IG STATEMENT ON SSA'S MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES

SOCIAL SECURITY

November 8, 2012

The Honorable Michael J. Astrue
Commissioner

Dear Mr. Astrue:

The *Reports Consolidation Act of 2000* (Pub. L. No. 106-531) requires that Inspectors General provide a summary and assessment of the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. This review is enclosed. The *Reports Consolidation Act* requires that the Social Security Administration (SSA) place the final version of this Statement in its annual *Performance and Accountability Report*.

In Fiscal Year (FY) 2012, we continued our focus on most of the management and performance challenges from the previous year, but we added one additional challenge and deleted another. Specifically, we added "Strengthen Strategic and Tactical Planning" and deleted "Implement the *American Recovery and Reinvestment Act of 2009* Effectively and Efficiently." The challenges are listed below.

- Reduce the Hearings Backlog and Prevent its Recurrence

- Improve the Timeliness and Quality of the Disability Process

- Reduce Improper Payments and Increase Overpayment Recoveries

- Improve Customer Service

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

- Strengthen the Integrity and Protection of the Social Security Number

- Improve Transparency and Accountability

- Strengthen Strategic and Tactical Planning

We used multiple sources when determining the status of each of the identified challenges. For example, we used statistics reported by SSA and Office of the Inspector General audits of SSA's operations. We also used the FY 2012 independent auditor's report, which contained the results of SSA's financial statement audit. This year's report concluded that SSA had a material weakness related to its information security and a significant deficiency related to its monitoring activities. These issues are discussed in detail in the enclosure.

My office will continue focusing on these issues in FY 2013. We will also continue assessing SSA's operations and the environment in which SSA operates to ensure our reviews focus on the most salient issues facing the Agency.

I look forward to working with you to continue improving the Agency's ability to address these challenges and meet its mission efficiently and effectively.

Sincerely,

Patrick P. O'Carroll, Jr.
Inspector General

Fiscal Year 2012
Inspector General Statement
on the
Social Security Administration's
Major Management and
Performance Challenges

November 2012

REDUCE THE HEARINGS BACKLOG AND PREVENT ITS RECURRENCE

CHALLENGE: *While the Social Security Administration (SSA) has a plan to eliminate the hearings backlog by 2013, the number of pending cases has increased, and the average processing time remains above the goal of 270 days. In addition, there is a growing concern with administrative law judges' (ALJ) adherence to SSA's policies as well as the variation in their decisional outcomes.*

Hearings Backlog: SSA's first goal in its Fiscal Year (FY) 2008-2013 *Agency Strategic Plan* was to ". . . eliminate our hearings backlog and prevent its recurrence." SSA has directed increased resources to improve hearing timeliness and process more hearings. Since FY 2008, average processing time dropped by about 31 percent, from an average of 514 days in FY 2008 to an average of 353 days at the end of FY 2012. During this time, ALJ productivity increased from 2.30 dispositions per day per ALJ to 2.41.

While timeliness and ALJ productivity have improved, an increased number of applicants has led to an increase in the hearings backlog. By the end of September 2012, the backlog stood at about 817,000 cases, an increase of almost 30,000 cases since the start of the FY. In the *Agency Strategic Plan Fiscal Years 2008-2013*, SSA established a goal to reduce the pending cases to about 466,000 and average processing time to 270 days. In his July 2011 statement to Congress, the SSA Commissioner stated the Agency focus was on the 270-day average processing time, stating, "What matters most to someone waiting for a decision is how quickly we decide his or her case, not how many other people are also waiting for a hearing."

Video Teleconferencing: In our June 2012 report, *Current and Expanded Use of Video Hearings*, we highlighted benefits related to video teleconferencing (VTC) at SSA, while noting that VTC decreased ALJ travel to remote sites. Nonetheless, we noted that the Agency could still take additional steps to expand its use, by placing VTC equipment into field offices, law offices, and government sites. In addition, the relocation of unused equipment and expanded use of desktop video units could increase the available capacity of video hearings.

National Hearing Centers: To eliminate the backlog and prevent its recurrence, the Agency has used automation and implemented a number of business processes to increase adjudicatory capacity and efficiency. One of these initiatives, the video-only National Hearing Centers (NHC), is designed to reduce case processing time by increasing adjudicatory capacity and efficiency with a focus on an electronic hearings process. In our April 2012 audit of *The Role of National Hearing Centers in Reducing the Hearing Backlogs,* we noted that NHCs provided the Agency with additional flexibility by transferring older cases from some of the most heavily backlogged hearing offices, thereby reducing their backlogs and processing times. However, NHCs face their own challenges, including lack of video capacity at claimant locations, scheduling difficulties, and claimants' reluctance to participate in video hearings.

Scheduling Hearings: In our August 2012 report, *Office of Disability Adjudication and Review's Process for Scheduling Hearings When Cases are in "Ready to Schedule" Status,* we identified various obstacles that impacted the hearing office staff's ability to timely schedule hearings. Most notably, staff cited claimant representative availability as the greatest obstacle for timely scheduling hearings. To a lesser degree, hearing office staff cited ALJ availability as another key obstacle.

