



## SOCIAL SECURITY

### **MEMORANDUM**

Date: April 18, 2011

Refer To:

To: The Commissioner

From: Inspector General

Subject: Performance Indicator Audit: The Social Security Administration's Fiscal Year 2010 Performance Indicators (A-02-10-11076)

We contracted with KPMG to determine whether the Social Security Administration's (SSA) key programs and activities critical to achieving its four strategic goals were addressed by its Fiscal Year 2010 performance indicators, and, if so, whether those indicators were objective, understandable, and outcome-based. The attached final report presents the results of KPMG's overall analysis of SSA's performance measures. We also asked KPMG to evaluate the controls over and the reliability of the performance data that support 10 of SSA's performance indicators established to comply with the *Government Performance and Results Act of 1993*. The results of this work were released in separate reports.

Please provide within 60 days a corrective action plan that addresses each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr."

Patrick P. O'Carroll, Jr.

Attachment

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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**PERFORMANCE INDICATOR AUDIT:  
THE SOCIAL SECURITY  
ADMINISTRATION'S FISCAL YEAR 2010  
PERFORMANCE INDICATORS**

**April 2011                  A-02-10-11076**

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**AUDIT REPORT**

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## **Mission**

**By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.**

## **Authority**

**The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:**

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

**To ensure objectivity, the IG Act empowers the IG with:**

- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

## **Vision**

**We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.**

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## **Executive Summary**

This report presents the results of our work to address the performance audit objectives relative to the Social Security Administration's (SSA) Fiscal Year (FY) 2010 performance indicators (PI). We conducted our work from December 4, 2009 through March 30, 2010, and our results are as of March 30, 2010.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### **OBJECTIVE**

Our objective was to determine whether SSA's key programs and activities critical to achieving its four strategic goals were addressed by its FY 2010 PIs, and, if so, whether those indicators were objective, understandable, and outcome-based.

### **BACKGROUND**

The *Government Performance and Results Act of 1993* (GPRA) seeks to improve the Government's internal management, as well as program effectiveness and public accountability, by promoting a new focus on results, service quality, and customer satisfaction. Specifically, GPRA requires that SSA establish PIs to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity.

### **RESULTS OF REVIEW**

SSA continues to make great strides in meeting GPRA's objectives and has shown continued refinement of its PIs from year to year. While SSA has improved the overall quality of its PIs, further refinements would create more results-based indicators.

We evaluated SSA's PIs to determine whether SSA's key programs and activities were addressed by those indicators. Of the 27 PIs, there were 3 indicators that did not measure or assess the relevant output, service levels, and outcomes of the Agency's key programs for FY 2010. Of SSA's 14 key activities, 3 were not addressed directly by any of SSA's FY 2010 PIs.

We evaluated SSA's alignment of its PIs with its strategic goals and objectives and found that 3 strategic goals and objectives did not have an associated PI, and 16 PIs were ineffective measures of the Agency's progress in achieving its strategic goals and objectives.

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Finally, we evaluated SSA's PIs to determine whether they met our criteria, which are based on relevant criteria from the Office of Management and Budget (OMB) and Government Accountability Office (GAO) for being objective, understandable, and outcome-based. For the Agency's 27 PIs, we found that

- 23 were objective;
- 23 were understandable; and
- 12 were outcome-based.

## **RECOMMENDATIONS**

As SSA develops its strategic plan for FYs 2013 – 2018 and future Annual Performance Plans (APP), we believe it should consider the 26 recommendations in this report, which would develop more outcome-based PIs that support its key programs and activities and measure its progress on its strategic goals and objectives.

## **AGENCY COMMENTS**

SSA disagreed with 21 recommendations, agreed to consider 4 recommendations, and partially agreed to consider 1 recommendation.

## **KPMG RESPONSE**

To the extent SSA can move to more outcome-based measurement, we believe the expectations of the President and the Congress for performance and results management would be better achieved. Outcomes more clearly correlate to results, which is at the heart of GPRA in setting forth that PIs in an agency's performance plan ".... shall provide a basis for comparing actual program results with the established performance goals."

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This performance audit did not constitute an audit of financial statements in accordance with generally accepted government auditing standards. KPMG was not engaged to, and did not, render an opinion on SSA's internal controls over financial reporting or over financial management systems (for purposes of OMB Circular No. A-127, *Financial Management Systems*, July 23, 1993, as revised). KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

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## Introduction

### OBJECTIVE

Our objective was to determine whether the Social Security Administration's (SSA) key programs and activities critical to achieving its four strategic goals were addressed by its Fiscal Year (FY) 2010 performance indicators (PI), and, if so, whether those indicators were objective, understandable, and outcome-based.

### BACKGROUND

The *Government Performance and Results Act of 1993* (GPRA) seeks to improve the Government's internal management, as well as program effectiveness and public accountability, by promoting a focus on results, service quality, and customer satisfaction.<sup>1</sup> Specifically, GPRA requires that SSA establish PIs to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity.

Per Office of Management and Budget (OMB) Circular A-11, an agency's strategic plan, such as the one that SSA develops, "... features declarative statements also known as strategic goals, which state what the agency wants to accomplish in terms of outcomes or results. Each strategic goal is supported by performance goals – performance measures with time-specific targets. Agency strategic plans also provide a framework for annual performance plans and reports."<sup>2</sup>

GPRA requires that the strategic plan describe the relationship between the PIs and the strategic goals.<sup>3</sup> PIs determine priorities and set targets, as well as allow agencies and the public to track progress on reaching goals. A PI defines the targeted level of performance over time as a tangible, measurable objective against which actual achievement can be compared. Managers and employees are responsible for aligning resources and responsibilities to achieve results that clearly link to the goals outlined in the strategic plan. For each strategic goal included in the strategic plan, the agency should include a limited number of long-term, outcome-oriented PIs.<sup>4</sup>

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<sup>1</sup> Pub. L. No. 103-62, 107 Stat. 286 (codified as amended in scattered sections of 5 United States Code (U.S.C.), 31 U.S.C. and 39 U.S.C.). On January 4, 2011, the President signed the *GPRA Modernization Act of 2010*, Pub. L. No. 111-352, 124 Stat. 3866. The new law, in building on the provisions of GPRA, requires that Federal agencies set clear performance goals that they can accurately measure and publicly report in a more transparent way.

<sup>2</sup> OMB Circular A-11 (Aug 2009), *Preparation, Submission and Execution of the Budget*, Section 210.1.

<sup>3</sup> 31 U.S.C. § 1115(a)(4).

<sup>4</sup> OMB Circular A-11 (August 2009), *Preparation, Submission and Execution of the Budget*, Section 210.2.

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The President's FY 2011 Budget<sup>5</sup> indicated the need for outcome-oriented PIs and goals. "Government operates more effectively when it focuses on outcomes, when leaders set clear and measurable goals, and when agencies use measurement to reinforce priorities, motivate actions, and illuminate a path to improvement." It also states, that ". . . transparent, coherent performance information contributes to more effective, efficient, fair, and responsive government."

An agency's Strategic Plan sets forth the organization's strategic goals and strategic objectives. A strategic goal is the broader concept that the agency would like to achieve in support of, and to enhance, the agency's key programs and activities. Strategic objectives are essentially goals with a narrower, more defined scope such that the achievement of the strategic objectives will lead to the achievement of the organization's strategic goals. The PIs that are chosen to measure an organization's progress must support the strategic goals and objectives set forth in the Strategic Plan.

PIs should measure an agency's progress toward achieving a strategic objective; the achievement of the strategic objective should show progress toward achieving an agency's strategic goal; the achievement of a strategic goal will ultimately improve and enhance the key activities that the agency performs on behalf of the public; and lastly the key activities of an agency should clearly be in support of one or more of an agency's key programs.

## SCOPE AND METHODOLOGY

To assess SSA's FY 2010 PIs, we:

- Reviewed the *APP for FY 2011 and Revised Final Performance Plan for 2010* to obtain an understanding of the FY 2010 PIs.
- Reviewed the *Strategic Plan Fiscal Years 2008-2013*—which sets forth and defines SSA's strategic goals and objectives.
- Reviewed prior Office of the Inspector General (OIG) and Government Accountability Office (GAO) reports related to SSA's PIs.
- Assessed SSA's 27 PIs and aligned them to 3 key programs and 14 activities critical to SSA's delivery of its day-to-day services and achievement of its 4 strategic goals. We determined the reasonableness of the relationships between the PIs and the Agency's key activities and key programs based on the scope of each PI.
- Determined whether the 27 PIs measured the achievement of identified strategic goals and objectives.
- Reviewed relevant OMB and GAO guidance to develop criteria for defining objective, understandable, and outcome-based PIs.

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<sup>5</sup> The President's FY 2011 Budget:  
<http://www.whitehouse.gov/omb/budget/fy2011/assets/management.pdf>.

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- Reviewed each of the 27 PIs to determine whether the individual indicators met the established criteria for being objective, understandable, and outcome-based.
  - Reviewed the OIG's FY 2009 *Statement on SSA's Major Management and Performance Challenges*<sup>6</sup> to determine whether the issues identified had adequate PI coverage.
  - Identified opportunities for new performance measures to assist SSA in increasing its focus on program results.

We performed our assessment at SSA Headquarters in Baltimore, Maryland. We conducted our review between December 2009 and March 2010. Our assessment was performed in accordance with generally accepted government auditing standards.

## **Results of Review**

SSA continues to make great strides in meeting GPRA's objectives and has shown continued refinement of its PIs from year to year. Since the last assessment of SSA's PIs in 2003,<sup>7</sup> SSA's PIs have been reduced from 84 to 27, demonstrating a commitment to create more results-based indicators that are better targeted to SSA's strategic goals and objectives. While SSA has improved the overall quality of its PIs, further refinements would create even more results-based indicators.

### ***Alignment of SSA's Key Programs and PIs***

SSA administers three key programs: Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), and Supplemental Security Income (SSI). We reviewed the key programs to determine whether they were supported by SSA's FY 2010 PIs. Three of the 27 PIs did not measure or assess the relevant output, service levels, and outcomes of any of the Agency's key programs for FY 2010; specifically, PI 4.5a – "Receive an unqualified audit opinion on SSA's financial statements;" PI 4.6a – "Replace gasoline-powered vehicles with alternative-fuel vehicles;" and PI 4.6b – "Develop and implement an agency *Environmental Management System*." See Table 1 for alignment of the key programs and PIs.

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<sup>6</sup> FY 2009 SSA Performance and Accountability Report (PAR):  
<http://www.ssa.gov/finance/2009/Full%20FY%202009%20PAR.pdf>.

<sup>7</sup> SSA OIG, *Assessment of the Social Security Administration's Performance Measures* (A-02-02-12050), April 2003.

**Table 1: Alignment of Key Programs and PIs**

No.	PI	KEY PROGRAMS		
		OASI Program	DI Program	SSI Program
PI 1.1a	Complete the budgeted number of hearing requests		X	X
PI 1.2a	Achieve the target number of hearing requests pending		X	X
PI 1.2b	Achieve the target to eliminate the oldest hearing requests pending		X	X
PI 1.2c	Achieve the budgeted goal for average processing time for hearing requests		X	X
PI 1.2d	Achieve the target to eliminate the oldest Appeals Council requests for review pending		X	X
PI 1.2e	Achieve the target average processing time for Appeals Council requests for review.		X	X
PI 2.1a	Achieve the target percentage of initial disability cases identified as a <i>Quick Disability Determination (QDD)</i> or a <i>Compassionate Allowance (CAL)</i>		X	X
PI 2.1b	Complete the budgeted number of initial disability claims		X	X
PI 2.1c	Minimize average processing time for initial disability claims to provide timely decisions		X	X
PI 2.2a	Achieve the target percentage of initial disability claims filed online		X	
PI 2.2b	Achieve the target number of initial disability claims pending		X	X
PI 2.3a	Update the medical <i>Listings of Impairments</i>		X	X
PI 2.3b	Increase the percentage of disability claims completed using <i>Health Information Technology</i>		X	X
PI 3.1a	Percent of retirement and survivors claims receipts completed up to the budgeted level	X		
PI 3.1b	Achieve the target percentage of retirement claims filed online	X		

No.	PI	KEY PROGRAMS		
		OASI Program	DI Program	SSI Program
PI 3.3a	Achieve the target speed in answering National 800 number calls	X	X	X
PI 3.3b	Achieve the target busy rate for National 800 number calls	X	X	X
PI 3.4a	Percent of individuals who do business with SSA rating the overall services as "excellent," "very good," or "good"	X	X	X
PI 3.5a	Achieve the target percentage for correctly assigning original Social Security numbers (SSN)	X	X	X
PI 4.1a	Complete the budgeted number of SSI non-disability redeterminations			X
PI 4.1b	Process the budgeted number of continuing disability reviews		X	X
PI 4.1c	Percent of Supplemental Security Income payments free of overpayment (O/P) and underpayment (U/P) Error			X
PI 4.1d	Percent of Old-Age, Survivors and Disability Insurance payments free of O/P and U/P Error	X	X	
PI 4.3a	Reduce the target percentage of paper forms W-2 completed	X	X	X
PI 4.5a	Receive an unqualified audit opinion on SSA's financial statements			
PI 4.6a	Replace gasoline-powered vehicles with alternative-fuel vehicles			
PI 4.6b	Develop and implement an agency Environmental Management System			

### ***Alignment of SSA's Key Activities and PIs***

In addition to its 3 key programs, SSA identified the following 14 activities that it deems critical to the delivery of its day-to-day services and achievement of its 4 strategic goals.

