OTHER ACCOMPANYING INFORMATION

IG STATEMENT ON SSA'S MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES

SOCIAL SECURITY

November 8, 2010

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) 2010, we continued our focus on the management and performance challenges from the previous year. Those challenges are listed below.

- Implement the *American Recovery and Reinvestment Act* Effectively and Efficiently
- Reduce the Hearings Backlog and Prevent its Recurrence
- Improve the Timeliness and Quality of the Disability Process
- Reduce Improper Payments and Increase Overpayment Recoveries
- Improve Customer Service
- Invest in Information Technology Infrastructure to Support Current and Future Workloads
- Strengthen the Integrity and Protection of the Social Security Number
- Improve Transparency and Accountability

My office will continue to focus on these issues in FY 2011. We will also continue to assess SSA's operations and the environment in which it operates to ensure that our reviews focus on the most salient issues facing the Agency.

I congratulate you on the progress made in FY 2010 in addressing these challenges. I look forward to working with you to continue improving the Agency's ability to address these challenges and meet its mission efficiently and effectively.

Sincerely,

Patrick P. O'Carroll, Jr.
Inspector General

Fiscal Year 2010 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges

November 2010

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

On February 17, 2009, the President signed into law the *American Recovery and Reinvestment Act of 2009* (ARRA) (Pub. L. No. 111-5). The Social Security Administration (SSA) was provided funds under ARRA to address three major efforts.

- $500 million to replace SSA's National Computer Center (NCC).
- $500 million to process disability and retirement workloads, including information technology (IT) acquisitions and research in support of these workloads.
- $90 million to reimburse costs for processing a one-time economic recovery payment (ERP) of $250 to millions of qualified individuals receiving Social Security and Supplemental Security Income (SSI) payments. (On August 10th, section 318 of Pub. L. No. 111-226 rescinded $47 million of the funds SSA received to administer the $250 ERPs.)

We believe the timely replacement of the NCC and the capacity of SSA's computer systems continue to be major challenges for the Agency. SSA's NCC houses the infrastructure that supports the Social Security programs provided to the public and other services provided to Federal, State, international, and private agencies. In Fiscal Year (FY) 2010, we issued multiple reports on SSA's efforts to replace the NCC with a new data center. In our April 2010 Congressional Response Report, *The Social Security Administration's Data Center Alternatives*, we evaluated the elements and the assessment techniques SSA's contractors used to determine the best location for the new data center. We questioned the costs and risks that had been assigned to the different options for building the data center. We asked the Agency to reexamine the timeframe required for on-campus property readiness (zoning/property acquisitions). We also asked SSA to reassess the foundation for many of its decisions when comparing the on- and off-site options. We made several recommendations related to costs and risks. SSA agreed with our recommendations.

The purchase of the site where the new data center will be built has been delayed. SSA planned to purchase the required land in FY 2010. Now, SSA does not expect to purchase the site until FY 2011, thus delaying the start of construction. The timely completion of the new data center is critical to SSA's ability to continue to provide the level of service the American public expects and needs.

The Agency used ARRA funds to hire staff and fund overtime work to address critical workloads. SSA's challenge was to hire and train sufficient personnel in a short period of time to enhance the Agency's ability to eliminate the hearings backlog and prevent its recurrence, improve the speed and quality of its disability process, improve retiree and other core services, and preserve the public's trust in its programs.

SSA's Office of Operations planned to use its $251 million in ARRA funds to hire employees and for overtime work by employees. The Office of Disability Adjudication and Review (ODAR) was allocated $30 million in FY 2009 and another $93 million in FY 2010 to hire administrative law judges (ALJ) and support staff. SSA allocated $87 million of ARRA funds for FY 2009 and 2010 labor costs of disability determination services (DDS) employees and additional overtime, including indirect costs. The labor costs included hiring 300 new DDS employees.

SSA also had a challenge to ensure its contractors paid with ARRA funds reported accurate information to FederalReporting.gov. Contract recipients were required to report, among other things, (1) the total amount of recovery funds invoiced and (2) a narrative description of the employment effect of work funded by ARRA, including an estimate of the number of jobs created and the number of jobs retained by the prime contractor in the United States and outlying areas. In our report, *Contractors' Reporting of Jobs Created Using American Recovery and Reinvestment Act Dollars*, we determined eight of the nine contractors who received ARRA funds reviewed

reported jobs created or retained in a manner inconsistent with the Office of Management and Budget's (OMB) guidance. The contractor's errors resulted from their misinterpretation of OMB's guidance.
Finally, SSA's assistance in providing one-time ERPs of $250 to certain adult Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries and SSI recipients continues to be a challenge. SSA had to ensure the beneficiaries met a number of criteria, including that they resided in 1 of the 50 States, the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa, or the Northern Mariana Islands. In addition, to be eligible for the one-time payments, the beneficiaries had to be eligible for benefits for any of the 3 months before the month of enactment (that is, November 2008, December 2008, and January 2009). If individuals received both OASDI and SSI, they would receive only one $250 payment. In addition, SSA had to process each payment, prepare payment files for the Department of the Treasury (Treasury), annotate payments to its program files, and prepare associated beneficiary notices. Also, SSA was responsible for handling post-certification actions (for example, non-receipt reports, returned payments, and stop-payment actions) for the ERPs issued to its beneficiaries.

In our September 2010 report, *Economic Recovery Payments for Social Security and Supplemental Security Income Beneficiaries*, we found 71,688 beneficiaries were deceased before the payment certification date and received an estimated $18 million in ERPs. However, in 86 percent of these cases, SSA had no knowledge before the payment certification date that the beneficiaries were deceased. Also, ARRA did not provide SSA the authority to reclaim erroneous ERPs issued to deceased beneficiaries. An additional 17,348 beneficiaries were incarcerated and received about $4.3 million in ERPs. Most of these beneficiaries were eligible for ERPs because ARRA did not prohibit incarcerated beneficiaries from receiving ERPs if they were otherwise eligible for benefits.

SSA Has Taken Steps to Address This Challenge

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

To meet its challenge to replace the NCC and increase systems capacity, SSA continues to make progress. In FY 2010, SSA, in coordination with the General Services Administration (GSA), completed an IT growth study that included projections of SSA's future needs for space, power, and cooling. Further, SSA and GSA began to identify potential sites and develop the Program of Requirements for the new data center.

To meet its challenge to hire thousands of employees and train them, SSA developed appropriate staffing plans based on OMB guidance. For example, the plans provided the required information on how the Agency would spend ARRA funds. However, SSA's cost allocation methodology will most likely overstate actual ARRA costs. Further, the ARRA performance measures did not identify all anticipated benefits.

In reference to SSA's challenge to ensure its ARRA fund recipients properly reported accurate information to FederalReporting.gov, the Agency implemented procedures requiring that contracting officers review contractor reports at FederalReporting.gov for consistency with award information, significant errors, and material omissions. Contracting officers review data posted to *FederalReporting.gov* for data that do not appear to be accurate.

In reference to SSA's continued challenge to provide ERPs to certain beneficiaries, the Agency has made considerable progress. It facilitated the issuance of ERPs to more than 50 million eligible individuals in May 2009, which injected about $13 billion into the economy. SSA certified these payments to facilitate Treasury's disbursement within 120 days after the legislation was enacted on February 17, 2009. However, should another ERP be enacted into law, we recommend SSA (1) review its records to identify deceased and incarcerated beneficiaries before certifying their eligibility to receive an ERP, (2) work with Treasury to obtain the authority to reclaim ERPs issued to deceased beneficiaries, and (3) ensure ERPs are not issued to beneficiaries who are incarcerated at the time of payment.

REDUCE THE HEARINGS BACKLOG AND PREVENT ITS RECURRENCE

At the forefront of congressional and Agency concern is the timeliness of SSA's disability decisions at the hearings adjudicative level. The average processing time at the hearings level has increased over the years—from 293 days at the end of FY 2001 to 426 days at the end of FY 2010. Additionally, the pending hearings workload grew to approximately 705,000 by the end of FY 2010—up from about 392,000 cases at the end of FY 2001. SSA also faces an increasing workload due to a rise in the number of initial disability applications, which eventually leads to an increase in the number of hearing requests.

Since May 2007, the Agency has been implementing the Commissioner's plan to eliminate the backlog of hearing requests and prevent its recurrence. The Commissioner's plan focuses on (1) compassionate allowances, (2) improving hearing office procedures, (3) increasing adjudicatory capacity, and (4) increasing efficiency with automation and improved business processes. SSA has realized some success over the last few years. For example, average processing time at the hearings level was 514 days in FY 2008, 491 days in FY 2009, and 426 days in FY 2010. Similarly, the pending hearings workload was about 761,000 cases in FY 2008, about 723,000 cases in FY 2009, and about 705,000 cases at the end of FY 2010. The Agency's goal is to eliminate the hearings backlog by 2013 and improve average processing time to 270 days. Achieving these goals will depend on a number of factors, including available resources and expected workloads.

Compassionate Allowances - The compassionate allowances initiative, implemented nationwide in October 2008, seeks to identify cases where the disease or condition is so consistently devastating that SSA can presume the claimant is disabled once a valid diagnosis is confirmed. SSA launched the expedited decision process with 50 conditions—25 rare diseases and 25 cancers. SSA added another 38 conditions to this list on May 1, 2010.

Improve Hearing Office Procedures - SSA has two initiatives in place to improve hearing office procedures—reducing aged cases and adjudication of cases by senior attorneys. Under the aged claim initiative, SSA focused on eliminating cases 1,000 days or older in FY 2007, 900 days or older in FY 2008, 850 days or older in FY 2009, and 825 days or older in FY 2010. This initiative has refocused the hearings process to ensure hearing offices are processing the oldest cases first. Under the Senior Attorney program, senior attorneys issue fully favorable on-the-record decisions to expedite the decision and conserve ALJ resources for the more complex cases and cases that require a hearing. SSA reported senior attorneys had issued approximately 54,000 decisions in FY 2010.

Increase Adjudicatory Capacity - SSA has six initiatives aimed at increasing adjudicatory capacity. One initiative is hiring new ALJs. In FY 2009, ARRA provided SSA $500 million to assist with increases in retirement and disability workloads, of which $123 million was allocated to ODAR. Using these funds, ODAR hired 35 new ALJs and 550 additional support staff in FY 2009. In FY 2010, ODAR hired 229 ALJs and approximately 1,200 support staff. ODAR also continued to build new hearing offices around the country, with 13 new offices opened in FY 2010. In addition, ODAR is now operating five National Hearing Centers. ODAR opened a National Case Assistance Center in McLean, Virginia, on May 28, 2010, along with a fifth National Hearing Center and National Case Assistance Center in St. Louis, Missouri, on July 6, 2010.

Increase Efficiency with Automation and Improved Business Process - SSA has more than two dozen initiatives related to automation and business processes. Such initiatives include shared access to electronic files, improved management training, enhanced electronic business processes, and a new quality assurance program. One initiative is expanding the use of video equipment at hearings to increase ALJ productivity and decrease ALJ travel. This video initiative also includes a Representative Video Project, which allows claimant representatives to use their video equipment to participate in hearings from their own offices.

SSA Has Taken Steps to Address This Challenge

In March 2010, the Commissioner announced that the number of pending hearings at the Agency was at its lowest level since June 2005. In a July 2010 review, we reported SSA should be able to achieve its FY 2013 pending hearings backlog goal if it has reliably projected the key factors, such as hearing level receipts, ALJ availability levels, ALJ productivity levels, and senior attorney adjudicator decisions through 2013. We also acknowledged that the Agency has varying control over these factors, and a small variance in these projections could cause SSA to exceed the targeted number of cases in its 2013 pending hearings backlog. As a result, we noted that continued assessment of the factors, appropriate adjustments, and communication of Agency needs to other parties, including the Congress and the Office of Personnel Management, will be essential to keep this endeavor on track.

We will continue to work with SSA as it proceeds with its initiatives. For example, in our June 2010 review of hearing office staffing and performance, we found that ODAR's staffing ratio was 5.1, exceeding the Agency's national goal of 4.5 staff per ALJ. We also found most hearing offices exceeded the decision writer-per-ALJ goal. However, we identified a number of offices that still needed attention to meet the Agency's goals, and found the staffing ratio methodology needed to be updated. We also found that centralized units were assisting hearing offices with staffing shortages and recommended their expansion.

IMPROVE THE TIMELINESS AND QUALITY OF THE DISABILITY PROCESS

SSA is facing a considerable increase in initial and reconsideration claims. At the end of FY 2008, there were over 565,000 initial claims pending. In FY 2010, initial claims pending had grown to over 842,000, an increase of 51 percent over the FY 2008 year-end pending level. In addition, reconsideration claim receipts at the end of 2010 were 12 percent higher than the same period in FY 2009.

In addition to the increased receipts, some DDSs are facing high attrition rates, hiring freezes, and employee furloughs, all of which affect SSA's ability to process the disability workload. In our November 2009 review on the effect of State budget issues on SSA's disability programs, we reported that State furloughs affected the number of disability determinations some DDSs will make during FY 2010. As a result of the furloughs, approximately 69,000 cases were delayed in processing, resulting in about $126 million in benefit payments being delayed to newly disabled claimants. In July 2010, the Agency submitted legislation to Congress to end furloughs of federally paid State disability workers. That legislation would prohibit States, without the Commissioner's prior authorization, from reducing the number of State personnel who make disability determinations for Social Security or the hours they work below the amount the Agency authorizes.

