way the agency measures performance and quality.

There are other things that the agency should do as well. There should be more and better training related to program integrity

issues. This should begin with the initial training that each employee receives and should be reinforced by systematic follow up training on an ongoing basis. The initial 13 to 14 weeks of training that an SSA claims representative currently receives includes only about two hours specifically devoted to program integrity. Although the agency has also developed special Interactive Video Training (IVT) broadcasts for the field, many employees say that their heavy workloads make it difficult to find time to view them. Managers and supervisors also lack the time that is needed to reinforce IVT programs and review the work that is done in their offices to ensure that instructions are properly followed.

Program integrity should also be made an integral part of the agency's budget process. Program integrity initiatives that the agency proposes to carry out should be explicitly identified and explained. Emphasizing program integrity in this way will help to send a clear signal both within and outside of the agency that program integrity is a vital part of the agency's operations.

The definition of program integrity that SSA uses in its strategic plan currently includes only payment accuracy. Given the importance of the Social Security number to the integrity of the Social Security and SSI programs, we believe the agency should expand its definition to include integrity in the issuance of Social Security cards as well.

In our visits to field offices around the country we have heard skepticism about the sincerity of the agency's commitment to program integrity. In a recent survey of agency employees, 88 percent agreed or strongly agreed that "To discharge faithfully our role as guardians of the public trust" was an important value for them. But only 63 percent agreed or strongly agreed that it was currently a normal

practice in their office. Nearly all employees who made comments on quality and service observed that there is far more emphasis on doing the work quickly than on doing the work right. Many commented that the loser here is the public.<sup>6</sup>

Actions by SSA such as those recommended above should help to convince employees in the field that the program integrity work that they do is genuinely valued and is not a matter of rhetoric. SSA's leadership throughout the agency should reinforce this message by making program integrity a consistent theme both in their words and in their actions.

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### ***G. Ensure that the agency has sufficient staff with the right skills to do the job right***

If SSA is to be able to fulfill its stewardship responsibilities, it needs to have sufficient staff with the right skills to carry out the work that is required. But as the Board has documented in

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<sup>6</sup> *Organizational Culture Project, Final Report, Office of Workforce Analysis, SSA, May 2000.*

the reports it has issued over the last five years, prolonged downsizing has resulted in serious staffing shortfalls in key parts of the agency. We have observed these shortfalls in offices throughout the country, including field offices, State disability agencies, hearing offices, program service centers, and teleservice centers.

These are the offices that perform the frontline work that is so vital to the integrity of the Social Security and SSI programs. When employees in these offices lack the time that is needed to perform their work carefully and on time, or when there are too few managers and supervisors to train and mentor them, the quality of the agency's work is immediately affected.

We have heard many examples of the shortcuts that employees are often forced to make.

Employees in field offices have told us they sometimes do not investigate the backgrounds of prospective representative payees because their first priority is to interview the claimants who are sitting in the waiting room. They lack the time to fully explain to persons applying for retirement benefits how the month in which they elect to begin benefits will affect the level of benefits they will receive. Many field offices have long waiting lines of applicants for Social Security cards, making it difficult for employees to spend the time that is necessary to thoroughly check the validity of the documents that are presented as proof of age, identity, citizenship, or legal alien status.

As one of SSA's field office managers summed up the current situation, "We have

embraced change. We are flexible and adaptable. But we don't have enough people to do the job."

We have heard similar concerns in State disability agencies, where examiners are pressed to meet processing times that make it difficult or impossible for them to gather all the evidence that they should have to make accurate and fully substantiated disability determinations.

SSA has instituted many rules and procedures for finding and correcting errors after they occur. For example, systems have been designed to alert field office staff to take action when unreported income is detected in the cross checks of data that are conducted with other Federal and State agencies. But pressures to handle more urgent and immediate work make it difficult for employees to find the time to follow up on these alerts and take the action that is required as promptly as they should.

Often timely action is not taken even when beneficiaries dutifully follow the agency's rules and report changes in their circumstances. The Board recently was told of a case in which an SSI beneficiary's admission to a nursing facility was reported to the agency both by telephone and by letter. The law requires that when a beneficiary is in a Medicaid nursing facility, the benefit is automatically reduced to \$30 a month. But five months later, when the beneficiary left the nursing home and returned to her own home, the agency still had not acted to reduce the benefit.