ALJ Performance: Congress continues to express concerns about ALJ adherence to the Agency's policies and procedures while demonstrating good stewardship of taxpayer dollars. In our February 2012 report, *Oversight of Administrative Law Judge Workload Trends*, we identified ALJs who were significant outliers in terms of their productivity or decisional allowance rates and noted the Agency needed to ensure outlier ALJs were monitored and their underlying work processes were periodically reviewed. In a related March 2012 report, *The Social Security Administration's Review of Administrative Law Judges Decisions*, we noted that while SSA has the authority to review ALJ decisions, the Agency must work within legal restrictions when conducting its reviews.

AGENCY ACTIONS

The Agency continues to implement the Commissioner's plan to eliminate the backlog by

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

- increasing adjudicatory capacity through additional hiring and the use of senior attorney adjudicators;

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

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

In FY 2012, SSA hired 147 new ALJs and adjudicated approximately 37,000 cases using the senior attorney adjudication program. The Agency held almost 154,000 video hearings nationwide in the FY, an increase of almost 24,000 video hearings when compared to FY 2011.

IMPROVE THE TIMELINESS AND QUALITY OF THE DISABILITY PROCESS

CHALLENGE: *SSA needs to address millions of initial disability and reconsideration claims and it continues to have backlogs of initial disability claims and continuing disability reviews (CDR).*

Disability Claims Backlog: Over the past 2 years, SSA has received a large influx of initial and reconsideration claims. More specifically, it received over 3.3 million initial and 836,000 reconsideration claims in FY 2011. In addition, it received about 3.2 million initial and over 832,000 reconsideration claims in FY 2012. In addition, SSA has a large number of initial claims pending completion. In 2012, SSA had over 707,000 initial disability claims pending, similar to the 720,000 initial disability claims that were pending at the end of FY 2011.

DDS Personnel Issues: Some disability determination services (DDS) are facing high attrition rates, hiring freezes, and employee furloughs, all of which affect SSA's ability to process the disability workload. With hiring freezes, DDSs are not allowed to replace the lost staff. As of September 2012, four States were still furloughing DDS employees (Nevada, New York, Oregon, and Washington).

CDR Backlog: In our March 2010 report on *Full Medical Continuing Disability Reviews,* we reported that SSA estimated a backlog of over 1.5 million medical CDRs at the end of FY 2010. As a result, we estimated that from Calendar Years (CY) 2005 through 2010, SSA made benefit payments of between $1.3 and $2.6 billion that it could have avoided had the medical CDRs in the backlog been conducted by State DDSs when they became due. SSA had a backlog of 1.3 million medical CDRs at the end of FY 2012.

AGENCY ACTIONS

SSA's Strategy: In November 2010, SSA released its *Strategy to Address Increasing Initial Disability Claim Receipts* (Strategy) to reduce the initial claims backlog to a pre-recession level of 525,000 by FY 2014. The multi-year Strategy includes

- increasing staffing in the DDS and Federal disability processing components;

- improving efficiency through automation;

- expanding the use of screening tools to assist in identifying claims likely to be allowed; and

- refining policies and business processes to expedite case completion.

As part of the Strategy, SSA provided funding for States to hire additional DDS employees. SSA also created centralized units, called Extended Service Teams, in Arkansas, Mississippi, Oklahoma, and Virginia. The Teams assist the States by taking claims from those with the highest pending levels. SSA also increased staffing levels in the Federal disability processing components that support the DDSs—hiring about 237 additional employees.

In total, SSA hired more than 2,600 DDS employees in FYs 2009 and 2010. However, in FY 2011, SSA froze DDS hiring and did only limited critical hiring in FY 2012. As a result, SSA lost over 1,200 DDS employees in FY 2011 and 1,025 additional DDS employees in FY 2012.

With the loss of DDS employees and a high level of initial disability claims receipts anticipated in FY 2013, SSA does not expect to achieve its initial claims pending level goal of 525,000 by FY 2014. In fact, in FY 2013, SSA expects that pending initial disability claims will rise to over 1.1 million. In FY 2013, we plan to initiate a review of the actions SSA is taking to reduce the initial disability claims backlog.

Disability Case Processing System: The Agency is developing a Disability Case Processing System (DCPS), which is 1 common system that will replace the 54 different existing systems that support the DDSs. DCPS will integrate case analysis tools and health information technology (IT). A common case processing system will help SSA to timely distribute policy changes. Per SSA, it will provide consistent case processing abilities between the DDSs, which should have a positive effect on processing times and the consistency of disability decisions. SSA

planned to test the initial version of DCPS in five locations, beginning with the Idaho DDS in September 2012. SSA expects to complete the implementation of DCPS by the end of FY 2016.

Cooperative Disability Investigations: We have continued working with SSA to address the integrity of the disability programs through Cooperative Disability Investigations (CDI). The mission of the 25 CDI units is to obtain evidence that can resolve questions of fraud in SSA's disability claims. The program is managed jointly by SSA's Offices of Operations and Disability Programs and the Office of the Inspector General (OIG). Since its inception in FY 1998 through FY 2012, the program efforts have resulted in $2.2 billion in projected savings to the Disability Insurance and Supplemental Security Income (SSI) programs and over $1.4 billion in projected savings to non-SSA programs.