- 800-Number Telephone Service
- Claims Processing
- Curb Improper Payments
- Customer Service
- Earnings Processing

- 
- Employees (Human Capital)
  - Encouraging Saving
  - Enumeration
  - Health Information Technology
  - Information Technology
  - Policy Updates and Improvements
  - Post-Entitlement
  - Protect Programs from Waste, Fraud, and Abuse
  - Use ‘Green’ Solutions

We reviewed SSA’s key activities to determine whether they were supported by the PIs for FY 2010. Of the 14 key activities, 3 of SSA’s key activities—(1) Employees (Human Capital), (2) Encouraging Saving, and (3) Information Technology—were not addressed directly by any of SSA’s FY 2010 PIs.

In its *Strategic Plan Fiscal Years 2008 – 2013*, SSA identified Employees and Information Technology as key foundational elements. SSA indicated that “. . . our success in achieving our strategic goals depends on two key elements: our employees and information technology. We must make the investments necessary to develop and support our employees and information technology because they are essential to everything we do.”<sup>8</sup> SSA’s challenge is maintaining vital institutional knowledge and improving productivity given the projected retirement rate of its workforce. In addition, SSA is equally challenged with modernizing its information technology infrastructure to manage its workload volumes and responsibilities. Because of the significance of these foundational elements to the Agency in achieving its strategic goals, we believe SSA should develop measures to manage the challenges posed by these elements. However, the results of the measures did not appear to address SSA’s core mission and were not as relevant as other measures for reporting in the performance section of the *Performance and Accountability Report (PAR)*.

In its *Strategic Plan Fiscal Years 2008-2013*, SSA discusses Encouraging Saving separately from its strategic goals and objectives and identifies it as a special initiative.<sup>9</sup> SSA believes that “Due to our existing relationship with the public and the nature of our work, Social Security is uniquely positioned to encourage saving. We believe the agency has a responsibility to help individuals understand the role of Social Security benefits and the need for them to save as they plan for their future. Consequently, to ensure Americans of every age understand the importance of preparing for retirement, we will expand our outreach efforts to encourage saving.”<sup>10</sup> As a result, Encouraging Saving is not a necessary activity in support of program administration; rather, it is an ancillary endeavor in which SSA wishes to engage because the message of Encouraging Saving is important for the general public as they prepare for retirement.

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<sup>8</sup> SSA’s *Strategic Plan Fiscal Years 2008-2013*, pg. 29.

<sup>9</sup> SSA’s *Strategic Plan Fiscal Years 2008-2013*; <http://www.ssa.gov/asp/index.htm>, pg. 28.

<sup>10</sup> Id.

While this is an important initiative because of its relationship to retirement, any PI related to it would not be an effective measure of a SSA key program. See Table 2 for alignment of SSA's PIs and key activities.

**Table 2: Alignment of Key Activities and PIs**

PI#	PI	KEY ACTIVITY												
		800 Number Telephone Service	Claims Processing	Curb Improper Payments	Customer Service	Earnings Processing	Employees (Human Capital)	Encouraging Saving	Enumeration	Health Information Technology	Information Technology	Policy Updates and Improvements	Post-Entitlement	Protect Program from Fraud, Waste and Abuse
PI 1.1a	Complete the budgeted number of hearing requests		X		X									
PI 1.2a	Achieve the target number of hearing requests pending		X		X									
PI 1.2b	Achieve the target to eliminate the oldest hearing requests pending		X		X									
PI 1.2c	Achieve the budgeted goal for average processing time for hearing requests		X		X									
PI 1.2d	Achieve the target to eliminate the oldest Appeals Council requests for review pending		X		X									
PI 1.2d	Achieve the target average processing time for Appeals Council requests for review.		X		X									
PI 2.1a	Achieve the target percentage of initial disability cases identified as a QDD or a CAL		X		X									
PI 2.1b	Complete the budgeted number of initial disability claims		X											
PI 2.1c	Minimize average processing time for initial disability claims to provide timely decisions		X		X									
PI 2.2a	Achieve the target percentage of initial disability claims filed online		X		X									
PI 2.3a	Update the Medical Listings of Impairments		X									X		
PI 2.3b	Increase the percentage of disability claims completed using Health Information Technology		X		X					X		X		
PI 3.1a	Percent of retirement and survivors claims receipts completed up to the budgeted level		X											
PI 3.1b	Achieve the target percentage of retirement claims filed online		X		X									

PI#	PI	KEY ACTIVITY												
		800 Number Telephone Service	Claims Processing	Curb Improper Payments	Customer Service	Earnings Processing	Employees (Human Capital)	Encouraging Saving	Enumeration	Health Information Technology	Information Technology	Policy Updates and Improvements	Post-Entitlement	Protect Program from Fraud, Waste and Abuse
PI 3.3a	Achieve the target speed in answering National 800 Number calls	X			X									
PI 3.3b	Achieve the target busy rate for National 800 Number calls	X			X									
PI 3.4a	Percent of individuals who do business with SSA rating the overall services as "excellent," "very good," or "good"	X	X		X								X	
PI 3.5a	Achieve the target percentage for correctly assigning original social security numbers								X					X
PI 4.1a	Complete the budgeted number of Supplemental Security Income non-disability redeterminations			X								X	X	
PI 4.1b	Process the budgeted number of continuing disability reviews			X								X	X	
PI 4.1c	Percent of Supplemental Security Income payments free of overpayment (O/P) and underpayment (U/P) error			X								X	X	
PI 4.1d	Percent of Old-Age, Survivors, and Disability Insurance payments free of overpayment (O/P) and underpayment (U/P) error	X		X								X	X	
PI 4.3a	Reduce the target percentage of paper forms W-2 completed					X								
PI 4.5a	Receive an unqualified audit opinion on SSA's financial statements													
PI 4.6a	Replace gasoline-powered vehicles with alternative-fuel vehicles													X
PI 4.6b	Develop and implement an agency Environmental Management System													X

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### ***Alignment of SSA's Strategic Goals and Objectives and PIs***

We reviewed SSA's *APP for FY 2011* and *Revised Final Performance Plan for FY 2010* and noted that it had aligned each of its 27 PIs under its 4 strategic goals and 16 strategic objectives. However, we noted that there were three strategic objectives that did not have an associated PI.

- Strategic Objective 3.2 – Provide individuals with accurate, clear, up-to-date information
- Strategic Objective 4.2 – Ensure privacy and security of personal information
- Strategic Objective 4.4 – Simplify and streamline how we do our work

The absence of PIs for these objectives is noticeable in light of their inclusion in the Agency's strategic plan and their presumed importance to effectively and efficiently carrying out SSA's mission.

In addition, we determined whether each PI was an effective means of tracking SSA's progress in achieving its strategic goals and objectives. Based on our assessment, we noted that 16 PIs were ineffective measures of the Agency's progress in achieving its strategic goals and objectives.

See Table 3 for a summary of SSA's FY 2010 PIs and our assessment of whether we believe the indicators are effective measures of the strategic goals and objectives. The *Comment* section of the table presents the reasons for our conclusions if, in our opinion, the indicator is not an effective measure.

**Table 3: Alignment of SSA's Strategic Goals and Objectives and PIs**

Strategic Goal #/ Strategic Objective #/ PI #	Strategic Goal / Strategic Objective/PI	PI Supports Achievement of Strategic Goal?	PI Supports Achievement of Strategic Objective?	Comment
<b>Goal 1</b>		<b>Eliminate Hearings Backlog and Prevent Its Recurrence</b>		
Objective 1.1	<i>Increase Capacity to Hear and Decide Cases</i>			
PI 1.1a	Complete the budgeted number of hearing requests	N	N	<p>The PI determines whether SSA has completed its budgeted number of hearing requests rather than determining whether SSA has completed more hearing requests than requests received, thereby reducing its backlog.</p> <p>Every year, SSA establishes its target for this PI to reflect the number of hearings it expects to complete based on its budget. Over the past 6 years, SSA has increased its target from 525,000 in FY 2005 to 725,000 in FY 2010. While it appears SSA has increased its capacity to hear and decide cases because of its increasing targets, the PI does not measure how effective those efforts are because it does not consider the number of hearings completed in comparison to the number of outstanding hearing requests.</p>
Objective 1.2	<i>Improve Workload Management Practices Throughout the Hearing Process</i>			
PI 1.2a	Achieve the target number of hearing requests pending	Y	N	<p>In its <i>Strategic Plan Fiscal Years 2008 – 2013</i>, SSA set a long-term outcome to reduce hearings pending to 466,000 by FY 2013. However, rather than establishing its target based on the long-term outcome, SSA established its target to reflect the number of hearings pending it expects based on its budget. Over the past 5 years, SSA increased its target of hearings pending from 714,000 in FY 2005 to 755,000 in FY 2009. In FY 2010, SSA reduced its target to 707,000. While it appears that SSA considered its improvements in workload practices, the PI does not measure how effective those efforts are because the target keeps changing and is appreciably higher than the long-term outcome of 466,000. In addition, the target does not assess how well SSA is meeting its long-term outcome.</p>

Strategic Goal #/ Strategic Objective #/ PI #	Strategic Goal / Strategic Objective/PI	PI Supports Achievement of Strategic Goal?	PI Supports Achievement of Strategic Objective?	Comment
PI 1.2b	Achieve the target to eliminate the oldest hearing requests pending	Y	N	In 2007, SSA implemented its Hearings Backlog Reduction Plan. This PI is a result of SSA's plan to reduce its backlog by focusing on eliminating its oldest hearing requests pending. However, the PI results are not based on improved workload management practices included in its <i>APP for FY 2011 and Revised Final Performance Plan for FY2010</i> , such as streamlining and automating case tasks, eliminating the use of temporary hearing sites or establishing standardized electronic hearings business process. Rather, it is the result of focusing resources to eliminate the oldest hearings.
PI 1.2d	Achieve the target to eliminate the oldest Appeals Council requests for review pending	N	N	The PI evaluates SSA's performance in relation to disability <u>Appeals Council requests</u> . It does not measure SSA's performance related to the Hearings backlog or related workload management practices.
PI 1.2e	Achieve the target average processing time for Appeals Council requests for review	N	N	The PI evaluates SSA's performance in relation to disability <u>Appeals Council requests</u> . It does not measure SSA's performance related to the Hearings backlog or related workload management practices.
<b>Goal 2</b>	<b>Improve the Speed and Quality of Disability Process</b>			
Objective 2.1	<i>Fast-Track Cases That Obviously Meet Disability Standards</i>			
PI 2.1a	Achieve the target percentage of initial disability cases identified as a QDD or a CAL	N	N	The PI evaluates the percent of initial disability cases identified as QDD or CAL. However, the PI does not measure whether the cases identified as QDD or CAL were expedited (fast-tracked) and processed within 20 days as required by its policy. Consequently, the indicator does not measure SSA's progress in improving the speed and quality of the disability process or actually fast-tracking cases.