The agency's lack of sufficient staff to perform these basic administrative functions is particularly frustrating and counterproductive

***The agency's lack of sufficient staff to perform...basic administrative functions is particularly frustrating and counterproductive because often the inability to do work in a timely way creates more work for the agency in the future.***

because often the inability to do work in a timely way creates more work for the agency in the future. For example, as in the case cited above, the agency could avoid having to go through the labor-intensive and time consuming work of collecting overpayments if employees were able to take action immediately upon receiving information relating to changes in income or living arrangements.

If the agency had additional resources it could also be performing work that would be highly cost effective. Last year, agency officials recommended a number of program integrity initiatives that were estimated to save significant amounts of program dollars at relatively low administrative cost. Some are being implemented, but others have been deferred because of lack of staff to carry them out. One of the proposals was to increase the number of SSI redeterminations by one million. This was projected to cost about \$62 million. By targeting the redeterminations on cases identified as prone to “high error,” the agency expected to produce \$260 million in prevented or recoverable overpayments, a return of more than 4:1.

The agency proposed to make an even larger return on investment by providing enough staff resources in field offices to speed up action on computer alerts that identified increases in income or assets that might affect benefit levels. It was estimated that an investment of \$5.2 million would produce taxpayer savings of \$66 million, or a return of nearly 13:1. But both of these actions had to be deferred because of lack of sufficient staff to carry them out.

The agency recently appointed a workgroup to identify workloads in field offices that are

underfunded. The objective was to develop short-term tools for identifying these workloads so that they can be considered in the budget formulation process. Performing this kind of research and analysis is important to the credibility and usefulness of the agency’s budget submissions.

***If the agency had additional resources it could also be performing work that would be highly cost effective.***

Most of the agency’s field office managers think that the quality of the work their offices are performing is declining. In addition to lacking sufficient staff to carry out basic functions, they themselves have more responsibilities than they can adequately handle. The drive over recent years to reduce the agency’s management-staff ratio has left many field offices with a severe deficiency in management and supervisory capacity.

In a survey conducted in March 2001 by the National Council of Social Security Management Associations (NCSSMA), more than 77 percent of managers said that quality had declined in the last five years. Over half of responding managers attributed the decline to five factors, four of which related to staffing limitations: reduction in the number of supervisory management staff, reduction or elimination of case reviews, decrease in staff training time, and staff shortcuts. The other reason given was the increasing complexity of workloads.

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A follow-up survey of field office and teleservice management conducted in December 2001 found that over 97 percent of respondents agreed or strongly agreed that the agency's emphasis on meeting processing goals is causing burnout and affecting employee morale, and that management lacks the time to provide training or to perform the quality reviews necessary to ensure the accuracy and integrity of the Social Security and SSI programs.

Although the most apparent staffing deficiencies are in the field, staffing also needs to be enhanced in other important areas of the agency's responsibilities. The Board has noted in its previous reports on the disability programs the negative effect that downsizing has had on the agency's capacity to develop disability policy. SSA should put high priority on strengthening its disability policy staff, including staff that will increase the medical and vocational expertise of the agency.

Other areas of policy development and evaluation need to be strengthened, as does the agency's capacity to develop and implement systems improvements. Many who work in State disability agencies and the Office of Hearings and Appeals have told the Board that they believe systems developments could be accelerated if the agency would contract out more of its work to the private sector, particularly work relating to the disability determination process. The agency should consider how it can make more effective use of outside expertise.

SSA is also sorely deficient in the number of Senior Executive Service (SES) positions that it needs to carry out the leadership

functions in the agency. When the Congress enacted legislation in 1994 to make SSA an independent agency, the House-Senate conference committee noted in its report that the number of SES positions the agency had at that time was low in proportion to its responsibilities and the size of its staff. It stated that it expected that SSA's allotment would increase as an independent agency, commensurate with the agency's increased stature and responsibilities.

Since that time, SSA's requests to the Office of Personnel Management (OPM) for additional SES slots have been extremely modest. Even so, OPM has not granted the full increases that have been requested. Thus far, the number of SES positions the agency has been given is well below the needs of an independent agency with the wide-ranging and complex responsibilities that SSA has. When SSA was transferred out of the Department of Health and Human Services in the Spring of 1995, it was given only 104 SES positions. Over the last seven years OPM has slowly raised the agency's allotment to 131 positions.

According to data for 2000 (the latest available), SSA and the Departments of Transportation and Health and Human Services have roughly comparable staffing levels, in the range of 63,000 – 64,500. But SSA has only 131 SES positions, compared with 246 for the Department of Transportation and 540 for HHS.