REDUCE IMPROPER PAYMENTS AND INCREASE OVERPAYMENT RECOVERIES

CHALLENGE: *SSA is one of the top Federal agencies with a high amount of improper payments. In FY 2011, the last FY for which data were available, SSA reported about $8 billion in over- or underpayments, and the Agency incurred an administrative cost of $0.07 for every overpayment dollar it collected. Further, SSA needs to adhere to requirements in Executive Order 13520 – Reducing Improper Payments and Eliminating Waste in Federal Programs – and the Improper Payments Elimination and Recovery Act of 2010 (IPERA) (Pub. L. No. 111-204) to address improper payments.*

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

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

For example, according to SSA, in FY 2011:

- The Old-Age, Survivors and Disability Insurance (OASDI) overpayment error was $2.3 billion or 0.3 percent of program outlays, and the underpayment error was $1 billion or 0.1 percent of program outlays.

- The SSI overpayment error was $3.8 billion or 7.3 percent of program outlays, and the underpayment error was $1 billion or 1.8 percent of program outlays.

For FYs 2012 and 2013, SSA's goal was to maintain OASDI payment accuracy at 99.8 percent for both over- and underpayments; and for SSI, the Agency's goal was to achieve an overpayment accuracy rate of 95 percent and an underpayment accuracy rate of 98.8 percent.

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

Overpayment Recoveries: Once SSA determines an individual has been overpaid, it must recover any overpayment. SSA reported that the percent of debt (for example, overpayments) collected decreased from FY 2011 to FY 2012. Specifically, SSA reported that it collected 22.9 percent of debt in FY 2011 and 22.1 percent in FY 2012. Additionally, the percent of debt collected in FY 2012 is lower than the percent collected in each of the previous 4 FYs.

AGENCY ACTIONS

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

Debt Collection Tools: SSA uses a variety of methods to collect the debt related to overpayments. Collection techniques include internal methods, such as benefit withholding and billing with followup. In addition, SSA uses external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (Pub. L. No. 104-134) for OASDI debts and the *Foster Care Independence Act of 1999* (Pub. L. No. 106-169) for SSI debts. These debt collection tools include the Treasury Offset Program, credit bureau reporting, administrative wage garnishment, and Federal Salary Offset. In FY 2012, SSA recovered $3.7 billion in overpayments at an administrative cost of $0.07 for every dollar collected.

CDRs: The CDR is a powerful tool for reducing improper payments. Through completion of CDRs, SSA periodically verifies that individuals are still disabled and eligible for disability payments. Available data indicate that SSA saves about $9 for every $1 spent on CDRs, including Medicare and Medicaid program effects.

IMPROVE CUSTOMER SERVICE

CHALLENGE: *Many factors challenge SSA's ability to provide quality customer service to the public, including budget constraints, growing workloads, changing customer expectations, an aging workforce, and shifting demographics.*

Increased Workload with Reduced Staff: Each day, almost 182,000 people visit SSA field offices and more than 445,000 people call the Agency for a variety of services, such as filing a claim, updating information, and asking questions. SSA is also receiving increasing numbers of claims. The Agency completed approximately 3.2 million disability claims and 5 million retirement and survivor and Medicare claims in FY 2012.

The projected retirement of its employees continues to present a challenge to SSA's customer service capability. SSA estimates that 45 percent of its employees, including 60 percent of its supervisors, will be eligible to retire by FY 2020. This loss of institutional knowledge may adversely affect SSA's ability to deliver the quality service the public expects.

Changing Customer Expectations: SSA is also finding that technology is rapidly changing and the public expects to complete more business online. Internet services and the use of mobile devices and social media continue to increase. At the same time, the Nation is becoming more diverse. Today, minorities comprise approximately 30 percent of the population, and the Census Bureau estimates that minorities will make up over half of the population by 2050. As SSA enhances its service delivery strategies, it must consider the increasing multilingual and multicultural population it serves.

Budget: SSA stated that the current level of funding would lead to a loss of employees. In FY 2012, it lost over 1,600 employees. Consequently, the Agency projected its national 800-number service will deteriorate significantly because it will not have a sufficient number of employees to answer calls. Busy signals rose from 3 percent in FY 2011 to 4.6 percent in FY 2012. The average speed to answer also increased from 180 seconds in FY 2011 to 294 seconds in FY 2012. Additionally, SSA estimates it will be unable to complete all its post-entitlement work. The Agency believes its inability to handle this work timely could result in improper payments and delays in collecting overpayments. Further, to reduce administrative costs and direct resources to meet growing public service expectations, SSA consolidated 20 field offices in FY 2012. SSA will continue evaluating its facilities to determine whether additional consolidations are necessary.

Direct Deposit: SSA uses direct deposit for 94 percent of Social Security benefits and 83 percent of SSI payments. In October 2011, we began tracking allegations that indicated individuals other than the beneficiaries or their representatives had redirected benefit payments away from the beneficiaries' bank accounts. As of the end of FY 2012, we had received over 22,000 reports concerning direct deposit changes to a Social Security beneficiary's record.