The increase in initial disability applications also forces the dedication of DDS resources to processing initial applications rather than conducting full medical continuing disability reviews (CDR). In our March 2010 review on CDRs, we reported that a backlog of over 1.5 million full medical CDRs would exist at the end of FY 2010. As a result, we estimated SSA will have made benefit payments of between $1.3 and $2.6 billion from Calendar Years 2005 through 2010 that could have potentially been avoided if DDSs had conducted full medical CDRs in the backlog when they became due.

SSA Has Taken Steps to Address This Challenge

In April 2010, the Commissioner testified about SSA's plan to reduce the initial claims backlog by FY 2014. To do so, SSA developed a multi-year strategy that includes

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

As part of the strategy, SSA hired additional DDS employees and plans to maintain higher DDS staffing levels over the next several years. In addition, SSA is maximizing the use of overtime in the DDSs. SSA also created centralized units, called Extended Service Teams (EST), in Arkansas, Mississippi, Virginia, and Oklahoma. The ESTs will assist and take claims from the States with the highest pending levels. In FY 2010, SSA placed 280 new employees at the 4 EST sites. SSA also increased staffing levels in the Federal disability processing components, which provide support to DDSs – hiring about 237 additional employees. As of November 2010, we are reviewing SSA's strategy for reducing the initial claims backlog to an optimum pending level.

We will continue to work with SSA as it improves the disability process and addresses its workload backlogs. We will also continue to work with SSA to address the integrity of the disability programs through the Cooperative Disability Investigations (CDI) program. The CDI program's mission is to obtain evidence that can resolve questions of fraud in SSA's disability claims. The program is managed in a cooperative effort between SSA's Offices of Operations, the Inspector General, and Disability Programs. Since the program's inception in FY 1998 to the end of FY 2010, SSA reports that the 22 CDI units, operating in 19 States, have resulted in $1.6 billion in projected savings to SSA's Title II and XVI disability programs and over $967 million in projected savings to non-SSA programs.

Reduce Improper Payments and Increase Overpayment Recoveries

Workers, employers, and taxpayers who fund the SSA and SSI 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.

SSA is responsible for issuing over $700 billion in benefit payments annually to about 60 million people. Given the large amount of dollars involved in SSA's payments, even the slightest error in the overall process can result in millions of dollars in over- or underpayments. For example, according to SSA, in FY 2009,

- SSI overpayments were $4 billion (8.4 percent of outlays), and underpayments were $787 million (1.6 percent of outlays); and
- OASDI overpayments were $2.5 billion (0.37 percent of outlays), and underpayments were $619 million (0.09 percent of outlays).

For FYs 2009 to 2012, SSA's goal is to maintain OASDI payment accuracy at 99.8 percent for over- and underpayments; whereas for SSI, the Agency's goal is to achieve an underpayment accuracy rate of 98.8 percent and an overpayment accuracy rate of 96 percent.

In November 2009, the President issued Executive Order 13520 on reducing improper payments, and in March 2010, OMB issued implementing guidance. As a result, SSA was required to prepare a report on its high-priority programs by May 19, 2010 containing the Agency's plans for identifying and measuring improper payments, meeting improper payment reduction targets, and ensuring that initiatives undertaken did not unduly burden program access and participation by eligible beneficiaries. SSA met this deadline.

SSA was also required by May 19, 2010, and every quarter thereafter, to prepare and make available to the public a report on any high-dollar improper payments identified by the Agency, subject to Federal privacy policies and to the extent permitted by law. SSA issued its first quarterly report on July 30, 2010 for the quarter ending June 30, 2010. It issued its second report on October 29, 2010 for the quarter ending September 30, 2010.

Additionally, in July 2010, the *Improper Payments Elimination and Recovery Act of 2010* (Pub. L. No. 111-204) was enacted. As a result, all agencies with high-priority programs—because they have significant improper payments—are required to intensify their efforts to eliminate payment errors. SSA has a recovery audit program in place for payments to contractors, but it does not have a similar program for benefit payments. The reduction of improper payments is one of SSA's key strategic objectives. Two powerful tools for reducing improper payments are CDRs and redeterminations. Through completion of CDRs, SSA periodically verifies that individuals are still disabled and entitled to disability payments. Although no overpayments or underpayments are incurred as the result of a medical cessation due to a medical CDR, disability benefits could be terminated earlier if more medical CDRs were scheduled. Available data indicate that SSA saves about $10 for every $1 spent on medical CDRs. However, the Agency has scaled back on this workload over the past several years. Similarly, SSA decreased the number of SSI redeterminations conducted between FYs 2003 and 2009 by more than 40 percent. We estimated in a July 2009 report, *Supplemental Security Income Redeterminations*, that SSA could have saved an additional $3.3 billion during FYs 2008 and 2009 by conducting redeterminations at the same level it did in FY 2003.

SSA Has Taken Steps to Address This Challenge

SSA has identified the major causes of improper payments and has taken steps to address them. For example, one of the major causes of improper payments in the OASDI program is benefit computation errors. SSA developed automated tools to address the more troublesome computation issues. A major cause of improper payments in the SSI program is the failure of a recipient or representative payee to provide accurate and timely reports of new or increased wages. In response, SSA developed a large-scale monthly wage reporting system incorporating touch-tone and voice-recognition telephone technology. SSA also uses the Access to Financial Institutions process to reduce SSI payment errors by identifying undisclosed financial accounts with balances that place recipients over the SSI resource limit. SSA plans to expand the use of this process in the future.

SSA uses a variety of methods to collect the debt related to overpayments. Collection techniques include internal methods, such as benefit withholding and billing and follow-up. In addition, SSA uses external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (Pub. L. No. 104-134) for OASDI debts and the *Foster Care Independence Act of 1999* (Pub. L. No. 106-169) for SSI debts. These debt collection tools include the Treasury Offset Program, credit bureau reporting, administrative wage garnishment, and Federal Salary Offset. In FY 2009, SSA recovered $3.06 billion in overpayments at an administrative cost of $0.06 for every dollar collected. According to SSA, the Agency will continue to improve its debt collection program through the expansion of current debt collection initiatives as well as the implementation of several debt collection tools.

SSA has also worked to improve its ability to prevent over- and underpayments by implementing our audit recommendations. For example, in June 2010, we issued a report, *Manual Computations of Supplemental Security Income Payments*, which identified about $4.4 million in overpayments and about $3.7 million in underpayments for the period July 2008 through June 2009. SSA agreed with the recommendations we made to improve this area and had already initiated actions to correct the payment errors identified.

We also issued a report in July 2010, *Retroactive Title II Payments to Released Prisoners*, where we estimated SSA issued approximately $3.8 million in retroactive payments that released prisoners were not entitled to receive. SSA agreed with our recommendations. The Agency plans to develop and implement additional procedural controls for retroactive payments to released prisoners.

Improve Customer Service

SSA touches the lives of virtually all Americans. SSA provides benefits when there is the loss of a loved one, at the onset of disability, or during the transition from work to retirement. Therefore, we agree with SSA that a high level of customer service is essential to meet the public's needs and expectations.

SSA acknowledges that it has struggled to maintain the level of service the American people deserve. Many factors challenge SSA, including shifting demographics, growing workloads, changing customer expectations, and an aging workforce. SSA is receiving increasing numbers of retirement and disability claims. Also, SSA is finding that the public expects it to provide services in new ways made possible by technology. Further, the projected retirement of its employees continues to present a challenge to SSA's customer service capability. SSA estimates that 50 percent of its employees, including 66 percent of its supervisors, will be eligible to retire by FY 2018. This loss of institutional knowledge may adversely affect SSA's ability to deliver the quality service the public expects.

Providing oversight to ensure representative payees properly manage Social Security benefits of vulnerable beneficiaries is a critical customer service performed by SSA. SSA appoints a representative payee to receive and manage the benefits of beneficiaries who are incapable of managing or directing the management of their finances because of their youth or mental or physical impairment. Our reviews continue to identify problems with SSA's representative payment program. Specifically, (1) SSA did not identify aged beneficiaries who became incapable of managing their benefits after their initial entitlement; (2) children in foster care had their benefits managed by representative payees who were not the foster care agency or foster care parent; (3) representative payees did not disclose previous incarcerations on their applications to serve as payees; and (4) certain individual and organizational representative payees had not complied with SSA's policies and procedures.

SSA Has Taken Steps to Address This Challenge

SSA reported it has implemented various strategies to improve customer service, such as increasing staffing, expanding the use of online and automated services, improving telephone and field office services, reorganizing its components, and improving the representative payment program.

Staffing - SSA reported it hired about 8,600 new employees in FY 2009—the largest hiring effort since the creation of the SSI program over 35 years ago. In FY 2010, SSA again hired approximately 8,600 new employees. In addition, our review of SSA's hiring and training of IT specialists found that SSA uses a multitude of activities to attract, hire, train, and retain IT specialists.

Online and Automated Services - One of SSA's priorities is to provide the public with more service options through a wide range of online and automated services. In FY 2010, SSA introduced an online Medicare-only application. Also, SSA released a simplified electronic version of the Adult Disability Report, which has increased completion rates and cut the average completion time in half. Additionally, as part of SSA's Multilanguage Gateway, which provides access to information in 15 different languages, it is implementing its first non-English interactive application—the Retirement Estimator in Spanish. In response to the President's Securing Americans' Value and Efficiency Award, SSA plans to implement an employee suggestion that would allow individuals to schedule appointments for service online.

Telephone Services - SSA is replacing its 800-number infrastructure with a new system that will help improve service and increase efficiency. SSA's national 800-number, which handles about 65 million calls a year, now offers speech recognition that allows callers to speak their request to reduce time spent navigating through menu prompts and error-prone, touch-tone commands. In addition, SSA is using technology to forecast call volumes, anticipate staffing needs, and better distribute calls across the network. As a result, SSA reported it reduced waiting times by 17 percent in FY 2010. SSA achieved the lowest busy rate for the 800-number in FY 2010 since it began reporting it in FY 2005. Over that 5-year period, SSA halved its busy rate from 10 percent in FY 2005 to 5 percent in FY 2010.

Field Offices and Processing Centers - To position itself for the future, SSA is working with GSA on a new teleservice center in Jackson, Tennessee—the first to be opened in more than a decade. In addition, SSA is implementing the *Space Modernization and Reception Transformation*—an initiative to upgrade SSA's field offices to offer improved services such as (1) videoconferencing for individuals living in rural areas, (2) televisions in field office reception areas to broadcast information about SSA programs, (3) offering self-help personal computers, and (4) redesigning the reception and interview areas to improve privacy.

Reorganization - SSA restructured existing, and established new, components to improve the speed and quality of its processes and services. Further, SSA is realigning several components and combining applications to address the changing needs of its customers and to balance workloads and resources.

Representative Payee Program - SSA reported it revised the Representative Payee Monitoring Application to capture better management information about the problems it found and the outcomes of its reviews of representative payees. Additionally, SSA reported it developed a new model for the representative payee accounting form, misuse, and monitoring processes. Finally, SSA took action to increase its oversight of representative payees who employ beneficiaries in their care by awarding a contract for 350 site reviews of employer-payees.

Invest in Information Technology Infrastructure to Support Current and Future Workloads

Managing its current and future workloads will not be possible for SSA 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. Today, SSA faces the challenge of how to best use technology to meet its increasing workloads. Congress, SSA's Advisory Board, the Office of the Inspector General (OIG) and others have concerns regarding the Agency's IT infrastructure, systems continuity and availability, system modernization efforts, IT strategic planning, and IT service delivery.

IT Physical Infrastructure - SSA's NCC, built in 1979, houses the infrastructure that supports the Social Security programs provided to the public and other services provided to Federal, State, international, and private agencies. SSA's primary IT investment over the next few years is the replacement of the NCC. Increased workloads and growing telecommunication services have severely strained the NCC's ability to support the Agency's business. SSA estimates that by 2012, the NCC as a stand-alone data center will no longer be able to support the expanding workloads. Additionally, significant structural problems and electrical capacity issues have developed that make construction of a new primary computer center imperative. However, the Agency has projected that its new facility cannot be operational before 2015.

Disaster Recovery Capabilities - The design and age of the NCC, as well as the increasing workload due to the retirement of the baby boom generation, has raised concerns about SSA's ability to address future processing requirements. Because of the critical systems SSA supports, an NCC outage would have a devastating effect on both the Agency and the people it serves. In FY 2008, Lockheed Martin completed a study of the NCC that identified infrastructure and data processing capacity issues. These issues pose a significant risk to SSA's continuity of operations.

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

Further, some of SSA's legacy applications are programmed in Common Business Oriented Language (COBOL). The use of COBOL adds additional constraints to SSA's modernization efforts. Studies of SSA's use of COBOL have identified challenges including cumbersome maintenance, lengthy redevelopment time, and the potential loss of institutional knowledge as experienced COBOL programmers retire. In addition, COBOL restricts SSA from developing more sophisticated web services to enable the Agency to meet the growing needs of its customers and reduce customer wait times on the telephone and in field offices.