Compounding the problem, data for 2000 show that SSA ranks at the bottom of all major agencies in the number of GS-15 positions as a proportion of employees. About 5.6 percent of employees at the Department of Health and

***Although the most apparent staffing deficiencies are in the field, staffing also needs to be enhanced in other important areas of the agency's responsibilities....SSA should put high priority on strengthening its disability policy staff....***

Human Services are GS-15s, but at SSA fewer than one percent of employees have that rank.

Last year, SSA appealed to OPM to increase its allocation of SES positions by an additional 39 positions, for a total of 170 agency-wide. The agency provided OPM with detailed justification for this increase, but so far its request has not been granted.

***...SSA is facing many urgent policy and administrative issues, and addressing these issues will require strong leadership. The Commissioner cannot do the job alone. The agency must have a strong senior management team. We urge OPM to act quickly to meet SSA's needs by increasing the agency's SES allotment to a more reasonable number in relation to its leadership requirements.***

As we have documented in our reports, SSA is facing many urgent policy and administrative issues, and addressing these issues will require strong leadership. The Commissioner cannot do the job alone. The agency must have a strong senior management team. We urge OPM to act quickly to meet SSA's needs by increasing the agency's SES allotment to a more reasonable number in relation to its leadership requirements.

Finally, the agency's budget proposals to the Office of Management and Budget and the Congress should reflect the staffing levels and

the staff qualifications the agency believes that it needs to serve the public appropriately and meet its stewardship responsibilities. They should reflect careful long-term planning and should be fully documented so that OMB and the Congress can understand the implications of the funding decisions that they make.

As we observed earlier in this report, SSA's administrative budget for Social Security, like its program budget, should be excluded from any cap that sets an arbitrary limit on discretionary spending. This change in accounting does not mean that the agency's budget would be exempt from close scrutiny by policy makers. It would continue to be subject to the review of the Congress, which would determine the agency's funding levels as part of the regular appropriations process.

In addition, agreement should be reached to provide funding outside the discretionary spending cap for activities that are demonstrably cost-effective. Spending caps should not apply where savings in benefit outlays more than offset administrative expenditures. Current spending limitations are having the effect of saving administrative dollars at the expense of program dollars. This is counterproductive from the standpoint of taxpayers, and contributes to increases, rather than decreases, in the Federal budget deficit.

***...agreement should be reached to provide funding outside the discretionary spending cap for activities that are demonstrably cost-effective. Spending caps should not apply where savings in benefit outlays more than offset administrative expenditures.***

## **IV. CONCLUSION: SSA'S STEWARDSHIP PROBLEMS REQUIRE PROMPT AND AGGRESSIVE ACTION**

The Social Security Administration needs to have a more realistic view of its responsibilities. Although its mission was expanded many years ago with the enactment of the Disability Insurance and SSI programs, many in the agency still think of SSA primarily in terms of the Social Security retirement and survivors program. While it is true that this aspect of the agency's work is still predominant in terms of the magnitude of its benefit expenditures, most of SSA's management and operational challenges increasingly relate to the DI and SSI programs.

The agency has been slow to acknowledge the fact that administering the DI and SSI programs is not only more complex and labor intensive than administering the retirement and survivors program, but requires a different approach as well. Employees need different skills. Claimants with mental or physical impairments often require considerable assistance in documenting their claims. To determine eligibility and benefit amounts accurately, interviews must be far more extensive and much of the information that is provided should be verified.

Employees in the field who are responsible for doing the frontline work are deeply troubled by the fact that staffing levels are inadequate, and the management information, systems, and other tools needed to do high quality work are simply not available to them.

Without adequate resources and the right tools, field employees know they cannot do what the agency says they should do. Although these employees remain highly dedicated and concerned about the public they serve, there is increasing frustration at being caught in an anomalous situation that appears to be without solution. All aspects of the agency's work are affected. The work required to perform good stewardship is particularly likely to be short-changed in the effort to "move the work."

It is vital that the agency face up to the reality of this situation. Most of SSA's service delivery problems – of which stewardship problems are an integral part – are directly linked to the inability of employees to spend the time they need to conduct interviews carefully, educate claimants about program rules and options, and verify the information they are given.

The agency is devoting increasing attention and resources to solving problems after they occur, but much more needs to be done to prevent them from occurring in the first place.

SSA will be better able to do this if it will adopt a culture of candor and openness so that problems will be forthrightly acknowledged. There also needs to be a greater willingness to yield "turf" in the interest of the needs and objectives of the agency as a whole, so that decisions can be reached more quickly.