Representative Payment Program: Providing oversight to ensure representative payees properly manage the Social Security benefits of vulnerable beneficiaries is a critical customer service performed by SSA. SSA appoints representative payees to receive and manage the benefits of beneficiaries who are incapable of managing or directing the management of their finances because of their age or mental or physical impairment. Based on data from SSA's Representative Payee System, there were approximately 5.9 million representative payees as of December 2011. The Office of Research and Statistics reports these payees served approximately 8.4 million beneficiaries and managed about $72 billion in annual benefit payments.

Our reviews continue to identify problems with SSA's Representative Payment Program. We found SSA did not always take appropriate actions for individual representative payees who misused benefit payments. For example, SSA did not document negligence decisions, refer instances of misuse to the OIG, follow policy regarding the retention of payees who misuse beneficiary funds, or record misuse-related data accurately in its system.

We continue finding problems with representative payees who do not properly use and account for benefits. For example, we identified an organizational representative payee who improperly transferred about $800,000 from beneficiary accounts into its own business operating account to cover its cash flow shortages. Additionally, we

identified large-volume, fee-for-service representative payees who did not always have the resources, procedures, and controls in place to ensure they fulfilled their representative payee responsibilities.

AGENCY ACTIONS

SSA has implemented various initiatives to improve customer service, such as developing a customer service plan, clarifying correspondence, expanding the use of online services, improving telephone and field office services, and improving the Representative Payment Program.

Customer Service Plan: In FY 2012, SSA published its *Customer Service Plan*, which outlines its strategy to improve service delivery quality, speed, and efficiency. The plan highlights the Agency's video hearings initiative, which uses technology to minimize costs and expand customer access. Along with video technology, the Agency plans to improve its telephone and walk-in services, enhance online services, and enhance security for Internet access to personalized information.

Correspondence: SSA mails approximately 200 million notices to the public each year, making it one of the Agency's most common forms of service delivery. SSA intends to improve its notices to ensure they are clear, concise, and easily understood. For example, SSA plans to revise its SSI post-eligibility notices to show the new payment amount and eliminate duplicate charts.

Online Services: One of SSA's priorities is to provide the public more service options through a wide range of online services. In FY 2012, SSA released an online Spanish retirement application and a new online version of the Social Security Statement, which provides eligible workers access to their Social Security earnings and benefit information. SSA also enhanced electronic services for claimant representatives, such as improving the online appeals application (iAppeals). According to SSA, each online application saves about 15 minutes. Further, starting in April 2012, individuals applying for disability benefits were able to electronically sign and submit an authorization to disclose medical information, which will help process claims faster. SSA reports, on average, this should reduce the disability application process by 9 days per claim.

SSA continues expanding its nation-wide marketing campaign for its Internet services through public service announcements on television, radio, billboards, and buses as well as in airport terminals to promote online services. The Agency also uses social media, such as Facebook, Twitter, and YouTube, to direct the public to its online service options.

In FY 2012, SSA reported that 44 percent of initial Social Security disability, retirement, spouses, and Medicare claims were filed online. According to the *American Customer Satisfaction Index*, SSA has the two highest-rated electronic services in the Government. Further, three of SSA's online services outperformed or tied Amazon, the highest-scoring electronic retail Website.

Telephone Services: SSA serves over 60 million people per year over the telephone. SSA is replacing its national 800-number infrastructure with a new system, the Citizen Access Routing Enterprise Through 2020. SSA reports the new technology will help eliminate lengthy navigation menus, better forecast call volumes, anticipate staffing needs, and distribute incoming calls across the network so callers can reach an agent more quickly. It will also offer callers the opportunity to hang up and receive a return call from SSA when wait times exceed 3 minutes.

Video Services: SSA is expanding its video services for individuals living in rural areas or places without public transportation. Video services enable the Agency to provide service to people at such sites as hospitals, libraries, community centers, American Indian Tribal centers, and homeless shelters. Video services also increase service availability and help reduce travel costs and lost work hours.

Direct Deposit: SSA performs integrity reviews on direct deposit transactions processed in its program applications. In reaction to recent fraudulent activity in the direct deposit area, SSA has moved from a monthly to a weekly review of direct deposit integrity reviews.

Representative Payee Program: SSA piloted a new program in FY 2012 to ensure individuals convicted of committing or attempting to commit certain crimes do not serve as a representative payee. To increase the number of representative payees who submit timely wage reports, the Agency mailed notices to certain representative payees for working SSI recipients and encouraged the representative payees to report wages via an automated telephone wage reporting system. Further, SSA stated it issued reminders to its employees to follow representative payee program policy, and agreed to work with problem payees to correct deficiencies identified during audits.

INVEST IN INFORMATION TECHNOLOGY INFRASTRUCTURE TO SUPPORT CURRENT AND FUTURE WORKLOADS

CHALLENGE: *SSA faces major challenges to mitigate a material weakness in its logical access controls, provide additional electronic services to meet the growing needs of its customers, and strategically plan to modernize its systems.*

SSA faces the challenge of how best to use technology to meet its increasing workloads with limited budgetary and human resources. Further, SSA will not be able to manage its current and future workloads without the proper IT infrastructure. The Agency uses a variety of technologies, including telephone service, the Internet, and videoconferencing to deliver service to its customers. We have concerns regarding the Agency's IT physical infrastructure; logical access controls and security of sensitive information; development of electronic services, and strategic IT planning.

