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.