Simple and Secure Electronic Services - Finally, SSA must provide additional electronic services to meet the growing needs of its customers. Because of the economic times and baby boom generation retirements, more individuals are filing for retirement and disability benefits. SSA's telephone services and field offices are overwhelmed by increased workloads. Telephone and field office customer wait times are long. Between March 1, 2009 and April 30, 2010, about 3.1 million visitors waited more than 1 hour for service, and of those visitors, over 330,000 waited longer than 2 hours. SSA must find alternative ways of providing its customers easy to use and secure services.

Currently, 37 percent of all retirement applications and 27 percent of initial disability applications are filed online. In December 2009, Commissioner Astrue testified that to keep field offices from being overwhelmed by increasing workloads, the Agency would need to increase electronic filing to 50 percent by 2013.

SSA Has Taken Steps to Address This Challenge

IT Physical Infrastructure - SSA has taken steps to address its IT physical infrastructure challenge. The Agency has taken or planned actions to address the NCC's sustainability through 2014. Moreover, in February 2009, SSA received $500 million in ARRA funding to replace its NCC. The Agency is working with GSA to select and purchase a site, develop a Program of Requirements, construct, and acquire IT equipment for its new data center. SSA's plans are to build a new data center that will meet the Agency's expansion needs for the long-term.

Disaster Recovery Capabilities - To help address its disaster recovery capability challenge, SSA built a Second Support Center (SSC). The SSC is a co-processing center for the NCC in the event of inoperability due to catastrophic events and processes a portion of SSA's critical and noncritical workloads. Further, SSA initiated the Accelerated Disaster Recovery Environment (ADRE) project. In June 2010, SSA conducted the ADRE exercise to test the Agency's ability to recover completely from an NCC disaster. The exercise used tapes for recovery purposes. The ADRE exercise was designed to determine whether the critical systems would be available at the SSC if the NCC is not available. However, until the ADRE exercise is validated and the Agency's disaster recovery plans are met, there is a risk of diminished service during the recovery period should the NCC become unavailable.

Also, before October 2012, an extended disruption of service would limit the Agency's ability to provide service to the public within the first 7 days of a disaster. Furthermore, until SSA tests and validates the critical NCC applications restored at the SSC at a level of processing that represents the Agency's daily workload levels, there is a risk that the systems will not fully function if the NCC is unavailable. In 2011, SSA plans to conduct disaster recovery tests to determine the Agency's ability to recover should the SSC become unavailable.

Systems Modernization - The Agency's strategy to address its systems modernization challenge is to develop new IT applications with more modern programming languages. SSA plans to modernize its old applications in the future.

SSA is converting its major program databases from MADAM to an industry-standard, modern database management system to ensure continuity of operations and provide more functionality and flexibility for future workloads. This conversion involves changes to the current database structure. These enhancements will take several years to complete. To date, SSA has successfully completed the conversion of its Numident/Alphident and Master Earnings Files. SSA plans to convert the Supplemental Security and Master Beneficiary Records by the end of FY 2013.

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

The conversion of the Agency's systems is not a single conversion of lines of code from COBOL to Java. Instead, SSA is redesigning its systems to support improved service to the American public. Further, SSA plans to transition some of its other COBOL applications to a more modernized programming language by FY 2017.

Simple and Secure Electronic Services - To address this challenge and relieve overburdened field offices, SSA offers over 30 electronic services. Further, SSA researched Internet authentication solutions to secure such online initiatives as Ready Retirement, replacement Social Security number (SSN) cards, and other automated services.

SSA is developing Registration of Most Everyone (ROME) to register and authenticate users and provide controlled, single sign-on access. SSA plans to use ROME to enable members of the public to access SSA’s electronic and interactive voice response telephone applications. ROME will position SSA to meet its strategic goals of expanding electronic government and increasing the use of electronic services. By increasing the functionality and scope of SSA's electronic applications and providing strong, secure, and robust authentication protocols, the Agency hopes to channel more members of the public toward doing business electronically.

Strengthen the Integrity and Protection of the Social Security Number

In FY 2010, SSA issued approximately 17 million SSN cards and received approximately $647 billion in employment taxes related to earnings under assigned SSNs. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full benefits due them.

Since its inception, SSN collection and use has significantly increased nationwide. These unique nine-digit numbers have become commonly used identifiers and, as such, valuable as illegal commodities. Over the last decade, SSA has made significant strides to strengthen controls in the enumeration process. Additionally, SSA has worked to better protect SSNs in its records. However, once an SSN is assigned, SSA has little control over the collection, use, and disclosure of this number by external entities. For example, while the vast majority of wage reports received from employers are accurate, SSA has had limited success correcting and posting wage reports with erroneous employee names or SSNs. To better protect SSNs and assist SSA in improving the accuracy of its earnings records, we believe Congress and the Agency should continue seeking measures to limit the collection, use, and disclosure of SSNs—in addition to other measures discussed below.

We commend the Agency for the numerous improvements in its enumeration process. Nevertheless, we continue to have concerns regarding SSN assignment and protection. For example, the Agency has no authority to curb the unnecessary collection and use of SSNs. Our audit and investigative work has taught us that the more SSNs are unnecessarily used, the higher the probability they could be used to commit crimes throughout society. We believe SSA should support legislation to limit public and private entities' collection and use of SSNs, and to improve the protection of this information when obtained. We are also concerned that some noncitizens who are authorized to work by the Department of Homeland Security (DHS), but will only be in the United States for a few months, are permitted to obtain SSNs that are valid for life. Further, we believe controls over the issuance of SSN Verification Printouts are not sufficient to prevent improper attainment of these sensitive documents and disclosure of personally identifiable information (PII). As such, SSA should continue its efforts to safeguard and protect PII.

Finally, SSA is devoting resources to develop an online system for issuing replacement SSN cards. While we support the Agency's decision to offer more services online to enhance customer service, we are concerned about the potential for unscrupulous individuals to manipulate such a system. As such, we encourage the Agency to proceed carefully with this initiative until proper authentication controls are in place.

Maintaining the integrity of the SSN and Social Security programs also involves properly posting earnings reported under SSNs. Accurate earnings records are used to determine both the eligibility for Social Security benefits and the amount of those benefits. SSA spends scarce resources correcting earnings data when incorrect information is reported. The Earnings Suspense File (ESF) is the Agency's record of annual wage reports for wage earners whose names and SSNs cannot be matched to SSA's records. As of October 2009, the ESF had accumulated approximately 296 million wage items for Tax Years (TY) 1937 through 2007, representing about $836 billion in wages. Our review of ESF data compared to the total wages reported by employers showed the ESF continued to grow in both real and relative terms. For instance, in TY 2000, the ESF represented about 3.8 percent of total reported wage items and grew to 4.3 percent by TY 2007.

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

SSA Has Taken Steps to Address This Challenge

Despite these challenges, we believe SSA's improved procedures have reduced its risk of improperly assigning these important numbers. Some of SSA's more notable enumeration improvements include (1) establishing Enumeration Centers in many States that focus exclusively on assigning SSNs and issuing SSN cards; (2) requiring field office personnel processing SSN applications to use a Web-based Intranet application known as the SSN Application Process, which combines the functionality of the *SS-5 Assistant* and the Modernized Enumeration System; and (3) strengthening the standards and requirements for identity documents presented with SSN applications to ensure the correct individual obtains the correct SSN.

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

Issued Annual Social Security Statements - The Agency issues annual Social Security Statements to individuals so they can review their earnings records for accuracy and completeness. SSA mails the Statements to all workers age 25 and older who are not yet receiving Social Security benefits. In FY 2010, SSA issued about 152 million Social Security Statements.

Increased Electronic Wage Reporting - SSA has been working to eliminate paper wage reports while migrating to an electronic earnings record process because paper wage reports are more error-prone, labor-intensive, and expensive to process. SSA encourages employers to use Business Services Online to file *Wage and Tax Statements* (Forms W-2) for their employees electronically. In FY 2010, SSA processed over 182 million Form W-2s electronically.

Expanded Use of SSNVS - SSA has been working with the business community to encourage additional employers to use SSNVS. SSNVS allows employers to determine, almost instantaneously, whether an employee's reported name and SSN match SSA's records. Increased use of SSNVS helps reduce fraud and improves the accuracy of individuals' earnings records. For FY 2010, SSNVS processed over 104 million verifications for approximately 39,500 registered employers.

Collaborated with DHS - SSA has continued to support E-Verify, a DHS program that allows employers to electronically verify whether newly hired employees are authorized to work in the United States under immigration law. With SSA's assistance, DHS has made program improvements. For example, in September 2007, E-Verify's Photo Screening Tool was implemented, which allows employers to check the photograph on the new hire's Employment Authorization Document or Permanent Resident Card against the 15 million images stored in DHS immigration databases. Further, the Photo Screening Tool helps employers identify instances of identity theft in the employment eligibility process. In addition, in February 2009, DHS began incorporating passport data into E-Verify to help verify citizenship status information in the event of a mismatch with SSA for citizens who present a U.S. passport during the *Employment Eligibility Verification* (Form I-9) process. As of the end of FY 2010, about 227,000 employers, representing about 802,000 locations, were enrolled to use E-Verify. These employers submitted approximately 16.9 million queries during this period.

IMPROVE TRANSPARENCY AND ACCOUNTABILITY

There have been a number of efforts to make Federal agencies more transparent and accountable. For example, 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) sought to improve Federal program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction. Lastly, the President issued a memorandum on Transparency and Open Government on January 21, 2009. The memorandum instructed OMB to issue an Open Government Directive.

In December 2009, OMB issued instructions on the specific steps Federal agencies needed to take to implement the Open Government Directive. OMB's guidance 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.

Transparency - SSA continued to develop GPRA-required Annual Performance Plans (APP), which include the Agency's annual performance measures and goals. Over half of SSA's current performance measures do not measure the Agency's progress on achieving its strategic goals and objectives. Many of these measures were also identified as output-based performance measures rather than being outcome-based measures. Outcome-based performance measures are more effective in measuring an agency's progress in achieving its strategic goals and objectives than output-based performance measures. Also, while SSA defined some very specific long-term outcomes in its strategic plan, it is difficult for the public to understand SSA's progress in achieving those outcomes because performance measures and related goals are not tied to the long-term outcomes.

We also found that some of SSA's key programs and activities were not addressed by performance measures. Neither SSA's *Strategic Plan* nor the APP contained a performance measure to publicly track SSA's progress in constructing a new data center, even though the *Strategic Plan* states that all the Agency's plans depend on a strong 21st century data center to replace the aged NCC. Also, SSA does not have a performance measure to track progress in updating its computer programs even though its *Strategic Plan* notes that its IT infrastructure was resting on a foundation of aging computer programs. The aging computer systems make it difficult to implement new business processes and service delivery models.

Accountability - Sound internal controls help ensure the Agency is accountable to its mission and relevant laws, regulations, and policies. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. OMB Circular A-123, *Management's Responsibility for Internal Control*, requires that SSA develop and implement cost-effective internal controls for results-oriented management.

We reported a significant deficiency in SSA's internal control over information security in our FY 2010 *Report on Management's Assertion about the Effectiveness of Internal Control*. Specifically, SSA had not consistently complied with the policies and procedures on periodic reassessments of the content of security access profiles. Additionally, security permissions provided to some employees and contractors were in excess of access required to complete their job responsibilities. Lastly, SSA's mainframe operating system contained configurations that increased the risk of unauthorized access to key financial data and programs.

Accountability includes using budgeted funds efficiently. Each year, SSA transfers a small percentage of its budget not spent during the FY (unobligated administrative funds) to an account that funds its Information Technology Systems (ITS), which is allowable under current law. SSA was unable to provide documentation of the return on investment of the amounts transferred to the ITS account. Instead of transferring the funds to the ITS account, the

Agency could have obligated additional funds to complete more CDRs and/or redeterminations, which have a record of generating tangible program savings. The Agency should have a process in place that ensures the amount available to transfer to ITS is the absolute minimum with a goal to process workloads that have a proven positive return on investment.

SSA must ensure its contractors are held accountable to provide the services for which they were contracted. SSA enters into a number of contracts and provides a number of grants each year that help SSA obtain services and research, such as the development and the implementation of demonstration projects, digital document services, and research on disability and retirement issues. In FY 2010, SSA obligated over $1.4 billion for contracts and grants.

While we found SSA received what it paid for based on the contracts we reviewed, we also found that SSA's oversight of contracts and grants could be improved. For example, in one contract, services provided and costs charged to SSA did not adhere to contract terms and applicable regulations. Noncompliance with internal controls over project funding, contract payments, and use of subcontractors allowed these instances to occur without timely detection. The control weaknesses resulted in an overpayment of fixed fees and travel costs, disbursements to unauthorized subcontractors, and use of employees who did not receive a suitability determination under the contract.

In a review of grantees funded to provide outreach and application assistance to homeless individuals and other under-served populations, we found some of the grantees did not meet project objectives. Also, there was a lack of adequate documentation to support some of the awarded grant funds. SSA did not find the unsupported costs because it did not conduct site visits to ensure grant expenditures were allowed and supported.