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

Logical Access Controls and Security of Sensitive Information: SSA's FY 2009, 2010, and 2011 Financial Statement Audits identified a significant deficiency in the Agency's control of access to its sensitive information. For example, SSA did not consistently comply with policies and procedures to periodically reassess the content of security access given to its employees and contractors. Moreover, some employees and contractors had greater access to systems than they needed to perform their jobs. Additionally, certain configurations increased the risk of unauthorized access to key financial data and programs. Although SSA had taken some steps to address these issues, the FY 2012 Financial Statement Audit raised the deficiency to a material weakness in internal control related to information security in the areas of monitoring, logical access, and configuration controls.

Development of Electronic Services: SSA must provide additional electronic services to meet its customers' growing needs. Because of the economic times and baby boom generation retirements, more individuals are filing for retirement and disability benefits. SSA must find ways to expand easy-to-use and secure electronic services for its customers. In FY 2012, the Agency planned to increase the percentage of claims filed online to 42 percent. At the end of FY 2012, 44 percent of claims was filed electronically.

In FY 2013, the Agency plans to increase its online filings to 48 percent. In December 2009, Commissioner Astrue testified that to keep field offices from being overwhelmed by increasing workloads, the Agency would need to increase electronic filing to 50 percent by 2013. SSA's performance plan for FY 2013 is 2 percentage points fewer than what the Commissioner stated. Additionally, SSA has a customer service plan, but this plan does not include long-term strategies to develop and implement electronic services.

Strategic IT Planning: Under the current budget environment, it is crucial for SSA to ensure its IT investments are properly guided by its strategic planning and investment control processes to help ensure the Agency receives the full functionality and cost savings as expected and prevents duplication of efforts or waste. SSA must develop and maintain an Information Resources Management (IRM) Strategic Plan that supports the Agency's Strategic Plan. In addition, the strategic IT planning process should drive performance improvements to save money and avoid cost through collaboration, reuse, productivity enhancements, and elimination of redundancy.

Our prior audit work in this area found that although SSA had a 5-year IRM plan, SSA's IT planning process only spans 2 years. In addition, the IRM did not provide a clear IT blueprint, define IT resource requirements, and address all critical future challenges. Furthermore, SSA did not have a strategic plan to convert its legacy application programs to a more modernized programming language. Moreover, we believe SSA's IRM for FYs 2012 through 2016 is still tactical in nature and does not provide a clear vision of the IT infrastructure that will

be needed to support the Agency's programs 5 to 10 years in the future. Lastly, we believe the IRM lacks any tangible or measurable goals.

SSA's *Strategic Human Capital Plan* for FYs 2008 through 2013 and its *Human Capital Implementation Plan Fiscal Year 2012* did not provide a projection of future IT Specialist requirements. For example, SSA has not strategically planned for the loss of IT expertise needed to maintain or improve its legacy systems.

In addition, SSA should explore opportunities for savings, such as moving appropriate services to an external cloud as part of its IT strategic planning.

AGENCY ACTIONS

IT Physical Infrastructure: SSA has taken steps to address its IT infrastructure challenge. The Agency continues taking actions to address the NCC's sustainability through 2016. For example, SSA conducts recurring inspections of its infrastructure—performing hourly, daily, and weekly tours of the buildings and facility equipment as well as an "annual building walk-around" with technical experts to determine repairs or future replacement projects for the building, grounds, and equipment.

In February 2009, SSA received $500 million in *American Recovery and Reinvestment Act* (Pub. L. No. 111-5) funding to replace its NCC. The General Services Administration (GSA) selected a site for SSA's new data center in June 2011 and purchased it in August 2011. GSA and SSA also developed a Program of Requirements. In January 2012, GSA and SSA awarded a contract for the design and construction of a new data center. This was 2 months ahead of GSA's revised project management plan. The planned completion of construction is December 2014. After completion of construction and commissioning, IT migration to the new data center will take an additional 18 months. The new data center is expected to be operational in 2016.

SSA also has a Second Support Center that the Agency occupied in January 2009. The Second Support Center can recover all Agency mission-critical workloads, with the exception of some of the disability workloads, should the NCC become unavailable.

Logical Access Controls and Security of Sensitive Information: SSA stated that it issued and implemented several policies and procedures related to logical access controls and the security of sensitive information. In addition, SSA stated that it has implemented a Web-based tool for automating SSA's review process for access to sensitive information. SSA stated that it plans to use this tool for the Agency's triennial certification for access to sensitive information and the periodic review of security access content. SSA plans to complete this Agency-wide rollout of the tool in October 2012. Additionally, SSA stated that it assembled a workgroup to address the access control weaknesses identified as a significant deficiency in past years, which was elevated to a material weakness in FY 2012.