Candor within the agency needs to carry over to the agency's relationship with the Office of Management and Budget and the Congress as well. For many years, SSA has heralded what it can do, and it can take justifiable pride in many aspects of its work. But it must also acknowledge what it cannot do, so that it can explain to policy makers the improvements it needs to make and what will be required to make them possible.

Addressing the agency's stewardship problems will require difficult decisions and setting new directions as well as additional resources. We urge the Administration and the Congress to give the agency the support it needs, so that it can move quickly and aggressively to fulfill its many responsibilities.

# THE SOCIAL SECURITY ADVISORY BOARD

## *Establishment of the Board*

In 1994, when the Congress passed legislation establishing the Social Security Administration as an independent agency, it also created a 7-member bipartisan Advisory Board to advise the President, the Congress, and the Commissioner of Social Security on matters relating to the Social Security and Supplemental Security Income (SSI) programs. The conference report on this legislation passed both Houses of Congress without opposition. President Clinton signed the Social Security Independence and Program Improvements Act of 1994 into law on August 15, 1994 (P.L. 103-296).

Advisory Board members are appointed to 6-year terms, made up as follows: 3 appointed by the President (no more than 2 from the same political party); and 2 each (no more than one from the same political party) by the Speaker of the House (in consultation with the Chairman and Ranking Minority Member of the Committee on Ways and Means) and by the President pro tempore of the Senate (in consultation with the Chairman and Ranking Minority member of the Committee on Finance). Presidential appointees are subject to Senate confirmation. Board members serve staggered terms.

The Chairman of the Board is appointed by the President for a 4-year term, coincident with the term of the President, or until the designation of a successor.

## *Members of the Board*

### *Stanford G. Ross, Chairman*

Stanford Ross is a partner in the law firm of Arnold & Porter, Washington, D.C. He has dealt extensively with public policy issues while serving in the Treasury Department, on the White House domestic policy staff, as Commissioner of Social Security, and as Public Trustee of the Social Security and Medicare Trust Funds. He is a Founding Member and a former Director and President of the National Academy of Social Insurance. Mr. Ross has provided technical assistance on Social Security and tax issues under the auspices of the International Monetary Fund, World Bank, and U.S. Treasury Department to various foreign countries. He has taught at the law schools of Georgetown University, Harvard University, New York University, and the University of Virginia, and has been a Visiting Fellow at the Hoover Institution, Stanford University. He is the author of many papers on Social Security and Federal taxation subjects. Term of office: October 1997 to September 2002.

### *Hal Daub*

Hal Daub is currently a partner with the law firm of Blackwell Sanders Peper Martin in Omaha, Nebraska and Washington, D.C. Previously, he served as Mayor of Omaha, Nebraska from 1995 to 2000, and as an attorney, principal, and international trade specialist with the accounting firm of Deloitte & Touche from 1989 to 1994. Mr. Daub was elected to the United States House of Representatives in 1980, and reelected in 1982, 1984, and 1986. While there he served on the Ways and Means Committee, the Public Works and Transportation Committee, and the Small Business Committee. In 1990, Mr. Daub was appointed by President George H.W. Bush to the National Advisory Commission on Public Service. From 1997 to 1999, he served on the Board of Directors of the National League of Cities, and from 1999 to 2001 served on the League's Advisory Council. He was also elected to serve on the Advisory Board of the

U.S. Conference of Mayors, serving a term from 1999 to 2001. From 1971 to 1980, Mr. Daub was vice president and general counsel of Standard Chemical Manufacturing Company, an Omaha-based livestock feed and supply firm. A former member of the U.S. Army, Mr. Daub is a graduate of Washington University in St. Louis, Missouri, and received his law degree from the University of Nebraska. Term of office: January 2002 to September 2006.

### ***Martha Keys***

Martha Keys served as a U.S. Representative in the 94th and 95th Congresses. She was a member of the House Ways and Means Committee and its Subcommittees on Health and Public Assistance and Unemployment Compensation. Ms. Keys also served on the Select Committee on Welfare Reform. She served in the executive branch as Special Advisor to the Secretary of Health, Education, and Welfare and as Assistant Secretary of Education. She was a member of the 1983 National Commission (Greenspan) on Social Security Reform. Martha Keys is currently consulting on public policy issues. She has held executive positions in the non-profit sector, lectured widely on public policy in universities, and served on the National Council on Aging and other Boards. Ms. Keys is the author of *Planning for Retirement: Everywoman's Legal Guide*. First term of office: November 1994 to September 1999; current term of office: October 1999 to September 2005.