SSA Has Taken Steps to Address This Challenge

The Agency took steps to improve its transparency and accountability in FY 2010, in part, by implementing aspects of the Open Government Directive. It released a draft Open Government Plan on its Open Government Website in April 2010 and invited the public to comment on it.

SSA released a final version of its Open Government Plan in June 2010. The Plan commits the Agency to share information the public wants from SSA. To that end, SSA had released 22 different datasets on Data.gov as of the end of September 2010. These datasets are accessible by the public. SSA plans to release more high value datasets on Data.gov in FY 2011. It will also ensure that its FY 2011 APP reflects Open Government initiatives.

SSA developed three Flagship Initiatives in response to the Open Government Directive – the Spanish Language Retirement Estimator, Online Service Enhancement, and Online Life Expectancy Calculator. The Online Life Expectancy Calculator was implemented in FY 2010. The other two initiatives are planned for release in FY 2011.

SSA continued to meet the requirements of GPRA, which include the development of strategic plans, APPs, and annual performance reports. SSA has a strategic plan in place for FYs 2008-2013 and is developing the next version of the Plan, which will be released in FY 2011.

The Agency continued its tradition of publicly reporting on its performance in FY 2010. SSA has continually revised its performance measures and goals to provide the public an indication of its performance. Continued refinements in FY 2011 would further improve the Agency's transparency and public accountability.

In terms of internal controls, SSA created a working group comprised of Systems, Finance, and Operations personnel to analyze the root cause of the control failures that resulted in the significant deficiency. This working group is developing detailed remediation plans to address the risks caused by the control deficiencies. Senior level management personnel will review the plans for sufficiency, timing of implementation, and the effect on resources.

Other Reporting Requirements

Summary of Financial Statement Audit and Management Assurances

Summary of Financial Statement Audit					
Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA Section 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA Section 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Conformance with financial management system requirements (FMFIA Section 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0	0	0	0	0	0

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
Overall Substantial Compliance	Yes	Yes
1. System Requirements	Yes	
2. Accounting Standards	Yes	
3. USSGL at Transaction Level	Yes	

Anti-Fraud Activities

We are committed to improving financial management by preventing fraudulent and improper payments (see the *Achieving Our Mission* section and the *Improper Payments Information Act of 2002 Detailed Report* for more information). Section 206 (g) of the *Social Security Independence and Program Improvements Act*, Public Law 103-296, requires the agency to report annually on the extent to which cases of entitlement to monthly Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), and Supplemental Security Income (SSI) benefits have been reviewed; and the extent to which the cases reviewed were those that involved a high likelihood or probability of fraud.

Entitlement Reviews

Entitlement reviews help ensure that continued monthly payments are correct, even though fraud is not an issue in the vast majority of cases. Cases are selected and reviews undertaken, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct. Listed below are major entitlement reviews conducted by the agency:

Disability Quality Assurance Reviews

We perform quality assurance reviews of random samples of Disability Determination Services (DDS) determinations to measure the level of accuracy against standards mandated by the Regulations. These reviews are conducted prior to the effectuation of the DDS determinations and cover initial claims, reconsideration claims, and determinations of continuing eligibility. The following table shows that, for favorable determinations, the State DDSs have consistently made the correct decision to allow or continue benefits.

Quality Assurance Reviews					
	FY 2006	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**
% of State DDS decisions to allow or continue not returned to the DDSs for correction	96.3%	96.9%	97.7%	98.3%	98.6%
No. of cases reviewed	35,433	33,329	32,292	34,378	32,451
No. of cases returned to the DDSs due to error or inadequate documentation	1,326	1,028	729	601	445

Title II Preeffectuation Reviews

We also perform preeffectuation reviews of favorable Title II and concurrent Title II/Title XVI initial and reconsideration determinations using a profiling system to select cases for review. This helps ensure the cost-effectiveness of preeffectuation reviews, and satisfies the legislative requirement that the cases reviewed are those that are most likely to be incorrect. We also review a sufficient number of continuing disability review continuance determinations to ensure a high level of accuracy in those cases. The following table shows that over 97 percent of the decisions made on Title II preeffectuation reviews are accurate.

Title II Preeffectuation Reviews

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
% of State DDS decisions to allow or continue not returned to the DDSs for correction	96.0%	96.3%	97.3%	97.9%	97.8%
No. of cases reviewed	305,233	307,884	338,440	356,956	378,712
No. of cases returned to the DDSs due to error or inadequate documentation	12,118	11,225	9,203	7,481	8,506

Title XVI Preeffectuation Reviews

Following legislation enacted in February 2006, we began preeffectuation reviews of favorable Title XVI initial and reconsideration adult determinations. FY 2007 was the first full year of review. As in Title II cases, we also use a profiling system to select cases for review. The following table shows that over 98 percent of the decisions made on Title XVI preeffectuation reviews are accurate.

Title XVI Preeffectuation Reviews

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
% of State DDS decisions to allow not returned to the DDSs for correction	N/A	97.4%	98.1%	98.3%	98.4%
No. of cases reviewed	N/A	80,784	105,203	114,645	124,045
No. of cases returned to the DDSs due to error or inadequate documentation	N/A	2,117	2,018	1,900	2,023

Continuing Disability Reviews

A key activity in ensuring the integrity of the disability program is periodic continuing disability reviews (CDR) through which we determine whether beneficiaries continue to be entitled to benefits because of their medical conditions. We also conduct a quality review of those decisions. The accuracy of these CDRs is shown on the following table.

CDR Accuracy					
	FY 2006	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**
Overall Accuracy	93.5%	95.6%	96.6%	97.7%	97.8%
Continuance Accuracy	93.8%	96.4%	97.6%	98.6%	98.4%
Cessation Accuracy	92.4%	93.5%	93.2%	94.8%	96.0%

OASI and SSI Quality Assurance Reviews

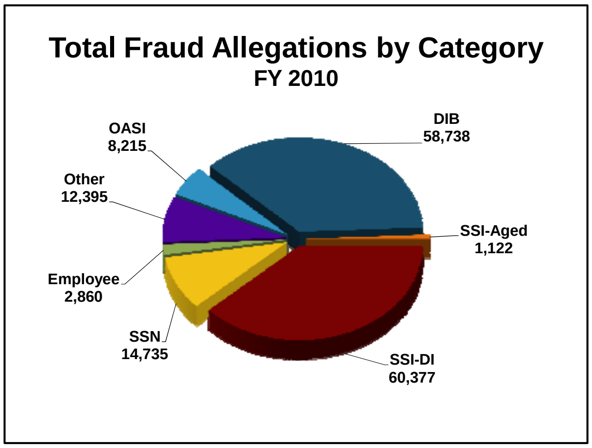
One of our four *Government Performance and Results Act* strategic goals is 'preserve the public's trust in our programs.' One of the ways in which we achieve this goal is by performing OASI and SSI quality assurance reviews. Detailed discussion on the results of these reviews can be found in the *Performance Section* of this report on pages 71–74.

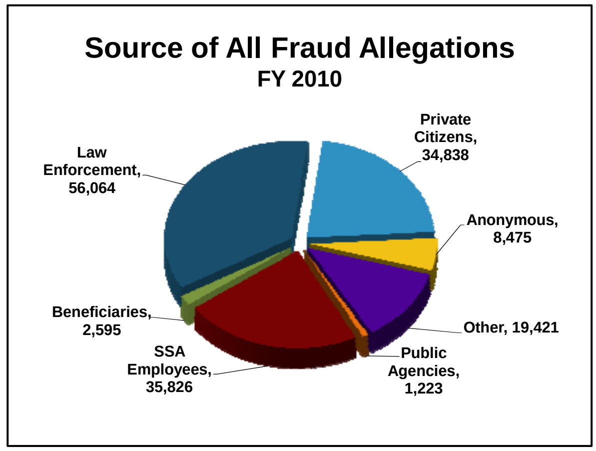
SSI Redeterminations

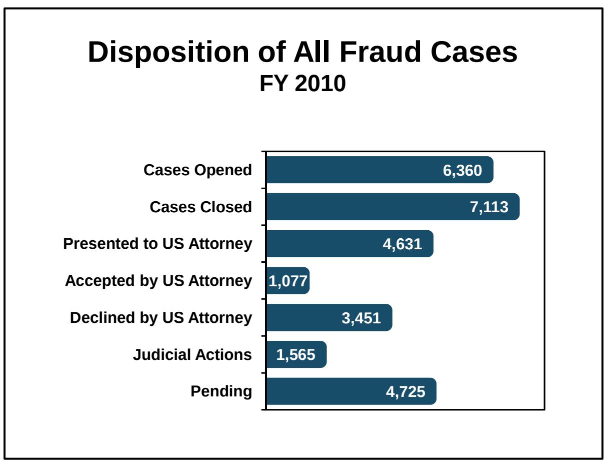
Once an individual becomes entitled to Social Security or SSI disability benefits, any changes in his or her circumstances may affect the amount or continuation of their benefits and thus must be reflected in our records. SSI redeterminations are periodic reviews to ensure that a recipient is still eligible for SSI payments and that the payments are being made in the correct amount. We set a goal for the number of SSI redeterminations to be processed in FY 2010. Detailed discussion on SSI redetermination performance can be found in the *Performance Section* of this report on pages 69–70.

THE OFFICE OF THE INSPECTOR GENERAL'S ANTI-FRAUD ACTIVITIES

In FY 2010, as part of our fraud detection and prevention program for safeguarding the agency's assets, we worked with our Office of the Inspector General (OIG), the U.S. Department of Justice, and other Government agencies on cases involving fraud, waste, and abuse. The following charts summarize the OIG's involvement in fraud activities throughout the fiscal year.







Biennial Review of User Fee Charges

SUMMARY OF FEES

User fee revenues of $413 and $368 million in FY 2009 and FY 2010, respectively, accounted for less than 1 percent of our total financing sources. Over 75 percent of user fee revenues are derived from agreements with 23 States and the District of Columbia to administer some or all of the States' supplemental SSI benefits. During FY 2010, we charged a fee of $10.45 per payment for the cost of administering State supplemental SSI payments. This fee will increase to $10.56 for FY 2011. The user fee will be adjusted annually based on the Consumer Price Index unless the Commissioner of Social Security determines a different rate is appropriate for the States. We charge full cost for other reimbursable activity such as earnings record requests from pension funds and individuals.

BIENNIAL REVIEW

The *Chief Financial Officers Act of 1990* requires biennial reviews by Federal agencies of agency fees and other charges imposed for services rendered to individuals, as opposed to the American public in general. The objective of these reviews is to identify such activities, charge fees as permitted by law, and periodically adjust these fees to reflect current costs or market value. Based on our review of fees during FY 2010, we identified changes in costs, which could affect current fees and agency activities for which new fees need to be assessed. A review of these changes should result in a uniform fee structure for non-programmatic workloads. We are developing time studies to assist with determining the proper fee. We are planning to perform another review of these fees during FY 2012.

Debt Management

During FY 2010, we continued our comprehensive debt collection program. We use our own internal debt collection methods, as well as other authorized, aggressive methods, which in some cases make use of external entities. In FY 2010, we collected $3.14 billion in program benefit overpayments through our debt collection techniques. For a more detailed discussion of our debt collection tools, please refer to the *Improper Payments Information Act of 2002 Detailed Report* immediately following this section.

In addition, we continue to use the system developed in FY 2002 to analyze and monitor our debt portfolio. The system is instrumental in creating and tracking a performance measure for debt collection. This measure is the percent of outstanding OASDI and SSI debt that is scheduled for collection by benefit withholding or installment payment. We recognize that we can improve these performance indicators by focusing overpayment recovery efforts on those overpayments most likely to result in collections. We have underway a series of initiatives that will prioritize the overpayments that are not in a collection arrangement based on their potential for collection. This is expected to lead to an increase in the rate of collection and more efficient use of available resources.

The following collection data include all the program debt owed to the agency and are presented on a combined basis without intra-agency eliminations. Collection data shown in the *Performance Section* and the *Improper Payments Information Act of 2002 Detailed Report* include only legally defined overpayments concerning which beneficiaries have certain due process rights.