Strategic Goal #/ Strategic Objective #/ PI #	Strategic Goal / Strategic Objective/PI	PI Supports Achievement of Strategic Goal?	PI Supports Achievement of Strategic Objective?	Comment
PI 2.1b	Complete the budgeted number of initial disability claims	N	N	Regardless of the number of initial disability claims actually received, the PI evaluates the Agency's performance based on the budgeted number of initial disability claims to be processed in a fiscal year. Over the past 4 years, SSA has increased its target of 2,530,000 in FY 2007 to 3,081,000 in FY 2010. While it appears SSA has improved its speed and quality of its disability process because of the increasing targets, the PI does not measure how effective those efforts are because it does not consider the number of claims completed in comparison to the number of claims received. In addition, as this PI evaluates all initial disability claims, it does not measure whether cases have been fast-tracked.
PI 2.1c	Minimize average processing time for initial disability claims to provide timely decisions	N	N	The PI evaluates SSA's progress toward reducing the processing time of an initial disability claim, which appears to support SSA's strategic goal. However, SSA has increased its target processing time from 107 days in FY 2008 to 132 days in FY 2010, contrary to its stated goal. In addition, as this PI evaluates all initial disability claims, it does not evaluate whether cases have been fast-tracked.
Objective 2.2	<i>Make It Easier and Faster to File for Disability Benefits Online</i>			
PI 2.2a	Achieve the target percentage of initial disability claims filed online	Y	Y	None
PI 2.2b	Achieve the target number of initial disability claims pending	N	N	The PI evaluates whether SSA has achieved its target number of disability claims pending. However, SSA's historical performance related to this PI has shown a steady increase in its target from 555,317 in FY 2007 to 1,041,000 in FY 2010. While it appears that there is a correlation between the increasing targets and its goal, the PI does not consider the number of disability claims pending in comparison to the number of disability claims received. In addition, the PI does not evaluate any aspect of filing disability claims online.
Objective 2.3	<i>Regularly Update Disability Policies and Procedures</i>			
PI 2.3a	Update the Medical Listings of Impairments	N	N	The target for achievement of this PI is to develop and submit at least three regulatory actions or Social Security Rulings (SSR). The target does not correlate with the PI since the medical Listing of Impairments is not actually updated when the target is achieved. The submission of three regulatory actions or SSRs is only

Strategic Goal #/ Strategic Objective #/ PI #	Strategic Goal / Strategic Objective/PI	PI Supports Achievement of Strategic Goal?	PI Supports Achievement of Strategic Objective?	Comment
				one step in the process for updating the Listing of Impairments. In addition, because the medical Listing of Impairments is not updated, the PI does not evaluate the speed and quality of the disability process.
PI 2.3b	Increase the percentage of disability claims completed using Health Information Technology	Y	Y	None
<b>Goal 3</b>	<b>Improve Retiree and Other Core Services</b>			
<b>Objective 3.1</b>	<i>Dramatically Increase Baby Boomers' Use of Online Retirement Resources</i>			
PI 3.1a	Percent of retirement and survivors claims receipts completed up to the budgeted level	N	N	<p>Every year, SSA establishes a target of 100 percent based on its budget, and every year since 2007, SSA has exceeded its target. At face value, it would appear that SSA is performing well relative to its goal. However, since the PI only evaluates SSA's performance in comparison with its budget, it does not provide a complete evaluation of its performance compared to actual claims received.</p> <p>The data reported for the PI includes the number of retirement, survivors, and health insurance claims processed. It also includes all claims submitted, not just claims submitted on-line and includes claims submitted that are unrelated to baby boomers (survivors).</p>
PI 3.1b	Achieve the target percentage of retirement claims filed online	Y	Y	None
<b>Objective 3.3</b>	<i>Improve telephone service</i>			
PI 3.3a	Achieve the target speed in answering National 800-Number calls	Y	Y	None
PI 3.3b	Achieve the target busy rate for National 800-Number calls	Y	Y	None
<b>Objective 3.4</b>	<i>Improve Service For Individuals Who Visit Field Offices</i>			

Strategic Goal #/ Strategic Objective #/ PI #	Strategic Goal / Strategic Objective/PI	PI Supports Achievement of Strategic Goal?	PI Supports Achievement of Strategic Objective?	Comment
PI 3.4a	Percent of individuals who do business with SSA rating the overall services as "excellent," "very good," or "good"	Y	N	The PI evaluates SSA's overall services: National 800-Number, field offices, hearing offices, as well as quality of service, while the strategic objective is related to field offices.
Objective 3.5	<i>Process Social Security Number Workload More Effectively and Efficiently</i>			
PI 3.5a	Achieve the target percentage for correctly assigning original social security numbers	N	Y	<p>The SSN is at the core of everything SSA does as an organization because (1) a SSN is needed for an individual to receive Social Security benefits and (2) the SSN is the unique identifier that SSA uses for most – if not all – of its records. While the PI is relevant to the organization, it does not actually measure whether retiree or other core services have improved.</p> <p>While the PI is an effective measure of the strategic objective, we noted that, since 2006, the target has been less than 100 percent. Over the past 4 years, SSA's actual performance has been at least 97.9 percent, with 1 year being 99.9 percent. SSA should demonstrate that it strives to have zero errors and then let the actual performance from year-to-year demonstrate how the Agency is making progress toward that end.</p>
<b>Goal 4</b>	<b>Preserve the Public's Trust in Programs</b>			
Objective 4.1	<i>Curb Improper Payments</i>			
PI 4.1a	Complete the budgeted number of Supplemental Security Income non-disability redeterminations	Y	Y	None
PI 4.1b	Process the budgeted number of continuing disability reviews	Y	Y	None
PI 4.1c	Percent of Supplemental Security Income payments free of overpayment (O/P) and underpayment	Y	Y	None

Strategic Goal #/ Strategic Objective #/ PI #	Strategic Goal / Strategic Objective/PI	PI Supports Achievement of Strategic Goal?	PI Supports Achievement of Strategic Objective?	Comment
	(U/P) error			
PI 4.1d	Percent of Old-Age, Survivors and Disability Insurance payments free of overpayment (O/P) and underpayment (U/P) error	Y	Y	None
Objective 4.3	<i>Maintain accurate earnings records</i>			
PI 4.3a	Reduce the target percentage of paper Forms W-2 completed	Y	Y	None
Objective 4.5	<i>Protect Programs From Waste, Fraud, and Abuse</i>			
PI 4.5a	Receive an unqualified audit opinion on SSA's financial statements	N	N	<p>In accordance with Chapter 4, Field Work Standards for Financial Audits, section 4.01b, of the Generally Accepted Government Accounting Standards, issued by GAO and required to be followed for all Federal audits (also known as the Yellow Book), the high, but not absolute, level of assurance that is intended to be obtained by auditors is expressed in the auditor's report as obtaining reasonable assurance about whether the financial statements are free of material misstatement (whether caused by error or fraud). Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. Therefore, it is possible that significant, though not material, fraudulent activities could remain undetected during an audit, and an entity could still receive an unqualified opinion on its financial statements. Furthermore, the PI does not measure or assess the relevant outputs, service levels, and outcomes of SSA's key programs. As a result, the PI does not provide a basis for evaluating whether SSA has achieved its goal.</p> <p>Financial statement audits do not serve to address needless expenditures (waste) or poor management practices (abuse). Hypothetically speaking, if management approved a needless expenditure or mismanaged its budget authority (without exceeding that authority), financial statement audit evidence would not necessarily disclose these matters. Financial statement audits seek to uncover misstatements in an entity's financial statements that would be of significance and that would mislead the</p>

Strategic Goal #/ Strategic Objective #/ PI #	Strategic Goal / Strategic Objective/PI	PI Supports Achievement of Strategic Goal?	PI Supports Achievement of Strategic Objective?	Comment
				readers of those financial statements. Financial statement audits do not specifically work to address challenges faced in the administration of that entity. While financial statement audits may uncover problems that relate to certain programs or departments within an entity, they do not show how an entity is making progress toward achieving its organizational/operational goals.
Objective 4.6	<i>Use “Green” Solutions to Improve Environment</i>			
PI 4.6a	Replace gasoline-powered vehicles with alternative-fuel vehicles	N	Y	Without questioning the importance of protecting our nation’s environment, the PI does not measure progress toward the administration of SSA’s key programs.
PI 4.6b	Develop and implement an agency Environmental Management System	N	Y	Without questioning the importance of protecting our nation’s environment, the PI does not measure progress toward the administration of SSA’s key programs.

### ***Objectivity, Understandability and Measurement Basis***

Section 4 of GPRA requires that agencies create PIs that are in “. . . an objective, quantifiable, and measurable form” and that those PIs are “. . . used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity.”<sup>11</sup> In addition, the President’s FY 2011 budget encourages the use of outcome-oriented PIs.

As such, KPMG evaluated each of the Agency’s 27 FY 2010 PIs against the criteria of objectivity, understandability (which speaks to whether a PI is quantifiable, measurable, and written in a straightforward manner), and measurement basis (that is, output- or outcome-based as defined by GPRA). The definitions of each of these criteria are as follows.

- **Objectivity** – The PI should be reasonably free of any significant bias or manipulation that would distort the accurate assessment of performance, that is, measurable, reliable, and verifiable.
- **Understandability** - The PI should be well-defined and clearly stated.

<sup>11</sup> 31 U.S.C. § 1115(a)(4).

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- **Output-based** – The PI tabulates, calculates, or records activity or effort in a quantitative or qualitative manner, that is, measures the services delivered by a program.
  - **Outcome-based** – The PI reflects the results of a program activity compared to its intended purpose.

We evaluated SSA's PIs to determine whether they met our criteria for being objective, understandable, and outcome-based. Based on our criteria, 23 of 27 measures were objective; 23 were understandable, and 12 were outcome –based. The following tables summarize the results of our evaluation of the FY 2010 PIs as they relate to the criteria of objectivity, understandability, and measurement.

**Table 4: Summary of Objective, Understandable, Output vs. Outcome**

<b>Strategic Goal 1: Eliminate Hearings Backlog and Prevent Its Recurrence</b>				
Strategic Objective/ PI	Objective?	Understandable?	Output/Outcome Based?	Comment
<b>Objective 1.1</b>	<b>Increase Capacity to Hear and Decide Cases</b>			
PI 1.1a Complete the budgeted number of hearing requests	Y	Y	Output	SSA should consider developing an outcome-based indicator, see recommendations for suggested PI.
<b>Objective 1.2</b>	<b>Improve Workload Management Practices Throughout the Hearing Process</b>			
PI 1.2a Achieve the target number of hearing requests pending	Y	Y	Output	SSA should consider developing an outcome-based indicator, see recommendations for suggested PI.
PI 1.2b Achieve the target to eliminate the oldest hearing requests pending	Y	Y	Output	SSA should consider developing an outcome-based indicator, see recommendations for suggested PI.
PI 1.2c Achieve the budgeted goal for average processing time for hearing requests	Y	Y	Output	SSA should consider developing an outcome-based indicator, see recommendations for suggested PI.
PI 1.2d Achieve the target to eliminate the oldest Appeals Council requests for review pending	Y	Y	Output	SSA should consider developing an outcome-based indicator, see recommendations for suggested PI.
PI 1.2e Achieve the target average processing time for Appeals Council requests for review	Y	Y	Output	SSA should consider developing an outcome-based indicator, see recommendations for suggested PI.

## Strategic Goal 2: Improve the Speed and Quality of Disability Process

Strategic Objective/ PI	Objective?	Understandable?	Output/Outcome Based?	Comment
<b>Objective 2.1</b>	<b>Fast-Track Cases That Obviously Meet Disability Standards</b>			
Indicator 2.1a Achieve the target percentage of initial disability cases identified as a <i>QDD</i> or a <i>Compassionate Allowance</i>	N	Y	Output	<p><u>Objective</u>            The PI only tracks the percentage of initial disability claims identified as QDD or CAL during the last month of the FY, September 2010. When an initial disability claim is identified as a QDD or CAL, it is fast-tracked for expedited processing. SSA establishes different thresholds for each disability determination services (DDS) to identify the score required for each initial disability claim to qualify for QDD. As a result, a claim may qualify for fast-tracking at one DDS and not qualify at another, despite the claim having similar conditions. The use of different thresholds at each DDS results in a biased process for identifying QDD claims that causes reporting inconsistencies.</p> <p>SSA should consider developing an outcome-based indicator, see recommendations for suggested indicator.</p>
Indicator 2.1b Complete the budgeted number of initial disability claims	Y	Y	Output	SSA should consider developing an outcome-based indicator, see recommendations for suggested indicator.
Indicator 2.1c Minimize average processing time for initial disability claims to provide timely decisions	Y	Y	Output	SSA should consider developing an outcome-based indicator, see recommendations for suggested indicator.

Objective 2.2	Make It Easier and Faster to File for Disability Benefits Online			
<p>Indicator 2.2a Achieve the target percentage of initial disability claims filed online</p>	N	N	Outcome	<p><u>Objective</u> The PI is based on the number of initial disability claims filed on-line in relation to the total number of claims that could be filed online in the current FY. However, SSI initial disability claims cannot be filed online at this time. The indicator does not account for SSI initial disability claims when calculating the indicator. As a result, the percentage of initial disability claims filed online is artificially inflated.</p> <p><u>Understandable</u> SSA does not <i>clearly</i> define how the PI is calculated. The data definition states that the "...percentage is derived by dividing the number of initial Social Security disability claims filed online by the total number of initial disability claims that could be filed online in the current fiscal year." However, SSA does not define the types of initial disability claims that can and cannot be filed online.</p> <p>SSA should consider developing an outcome-based indicator, see recommendations for suggested PI.</p>
<p>Indicator 2.2b Achieve the target number of initial disability claims pending</p>	Y	Y	Output	SSA should consider developing an outcome-based indicator, see recommendations for suggested PI.