Development of Electronic Services: To address this challenge and reduce the workload in field offices, SSA offers 30 electronic services. Further, SSA has researched Internet authentication solutions to secure online initiatives, such as Ready Retirement, replacement Social Security number (SSN) cards, and other automated services. In May 2012, SSA introduced a new Internet process to register and authenticate members of the public who wish to use the Agency's online applications. The public can use this new authentication process when logging into the Agency's Webpage called MySocialSecurity. The MySocialSecurity Webpage allows the public to request a Social Security Statement online. The "electronic access" provides a secure, convenient, and user-friendly method for the public to register and gain access to SSA's online services to conduct business with the Agency instead of visiting the local servicing office or requesting information over the telephone. In December 2012, the Agency plans to incorporate its Internet Benefit Verification, Direct Deposit, Change of Address, and Check Your Benefit applications to its MySocialSecurity Webpage.

Strategic Planning: SSA issued its Agency Strategic Plan (ASP) in February 2012 that documents its missions, strategic goals, and strategies for FYs 2013 through 2016. The ASP outlines the Agency's goals and provides a snapshot of how SSA plans to achieve them. It also highlights key measures the Agency will use to monitor progress.

SSA issued its IRM in May 2012 for FYs 2012-2016. The IRM provides direction for the Agency to effectively prioritize and manage its investments in IT and information management toward the achievement of SSA's mission and business outcomes. The IRM focuses on SSA's IT governance efforts and its primary IT infrastructure domains. The IRM briefly discusses SSA's current IT state and provides high-level plans for each domain areas, such as Data Management, Software/Applications, Business Intelligence, Computing Platforms, Network Infrastructure, and Storage Infrastructure. The Agency recognizes it is facing a challenging budgetary environment and increasingly difficult choices for new investments.

Finally, SSA's *Strategic Human Capital Plan* for FYs 2008 through 2013 identified the IT Specialist job series (2210) as mission-critical as well as the competencies needed for this job series to enable SSA to develop its workforce and improve its retention strategies.

STRENGTHEN THE INTEGRITY AND PROTECTION OF THE SOCIAL SECURITY NUMBER

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

In FY 2012, SSA completed approximately 5.5 million original and 11 million replacement SSN cards and recorded approximately $585 billion in employment taxes related to earnings under assigned SSNs. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring SSN integrity and eligible individuals receive the full benefits due them.

SSN Use: The SSN is heavily relied on as an identifier and is valuable as an illegal commodity. Accuracy in recording workers' earnings is critical because SSA calculates future benefit payments based on the earnings an individual accumulates over his/her lifetime. As such, properly assigning SSNs only to those individuals authorized to obtain them, protecting SSN information once the Agency assigns the numbers, and accurately posting the earnings reported under SSNs are critical SSA missions.

SSN Misuse: To its credit, SSA has implemented numerous improvements in its SSN assignment, or enumeration process. However, given the preponderance of SSN misuse and identity theft in U.S. society, we continue to believe protection of this critical number is a considerable challenge for SSA, as well as its millions of customers. Unfortunately, once SSA assigns an SSN, it has no authority to control the collection, use, and protection of these numbers by other entities. Our audit and investigative work have shown that the more SSNs are unnecessarily used, the higher the probability that they could be used to commit crimes throughout society. The Federal Trade Commission estimated that as many as 9 million Americans have their identities stolen each year.

We remain concerned about SSN misuse by noncitizens who are not authorized to work in the United States, as well as the misuse of children's SSNs for work and identity theft purposes. As such, our planned 2013 audits will address these issues and certain SSA enumeration processes.

Death Master File: In May 2012, the Inspector General testified before the Subcommittees on Oversight and Social Security, Committee on Ways and Means, regarding ways to improve SSN protection and guard against misuse, identity theft, and tax fraud. As mentioned in his testimony, the SSNs of deceased individuals are also vulnerable to misuse. As such, the public release of SSA's Death Master File (DMF) raises concerns. Each DMF record usually includes a deceased individual's SSN, full name, date of birth, and date of death. The file contains about 86 million records, and it adds about 1.1 million records each year. While the DMF has important and productive uses, our investigations show that individuals can use available death data to obtain SSNs and commit fraud. To the extent possible, we believe SSA should limit public access to the DMF to only what is required by law and take all steps to ensure its accuracy.

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

SSA spends scarce resources correcting earnings data when employers report incorrect information. The Earnings Suspense File (ESF) is the Agency's repository of wage reports on which wage earners' names and SSNs fail to match SSA's records. Per the latest available data, the ESF had accumulated about $993 billion in wages and 313 million wage items for Tax Years 1937 through 2009. In Tax Year 2009 alone, 7.7 million wage items representing $73 billion were posted to the ESF.

AGENCY ACTIONS

SSA has implemented numerous improvements in its SSN assignment, or enumeration process. Some of SSA's more notable recent enumeration improvements include

- establishing enumeration centers in some States—most recently, the Manhattan Social Security Card Center—that focus exclusively on assigning SSNs and issuing SSN cards;

- implementing a new SSN assignment methodology called SSN Randomization; and

- addressing internal control weaknesses we identified in the Agency's process for issuing SSN Printouts.