FY 2010 Quarterly Debt Management Activities (dollars in millions)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables	$14,377.7	$15,163.6	$14,790.2	$15,213.2
Total collections (cumulative)	-1,061.3	-1,719.6	-2,641.4	-3,550.9
Total write-offs (cumulative)	-231.9	-456.8	-707.6	-985.7
TOP collections (cumulative)	-3.3	-52.8	-80.6	-85.0
Aging schedule of delinquent debts:				
- 180 days or less	1,235.2	1,063.7	1,102.3	1,130.8
- 181 days to 10 years	2,850.7	2,855.4	2,822.5	2,837.8
- Over 10 years	145.6	156.6	171.4	188.5
- Total delinquent debt	$4,231.5	$4,075.7	$4,096.2	$4,157.1

Debt Management Activities					
	FY 2006	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**
Total debt outstanding end of FY (millions)	$13,662.3	$14,253.4	$14,912.3	$14,999.6	$15,213.2
% of outstanding debt					
- Delinquent	23.9%	24.6%	25.1%	26.5%	27.3%
- Estimated to be uncollectible	24.4%	27.4%	27.1%	27.5%	27.7%
New debt as a % of benefit outlays	0.9%	0.8%	0.9%	0.8%	0.8%
% of debt collected	20.2%	20.1%	21.3%	23.4%	23.0%
Cost to collect $1	$0.08	$0.07	$0.07	$0.06	$0.07
% change in collections from prior FY	13.4%	3.5%	11.1%	10.4%	-0.3%
% change in delinquencies from prior FY	13.9%	7.6%	6.5%	6.3%	4.7%
Collections & write-offs as a % of Total Debt	21.2%	20.6%	21.1%	22.1%	21.7%
Collections as a % of clearances	71.1%	74.4%	75.9%	76.5%	78.0%
Total write-offs of debt (in millions)	$1,123.6	$986.1	$1,010.2	$1,076.7	$985.0
Average number of months to clear receivables:					
- OASI	18	18	18	18	16
- DI	29	39	40	42	45
- SSI	43	42	36	34	35

IMPROPER PAYMENTS INFORMATION ACT OF 2002 DETAILED REPORT

BACKGROUND

We take our responsibility to reduce improper payments seriously; curbing improper payments is one objective in our current strategic goal to preserve the public's trust in our programs. Each year, we report improper payment findings (both overpayments and underpayments) from our stewardship reviews of the non-medical aspects of the Old-Age and Survivors' Insurance (OASI), Disability Insurance (DI), and Supplemental Security Income (SSI) programs. In addition, we perform recovery audits of our administrative payments. In accordance with the Office of Management and Budget (OMB) guidelines for implementing the provisions of the *Improper Payments Information Act of 2002* (IPIA), we report as improper those payments that result from:

- Our mistake in computing the payment;
- Our failure to obtain or act on available information affecting the payment;
- A beneficiary's failure to report an event; or
- A beneficiary's incorrect report.

We also work to satisfy the requirements of *Executive Order 13520: Reducing Improper Payments and Eliminating Waste in Federal Programs*, issued November 20, 2009. Our improper payments website, www.socialsecurity.gov/improperpayments, features additional information about our efforts to identify and eliminate root causes of error.

Additionally, on July 22, 2010, President Obama signed the *Improper Payments Elimination and Recovery Act* (IPERA) into law. IPERA amends the *Improper Payments Information Act of 2002*, and reinforces many of the initiatives we are currently implementing to address improper payments. IPERA further increases our transparency, accountability, and reporting concerning improper payments from the existing requirements of the IPIA and Executive Order 13520. We strongly support this legislation and will begin reporting on the IPERA legislative requirements in the IPIA section of the *Fiscal Year (FY) 2011 Performance and Accountability Report*.

ACCOUNTABILITY FOR IMPROPER PAYMENTS

Executive Order 13520 focuses on reducing improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in Federal programs. As our Accountable Official, Commissioner Michael J. Astrue is responsible for overseeing agency efforts to meet the targets established by the Executive Order.

Due to the strategic importance of this effort, we have taken steps to strengthen management focus and accountability on initiatives aimed at better detection and prevention of improper payments. Our Chief Financial Officer (CFO) now has the lead responsibility for integrating our activities and planning efforts in the improper payments area. In that role, the CFO provides oversight of improper payments activities, develops improvement plans, and sets achievement milestones in coordination with other agency executives. We monitor our progress in monthly meetings and hold agency executives accountable for achieving plan milestones.

STATISTICAL SAMPLING

Our Annual Performance Plan includes Old-Age, Survivors, and Disability Insurance (OASDI) and SSI payment accuracy performance measures. We use stewardship reviews to measure the accuracy of payments to beneficiaries in current payment status. Each month, we review a sample of OASI cases, DI cases, and SSI cases to determine payment accuracy rates. For each sample case, we interview the beneficiary or representative payee, make collateral contacts as needed, and redevelop all non-medical factors of eligibility as of the sample month. We then input the findings into a national database for analysis and report preparation.

When we compute accuracy rates for monthly payments, we use case error dollars. Case error dollars refer to an incorrect payment made to a case as a whole, with an overpayment or underpayment occurring when we pay either more or less than what we should have. Some cases have more than one error causing an incorrect payment, with each of these errors referred to as a deficiency. We analyze and track the individual effect of each separate cause of error. Because we project findings from samples, we use a five-year average for each type of deficiency to rank and identify trends.

Stewardship review findings provide the data necessary to meet the IPIA reporting requirements, as well as other reports to monitoring authorities. The OASDI and SSI payment accuracy rates developed in the stewardship reviews reflect the accuracy of payments issued to current OASDI beneficiaries and SSI recipients. In addition to the combined payment accuracy rates for OASDI, we calculate separate rates for OASI and DI. We also provide payment accuracy rates for the current and previous reporting periods.

Risk-Susceptible Program

We identified the SSI program as susceptible to significant improper payments; i.e., estimated improper payments exceed 2.5 percent of program outlays and $10 million (see Table 4). We report estimated improper payments in the SSI program in terms of overpayments and underpayments. For FY 2009, improper payments resulting in overpayments were $4.04 billion, or 8.4 percent of outlays, and improper payments resulting in underpayments totaled $787 million, or 1.6 percent of total outlays. Even though the OASI and DI programs are not identified as susceptible to significant improper payments, IPIA extended the improper payments reporting requirements to those programs and activities listed in the former Section 57 of OMB Circular No. A-11, including the OASI and DI programs.

OMB guidance on IPIA requires the evaluation of all payment outlays, e.g., beyond the OASI, DI, and SSI programs that we administer. For the seventh consecutive year, we performed a review of our administrative payments, including payroll disbursements, vendor payments, etc. These payments prove not to be susceptible to significant improper payments, and further information on this risk assessment of our administrative payments is available on page 204.

Categories of Improper Payments

Beginning in 2009, OMB required us to categorize improper payments into one of three categories as defined below:

- **Administrative and Documentation Errors** are errors due to the lack of all supporting documentation necessary to verify the accuracy of the claim; or inputting, classifying, or processing applications or payments incorrectly at the Federal level.
- **Authentication and Medical Necessity Errors** are errors due to being unable to authenticate criteria such as living arrangements or qualifying child through third-party sources, or incorrectly assessing the necessity of a medical procedure.
- **Verification and Local Administration Errors** are errors due to not verifying recipient information including earnings, income, assets, or work status; or inputting, classifying, or processing applications or payments incorrectly by a State agency or third party who is not the beneficiary.

Improper Payments in the OASI and DI Programs

Table 1 features the improper payment rates for the OASI and DI programs for FYs 2007, 2008, and 2009. We calculate the overpayment rate by dividing overpayment dollars by dollars paid, and the underpayment rate by dividing underpayment dollars by dollars paid.

Table 1: OASDI Improper Payments Experience FY 2007 – FY 2009 (dollars in millions)

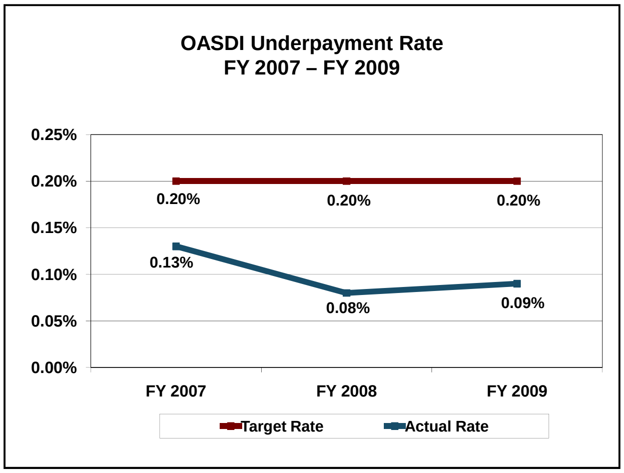
	FY 2007	FY 2008	FY 2009
Total Payments			
Dollars	$576,800	$607,210	$659,565
Underpayments			
Dollars	$754	$495	$619
Target Rate	≤0.20%	≤0.20%	≤0.20%
Actual Rate	0.13%	0.08%	0.09%
Overpayments			
Dollars	$1,209	$2,041	$2,547
Target Rate	≤0.20%	≤0.20%	≤0.20%
Actual Rate	0.21%	0.34%	0.37%

Notes:

1. Total Payments represent estimated program outlays while conducting the payment accuracy reviews and may vary from actual outlays.
2. The percentages and dollar amounts presented in Table 1 are correct based on actual numbers used from the source data. However, there may be differences in the calculated overpayment and underpayment rates due to rounding.
3. OASI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2007, +0.11% and -0.14% for underpayments and +0.06% and -0.07% for overpayments; for FY 2008, +0.06% and -0.04% for underpayments and +0.16% and -0.12% for overpayments; and for FY 2009, ±0.05% for underpayments and +0.15% and -0.17% for overpayments.
4. DI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2007, +0.17% and -0.19% for underpayments and +0.85% and -0.84% for overpayments; for FY 2008, +0.14% and -0.12% for underpayments and ±0.91% for overpayments; and for FY 2009, +0.16% and -0.17% for underpayments and ±1.33% for overpayments.

Over the last five years (FYs 2005-2009), we paid over $2.4 trillion to OASI beneficiaries. Of that total, we project $3.2 billion was overpaid, representing 0.13 percent of outlays. We project that underpayments during this same period were $2.1 billion, the equivalent of 0.09 percent of outlays.

Applying the same analysis to the DI program, we project over the last five years, (FYs 2005-2009), we paid $490.6 billion to DI beneficiaries. Of that total, we project $6.7 billion was overpaid, representing 1.4 percent of outlays. We project underpayments during this same period totaled $1.4 billion, the equivalent of 0.3 percent of outlays.



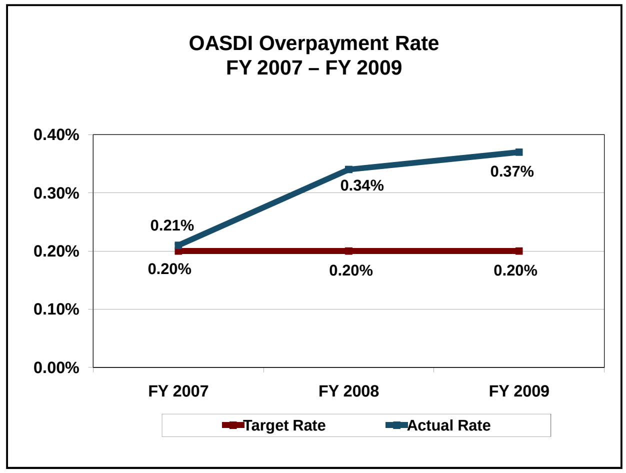


Table 2 presents our target accuracy goals for FYs 2010, 2011, and 2012 for the OASDI programs. In the OASDI program, our goal is to maintain accuracy at 99.8 percent for both overpayments and underpayments.

Table 2: OASDI Improper Payments Reduction Outlook FY 2010 – FY 2012 (dollars in millions)

	2010 Target		2011 Target		2012 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASDI						
Total Payments	$696,180		$723,491		$755,191	
Underpayments	$1,392	0.2%	$1,447	0.2%	$1,510	0.2%
Overpayments	$1,392	0.2%	$1,447	0.2%	$1,510	0.2%

Notes:

1. We do not have separate OASI and DI targets (goals); therefore, we present a combined OASI and DI target.
2. FY 2010 data will not be available until April 2011; therefore, the rates shown are targets (goals).
3. Payment dollars for FYs 2010-2012 are based on projections underlying the Mid-Session Review of the President's FY 2011 Budget.

Major Causes of OASDI Improper Payments

The major causes of overpayments in the OASDI program have been:

- Substantial Gainful Activity (SGA)
- Computations
- Government Pension Offset (GPO)
- Wages/Self Employment Income (SEI)

The major causes of underpayments in the OASDI program have been:

- Computations
- Wages/SEI
- Workers' Compensation (WC)

Table 3 lists these major causes of improper payments (overpayments and underpayments) in the OASDI program using OMB's three categories of errors.

Table 3: Major Causes of OASDI Improper Payments in FY 2009

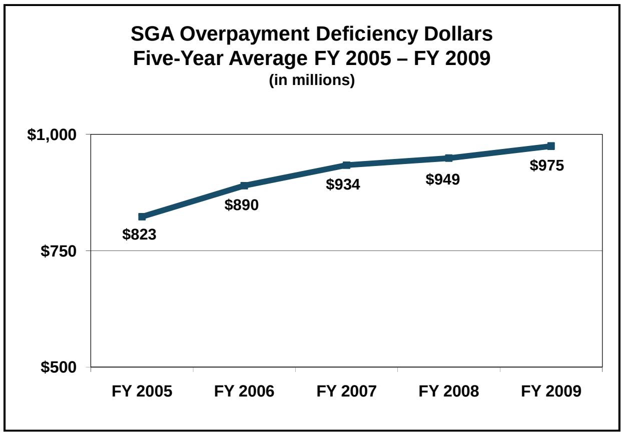
	% of Improper Payments	Major Types of Errors
Administrative and Documentation Errors	32%	Incorrect computations, onset dates, and earnings history
Authentication and Medical Necessity Errors	7%	Relationship/dependency errors and failure to report cessation of full-time attendance for students
Verification and Local Administration Errors	61%	Non-verification of earnings, income, or work status (e.g., in relation to SGA and GPO); inputting, classifying, or processing applications or payments incorrectly

Substantial Gainful Activity

Description:

When a disability beneficiary works, a number of factors determine whether he or she can continue to receive monthly benefits. Improper payments occur when beneficiaries fail to report earnings timely or when we do not withhold monthly benefit payments timely.