Objective 2.3	Regularly Update Disability Policies and Procedures			
Indicator 2.3a Update the medical <i>Listings of Impairments</i>	N	N	Output	<p><u>Objective</u>            The target, “develop and submit at least three regulatory actions or SSRs” does not directly support the indicator. The medical Listing of Impairments is not updated when the target is achieved.</p> <p><u>Understandable</u>            There is no correlation between the target and how the medical Listing of Impairments is updated when the target is achieved. The submission of three regulatory actions or SSRs is a step in the process towards updating the Listing of Impairments.</p> <p>SSA should consider developing an outcome-based PI, see recommendations for suggested PI.</p>
Indicator 2.3b Increase the percentage of disability claims completed using <i>Health Information Technology</i>	Y	N	Output	<p><u>Understandable</u>            The data definition does not specify the types of medical evidence that are included in the calculation of this PI.</p> <p>SSA should consider developing an outcome-based PI, see recommendations for suggested PI.</p>

### Strategic Goal 3: Improve Retiree and Other Core Services

Strategic Objective/ PI	Objective?	Understandable?	Output/Outcome Based?	Comment
<b>Objective 3.1</b>	<b>Dramatically Increase Baby Boomers' Use of Online Services</b>			
Indicator 3.1a Percent of retirement and survivors claims receipts completed up to the budgeted level	Y	Y	Outcome	None
Indicator 3.1b Achieve the target percentage of retirement claims filed online	Y	Y	Outcome	None
<b>Objective 3.2</b>	<b>Provide Individuals With Accurate, Clear, Up-To-Date Information</b>			
N/A	N/A	N/A	N/A	None
<b>Objective 3.3</b>	<b>Improve Telephone Service</b>			
Indicator 3.3a Achieve the target speed in answering National 800 Number calls	Y	Y	Outcome	None
Indicator 3.3b Achieve the target busy rate for National 800 Number calls	Y	Y	Outcome	None
<b>Objective 3.4</b>	<b>Improve Service for Individuals Who Visit Offices</b>			
Indicator 3.4a Percent of individuals who do business with SSA rating the overall services as "excellent," "very good," or "good"	Y	Y	Outcome	None
<b>Objective 3.5</b>	<b>Process Social Security Number Workload More Effectively and Efficiently</b>			
Indicator 3.5a Achieve the target percentage for correctly assigning original Social Security Numbers	Y	Y	Outcome	None

## Strategic Goal 4: Preserve the Public's Trust in Programs

Strategic Objective/ PI	Objective?	Understandable?	Output/Outcome Based?	Comment
<b>Objective 4.1</b>		<b>Curb Improper Payments</b>		
Indicator 4.1a Complete the budgeted number of Supplemental Security Income non-disability redeterminations	Y	Y	Outcome	None
Indicator 4.1b Process the budgeted number of continuing disability reviews	Y	Y	Outcome	None
Indicator 4.1c Percent of Supplemental Security Income payments free of overpayment (O/P) and underpayment (U/P) error	Y	Y	Outcome	None
Indicator 4.1d Percent of Old-Age, Survivors, and Disability Insurance payments free of overpayment (O/P) and underpayment (U/P) error	Y	Y	Outcome	None
<b>Objective 4.2</b>		<b>Ensure Privacy and Security of Personal Information</b>		
N/A	N/A	N/A	N/A	None
<b>Objective 4.3</b>		<b>Maintain Accurate Earnings Records</b>		
Indicator 4.3a Reduce the target percentage of paper Forms W-2 completed	Y	Y	Output	SSA should consider developing an outcome-based PI, see recommendations for suggested PI.
<b>Objective 4.4</b>		<b>Simplify and Streamline How SSA Does Its Work</b>		
N/A	N/A	N/A	N/A	None
<b>Objective 4.5</b>		<b>Protect Programs From Waste, Fraud, and Abuse</b>		
Indicator 4.5a Receive an unqualified audit opinion on SSA's financial statements	Y	Y	Output	

Objective 4.6	Use “Green” Solutions To Improve Environment				
	Indicator 4.6a Replace gasoline-powered vehicles with alternative-fuel vehicles	Y	Y	Outcome	None
	Indicator 4.6b Develop and implement an agency Environmental Management System	N	N	Neither	<p><u>Objective</u>            The target, “provide training needed for implementation,” does not support the PI. An Environmental Management System is not implemented when the target is achieved.</p> <p><u>Understandable</u>            There is no correlation between the target and how an Environmental Management System is implemented when the target is achieved. The target is a step towards SSA implementing an Environmental Management System .</p> <p><u>Output or Outcome</u>            The PI is not outcome-based because an Environmental Management System is a structured framework designed to coordinate environmental initiatives in an organization. It does not measure the “use of ‘green’ solutions” as set forth in Strategic Objective 4.6.</p> <p>The PI is not an output-based measure because it does not record activity in either quantitatively or qualitatively.</p>

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## Other Observations

### ***Performing to the Budget***

After evaluating each PI, we noted that the performance targets selected for most of the PIs were established primarily based on the appropriated funding that SSA was expecting to receive in the upcoming FY rather than being based on long-term outcomes or some other meaningful outcome. In fact, 6 of the 27 PIs explicitly state in their wording that they want to achieve their target, which is up to the “budgeted level.”

Section 4 of GPRA states that PIs set forth in an agency’s performance plan “. . . shall provide a basis for comparing actual program results with the established performance goals.”

<sup>12</sup> Performing to the budget does not provide the required basis for comparison. For example, SSA receives 1 million claims to process in the current year, but the current budget is based on processing only 750,000 claims. If 750,000 claims are used as the target and SSA processes 750,001 claims, the target has been achieved and an impression is given that SSA is progressing toward its strategic objectives and goals. However, in this example, that is not the case. If only 750,000 of 1 million claims received are processed, SSA has fallen behind in its workload and has a backlog of 250,000 claims. If this trend occurs for several years, a substantial backlog will be created, and the readers of the PAR might not be aware of it.

Rather than being budget-driven vehicles, performance targets for each PI should represent the Agency’s long-term performance aspirations regardless of what its budget may be. Performance targets need to represent the level of performance the Agency should achieve to make progress toward its strategic objectives and goals, not just what the Agency can achieve in the current fiscal year. Setting these long-term targets demonstrates what the Agency is striving to accomplish. Not meeting a performance target in any given year does not always represent a blemish on the Agency’s record. It could also become the basis for requesting additional funding to meet its goals.

Because budgets are prone to significant fluctuations from year to year, tying a performance target to an annual budget amount is ineffective. When the performance target is based on the budget, it is difficult for the readers of the PAR to grasp the significance of the target, and it ceases to have meaning. The reader should have an understandable and reasonably steady long-term target against which to gauge SSA’s performance for the current fiscal year. Ideally, the Agency should work to establish a robust benchmarking system (where possible) – whether they are Federal or commercial benchmarks – against which performance can be objectively judged.

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<sup>12</sup> 31 U.S.C. § 1115(a)(4).

## ***Addressing Management Challenges***

Per the *Reports Consolidation Act of 2000* (RCA),<sup>13</sup> the Annual PAR must include each OIG's summary and assessment of the most serious management and performance challenges facing Federal agencies as well as the agencies' progress toward addressing them. SSA OIG identified the following eight areas in the FY 2009 PAR as the top management and performance challenges facing SSA.

- Implement the *American Recovery and Reinvestment Act of 2009* 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

Through inquiry with SSA personnel and analysis of the PI documentation in SSA's *Revised Final Performance Plan for FY 2010* and in the *FY 2009 PAR*, we determined whether SSA's FY 2010 PIs address the management and performance challenges identified by the OIG in SSA's FY 2009 PAR that might assist them in managing the challenges.

We noted that there were no PIs that could be used to manage the challenges identified for two areas: *Implement the American Recovery and Reinvestment Act of 2009 Effectively and Efficiently* and *Invest in Information Technology Infrastructure to Support Current and Future Workloads*. We believe SSA should develop measures to monitor these management challenges and performance issues. However, the results of the measures do not appear to address SSA's core mission and are not as relevant as other measures for reporting in the performance section of the PAR. In addition, we recognize the importance of managing and monitoring the challenges represented by these areas and that SSA has taken steps to address the matters of the *American Recovery and Reinvestment Act* and *Information Technology Infrastructure*.

## ***Charts Included in the PAR***

SSA uses charts in the trend section for each indicator to show the historical trend of the indicators and to depict the progress or lack of progress of the indicator over time. However, as useful as the charts are, they would be more meaningful if the x-axis started at zero to ensure SSA's progress to-date is presented accurately. This would enhance the presentation and understandability of SSA's performance when compared to other FYS.

<sup>13</sup> 31 U.S.C. § 3516(a)(2)(B).

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## CONCLUSIONS AND RECOMMENDATIONS

Based on the results of our audit procedures performed in our assessment of SSA's FY 2010 PIs, we noted the following.

- Over half of SSA's current PIs did not measure the Agency's progress on achieving its strategic goals and objectives. Many of these measures were also identified as output-based indicators rather than being outcome-based indicators.  
Outcome-based indicators are more effective in measuring an agency's progress in achieving its strategic goals and objectives than output-based indicators.
- A number of the performance targets was based on the amount appropriated for the activity rather than focusing on actual performance. As a result, users of the PAR do not have a complete understanding of SSA's actual performance.
- While SSA had defined some very specific long-term outcomes in its strategic plan, it is difficult for the users of the PAR to understand SSA's progress in achieving those outcomes because performance targets are not tied to long-term outcomes.
- Some PIs do not support SSA's key programs.

Accordingly, we recommend SSA consider 26 recommendations that relate to the following.

- Developing more outcome-based PIs.
- Developing performance targets based on SSA's long-term outcomes instead of annual budgets.
- Eliminating PIs that do not support SSA's key programs.

For the specific 26 recommendations related to the PIs, please refer to Table 5, which summarizes additional PIs and improvements to existing indicators that SSA should consider as it develops future strategic plans and APPs.

**Table 5: Summary of Recommendations**

	<b>Related PI</b>	<b>Recommendation</b>
1	1.1a Complete the budgeted number of hearing requests	Consider creating a PI to track the number of disability hearings processed as a percentage of disability hearings requested during the FY. Implementation of this PI would help the readers of the PAR understand how process modifications and improvements have impacted SSA's ability to process disability hearing requests received during the current FY.
2	1.2a Achieve the target number of hearing requests pending	Consider creating a PI to track the number of disability hearing requests pending as compared to the "long-term outcome" associated with this PI to "... reduce the number of pending hearings to 466,000 by FY 2013." Implementation of this PI would help demonstrate the progress SSA has made toward achieving its desired long-term outcome.
3	1.2c Achieve the budgeted goal for average processing time for hearing requests	Consider establishing the target for this PI based on SSA's desired long-term outcome to reduce the time it takes an individual to receive a hearing decision to an average of 270 days. SSA has changed its target for the average processing time in days for disability hearing requests each FY during the period FY 2005 through FY 2011.
4	1.2d Achieve the target to eliminate the oldest Appeals Council requests for review pending	Consider creating a PI to track the number of Appeals Council requests for review processed as a percentage of Appeals Council requests for review submitted during the FY. The implementation of this PI would help the readers of the PAR understand how process modifications and improvements have impacted SSA's ability to process Appeals Council requests for review received during the current FY.
5		Consider establishing long-term outcomes for the disability appeals process and present the outcomes in the APP. Base the target for the indicator on the long-term outcome.
6		Consider changing the wording of strategic goal one to "Eliminate Hearings and Appeals Council Backlog and Prevent Its Recurrence."
7	1.2e Achieve the target average processing time for Appeals Council requests for review	Consider defining the optimum processing time for Appeals Council requests for review and track the number of pending requests against that target. Implementation of this recommendation would help the readers of the PAR determine how SSA is managing its workload and preventing the recurrence of a backlog.