These actions include implementing a pilot study in three SSA offices and one card center in which applicants must provide stringent, more reliable identity documents before obtaining an SSN Printout. Additionally, the Agency is implementing improved monitoring tools to track the SSN Printout workload.

Social Security Number Verification Service: SSA has taken steps to reduce the size and growth of the ESF. The Agency offers employers the ability to verify the names and SSNs of their employees using the Agency's Social Security Number Verification Service, which is an online verification program, before reporting wages to SSA. In FY 2012, approximately 40,000 registered employers submitted about 102 million verifications.

E-Verify: SSA also supports the Department of Homeland Security in administering the E-Verify program, which assists employers in verifying the employment eligibility of newly hired employees. As of FY 2012, over 404,000 employers had enrolled to use E-Verify, and these employers had submitted almost 23 million queries during this period. Additionally, about 84,500 transactions were processed through the E-Verify Self-Check Service, which is an Internet-based application that allows U.S. workers to check their own employment eligibility.

While SSA cannot control all the factors associated with erroneous wage reports, it may be able to improve wage reporting by informing employers about potential SSN misuse cases, identifying and resolving employer reporting problems, encouraging greater use of the Agency's employee verification programs, and enhancing the employee verification feedback to provide employers with sufficient information on potential employee issues. SSA can also improve coordination with other Federal agencies with separate, yet related, mandates. For example, the Agency needs to work with the Internal Revenue Service to achieve more accurate wage reporting.

IMPROVE TRANSPARENCY AND ACCOUNTABILITY

CHALLENGE: *SSA faces a number of challenges ensuring accountability, including concerns over its internal controls, systems security, and administrative cost allocations. SSA continues to lack a full set of performance indicators that measure whether the Agency is meeting all its strategic goals.*

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

Federal Managers' Financial Integrity Act: OMB Circular A-123, Revised, *Management's Responsibility for Internal Control*, defines internal control as "…tools to help program and financial managers achieve results and safeguard the integrity of their programs." The Circular provides guidance on using the range of tools at the disposal of agency managers to achieve desired program results and meet the requirements of the *Federal Managers' Financial Integrity Act of 1982* (FMFIA) (Pub. L. No. 97-255). FMFIA encompasses accounting and administrative controls, including program, operational, and administrative areas as well as accounting and financial management.

In the FY 2012 Independent Auditor's Report, the auditors reported a material weakness and a significant deficiency in internal control. The full text of the report can be found in SSA's *Performance and Accountability Report*. We summarize the two control weaknesses below.

Monitoring Activities and Overall Control Environment: The Agency faces a challenge in monitoring its activities and the overall control environment. This challenge is the aggregate of several issues that can be summarized into two categories—lack of timeliness and lack of appropriate documentation. SSA lacked timeliness in completion of quality review feedback forms, follow-up on Comprehensive Integrity Reviews Process System reviews, and consideration and resolution of prior year audit findings. SSA's lack of appropriate documentation includes areas of disability reviews, various approvals for certain transactions, and overpayment detection and associated waivers. Many of these areas are recurring issues that have accumulated over the past three Financial Statement Audits. However, there has not been meaningful improvement in resolving the issues. The FY 2012 Financial Statement Audit testing continued to identify monitoring activities and the overall control environment to be a concern.

Information Security: For the past 2 years, the auditor reported a significant deficiency in SSA's internal control over information security in its *Opinion on Management's Assertion about the Effectiveness of Internal Control*. The auditors have escalated the deficiency this year and have determined there is a material weakness in internal control related to information security in the areas of monitoring, logical access, and configuration controls. Specifically, SSA lacked monitoring controls related to policy on configuration of information; policy on content on SSA's Intranet Webpage; and high-risk programs operating on the mainframe. In addition, SSA lacked appropriate controls to identify high-risk programs; prevent programmer access to the production environment; and create a comprehensive profile and access recertification program. Lastly, the vulnerability testing conducted by the Agency was determined to be insufficient for the identification of critical weaknesses in the IT environment. Each deficiency listed above represents a serious information system security risk; the combination of all these control deficiencies raises the risk to the level of a material weakness.

Administrative Cost Allocation: We also believe SSA can bring greater accountability to its administrative cost allocation. The *Social Security Act* (Pub. L. No. 74-271) authorizes SSA to allocate administrative costs to the four Trust Funds for which it provides administrative support: Retirement and Survivors, Disability, Hospital, and

Supplementary Medical Insurance. SSA uses its Cost Analysis System (CAS) to allocate administrative costs to these four Trust Funds and general fund programs administered by SSA, such as the SSI program.

In FY 2012, our contractor completed a series of audits that examined SSA's CAS. Our contractor found CAS has certain risks that SSA needs to address to ensure it provides viable calculations of SSA's administrative costs. For example, SSA had not updated the CAS cost allocation methodology in over 30 years to account for changes in business processes, system technology, or Federal accounting standards. The failure to periodically revisit and update the cost allocation methodology could result in costing assumptions and cost factors that are no longer valid or accurate. Consequently, the equitable and appropriate allocation of SSA's administrative costs to the Trust Funds could be at risk.