Historical Figures:



Corrective Actions:

In FY 2010, we accomplished the following using a multi-prong approach:

- Dedicated staff to target the oldest cases first; initially, we targeted cases over 365 days old, and we will gradually reduce the age threshold;
- Prioritized the systems enforcement alerts we use to identify unreported earnings for DI beneficiaries by the amount of earnings; we then work the cases with highest earnings first to minimize overpayments;
- Improved communication between our field offices (FO) and processing centers (PC) for cases that must be transferred between components (e.g., FO cases that must be manually processed by the PC); and
- Allocated additional staff resources to these workloads.

In addition, we are exploring the following to ensure accurate reporting of beneficiaries' earnings:

- Extending the existing SSI telephone wage reporting process to DI beneficiaries. This initiative will enable beneficiaries to report their earnings by telephone – either by touch-tone or voice recognition. Based on the positive results of electronic reporting in the SSI program, we hope to have similar success in reducing DI overpayments due to late reporting of earnings.
- Establishing a website for DI beneficiaries to report their wages easily and promptly.

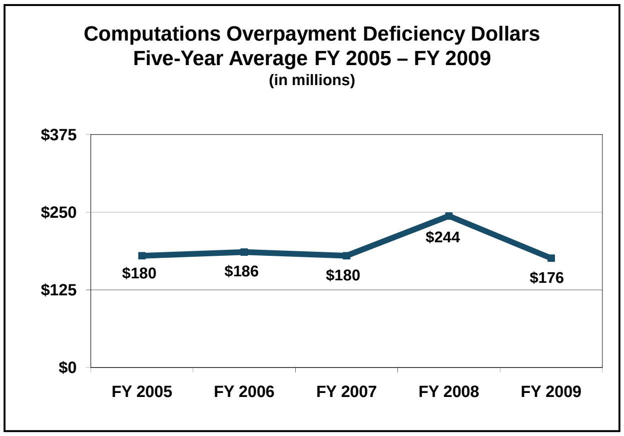
Computations

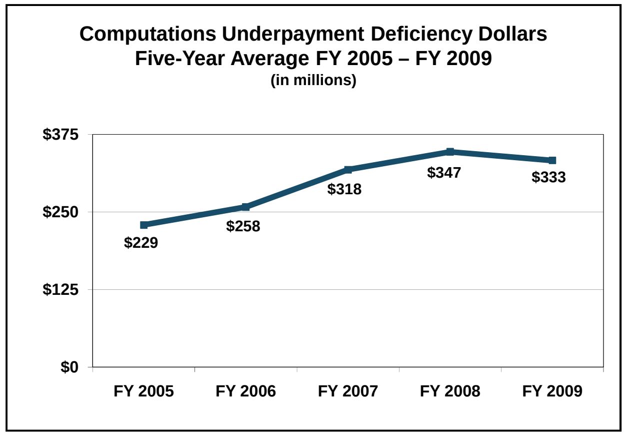
Description:

We base a person's benefit amount on a number of factors including age, earnings history, and the type of benefit awarded. Inaccurate information or administrative mistakes can cause errors in calculating benefits. There is a wide variety of causes for computation errors. For the FY 2005 through FY 2009 period, approximately 65 percent of the computation errors were underpayments, with the leading causes being Windfall Elimination Provision (WEP), re-computations, primary insurance amount, and delayed retirement credits. (Note: A definition of WEP can be found at: www.socialsecurity.gov/pubs/10045.html.) In terms of overpayment dollars for FY 2005 through

FY 2009, errors involving WEP were the leading cause of computational deficiency dollars. This type of error can result when we do not apply WEP appropriately to the beneficiary's record. Overpayments often result when pension information is not provided timely. Nearly 62 percent of the overpayment computational deficiency dollars for the FY 2005 through FY 2009 period involved WEP.

Historical Figures:





Corrective Actions:

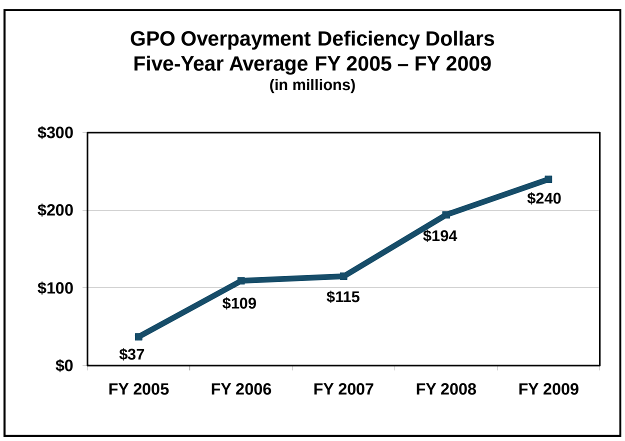
We conduct an ongoing match with the Office of Personnel Management (OPM) to identify Federal retirees receiving a Civil Service Retirement System (CSRS) pension.

Government Pension Offset

Description:

We may offset OASDI benefits for a spouse or surviving spouse if he or she receives a Federal, State, or local government pension based on work on which the spouse did not pay Social Security taxes. Errors occur when receipt of these types of pensions is not reported.

Historical Figures:



Corrective Actions:

We have taken the following steps to reduce improper payments caused by the non-reporting of government pensions:

- Conduct an ongoing match with the OPM to identify Federal retirees receiving a CSRS pension; and
- Included a legislative proposal in the President's FY 2011 budget to mandate State and local governments to report pensions based on non-covered earnings directly to SSA.

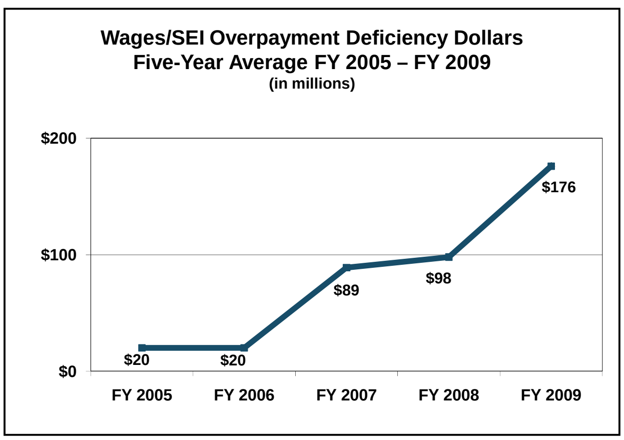
Wages/Self Employment Income

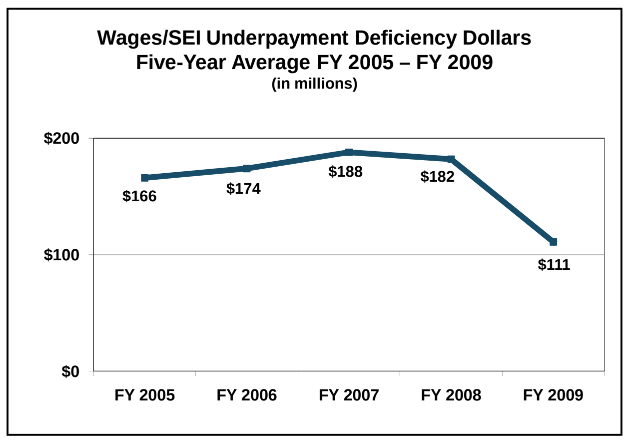
Description:

The earnings reported on a person's work history help determine the amount of monthly benefits that the worker or someone filing on that account will receive. When the earnings record does not accurately reflect the worker's earnings, there may be errors if the mistake goes undetected when the worker applies for benefits. For FY 2005 through FY 2009, errors based on wages/SEI were split almost evenly between underpayments and overpayments.

Wage discrepancies and scrambled earnings (earnings belonging to one worker post to another workers record) account for the largest percentage of earnings errors. Although earnings-related errors involve small dollars in each month of payment, they can have a substantial impact over the life of the claim.

Historical Figures:





Corrective Actions:

We have taken the following measures in an effort to reduce Wages/SEI-related errors:

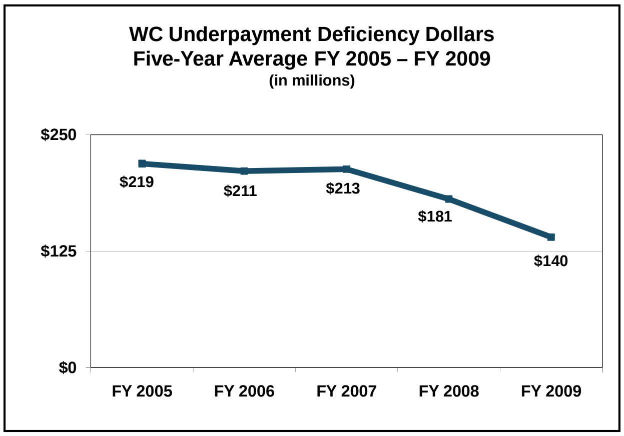
- In FY 2009, we modified our instructions to emphasize evidence needed for correcting earnings and eliminated development that has no effect on the accuracy of the earnings record.
- In FY 2010, we modified the Earnings Alert System to allow adjudicators to identify and develop those irregularities on the earnings record, which, when resolved, will most likely affect the workers benefit payment.

Workers' Compensation (WC)

Description:

If a person receives both WC and Social Security disability benefits, the total amount of these benefits cannot exceed 80 percent of his or her average current earnings before becoming disabled. If it exceeds that amount, we reduce Social Security disability benefits until reaching the 80 percent threshold. Underpayments occur when the receipt of WC decreases or ceases, and we do not raise the disability benefit.

Historical Figures:



Corrective Actions:

We took various actions to reduce improper payments caused by unreported changes in WC, including:

- Established the WC Policy Forum, which is an inter-component workgroup that addresses new WC policy issues to advance improvements needed in the WC workload.
- Updated all procedural instructions with a clear reorganized format, expanded information and guidance for developing WC evidence, incorporated regional instructions where appropriate, and added technical guidance on new software to improve the overall accuracy of the WC workload.
- Developing a computer matching agreement with the Department of Labor to obtain Federal Employee Compensation benefit data. This agreement will provide SSA with Federal WC information necessary to verify the accuracy of OASDI and SSI disability benefits.

Improper Payments in the SSI Program

Table 4 features the improper payment rates for the SSI program for FYs 2007, 2008, and 2009. We calculate the overpayment rate by dividing overpayment dollars by dollars paid and the underpayment rate by dividing underpayment dollars by dollars paid.

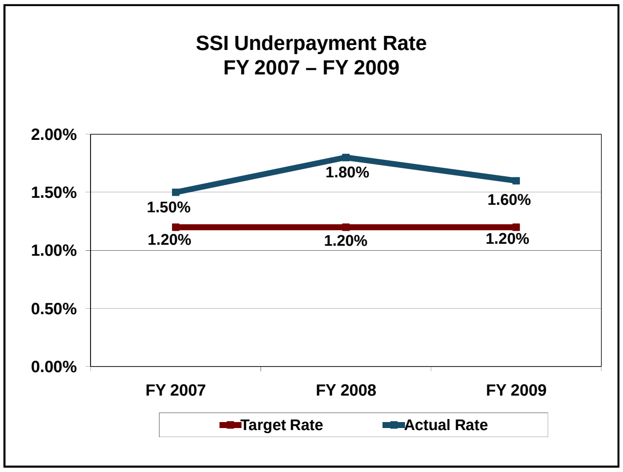
Table 4: SSI Improper Payments Experience FY 2007 – FY 2009
(dollars in millions)

	FY 2007	FY 2008	FY 2009
Total Payments			
Dollars	$42,600	$45,045	$48,294
Underpayments			
Dollars	$652	$789	$787
Target Rate	≤1.20%	≤1.20%	≤1.20%
Actual Rate	1.50%	1.80%	1.60%
Overpayments			
Dollars	$3,900	$4,648	$4,040
Target Rate	≤4.30%	≤4.00%	≤4.00%
Actual Rate	9.10%	10.30%	8.40%

Notes:

1. Total Payments represent estimated program outlays while conducting the payment accuracy reviews and may vary from actual outlays.
2. The percentages and dollar amounts presented in Table 4 are correct based on actual numbers used from the source data. However, there may be differences in the calculated overpayment and underpayment rates due to rounding.
3. The SSI amount for FY 2007 is adjusted because there were 11 payment months in FY 2007. However, the quality review is not affected by payment months, but rather by entitlement months.
4. SSI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2007, ±0.4% for underpayments and ±1.9% for overpayments; for FY 2008, ±0.53% for underpayments and ±1.46% for overpayments; and for FY 2009, ±0.03% for underpayments and ±1.5% for overpayments.