	<b>Related PI</b>	<b>Recommendation</b>
8	2.1a Achieve the target percentage of initial disability cases identified as a <i>QDD</i> or a <i>CAL</i>	Consider creating a PI to measure and report the average processing time for initial disability claims identified as QDD or CAL to determine whether cases that obviously meet the disability standards are fast-tracked. Correlate the PI target to the desired long-term outcome to ensure individuals who are clearly disabled receive a decision within 20 calendar days. The implementation of this PI would help demonstrate how SSA is improving the speed and quality of the disability process to the readers of the PAR.
9		Consider creating a PI to measure and report the percentage of initial disability claims allowed, once identified as either a QDD or a CAL, in relation to the number of initial disability claims received that qualify for fast tracking. The implementation of this PI would help the readers of the PAR determine how SSA is improving the quality of the services provided by their disability determination process.
10		Consider reporting the percentage of initial disability claims identified as a QDD or a CAL for the entire FY. SSA only reports the percentage of initial disability claims identified as a QDD or CAL during the last month of the FY, September 2010.
11		Consider separating the reporting of initial disability claims identified as a QDD and those claims identified as a CAL. This will help ensure SSA is properly reporting and presenting each type of claim.
12	2.1b Complete the budgeted number of initial disability claims	Consider creating a PI to track the number of initial disability claims processed as a percentage of initial disability claims received. The implementation of this PI would help the readers of the PAR determine how SSA is managing its current initial disability claim workload.
13	2.1c Minimize average processing time for initial disability claims to provide timely decisions	Consider creating a PI to address the accuracy of case processing, which relates directly to the overall strategic goal of improving the speed and quality of the disability process. The PI could answer the question: Are initial disability determinations not only completed more timely, but has the quality of the determinations improved as a result? The public wants not only faster disability decisions, but the same or better quality of the decisions themselves. Implementation of this PI would help readers of the PAR determine how SSA is improving the quality of the services provided by its disability determination process.
14	2.2a Achieve the target percentage of initial disability claims filed online	Consider creating a PI to measure the efficiency improvements resulting from the on-line filing of disability claims, such as reduction of SSA resources (time, money, human capital, etc.). Implementation of this PI would help readers of the PAR determine whether SSA is using its resources efficiently.
15		Consider creating a PI to monitor the effectiveness of Agency initiatives that encourage the use of the online application process. Implementation of this PI would help readers of the PAR determine how SSA is improving the speed and ease of use of its disability process.
16	2.2b Achieve the target number of initial disability claims	Consider creating a PI to track the number of initial disability claims pending as a percentage of initial disability claims received. Implementation of this PI would correlate to the Agency's strategic goal of improving the speed of the disability process.

	<b>Related PI</b>	<b>Recommendation</b>
17	pending	Consider establishing in the APP when it is next updated a “long-term outcome” for the number of initial disability claims pending and correlate the target for this PI with the APP.
18	2.3a Update the medical <i>Listings of Impairments</i>	Consider eliminating the indicator from the APP because the target – “Publish eight Social Security Rulings in the Federal Register” does not result in updating the listing.
19	3.1a Percent of retirement and survivors claims receipts completed up to the budgeted level	Consider creating a PI to track the number of retirement and survivors claims processed as a percent of the total retirement and survivors claims received. Implementation of this PI would help readers of the PAR determine how SSA is managing its current workload.
20	3.3a Achieve the target speed in answering National 800 Number calls	Consider creating a PI to track customer satisfaction with telephone service and tie this measure to the PI on how quickly calls are answered (3.4a).
21	3.4a Percent of individuals who do business with SSA rating the overall services as “excellent,” “very good,” or “good”	Consider developing a strategic objective that aligns with measuring SSA’s overall services, not just services received in field offices.
22	3.5a Achieve the target percentage for correctly assigning original social security numbers	Consider setting the target for this PI to 100 percent. Issuing SSNs correctly is vital to the success of SSA’s mission. Setting the target at less than 100 percent communicates a message that the Agency is not striving to issue all SSNs accurately.
23		Consider presenting both the target percentage and performance percentage at one decimal place to avoid misleading the reader by reporting 100 percent (due to rounding) when there are known errors.

	<b>Related PI</b>	<b>Recommendation</b>
24	<p>4.1a Complete the budgeted number of Supplemental Security Income non-disability redeterminations</p> <p>4.1b Process the budgeted number of continuing disability reviews</p>	Consider eliminating PIs 4.1a – “Complete the Budgeted Number of Supplement Security Income Non-Disability Redeterminations” and 4.1b – “Process the Budgeted Number of Continuing Disability Reviews” as key PIs in its APP. They only measure whether SSA has performed redeterminations or continuing disability reviews rather than focusing on the outcome of those efforts. We noted that the outcomes of those efforts are reflected in PIs 4.1c – “Percent of Supplemental Income payments free of overpayment and underpayments error” and 4.1d – “Percent of Old-Age, Survivors, and Disability Insurance payments free of overpayment and underpayment error.” If SSA believes it should keep the two PIs we recommend be eliminated because of the increasing high priority the Administration and the Congress have placed on reducing improper payments, we recommend that it consider revising the PIs to focus on Supplemental Security Income Non-Disability redeterminations and continuing disability reviews as a percentage of the potential population of such redeterminations/reviews, as opposed to whether they met the budgeted number.
25	None – related to Objective 4.3- Maintain accurate earnings records	Consider creating a PI to track the percent of unposted wage items in the Earnings Suspense File account. This would help readers of the PAR determine how well SSA is resolving unposted wage items and maintaining the accuracy of the earnings records.
26	<p>PI 4.5a Receive an unqualified audit opinion on SSA's financial statements</p> <p>PI 4.6a Replace gasoline-powered vehicles with alternative-fuel vehicles</p> <p>PI 4.6b Develop and implement an agency Environmental Management System</p>	Consider eliminating PIs 4.5a -“Receive an unqualified audit opinion on SSA’s financial statements,” 4.6a - “Replace gasoline-powered vehicles with alternative-fuel vehicles;” and 4.6b -“Develop and implement an Environmental Management System” as key indicators reported in the APP. These three indicators do not measure or assess the relevant output, service levels, and outcomes of the Agency’s key program for FY 2010.

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### Agency Comments

In a March 16, 2011 memorandum commenting on a draft of this report, SSA disagreed with 21 of the recommendations, agreed to consider 4 of the recommendations, and partially agreed to consider 1 recommendation. The full text of SSA's comments, together with our evaluation of the comments, can be found in Appendix C.

### KPMG Response

A primary area of difference between KPMG and SSA is our call for more outcome-based PIs. Of the 27 PIs we evaluated, 15 were output-based and 12 were outcome-based. We agree with SSA that output-based PIs are neither prohibited nor discouraged by OMB, and we are not implying that such indicators do not have value. However, outcome-based indicators are more effective in measuring an agency's progress in achieving its strategic goals and objectives than those that are output-based.

To the extent SSA can move to more outcome-based measurement, we believe the expectations of the President and the Congress for performance and results management would be better achieved. Outcomes more clearly correlate to results, which is at the heart of GPRA in setting forth that PIs in an agency's performance plan "... shall provide a basis for comparing actual program results with the established performance goals. . ." and the recently enacted GPRA Modernization Act of 2010<sup>14</sup> in calling for "... general goals and objectives, including outcome-oriented goals, for major functions and operations of the agency."

As discussed earlier in this report, the President's FY 2011 Budget clearly indicated the need for outcome-based performance goals and PIs when it said: "Government operates more effectively when it focuses on outcomes, when leaders set clear and measurable goals, and when agencies use measurement to reinforce priorities, motivate actions, and illuminate a path to improvement." This was further reinforced by OMB's Associate Director for Performance and Personnel Management in a July 2010 memorandum, *Performance Improvement Guidance: Management Responsibilities and Government Performance and Results Act Documents*, which in discussing the need to make GPRA documents more useful, calls for "An agency strategic plan with a limited number of measurable long-term outcome-focused goals and a description of the strategies and agency plans to follow to reach performance targets related to its goals."<sup>15</sup>

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<sup>14</sup> 31 U.S.C. § 1120(a)(3)(A).

<sup>15</sup> Memorandum for Executive Departments and Agencies (M-10-24), *Performance Improvement Guidance: Management Responsibilities and Government Performance and Results Act Documents*, Shelley Metzenbaum, OMB Associate Director for Performance and Personnel Management, June 25, 2010.

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In disagreeing with 21 of our recommendations and, in part, with an additional recommendation, SSA believed that sufficient information was being provided through the existing PIs. As stated earlier in our report, SSA continues to make great strides in meeting GPRA's objectives and has shown continued refinement of its PIs from year to year. Our recommendations are targeted at further refinements to create more outcome-oriented PIs that more closely tie to SSA's long-term performance goals.

In its comments, SSA also took the position that KPMG incorrectly stated that SSA should develop performance targets without regard to the budget. As discussed above, our point has a much different context. Our concern is that by establishing a number of the PIs based exclusively on the amount appropriated to SSA, the focus is on the output and not on the outcome against the long-term goal. As discussed earlier in this report, rather than being budget-driven vehicles, performance targets for each PI should represent the long-term performance aspirations regardless of the budget. Not meeting a performance target in any given year does not necessarily represent a blemish on an agency's performance. For example, if SSA successfully completed the number of hearings budgeted for but did not reduce the backlog, the question "why not" could be asked. The answer could be the need for additional resources and/or changes to process and systems.

SSA also commented on our observation that 3 of its 27 PIs did not support key programs by stating that OMB does not prescribe that all PIs must support key programs and that there is no requirement that every PI must support key programs. SSA stated that GPRA broadly defines a program to include ".... any organized set of activities directed toward a common purpose or goal that an agency undertakes. The term may describe an agency's mission, functions, activities, services, projects, and processes, and is defined as an organized set of activities directed toward a common purpose or goal that an entity undertakes or proposes to carry out its responsibilities." SSA agreed to eliminate one of the three PIs but disagreed with respect to the other two.

We do not disagree with SSA's observation that GPRA broadly defines a program. At the same time, while we do not question the importance of protecting our nation's environment, the two PIs "replacing gasoline-powered vehicles with alternative-fuel vehicles" and "develop and implement an Environmental Management System" do not measure progress toward the administration of SSA's "major functions and operations," which is the focus of GPRA and the *GPRA Modernization Act of 2010*. Therefore, we recommended that SSA consider eliminating these PIs and instead focus on those PIs that better measure results related to SSA's major programs and operations. However, given their importance as a national priority, we have modified our recommendation to SSA to consider whether to keep tracking these two PIs as secondary measures.

The full text of the detailed comments received from SSA, together with our evaluation, are included in Appendix C.

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# Appendices

[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope and Methodology

[APPENDIX C](#) – Agency Comments and KPMG Response

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## **Appendix A**

### **Acronyms**

APP	<i>Annual Performance Plan</i>
CAL	<i>Compassionate Allowance</i>
DDS	<i>Disability Determination Services</i>
DI	<i>Disability Insurance</i>
FY	<i>Fiscal Year</i>
GAO	<i>Government Accountability Office</i>
GPRA	<i>Government Performance and Results Act of 1993</i>
OASI	<i>Old-Age and Survivors Insurance</i>
OIG	<i>Office of the Inspector General</i>
OMB	<i>Office of Management and Budget</i>
O/P	<i>Overpayment</i>
PAR	<i>Performance and Accountability Report</i>
PI	<i>Performance Indicator</i>
Pub. L. No.	<i>Public Law Number</i>
QDD	<i>Quick Disability Determination</i>
RCA	<i>Reports Consolidation Act of 2000</i>
SSA	<i>Social Security Administration</i>
SSI	<i>Supplemental Security Income</i>
SSN	<i>Social Security Number</i>
SSR	<i>Social Security Ruling</i>
U.S.C.	<i>United States Code</i>
U/P	<i>Underpayment</i>

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## **Appendix B**

### **Scope and Methodology**

We obtained an understanding of the Social Security Administration's (SSA) Fiscal Year (FY) 2010 performance indicators (PI) through research and by interviewing key SSA personnel responsible for PIs.

We performed the following.

- Reviewed the *Annual Performance Plan for FY 2011 and Revised Final Performance Plan for 2010* to obtain an understanding of the FY 2010 PIs.
- Reviewed the *Strategic Plan Fiscal Years 2008-2013*—which sets forth and defines SSA's strategic goals and objectives.
- Reviewed prior Office of the Inspector General and Government Accountability Office reports related to SSA's PIs.
- Reviewed applicable Federal laws and regulations.
- Assessed SSA's 27 PIs and aligned them to 3 key programs and 14 activities critical to SSA's delivery of its day-to-day services and achievement of its 4 strategic goals. We determined the reasonableness of the relationships between the PIs and the Agency's key activities and key programs based on the scope of each PI.
- Determined whether the 27 PIs measured the achievement of identified strategic goals and objectives.
- Reviewed relevant Office of Management and Budget and Government Accountability Office guidance to develop criteria for defining objective, understandable, and outcome-based PIs.
- Reviewed each of the 27 PIs to determine whether the individual indicators met the established criteria for being objective, understandable, and outcome-based.
- Reviewed the Office of the Inspector General's *FY 2009 Statement on SSA's Major Management and Performance Challenges* to determine whether the issues identified had adequate PI coverage.
- Identified opportunities for new performance measures to assist SSA in increasing its focus on program results.

As part of this assessment, we documented our understanding, as conveyed to us by Agency personnel, of the alignment of the Agency's mission, goals, objectives, processes, and related PIs. Our understanding of the Agency's mission, goals, objectives, and processes was used to determine whether the PI appeared to be valid and appropriate.

This audit was completed between November 2009 and March 2010. The entity audited was the SSA Office of Vision and Strategy, a component of the Office of the

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Chief Information Officer. We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We obtained comments on a draft of this report from SSA on March 16, 2011 and have considered these comments in finalizing this report.