### ***David Podoff***

David Podoff is visiting Associate Professor at the Department of Economics and Finance at the Baruch College of the City University of New York. Previously he was Minority Staff Director and Chief Economist for the Senate Committee on Finance. He also served as the Committee's Minority Chief Health and Social Security Counselor and Chief Economist. In these positions on the Committee he was involved in major legislative debates with respect to the long-term solvency of Social Security, health care reform, the constitutional amendment to balance the budget, the debt ceiling, plans to balance the budget, and the accuracy of inflation measures and other government statistics. Prior to serving with the Finance Committee he was a Senior Economist with the Joint Economic Committee and directed various research units in the Social Security Administration's Office of Research and Statistics. He has taught economics at the University of Massachusetts and the University of California at Santa Barbara. He received his Ph.D. in economics from the Massachusetts Institute of Technology and a B.B.A. from the City University of New York. Term of office: October 2000 to September 2006.

### ***Sylvester J. Schieber***

Mr. Schieber is Director of the Research and Information Center at Watson Wyatt Worldwide, where he specializes in analysis of public and private retirement policy issues and the development of special surveys and data files. From 1981 to 1983, Mr. Schieber was the Director of Research at the Employee Benefit Research Institute. Earlier, he worked for the Social Security Administration as an economic analyst and as Deputy Director at the Office of Policy Analysis. Mr. Schieber is the author of numerous journal articles, policy analysis papers, and several books including: *Retirement Income Opportunities in An Aging America: Coverage and Benefit Entitlement*; *Social Security: Perspectives on Preserving the System*; and *The Real Deal: The History and Future of Social Security*. He served on the 1994-1996 Advisory Council on Social Security. He received his Ph.D. from the University of Notre Dame. Term of office: January 1998 to September 2003.

***Gerald M. Shea***

Gerald M. Shea is currently assistant to the president for Government Affairs at the AFL-CIO. He previously held several positions within the AFL-CIO, serving as the director of the policy office with responsibility for health care and pensions, and also in various executive staff positions. Before joining the AFL-CIO, Mr. Shea spent 21 years with the Service Employees International Union as an organizer and local union official in Massachusetts and later on the national union's staff. He was a member of the 1994-1996 Advisory Council on Social Security. Mr. Shea serves as a public representative on the Joint Commission on the Accreditation of Health Care Organizations, is a founding Board member of the Foundation for Accountability, Chair of the RxHealth Value Project, and is on the Board of the Forum for Health Care Quality and Measurement. He is a graduate of Boston College. First term of office: January 1996 to September 1997; current term of office: October 2000 to September 2004.

***Members of the Staff***

*Margaret S. Malone, Staff Director*

*Michael Brennan*

*Beverly Rollins*

*George Schuette*

*Wayne Sulfridge*

*Jean Von Ancken*

*David Warner*

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Reports are available on the Board's Web site at [www.ssab.gov](http://www.ssab.gov)

## Acronyms Used in this Report

<b>ALJ</b>	Administrative Law Judge
<b>CDRs</b>	Continuing Disability Reviews
<b>CY</b>	Calendar Year
<b>DDS</b>	Disability Determination Services
<b>DI</b>	Disability Insurance
<b>ESF</b>	Earnings Suspense File
<b>FBI</b>	Federal Bureau of Investigation
<b>FY</b>	Fiscal Year
<b>GAO</b>	General Accounting Office
<b>HHS</b>	Health and Human Services
<b>HI</b>	Hospital Insurance
<b>ID</b>	Identification
<b>IG</b>	Inspector General
<b>INS</b>	Immigration and Naturalization Service
<b>IRS</b>	Internal Revenue Service
<b>IVT</b>	Interactive Video Training
<b>NCSSMA</b>	National Council of Social Security Management Associations
<b>OASDI</b>	Old-Age, Survivors, and Disability Insurance
<b>OASI</b>	Old-Age and Survivors Insurance
<b>OCSE</b>	Office of Child Support Enforcement
<b>OIG</b>	Office of the Inspector General
<b>OMB</b>	Office of Management and Budget
<b>OPM</b>	Office of Personnel Management
<b>QA</b>	Quality Assurance
<b>SES</b>	Senior Executive Service
<b>SMI</b>	Supplementary Medical Insurance
<b>SSA</b>	Social Security Administration
<b>SSI</b>	Supplemental Security Income
<b>SSN</b>	Social Security Number



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