Over the last five years (FYs 2005-2009), we paid over $215.3 billion to SSI recipients. Of that total, we project $18.3 billion was overpaid, representing 8.5 percent of outlays. We project that underpayments during this same period were $3.7 billion, the equivalent of 1.7 percent of outlays.



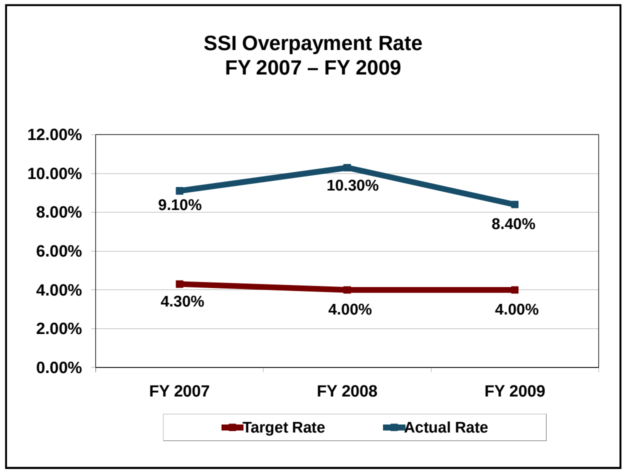


Table 5 presents our target accuracy goals for FYs 2010, 2011, and 2012 for the SSI program.

Table 5: SSI Improper Payments Reduction Outlook
FY 2010 – FY 2012
(dollars in millions)

	2010 Target		2011 Target		2012 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
Total Payments	$51,166		$52,367		$55,969	
Underpayments	$614	1.2%	$628	1.2%	$672	1.2%
Overpayments	$4,298	8.4%	$4,189	8.0%	$4,198	7.5%

Notes:

1. Our Annual Performance Plan and Congressional Justification, issued in February 2010, reflect an FY 2010 SSI overpayment target rate of 9.0 percent. Because of the lag in producing actual performance data, we did not receive FY 2009 SSI overpayment accuracy data until June 2010. The increase in our FY 2009 accuracy rate prompted us to revise the FY 2010 SSI overpayment target to 8.4 percent.
2. The FY 2010 and 2011 payment dollars represent estimated outlays as presented in the Mid-Session Review of the President's FY 2011 Budget. The FY 2012 payment dollars are based on data from the assumptions in the FY 2011 Mid-Session Review. The SSI projection for FY 2011 is adjusted (from those presented in the Mid-Session Review) because there are 13 payment days in FY 2011. Similarly, the SSI projection for FY 2012 is adjusted (from what was estimated in the 2011 Mid-Session review process) because there are 11 payment days in FY 2012. However, the quality review is not affected by payment days, but rather by entitlement months.

Major Causes of SSI Improper Payments

The major causes of overpayments in the SSI program have been:

- Financial Accounts (such as bank savings or checking accounts, credit union accounts, etc.)
- Wages

The major causes of underpayments in the SSI program have been:

- Wages
- Living Arrangement
- In-kind Support and Maintenance (ISM)

Table 6 lists these major causes of improper payments (overpayments and underpayments) in the SSI program using OMB's three categories of errors.

Table 6: Major Causes of SSI Improper Payments in FY 2009

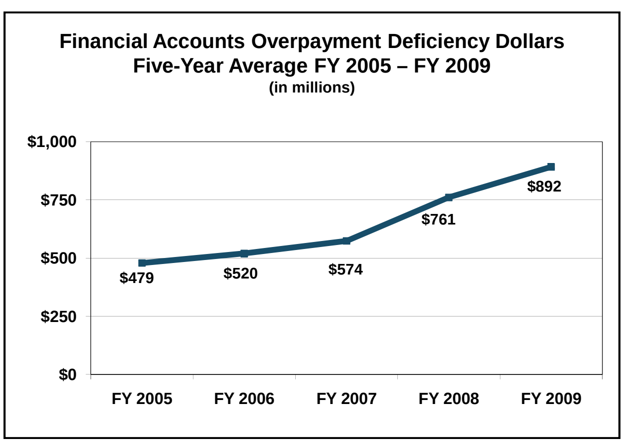
	% of Improper Payments	Major Types of Errors
Administrative and Documentation Errors	12%	Incorrect computations, misapplication of an income or resource exclusion, and wrong month of change
Authentication and Medical Necessity Errors	29%	Existence or changes to living arrangements and ISM
Verification and Local Administration Errors	59%	Detection of unreported financial accounts and wages

Financial Accounts

Description:

The applicant or recipient (or his or her parent or spouse) has financial accounts that exceed the allowable resource limits ($2,000 individual/$3,000 couple) that may result in periods of SSI program ineligibility.

Historical Figures:



Corrective Actions:

To reduce errors, we examined alternatives to the traditional SSI asset verification practices of beneficiary self-reporting and direct contacts with financial institutions. After considering the available options, the Access to Financial Institutions (AFI) program is one alternative that shows great promise:

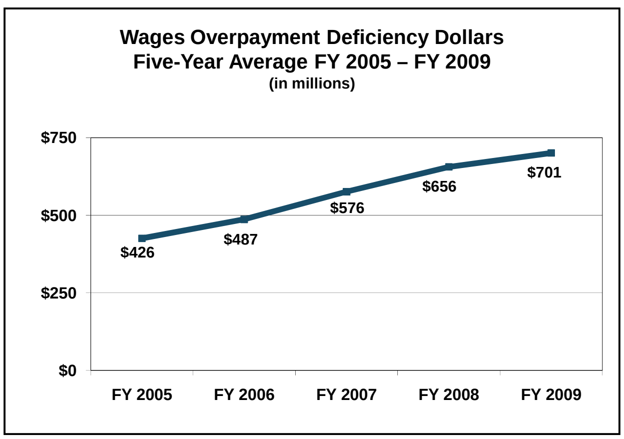
- The AFI program has proven to be very useful in the identification of previously undisclosed bank accounts, achieving an estimated $10 in savings for every $1 spent on the program. By automatically checking an applicant's known bank accounts, and by selectively checking for unknown accounts with financial institutions in a given area, we reduced overpayments in areas where the program is currently active.
- With recently appropriated funds, we are implementing AFI nationwide. In FY 2010, we expanded the AFI program beyond New York, New Jersey, and California to 14 additional States: Alabama, Florida, Georgia, Illinois, Kentucky, Massachusetts, Michigan, Montana, Nebraska, North Carolina, Ohio, Pennsylvania, Texas, and Washington. These States' SSI beneficiaries comprise about two-thirds of all SSI beneficiaries.
- We expect lifetime program savings of over $100 million in FY 2011 and up to $1 billion in lifetime program savings each year when AFI is fully implemented.

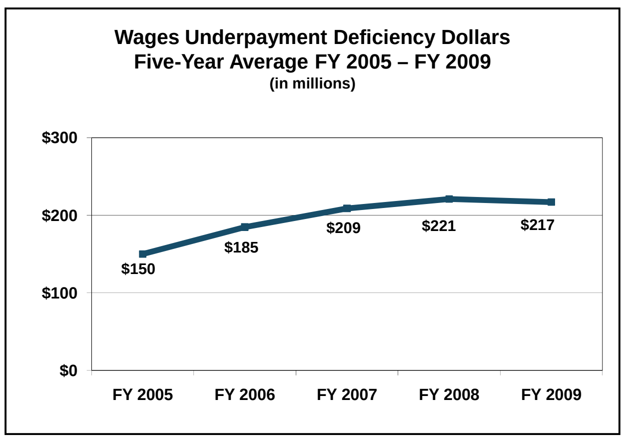
Wages

Description:

The recipient (or his or her parent or spouse) has actual wages that are different from the wage amount used to calculate payment.

Historical Figures:





Corrective Actions:

Our efforts to reduce wage-related errors include:

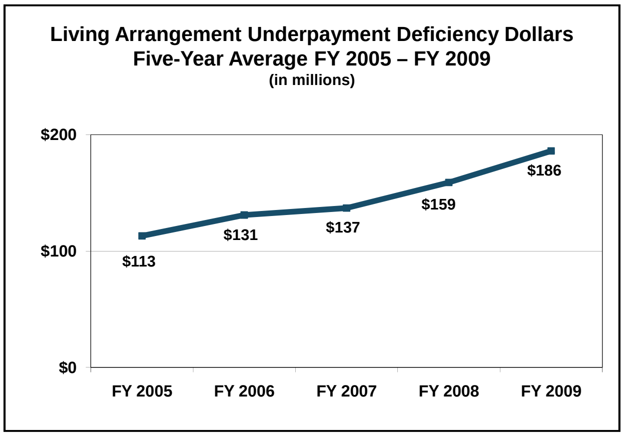
- In FY 2008, we implemented the SSI Automated Telephone Wage Reporting (SSITWR) system. The SSITWR system allows recipients (or their parent, spouse, or representative payee) to report their monthly wage amounts via a completely automated system that ensures the wage amount posts timely. SSITWR processes the report and updates the SSI payment amount prior to issuance of the SSI check.
- In FY 2009, we instituted a new policy that requires our employees to recruit SSI recipients (or their parent or spouse) or the representative payee to report monthly wage amounts using SSITWR. We continue to recruit additional reporters each month and, SSITWR successfully processed over 196,000 wage reports in FY 2010.

Living Arrangement

Description:

We paid the recipient as if he or she were living with someone else when the recipient actually qualified for a higher payment level, such as for those who live alone.

Historical Figures:



Corrective Actions:

The following process enables us to reduce errors stemming from Living Arrangement information:

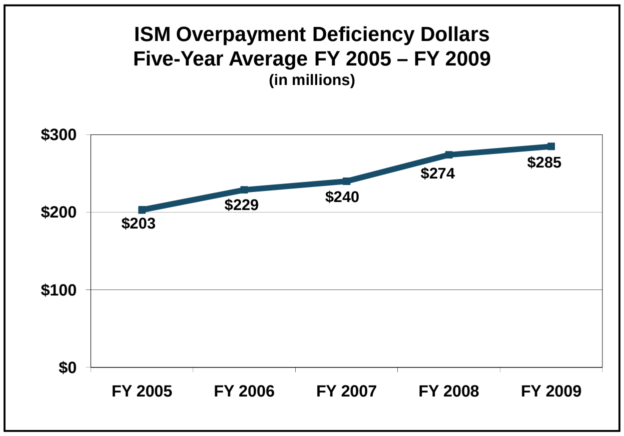
- The Office of Quality Performance (OQP) uses an automated system to identify cases where recipients have reduced benefits based on living with others. OQP then sends those highlighted cases to the Office of Operations, which forwards the information to the respective FOs to schedule redeterminations.
- OQP is in the process of expanding the living arrangement variables in the SSI Redetermination Scoring Model. The addition of these living arrangement variables to the model will reduce errors stemming from living arrangement information, and we expect to save at least $200 million each year in the improved targeting of SSI redeterminations.

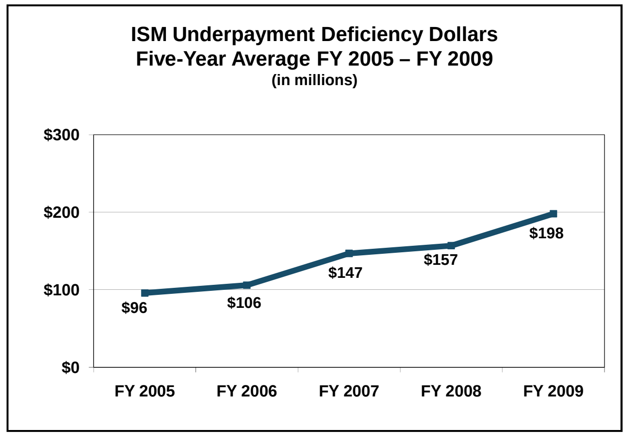
In-kind Support Maintenance (ISM)

Description:

ISM is unearned income in the form of food or shelter received, with underpayments occurring when the recipient's amount of ISM is less than the amount used to calculate payment. Overpayments can also occur when the recipient is receiving ISM that is not reported. Studies show that many of the errors attributed to ISM are due to the complexity of the statutory policies for the program. These policies are difficult for SSI recipients to understand, which makes it problematic for them to report changes to us in a timely manner. This complexity also means that seemingly small changes in a recipient's household can result in an overpayment or an underpayment.

Historical Figures:





Corrective Actions:

Our efforts to reduce ISM-related errors include legislative proposals focused on ISM policy simplification. However, these provisions would typically increase SSI program costs substantially, or likely reduce benefits to SSI recipients for proposals that are cost neutral.

MEDICAL ASPECTS OF THE DI AND SSI PROGRAMS

State agencies are responsible for completing the medical determinations necessary at the initial claim, reconsideration, and continuing disability review stages of the disability process. Table 7 highlights the initial allowance, denial, and overall accuracy rates for FYs 2008 and 2009. We determine these rates by our quality assurance review of a sample of pre-effectuated initial claims. The accuracy rates are based on, not only the number of deficient cases, but also on whether the cited deficiency resulted in a change in the original DDS determination made on the case. For FY 2009, the combined allowance and denial goal for net accuracy was 97 percent.