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## Appendix C

# Agency Comments and KPMG Response

The following is the official comment memorandum, dated March 16, 2011, from the Social Security Administration (SSA), which includes the Agency's overall comments on our draft report and detailed comments on our recommendations. Following SSA's official comments is our evaluation of the comments, which is keyed to specific points in the memorandum.



## SOCIAL SECURITY

### MEMORANDUM

**Date:** March 16, 2011 **Refer To:** S1J-3

**To:** Patrick P. O'Carroll, Jr.  
Inspector General

**From:** Dean S. Landis /s/  
Deputy Chief of Staff

**Subject:** Office of the Inspector General (OIG) Draft Report, "Performance Indicator Audit: Assessment of SSA's FY 2010 Performance Indicators" (A-02-10-11076)--INFORMATION

Thank you for the opportunity to review the subject report. Please see our attached comments.

Please let me know if I may be of any assistance. You may direct staff inquiries to Chris Molander, at extension 57401.

Attachment:  
SSA Response

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**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “PERFORMANCE INDICATOR AUDIT: ASSESSMENT OF SSA’S FISCAL YEAR 2010 PERFORMANCE INDICATORS” (A-02-10-11076)**

Thank you for the opportunity to review the subject report. We offer the following comments and responses to your recommendations.

**COMMENTS ON CONCLUSIONS AND RECOMMENDATIONS**

**First bullet**

“Over half of SSA’s current PIs do not measure the Agency’s progress on achieving its strategic goals and objectives. Many of these measures were also identified as output-based indicators rather than being outcome-based indicators. Outcome-based indicators are more effective in measuring an agency’s progress in achieving its strategic goals and objectives than output-based indicators.”

**Comment**

Our Performance Indicators (PI) measures our progress in achieving strategic goals and objectives. We align PIs under each of our four major goals, and there is a direct correlation between each one. For example, you cite PI 1.1a, Complete the Budgeted Number of Hearings Requests, as being an ineffective measure of strategic goals and objectives. We disagree. As we report in our Performance and Accountability Report (PAR), we exceeded our fiscal year (FY) 2010 target and completed more hearings than at any time in our history. Our efforts contributed directly to our overall goal of eliminating the hearings backlog and preventing its recurrence.

You note that some of our twenty-seven PIs are output-based and imply that this is undesirable. We disagree. There is no prohibition against output-based indicators, nor are they discouraged. In fact, Office of Management and Budget (OMB) Circular A-11, Section 200, discusses output measures and states, “while performance measures must distinguish between outcomes and outputs, there must be a reasonable connection between them, with outputs supporting (i.e., leading to) outcomes in a logical fashion.” Our PIs meet this test. OMB does not prescribe a set number for outcome measures. By your count, we have twelve outcome-based indicators -- an appropriate number.

**Second Bullet**

“A number of the performance targets were based on the amount appropriated for the activity rather than focusing on actual performance. As a result, users of the PAR do not have a complete understanding of SSA’s actual performance.”

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On page 27, 3<sup>rd</sup> paragraph, you make a similar point:

“Rather than being budget-driven vehicles, performance targets for each PI should represent the Agency’s long-term performance aspirations regardless of what its budget may be. Performance targets need to represent the level of performance the Agency should be achieving to make progress toward its strategic objectives and goals, not just what the Agency can achieve in the current fiscal year.”

Comment

You incorrectly state that we should develop performance targets without regard to the budget. OMB Circular A-11, Section 200 directs agencies to develop a performance budget and an annual performance plan “that clearly links performance goals with costs for achieving a target level of performance.” Performance targets present the level of service we will provide at a given funding level, and they measure our progress towards strategic goals and objectives. For example, the number of disability claims, retirement and survivor claims, supplemental security income redeterminations, and continuing disability reviews that we process in a given year are dependent on the funding we receive from Congress.

We disagree with your statement that readers of the PAR do not have an understanding of our performance. The PAR provides a discussion section for every PI that gives the reader information about our efforts towards meeting goals and objectives.

**Third Bullet**

“While SSA had defined some very specific long-term outcomes in its strategic plan, it is difficult for the users of the PAR to understand SSA’s progress in achieving those outcomes because performance targets are not tied to the long-term outcomes.”

Comment

We disagree. We provide appropriate context for each goal by stating our goals for the following year. In many cases, we also discuss long-term goals. For example, in the FY 2010 PAR we discuss our long-term goal of reducing the time it takes an individual to receive a hearing decision to an average of 270 days.

**Fourth Bullet**

“Some PIs do not support SSA’s key programs.”

Comment

OMB does not prescribe that all PIs must support an agency’s key programs. Twenty-four of our PIs support key programs three do not. The three that do not support agency key programs, support other key initiatives. For example, Executive Order (EO) 13514, Federal Leadership in

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Environmental, Energy, and Economic Performance, requires Federal agencies to improve their environmental, energy and economic performance. PI 4.6b, Develop and Implement an Agency Environmental Management System, supports the mandates of EO 13514. While the environmental goals do not directly support our key programs, it does support a government-wide initiative, is therefore an appropriate PI.

Additionally, it is incorrect to define our key programs to the Old-Age Survivors Insurance, Disability Insurance, and Supplemental Security Income program. The Government Performance and Results Act more broadly define a “program” to include:

“... any organized set of activities directed toward a common purpose or goal that an agency undertakes. The term may describe an agency’s mission, functions, activities, services, projects, and processes, and is defined as an organized set of activities directed toward a common purpose or goal that an entity undertakes or proposes to carry out its responsibilities.”

#### **Fifth Bullet**

“Develop more outcome-based PIs.”

##### Comment

Output and outcome-based indicators are both appropriate measures of performance. We have established performance measures that represent a balance of output, outcome, and milestone measures.

#### **Sixth Bullet**

“Develop performance targets based on SSA’s long-term outcomes instead of annual budgets.”

##### Comment

We developed several long-term, outcome-based performance targets not tied to the budget. For others, we complied with OMB guidance and considered funding levels when developing performance targets.

#### **Seventh Bullet**

“Eliminate PIs that do not support SSA’s key programs.”

##### Comment

There is no requirement that in every case PIs must support key programs.

**Response to Table 5: Summary of Recommendations**

	<b>Related PI</b>	<b>Recommendation</b>	<b>Response</b>
1	1.1a Complete the budgeted number of hearing requests	Consider creating a PI to track the number of disability hearings processed as a percentage of disability hearings requested during the FY. Implementation of this PI would help the readers of the PAR understand how process modifications and improvements have impacted SSA's ability to process disability hearing requests received during the current FY.	We disagree. This PI is a valid output measure. Each year we continue to increase our capacity to hear and decide cases. We discuss this in the FY 2010 PAR, provide historical perspective, and discuss the improvements we are making to our processes.
2	1.2a Achieve the target number of hearing requests pending	Consider creating a PI to track the number of disability hearing requests pending as compared to the "long-term outcome" associated with this PI to "... reduce the number of pending hearings to 466,000 by FY 2013." Implementation of this PI would help demonstrate the progress SSA has made toward achieving its desired long-term outcome.	We disagree. In the PAR, we state that eliminating the hearings backlog remains our top priority. This PI supports our long-term goal of reducing our pending hearings to 466,000. We determined that is the pending level necessary to ensure a sufficient "pipeline" of cases to maximize the efficiency of our hearings process.

	<b>Related PI</b>	<b>Recommendation</b>	<b>Response</b>
	1.2c Achieve the budgeted goal for average processing time for hearing requests	Consider establishing the target for this PI based on SSA's desired long-term outcome to reduce the time it takes an individual to receive a hearing decision to an average of 270 days. SSA has changed its target for the average processing time in days for disability hearing requests each FY during the period FY 2005 through FY 2011.	We disagree. In the PAR, we discuss our commitment to achieving the long-term goal of reducing the time it takes an individual to receiving a hearing decision to an average of 270 days.
4	1.2d Achieve the target to eliminate the oldest Appeals Council requests for review pending	Consider creating a PI to track the number of Appeals Council requests for review processed as a percentage of Appeals Council requests for review submitted during the FY. The implementation of this PI would help the readers of the PAR understand how process modifications and improvements have impacted SSA's ability to process Appeals Council requests for review received during the current FY.	We disagree. This PI is a valid output measure. In the PAR, we include trend data and a discussion of our performance.

	<b>Related PI</b>	<b>Recommendation</b>	<b>Response</b>
5		Consider establishing long-term outcomes for the disability appeals process and present the outcomes in the APP. Base the target for the indicator on the long-term outcome.	We disagree. We establish long-term outcomes in the Agency Strategic Plan (ASP), not the Annual Performance Plan (APP). As stated in the FY 2010 PAR, we will continue to focus on eliminating the oldest cases pending review by the Appeals Council.
6		Consider changing the wording of strategic goal one to “Eliminate Hearings and Appeals Council Backlog and Prevent Its Recurrence.	We disagree. This is an ASP goal and we cannot alter it until we issue a new ASP. In addition, under GPRA guidance, agencies must develop a limited number of high-level strategic goals. “Eliminating Our Hearing Backlog” is high-level; “Appeals Council cases pending” is a subset of that goal.
7	1.2e Achieve the target average processing time for Appeals Council requests for review	Consider defining the optimum processing time for Appeals Council requests for review and track the number of pending requests against that target. Implementation of this recommendation would help the readers of the PAR determine how SSA is managing its workload and preventing the recurrence of a backlog.	We disagree. In the FY 2010 PAR, we reported on the record number of hearings requests processed. This led to a large influx of Appeals Council requests. This and other factors such as staffing constraints make it difficult to define an optimum processing time. The existing “target average processing time” is a sound measure, and the PAR contains sufficient information for the reader.

	<b>Related PI</b>	<b>Recommendation</b>	<b>Response</b>
8	<p>2.1a Achieve the target percentage of initial disability cases identified as a <i>QDD</i> or a <i>Compassionate Allowance</i></p>	<p>Consider creating a PI to measure and report the average processing time for initial disability claims identified as QDD or CAL to determine whether cases that obviously meet the disability standards are fast-tracked.</p> <p>Correlate the PI target to the desired long-term outcome to ensure individuals who are clearly disabled receive a decision within 20 calendar days. The implementation of this PI would help demonstrate how SSA is improving the speed and quality of the disability process to the readers of the PAR.</p>	<p>We disagree. We continue to refine our predictive model to identify disability cases involving medical conditions where a favorable disability determination is highly likely. This PI tracks our performance in that area and is a valid measure. We currently track average processing times for Quick Disability Determination (QDD) and Compassionate Allowance (CAL) cases (as you recommend) for internal purposes.</p>

	<b>Related PI</b>	<b>Recommendation</b>	<b>Response</b>
9		Consider creating a PI to measure and report the percentage of initial disability claims allowed, once identified as either a QDD or a CAL, in relation to the number of initial disability claims received that qualify for fast tracking. The implementation of this PI would help the readers of the PAR determine how SSA is improving the quality of the services provided by their disability determination process.	We agree to consider your recommendation.
10		Consider reporting the percentage of initial disability claims identified as a QDD or a CAL for the entire FY. SSA only reports the percentage of initial disability claims identified as a QDD or CAL during the last month of the FY, September 2010.	We disagree. We track this information and report it internally.
11		Consider separating the reporting of initial disability claims identified as a QDD and those claims identified as a CAL. This will help ensure SSA is properly reporting and presenting each type of claim.	We agree to consider your recommendation.

	<b>Related PI</b>	<b>Recommendation</b>	<b>Response</b>
12	2.1b Complete the budgeted number of initial disability claims	Consider creating a PI to track the number of initial disability claims processed as a percentage of initial disability claims received. The implementation of this PI would help the readers of the PAR determine how SSA is managing its current initial disability claim workload.	We disagree. This PI is a valid output measure. We report data on claims received and claims pending in the PAR and provide discussion to keep the reader informed.
13	2.1c Minimize average processing time for initial disability claims to provide timely decisions	Consider creating a PI to address the accuracy of case processing (that is, are claims processed with greater speed processed at the same or greater level of accuracy than other claims which require longer processing times due to the complexity of the claim?). Implementation of this PI would help readers of the PAR determine how SSA is improving the quality of the services provided by its disability determination process.	We disagree. This PI provides the reader with a good indicator of how long it takes us to render a decision for initial disability claims. Longer processing times do not necessarily equate to increased complexity. We delay case processing for many reasons including a claimant's failure to cooperate; the need for additional medical evidence; or need for a consultative examination. From an accuracy standpoint, there is no direct correlation between longer and shorter processing times. Creating a PI as you suggest might confuse readers of the PAR.