AGENCY ACTIONS

SSA has taken steps to implement the Open Government Directive, which is focused on increasing transparency within the Government. SSA released its first Open Government Plan in 2010 and an updated Plan in 2012. SSA has continued updating its Open Government Website. SSA had also released 41 different datasets on Data.gov as of the end of FY 2012. These datasets are accessible by the public.

SSA has also increased access to information through online applications. For example, in May 2012, the Commissioner announced the release of an online version of the Social Security Statement. The new online Statement provides eligible workers with secure and convenient access to their Social Security earnings and benefit information.

In response to this report, SSA reported to us the following.

> The Comprehensive Integrity Review Process (CIRP) system selects approximately 440,000 cases for review in a given year. Over the years, the agency has steadily improved our timeliness of integrity reviews. In FY 2010, we timely certified approximately 94.5 percent of integrity reviews, with 99.5 percent completed within 60 days. In FY 2011, we timely certified 95.4 percent of CIRP cases selected for review, with 99.5 percent completed within 60 days. For FY 2012, we timely certified 95.9 percent of integrity reviews, with 99.5 percent completed within 60 days. Operational counterparts, in consultation with the Office of Information Security, send reminders to Regional Centers for Security & Integrity (CSI) staff emphasizing the importance of completing CIRP reviews in a timely manner. CSI staff, in turn, notifies offices with overdue integrity reviews. CIRP pending reports are also monitored closely to ensure that integrity reviews are certified timely.

Although SSA provided us with this information, we have not audited CIRP. Our financial statement auditors performed a limited review of CIRP, but were unable to determine the average number of days CIRPs were outstanding, how long it took to move CIRPs into investigation, or the completion rate.

STRENGTHEN STRATEGIC AND TACTICAL PLANNING

CHALLENGE: *While SSA has plans to address its operations in the next 4 to 5 years, it does not have strategic or tactical plans that address how the Agency will operate beyond 5 years. While near-term planning is important, SSA needs long-range plans that address long-term challenges, including a rising workload, a decrease in experienced staff, overly complex program policies, and a rising need to provide more services electronically.*

Rising Workload: The number of individuals filing for benefits has increased, and SSA predicts it will continue to increase by the millions. The Agency estimates that 80 million individuals, most from the baby boomer generation, will file for benefits over the next 20 years. The population applying for benefits will expect SSA to provide a greater number of services electronically. SSA realizes that it needs to rely more on technology not only to meet customer expectations but to keep up with a rising workload.

Fewer Experienced Staff: As workloads rise, a greater proportion of SSA's workforce will become eligible to retire; 19 percent of SSA's employees are eligible. In FY 2015, 33 percent of SSA's employees will be eligible to retire, and by FY 2020, this number will increase to 45 percent. While not every employee retires as soon as he/she is eligible to do so, SSA predicts that 28 to 36 percent of its workforce will retire over the next 10 years. Given the expectation of leaner future budgets, SSA needs to plan to meet its mission with fewer resources.

Social Security Advisory Board Report: At a time when SSA needs to plan to do more with less, SSA lacks long-term plans in a number of critical areas. In its report, *The Social Security Administration: A Vision of the Future*, the Social Security Advisory Board concluded that SSA needed to develop an innovative service delivery plan that reflected the service options currently available and anticipate those that will emerge in the next 10 years. It recommended that SSA take multiple steps to ensure success in 2020, including rethinking its service delivery strategy, performing a comprehensive review of program policy to reduce complexity, establishing a Systems Modernization Plan, and developing a Human Capital Plan.

Information Technology Strategic Planning: In our report, *The Social Security Administration's Information Technology Strategic Planning*, we stated that SSA did not have a comprehensive Agency Information Infrastructure Plan to meet potential processing needs for the next 20 years or that would allow the Agency to recover quickly if one or more major components of its processing infrastructure failed or was destroyed. While SSA has an IT planning process, the process is decentralized, and SSA officials agreed that it needed to be strengthened.

Customer Service Delivery Planning: In our report, *The Social Security Administration's Customer Service Delivery Plan*, we concluded SSA did not have a long-term customer service delivery plan. We noted that SSA must develop such a plan that serves as a roadmap for ensuring the Agency is technologically and structurally prepared with appropriate staff to operate its program in the future. The plan should also describe how the Agency is preparing to address increased workloads and service delivery in an electronic environment. The plan must identify what the service delivery environment will be in the future, including what services customers will expect and how they will want to receive services.

AGENCY ACTIONS

SSA has produced multiple planning documents, including those required by *GPRA* and the *GPRA Modernization Act of 2010*. These laws mandate that Federal agencies draft strategic and annual performance plans to help improve service delivery by requiring that Federal managers plan to meet program objectives.

The Agency has FY 2008 through 2013 and FY 2013 through 2016 strategic plans and an *Information Resources Management Strategic Plan*. These plans cover periods of 4 to 5 years. SSA also has a *Strategic Human Capital Plan*. This plan does not define the timeframe it addresses, but it states that it is aligned with the Agency's Strategic Plan. The most current Agency Strategic Plan addresses a 4-year period. While planning for the next few years is important, SSA needs a longer-term vision to ensure the Agency has the programs, processes, staff, and infrastructure required to provide needed services in the future.