Table 7: DDS Initial Claim Net Accuracy

Initial Claim Net Accuracy	FY 2008	FY 2009
Allowance	98.9%	99.1%
Denial	95.4%	95.5%
Combined	96.6%	96.8%
Note: The changes from FY 2008 to FY 2009 are not statistically significant.		

The *Social Security Act* also requires a review of 50 percent of the favorable DI and concurrent DI/SSI initial and reconsideration DDS determinations; i.e., pre-effectuation reviews (PER). We use a logistic regression methodology to profile initial and reconsideration allowances, and cases falling within the established cut-off score constitute the PER sample. We review all sampled determinations, and return deficient cases to the adjudicating DDS for correction. For FY 2008, Title II PER was estimated to save $504 million in lifetime OASDI, SSI, Medicare, and Medicaid payments, with a benefit/cost ratio of 10:1.

The *Social Security Act* now includes an extension of the PER review of favorable adult disability decisions to the SSI program. We are required to review 50 percent of adult allowances in the SSI program. For FY 2008, SSI PER was estimated to save $89 million in lifetime SSI and Medicaid payments, with a benefit/cost ratio of 9:1.

USE OF PREDICTIVE MODELING IN THE SSI REDETERMINATION PROCESS

Since we do not have the resources to conduct an annual redetermination on every SSI recipient every year, we target annual SSI redeterminations by use of a statistical scoring model. This statistical model, which has been in place for nearly two decades, uses various income, resource, and living arrangement variables obtained from our SSI payments and claims processing systems to predict likely SSI overpayments and underpayments. Each year we identify claims for review based on the likelihood of error and prioritize the reviews based on allocated funds. The SSI redetermination scoring model is a highly effective tool for ensuring that the selection of SSI redeterminations is efficient and cost effective. In FY 2009 alone, completed SSI redeterminations resulted in prevention and recovery of about $2.8 billion in SSI overpayments. SSA would have prevented and recovered only $1.8 billion if random selection were used instead of the model.

IMPROPER PAYMENTS FOR ADMINISTRATIVE EXPENSES

We conducted an evaluation of our FY 2009 administrative expenses and determined that they were not susceptible to significant improper payments as defined by IPIA. In FY 2009, we obligated $11.9 billion to administer the OASI, DI, and SSI programs. These costs largely consisted of payroll and benefits and included payments to State agencies for the DDSs and other administrative expenses, such as travel and rents. In FY 2009, we also had administrative expenses from the enactment of the *American Recovery and Reinvestment Act* (ARRA). These obligations include $173 million in administrative expenses attributable to the Economic Recovery Payment (ERP) distributions, the construction and set-up of the National Support Center (NSC), as well as costs related to processing retirement and DI workloads.

Risk Assessment

We segmented administrative payments into several categories to analyze and determine the vulnerability of these outlays to improper payments.

Table 8: FY 2009 Administrative Expenses
(dollars in millions)

Payroll and Benefits*	$5,740
State DDS	$2,305
ARRA**	$13,252
Other Administrative Expenses***	$3,826
Total Administrative Payments	$25,123

Notes:

*Excludes $150 million of ARRA Payroll Expenses

**Includes $173 million of expenses related to distributing ERP payments, construction and setup of the NSC, and the retirement and DI workload backlog.

***Other Administrative Expenses includes Travel, Transportation, Rents, Communications and Utilities, Printing and Reproduction, Other Services, Supplies and Materials, Equipment, Land and Structure, Grants, Subsidies and Contributions, Information Technology Systems, OASI and DI Trust Fund Operations, Other Dedicated Accounts, Other Reimbursable, Budget not allotted and allowed, Interest and Dividends, and Insurance Claims and Indemnities.

We conducted a risk assessment on each of the categories in the table above and determined that our administrative payments are not at significant risk of improper payments. As part of the risk assessment, we also considered the following factors:

- A number of financial statement audits, which identified no significant weaknesses in the administrative payment process;
- Extensive controls inherent in our administrative payment systems; and
- The strong internal control structure we have in place to prevent, detect, and recover improper administrative payments.

Combining this risk assessment with our strong internal controls, along with a number of financial audits that indicated no weaknesses in our process, we demonstrate that our administrative payments do not meet the criteria for further reporting to Congress or OMB.

Recovery Audit Program

OMB guidance states that agencies must have a cost-effective program of internal control to prevent, detect, and recover overpayments to contractors resulting from payment errors. To comply with this guidance and support the evaluation that our administrative payments are not susceptible to significant improper payments, we have established an in-house recovery audit program for administrative contractual payments. This program addresses recovery issues related to recovering and limiting improper payments resulting from duplicate payments and overpayments (e.g., payment for goods/services not received, Federal exemption from certain sales and excise taxes, late payment charges, etc.).

Our in-house recovery audit program employs a number of tools to aid in the detection and recovery of improper overpayments, including:

- An automated query system to identify payments made to the same vendor, with the same invoice date, and for the same amount. This helps identify payments that represent a higher risk of being duplicate payments.
- A report to identify duplicate payments made through the third-party draft payment system and the accounts payable system.
- A risk assessment of administrative payment systems and recovery of any overpayments identified in this process.

Results from the audit program and quality review process continue to confirm that administrative payments are well below the threshold established for reporting improper payments. These results further validate our existing controls for the prevention, detection, and collection of improper payments.

Program Scope

For FY 2009, the recovery audit program included a review of $1,528 million of administrative contractor payments. We elected to exclude the following classes of contracts from the scope of the recovery audit:

- Incomplete cost-type contracts where payments are interim, provisional, or otherwise subject to further adjustment by the Government in accordance with the terms and conditions of the contract.
- Cost-type contracts that were completed, subjected to final contract audit and, prior to final payment of the contractor's final voucher, all prior interim payments made under the contract were accounted for and reconciled.

We identified total improper payments of $1,531,110, which equates to approximately 0.10 percent of total payments subject to review for current year reporting. Of the improper payments identified, only $7,178 remains uncollected for the current year. These results further validate our existing controls for prevention, detection, and collection of administrative improper payments.

Table 9: FY 2009 Recovery Auditing Results
(dollars in millions)

Agency Component	Amount Subject to Review for Current Year (CY) Reporting	Actual Amount Reviewed and Reported CY	Amounts Identified for Recovery CY	Amounts Recovered CY	Amounts Identified for Recovery Prior Years (PY)	Amounts Recovered PYs	Cumulative Amounts Identified for Recovery (CY + PYs)	Cumulative Amounts Recovered (CY + PYs)
Administrative Expenses	$1,528	$1,367	$1.531	$1.524	$5.835	$5.835	$7.366	$7.359

Agency Information Systems to Reduce Improper Payments

The Comprehensive Integrity Review Process (CIRP) supports our stewardship responsibility to assure the accuracy of benefit payments and to protect personal information maintained in our programmatic systems. This system enables us to fulfill our obligation to comply with Federal laws such as the *Federal Managers Financial Integrity Act*, which mandates an internal system of controls. In addition to this, CIRP also follows the guidelines contained in our Integrity Review Handbook (IRH). The CIRP system automatically selects potentially fraudulent cases based on pre-defined criteria. Managers then review and certify case selections based on guidance contained in the IRH and their knowledge of programmatic systems. After this, managers certify that the actions taken by the employee were for legitimate business purposes and not for personal or potentially fraudulent gains.

Statutory and Regulatory Barriers to Reducing Improper Payments

We continuously develop legislative proposals to improve administration and integrity of the OASI, DI, and SSI programs. The President's FY 2011 budget includes a proposal that would improve the administration of the GPO and the WEP by requiring pension payers to identify if the pension paid to the person stems, in any part, from work not covered by Social Security. With this information, we could then compare the reports with beneficiary payment records and examine cases that indicate the possibility that GPO or WEP applies. We would be able to obtain data on pensions based on non-covered work in a more timely and consistent manner, and the proposal would thereby improve our stewardship over the program and the Social Security Trust Funds.

Agency Efforts to Collect Overpayments in the OASI, DI, and SSI Programs

We collected $3.14 billion in OASDI and SSI benefit overpayments in FY 2010. To recover overpayments, we use internal debt collection techniques (i.e., payment withholding and billing/follow-up), as well as the external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (DCIA) for OASDI debts and the *Foster Care Independence Act of 1999* for SSI debts.

From their inception through September 2010, these initiatives have yielded over $3.404 billion in benefits recovered through a combination of overpayment recovery and prevention improvements. Table 10 provides a description of each of our key debt management initiatives, and a summary of the results since their inception.

We developed a system to handle the Treasury Offset Program (TOP), credit bureau reporting, and Administrative Wage Garnishment. Because the system covers more than TOP, and will be the basis for any future collection interfaces with agencies or entities outside our agency, we call it the External Collection Operation (ECO) system.

Continued improvement in the agency's debt collection program is also underway. In July 2010, we expanded our use of TOP by implementing Phase I of the ECO Enhancements Project. Phase I enables us to collect delinquent SSI debts from a population of debtors previously excluded from the automated ECO selection process. As systems resources permit, we will continue to enhance ECO by implementing Phases II and III of the ECO Enhancement Project. Phase II will allow us to collect delinquent debts by offsetting Federal payments through TOP beyond the current 10-year statute of limitation, as authorized by Public Law 110-246 and 31 USC 3716. Phase III will allow us to collect delinquent debts by offsetting applicable State payments through TOP.

We will also continue to seek the resources to expand the Non-Entitled Debtor program and implement the remaining debt collection tools authorized by the DCIA. They include interest charging or indexing a debt to reflect its current value, administrative fees, and the use of private collection agencies. Table 10 on the next page lists some examples of our collection techniques.

Table 10: Cumulative Programmatic Debt Recovery Methods Through FY 2010 (dollars in billions)					
Recovery Method	**Inception**	**Description**	**OASDI**	**SSI**	**TOTAL**
TOP	1992	TOP is a debt collection program sponsored by the Department of Treasury that allows us to collect delinquent debt by Tax Refund Offset, Administrative Offset, and Federal Salary Offset. We collected $157.7 million in FY 2010 through these initiatives.	$1.089	$0.726	$1.815
Credit Bureau Reporting	1998	We report delinquent debts owed by former OASDI beneficiaries and SSI recipients to Credit Bureaus. Credit Bureau reporting contributed to the recovery of $59.3 million in FY 2010.	$0.332	$0.255	$0.587*
Cross Program Recovery (CPR)	2002	CPR recovers OASDI overpayments from SSI underpayments, and SSI overpayments from monthly OASDI benefit payments.	$0.083	$0.567	$0.650
Non-Entitled Debtors (NED)	2005	NED is an automated system that we use to control recovery activity for debts owed by debtors who are not entitled to benefits, such as representative payees who receive overpayments after the death of a beneficiary. We used the NED system to recover $3.5 million in FY 2010.	$0.019	N/A	$0.019**
Administrative Wage Garnishment (AWG)	2005	AWG allows us to recover delinquent OASDI and SSI overpayments by ordering a debtor's employer to garnish up to 15% of the debtor's private sector disposable pay. We collected $19.1 million through this process during FY 2010.	$0.060	$0.014	$0.074
Automatic Netting – SSI	2002	This program automatically nets SSI overpayments against SSI underpayments. Using this program, we "netted" $134.9 million in FY 2010.	N/A	$0.865	$0.865
Total			**$1.232**	**$2.172**	**$3.404**

Notes:

*Credit Bureau Reporting is a subset of TOP collections, and thus is not included in the overall total at the bottom of the chart.

**Non-Entitled Debtors is a subset of TOP and AWG collections, and thus is not included in the overall total at the bottom of the chart.

ECONOMIC RECOVERY PAYMENTS

ARRA provided for a one-time ERP of $250 to most adult OASDI, SSI, Railroad Retirement Board (RRB), and Veteran's Affairs (VA) Disability beneficiaries. If an individual was eligible for OASDI and/or SSI benefits in November 2008, December 2008, or January 2009, subject to certain other eligibility criteria set forth in the ARRA, he or she is entitled to receive the one-time payment. If individuals receive benefits from more than one of the eligible programs, they receive a single $250 payment. The ARRA authorizes us to make payments through December 31, 2010. As of September 30, 2010, we have made over 53 million ERPs totaling over $13.2 billion.

We developed a risk management plan to determine the accuracy of the payments and, for the following reasons, the payments were determined to be low risk and not susceptible to improper payments:

- We used our existing Title II and Title XVI programmatic databases and master files to select and certify ERPs.
- We employed a sophisticated matching operation internally with the VA and RRB to select eligible recipients for payment (according to criteria in the ARRA), and guard against duplicate payments.
- ERPs were certified at a fixed rate of $250 for each eligible recipient and did not involve benefit computations. From a payment accuracy perspective, this is highly significant because, historically, computation-related factors are a major cause of payment errors.

To further support our determination that these ERPs were low risk payments and not susceptible to improper payments, we received only 46,991 (.09 percent) claims of non-receipt and 326 (.0006 percent) double check negotiations (i.e., cases where the recipient cashed both the original and replacement ERP check) out of over 53 million payments to date.

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