	<b>Related PI</b>	<b>Recommendation</b>	<b>Response</b>
14	2.2a Achieve the target percentage of initial disability claims filed on-line	Consider creating a PI to measure the reduction of SSA resources (time, money, human capital, etc.) for on-line applications. Implementation of this PI would help readers of the PAR determine whether SSA is using its resources efficiently and effectively.	We disagree. This PI relates to the overall strategic goal of "Improve the Speed and Quality of Our Disability Process." It is an outcome based indicator (as you note in your report) and provides the reader with direct information about our services. Your suggestion that a different measure would help readers of the PAR assess whether we are using our resources effectively is outside the scope of the strategic goal.
15		Consider creating a PI to monitor the effectiveness of Agency initiatives that encourage the use of the online application process. Implementation of this PI would help readers of the PAR determine how SSA is improving the speed and ease of use of its disability process.	We disagree. The existing PI reflects the effectiveness of our initiatives. It is an outcome-based indicator and we provide detailed information about performance in the discussion section of the PAR.

	<b>Related PI</b>	<b>Recommendation</b>	<b>Response</b>
16	2.2b Achieve the target number of initial disability claims pending	Consider creating a PI to track the number of initial disability claims pending as a percentage of initial disability claims received. Implementation of this PI would correlate to the Agency's strategic goal of improving the speed of the disability process.	We disagree. Many non-performance related factors affect the number of initial disability claims pending-- filing rates, staffing levels, the time it takes to train new employees, and changes in business processes. There are also other contributing factors such as when States unnecessarily furlough Disability Determination Service employees. We discuss this in the PAR and provide additional data on claims pending to keep the reader informed.
17		Consider establishing a “long-term outcome” for the number of initial disability claims pending and correlate the target for this PI with the plan.	We disagree. We establish long-term outcomes in the ASP, not the APP.
18	2.3a Update the medical Listings of Impairments	Consider eliminating the indicator from the APP because the target – “Publish eight Social Security Rulings in the Federal Register” does not result in updating the listing.	We agree to consider your recommendation.

	<b>Related PI</b>	<b>Recommendation</b>	<b>Response</b>
19	3.1a Percent of retirement and survivors claims receipts completed up to the budgeted level	Consider creating a PI to track the number of retirement and survivors claims processed as a percent of the total retirement and survivors claims received. Implementation of this PI would help readers of the PAR determine how SSA is managing its current workload.	We disagree. This PI is outcome-based indicator and a sound measure of performance. As discussed this in the PAR, we process all retirement and survivor claims quickly and have done so for several years.
20	3.3a Achieve the target speed in answering National 800 Number calls	Consider creating a PI to track customer satisfaction with telephone service.	We disagree. This is an outcome-based PI and a sound measure of how quickly we answer 800 number calls. We track customer satisfaction for all modes of service, including telephone service, in PI 3.4a.
21	3.4a Percent of individuals who do business with SSA rating the overall services as “excellent,” “very good,” or “good”	Consider developing a strategic objective that aligns with measuring SSA’s overall services, not just services received in field offices.	We disagree. This is an outcome-based PI and it measures “overall services.” This includes field offices, hearings offices, 800 number services, and online services.

	<b>Related PI</b>	<b>Recommendation</b>	<b>Response</b>
22	3.5a Achieve the target percentage for correctly assigning original social security numbers	Consider setting the target for this PI to 100 percent. Issuing Social Security numbers correctly is vital to the success of SSA's mission. Setting the target at less than 100 percent communicates a message that the Agency is not striving to issue all Social Security numbers accurately.	We disagree. Although we strive for a high level of accuracy, it is not realistic to expect an error-free SSN assignment process.
23		Consider presenting both the target percentage and performance percentage at one decimal place to avoid misleading the reader by reporting 100 percent (due to rounding) when there are known errors.	We agree to consider your recommendation.

	<b>Related PI</b>	<b>Recommendation</b>	<b>Response</b>
24	<p>4.1a Complete the budgeted number of Supplemental Security Income non-disability redeterminations</p> <p>4.1b Process the budgeted number of continuing disability reviews</p>	<p>Consider eliminating PIs 4.1a – “Complete the Budgeted Number of Supplement Security Income Non-Disability Redeterminations” and 4.1b – “Process the Budgeted Number of Continuing Disability Reviews” as key PIs in its APP. They only measure whether SSA has performed redeterminations or continuing disability reviews rather than focusing on the outcome of those efforts. We noted that the outcomes of those efforts are reflected in PIs 4.1c – “Percent of Supplemental Income payments free of overpayment and underpayments error” and 4.1d – “Percent of Old-Age, Survivors, and Disability Insurance payments free of overpayment and underpayment error.”</p>	We disagree. The Administration has placed a priority on limiting improper payments, and our actions under PIs 4.1a and 4.1b are vital to that effort. The PIs are outcome-based and relate directly to requirements of the Improper Payments Elimination and Recovery Act and Executive Order 13520, Reducing Improper Payments.
25	None – related to Objective 4.3 Maintain accurate earnings records	Consider creating a PI to track the percent of unposted wage items in the Earnings Suspense File (ESF) account. This would help readers of the PAR determine how well SSA is resolving unposted wage items and maintaining the accuracy of the earnings records.	We disagree. In the FY 2010 PAR, we discuss our commitment to maintaining accurate earnings records. PI 4.3a, Reduce the percentage of paper Forms W-2 completed, is an appropriate measure because it contributes to accuracy.

	<b>Related PI</b>	<b>Recommendation</b>	<b>Response</b>
26	PI 4.5a Receive an unqualified audit opinion on SSA's financial statements  PI 4.6a Replace gasoline-powered vehicles with alternative-fuel vehicles  PI 4.6b Develop and implement an agency Environmental Management System	Consider eliminating PIs 4.5a - "Receive an unqualified audit opinion on SSA's financial statements," 4.6a - "Replace gasoline-powered vehicles with alternative-fuel vehicles"; and 4.6b -"Develop and implement an Environmental Management System" as key indicators reported in the APP. These three indicators do not measure or assess the relevant output, service levels, and outcomes the Agency's key program for FY 2010.	We agree to consider your recommendation for PI 4.5a. We disagree for PIs 4.6a and 4.6b – these PIs relate to EO 13514 and the government-wide initiative to improve environmental, energy and economic performance.

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## KPMG Response

As stated earlier in the *KPMG Response* section of this report, a primary source of difference between SSA and KPMG is our call for more outcome-based indicators. We agree with SSA that output-based PIs are neither prohibited nor discouraged and are not questioning their value. However, outcome-based indicators are more effective in measuring performance and an agency's progress in meeting its strategic goals. As stated in our report, SSA continues to make great strides in meeting GPRA's objectives and has shown continued refinement of its PIs from year-to-year. Our recommendations are targeted at further refinements to create more outcome-oriented PIs that more clearly tie to SSA's long-term performance goals.

### ***KPMG Response to Bullet 1 Comment*** (see page C-3 for SSA comment)

In disagreeing with 21 of our recommendations and, in part, with 1 of our recommendations, SSA believed that sufficient information was being provided through the existing PIs. For example, in its comment letter, SSA pointed to the fact that it not only exceeded its completed disability hearings' target for FY 2010, but completed more hearings in FY 2010 than any time in its history and that this "... contributed directly to our overall goal of eliminating the hearings backlog and preventing its reoccurrence."

We do not question that completing more hearings is a positive achievement and pointed out in our report that over the past 6 years, SSA has increased its target from 525,000 hearings in FY 2005 to 725,000 hearings in FY 2010. Nevertheless, hearings are an output related to SSA's goal of eliminating the hearings backlog and preventing its recurrence; not an outcome. An outcome would be SSA's progress against its stated goal of reducing the backlog of hearings to 466,000 by FY 2013. In fact, SSA's annual target of pending hearings has varied from a backlog of 714,000 in FY 2005 to 707,000 in FY 2010, which is far from the goal of 466,000.

As discussed in our report, if you have a target to hear 750,000 cases in a year and meet that target, but receive 1 million additional new hearing requests, the backlog only increases despite your best efforts. The public is interested in how well SSA is doing in meeting the goal of reducing the backlog, not in whether the Agency met the target of hearing 750,000 cases. This is why we recommended that SSA consider creating a PI to track the number of disability hearings processed as a percentage of disability hearings requested during the FY to help readers of the PAR better understand SSA's ability to process disability hearing requests received during the current fiscal year and thereby to reduce the backlog. Such an outcome-based PI would have shown that despite appreciably increasing the number of completed hearings, the backlog had remained largely unchanged.

Our recommendation is focused on creating an outcome-based PI to further enhance SSA's reporting under GPRA and the *GPRA Modernization Act of 2010* and better focus on results.

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**KPMG Response to Bullet 2 Comment** (see page C-3 for SSA comment)

In its comments, SSA took the position that KPMG incorrectly stated that SSA should develop performance targets without regard to the budget. Our point has a much different context. Our concern is that by establishing a number of the PIs based exclusively on the amount appropriated to SSA, the focus is on the output and not on the outcome against the long-term goal. As discussed earlier in this report, rather than being budget-driven vehicles, performance targets for each PI should represent the long-term performance aspirations regardless of the budget. Not meeting a performance target in any given year does not necessarily represent a blemish on an agency's performance. For example, if SSA successfully completed the number of budgeted hearings but did not reduce the backlog, the question "why not" could be asked. The answer could be the need for additional resources and/or changes to process and systems.

Achieving a number of hearings tied to the budget helps facilitate the goal of reducing the hearing backlog but is an output and not an outcome. The outcome is the progress SSA has made in reducing the backlog to meet its FY 2013 goal of having 466,000 pending disability cases and not how many hearings were completed in the current year.

**KPMG Response to Bullet 3 Comment** (see page C-4 for SSA comment)

With respect to SSA's long-term goal of reducing the time it takes to receive a hearing decision to 270 days, the PI is output-based as it is tied to the budget and not the long-term goal. It would be more meaningful to have an outcome-based PI that measures how well SSA is meeting its long-term goal of 270 days to render a disability decision. We do not question SSA's commitment to meet its long-term goal of reducing the time it takes to render a hearing decision to 270 days, but again, we view the PI as output-based as it is tied to the budget and not the long-term goal. It would be more meaningful to have an outcome-based PI tied to how well SSA is doing in meeting its long-term goal of 270 days to render a disability decision.

**KPMG Response to Bullet 4 Comment** (see page C-4 for SSA comment)

We do not disagree with SSA's observation that GPRA broadly defines a program. At the same time, while we do not question the importance of protecting our nation's environment, the two PIs "replacing gasoline-powered vehicles with alternative-fuel vehicles" and "develop and implement an Environmental Management System" do not measure progress toward the administration of SSA's "major functions and operations," which is the focus of GPRA and the *GPRA Modernization Act of 2010*. Therefore, we recommended that SSA consider eliminating these PIs and instead focus on those PIs that better measure results related to SSA's major programs and operations. However, given their importance as a national priority, we have modified our recommendation for SSA to consider whether to keep tracking these two PIs as secondary measures.

This does not mean that we believe these PIs should not be tracked by SSA as secondary measures, given the importance of protecting the environment as a national priority, and we have modified our recommendation accordingly.

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**KPMG Response to Bullet 5 Comment** (see page C-5 for SSA comment)

To the extent SSA can move to more outcome-based measurement, we believe the expectations of the President and the Congress for performance and results management would be better achieved. Outcomes more clearly correlate to results, which is at the heart of GPRA in setting forth that PIs in an agency's performance plan ".... shall provide a basis for comparing actual program results with the established performance goals" and the recently enacted GPRA Modernization Act of 2010<sup>1</sup> in calling for "general goals and objectives, including outcome-oriented goals, for major functions and operations of the agency."

Our recommendation is focused on creating an outcome-based PI to further enhance SSA's reporting under GPRA and the *GPRA Modernization Act of 2010* and better focus on results.

**KPMG Response to Bullet 6 Comment** (see page C-5 for SSA comment)

SSA took the position that KPMG incorrectly stated that SSA should develop performance targets without regard to the budget. Our point has a much different context. Our concern is that by establishing a number of the PIs based exclusively on the amount appropriated to SSA, the focus is on the output and not on the outcome against the long-term goal. As discussed earlier in this report, rather than being budget-driven vehicles, performance targets for each PI should represent the long-term performance aspirations regardless of the budget. Not meeting a performance target in any given year does not necessarily represent a blemish on an agency's performance. For example, if SSA successfully completed the number of hearings budgeted for but did not reduce the backlog, then the question "why not" could be asked. The answer could be the need for additional resources and/or changes to process and systems.

Achieving a number of hearings tied to the budget helps facilitate the goal of reducing the hearing backlog but is an output and not an outcome. The outcome is the progress SSA has made in reducing the backlog to meet its FY 2013 goal of having 466,000 pending disability cases and not how many hearings were completed in the current year.

**KPMG Response to Bullet 7 Comment** (see page C-5 for SSA comment)

We do not disagree with SSA's observation that GPRA broadly defines a program. At the same time, while we do not question the importance of protecting our nation's environment, the two PIs "Replacing gasoline-powered vehicles with alternative-fuel vehicles" and "Develop and implement an Environmental Management System" do not measure progress toward the administration of SSA's "major functions and operations," which is the focus of GPRA and the GPRA Modernization Act. Therefore, we recommended that SSA consider eliminating these PIs and instead focus on those PIs that better measure results related to SSA's major programs and operations. However, given their importance as a national priority, we have modified our recommendation to SSA to consider whether to keep tracking these two PIs as secondary measures.

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<sup>1</sup> 31 U.S.C. § 1120(a)(3)(A).

This does not mean we believe these PIs should not be tracked by SSA as secondary measures, given the importance of protecting the environment as a national priority, and we have modified our recommendation accordingly.

Presented below are KPMG's responses to SSA's comments related specifically to our detailed recommendations:

	<b>Related PI</b>	<b>SSA Comment</b>	<b>KPMG Response</b>
1	1.1a Complete the budgeted number of hearing requests	We disagree. This PI is a valid output measure. Each year, we continue to increase our capacity to hear and decide cases. We discuss this in the FY 2010 PAR, provide historical perspective, and discuss the improvements we are making to our processes.	We agree that this is a valid output measure. Our recommendation is focused on creating an outcome-based PI to further enhance SSA's reporting under GPRA and the GPRA Modernization Act and better focus on results.
2	1.2a Achieve the target number of hearing requests pending	We disagree. In the PAR, we state that eliminating the hearings backlog remains our top priority. This PI supports our long-term goal of reducing our pending hearings to 466,000. We determined that is the pending level necessary to ensure a sufficient "pipeline" of cases to maximize the efficiency of our hearings process.	Achieving a number of hearings tied to the budget helps facilitate the goal of reducing the hearing backlog but is an output and not an outcome. The outcome is the progress SSA has made to reduce the backlog to meet its FY 2013 goal of having 466,000 pending disability cases and not how many hearings were completed in the current year.
	1.2c Achieve the budgeted goal for average processing time for hearing requests	We disagree. In the PAR, we discuss our commitment to achieving the long-term goal of reducing the time it takes an individual to receiving a hearing decision to an average of 270 days.	We do not question SSA's commitment to meet its long-term goal of reducing the time it takes to render a hearing decision to 270 days, but again, we view the PI as output-based as it is tied to the budget and not the long-term goal. It would be more meaningful to have an outcome-based PI tied to how well SSA is doing in meeting its long-term goal of 270 days to render a disability decision.
4	1.2d Achieve the target to eliminate the oldest Appeals Council requests for review pending	We disagree. This PI is a valid output measure. In the PAR, we include trend data and a discussion of our performance.	We are not questioning whether this measure is a valid output measure. Our recommendation focuses on developing an outcome-oriented PI that could incorporate the output measure.
5		We disagree. We establish long-term outcomes in the Agency Strategic Plan (ASP), not the Annual Performance Plan (APP). As stated in the FY 2010 PAR, we will continue to focus on eliminating the oldest cases pending review by the Appeals Council.	We have changed the final report to make clear that we are talking about presenting the outcomes in the APP and establishing the long-term goals that drive the outcomes in the ASP.

	<b>Related PI</b>	<b>SSA Comment</b>	<b>KPMG Response</b>
6		We disagree. This is an ASP goal, and we cannot alter it until we issue a new ASP. In addition, under GPRA guidance, agencies must develop a limited number of high-level strategic goals. "Eliminating Our Hearing Backlog" is high-level; "Appeals Council cases pending" is a subset of that goal.	The timing of this change was not a condition of our recommendation, so it could be part of the issuance of a new ASP. Also, we do not view our recommended change in the strategic goal's title as adding a subset of the goal but as making it more descriptive of what is already being covered by the goal.
7	1.2e Achieve the target average processing time for Appeals Council requests for review	We disagree. In the FY 2010 PAR, we reported on the record number of hearings requests processed. This led to a large influx of Appeals Council requests. This and other factors, such as staffing constraints, make it difficult to define an optimum processing time. The existing "... target average processing time" is a sound measure, and the PAR contains sufficient information for the reader.	We continue to believe that SSA should consider further refining this PI to be more outcome-oriented. Again, the fact that a record number of hearings occurred is an important achievement that we recognize in our report; but, as SSA points out in its comment on this recommendation, "... this led to a large influx of Appeals Council requests." This is why progress against reducing the backlog and not how many cases were heard in a given year should be the central focus of the PI.
8	2.1a Achieve the target percentage of initial disability cases identified as a QDD or a <i>Compassionate Allowance</i>	We disagree. We continue to refine our predictive model to identify disability cases involving medical conditions where a favorable disability determination is highly likely. This PI tracks our performance in that area and is a valid measure. We track average processing times for Quick Disability Determination (QDD) and Compassionate Allowance (CAL) cases (as you recommend) for internal purposes.	We disagree with SSA and continue to believe that further refinement of SSA's performance reporting by creating a PI to measure and report the average processing time for these important categories of claims has merit. Since SSA commented that this is being done for internal purposes, adding this PI would not seem to impose any additional costs on SSA, while providing information of value to the public.
9		We agree to consider your recommendation.	
10		We disagree. We track this information and report it internally.	The intent of our recommendation is to further refine what SSA is already reporting, but now only doing for the last month of the year, so that this performance information is available throughout the year. SSA commented that it already tracks this information and reports it internally. Therefore, it would seem this should not impose any additional costs on SSA.
11		We agree to consider your recommendation.	

	<b>Related PI</b>	<b>SSA Comment</b>	<b>KPMG Response</b>
12	2.1b Complete the budgeted number of initial disability claims	We disagree. This PI is a valid output measure. We report data on claims received and claims pending in the PAR and provide discussion to keep the reader informed.	This PI focuses on outputs against the budget similar to our comments in Note 2. We continue to believe the focus should be outcome-oriented whenever possible.
13	2.1c Minimize average processing time for initial disability claims to provide timely decisions	We disagree. This PI provides the reader with a good indicator of how long it takes us to render a decision for initial disability claims. Longer processing times do not necessarily equate to increased complexity. We delay case processing for many reasons including a claimant's failure to cooperate; the need for additional medical evidence; or need for a consultative examination. From an accuracy standpoint, there is no direct correlation between longer and shorter processing times. Creating a PI as you suggest might confuse readers of the PAR.	We noted the need for an additional PI focused on quality that ties to the overall strategic goal of improving speed and quality of the disability process. We have revised our recommendation to better focus on quality measures and to make clear that quality and timeliness are two separate but related measures.
14	2.2a Achieve the target percentage of initial disability claims filed online	We disagree. This PI relates to the overall strategic goal of "Improve the Speed and Quality of Our Disability Process." It is an outcome-based indicator (as you note in your report) and provides the reader with direct information about our services. Your suggestion that a different measure would help readers of the PAR assess whether we are using our resources effectively is outside the scope of the strategic goal.	The ability to file a disability claim online is an important tool in promoting greater efficiency and effectiveness of the disability determination process. At the same time, the target percentage of initial disability claims filed online is an output. The outcome would be whether SSA has been able to "improve the speed and quality of its disability process," as stated in SSA's comments. Our recommendation is focused on adding an outcome-oriented measure related to whether SSA is saving resources as a result of online filing of disability claims. Given the large backlog of disability claims and the impact of long timeframes for disability determinations on the public, efficiency of SSA's process is important. We view the percentage of on-line claims being filed as a subset of the broader goal related to speed and quality and continue to believe that SSA should consider adding a PI that measures the impact of greater on-line filing. We have revised our recommendation to make clear the focus on efficiency.

	<b>Related PI</b>	<b>SSA Comment</b>	<b>KPMG Response</b>
15		We disagree. The existing PI reflects the effectiveness of our initiatives. It is an outcome-based indicator, and we provide detailed information about performance in the discussion section of the PAR.	We continue to believe that measuring the effectiveness of initiatives that encourage the use of the online application process for filing disability claims would be useful since it would focus on the result. Combined with our previous recommendation, there could be a better understanding of the cost savings from expanding the use of on-line filing and the effectiveness of the program in achieving the goal of moving to greater on-line filing. This could also help in identifying potential improvements in the program.
16	2.2b Achieve the target number of initial disability claims pending	We disagree. Many non-performance-related factors affect the number of initial disability claims pending—filing rates, staffing levels, the time it takes to train new employees, and changes in business processes. There are also other contributing factors such as when States unnecessarily furlough disability determination service employees. We discuss this in the PAR and provide additional data on claims pending to keep the reader informed.	We agree that this is a valid output measure. Our recommendation is focused on creating an outcome-based PI to further enhance SSA's reporting under GPRA and the <i>GPRA Modernization Act of 2010</i> and better focus on results.
17		We disagree. We establish long-term outcomes in the ASP, not the APP.	We have revised the recommendation to make clear that we are calling for the long-term outcome to be established in the ASP when it is updated and not in the APP.
18	2.3a Update the medical Listings of Impairments	We agree to consider your recommendation.	.

	<b>Related PI</b>	<b>SSA Comment</b>	<b>KPMG Response</b>
19	3.1a Percent of retirement and survivors claims receipts completed up to the budgeted level	We disagree. This PI is outcome-based indicator and a sound measure of performance. As discussed this in the PAR, we process all retirement and survivor claims quickly and have done so for several years.	We agree that this is a valid output measure. Our recommendation is focused on creating an outcome-based PI to further enhance SSA's reporting under GPRA and the <i>GPRA Modernization Act of 2010</i> and better focus on results. We also believe a PI focused on the budget is limiting and that it would be enhanced by reporting on the percentage of new retirement and survivors claims processed compared to claims received. Also, the extent to which SSA is doing this quickly, which is mentioned in its comments, would be covered by the new PI we are recommending.
20	3.3a Achieve the target speed in answering National 800-Number calls	We disagree. This is an outcome-based PI and a sound measure of how quickly we answer 800-number calls. We track customer satisfaction for all modes of service, including telephone service, in PI 3.4a.	We have clarified our recommendation to call for SSA to link performance information on the quality of the telephone service (3.4a) with what is being measured on the speed of answering the telephone (3.3a).
21	3.4a Percent of individuals who do business with SSA rating the overall services as "excellent," "very good," or "good"	We disagree. This is an outcome-based PI and it measures "overall services." This includes field offices, hearings offices, 800-number services, and online services.	Our understanding is that SSA has been measuring the results of overall services provided through the field offices. We are calling for such measurement to include services that are not provided in the field offices.
22	3.5a Achieve the target percentage for correctly assigning original social security numbers	We disagree. Although we strive for a high level of accuracy, it is not realistic to expect an error-free SSN assignment process.	We do not disagree with SSA that correctly assigning Social Security numbers 100 percent of the time may never be achieved given the large volume and human error. However, that does not mean the target should not be 100 percent given the critical importance of a properly assigned Social Security number to the public that is depending on SSA to get this right. The Social Security number is so vital to the success of SSA's mission that we believe it sends the wrong message to the public and SSA's employees to set the performance goal at anything less than 100 percent.
23		We agree to consider your recommendation.	.

	<b>Related PI</b>	<b>SSA Comment</b>	<b>KPMG Response</b>
24	4.1a Complete the budgeted number of Supplemental Security Income non-disability redeterminations  4.1b Process the budgeted number of continuing disability reviews	We disagree. The Administration has placed a priority on limiting improper payments, and our actions under PIs 4.1a and 4.1b are vital to that effort. The PIs are outcome-based and relate directly to requirements of the <i>Improper Payments Elimination and Recovery Act</i> and Executive Order 13520, <i>Reducing Improper Payments</i> .	These two PIs are output-oriented and tied to the budget, whereas two other related PIs are outcome-oriented. If SSA believes it should keep the two PIs we recommended be eliminated because of the increasing high priority the Administration and the Congress have placed on reducing improper payments, we recommend that it revise the PIs to instead focus on Supplemental Security Income Non-Disability redeterminations and Continuing Disability reviews as a percentage of the potential population of such redeterminations/reviews, as opposed to whether they met the budgeted number. We have modified our recommendation to recognize this second option.
25	None – related to Objective 4.3 Maintain accurate earnings records	We disagree. In the FY 2010 PAR, we discuss our commitment to maintaining accurate earnings records. PI 4.3a, “Reduce the percentage of paper Forms W-2 completed,” is an appropriate measure because it contributes to accuracy.	We continue to believe that creating this PI would help readers of the PAR better understand how well SSA is doing in maintaining accurate earnings records, which are vital to ensuring recipients receive the correct benefit at the time of their retirement. We view the percentage of unposted wage items in the Earnings Suspense File as a good outcome-oriented measure to complement the existing PI to reduce the percentage of paper Form W-2s completed, which is output-oriented.
26	PI 4.5a Receive an unqualified audit opinion on SSA's financial statements  PI 4.6a Replace gasoline-powered vehicles with alternative-fuel vehicles  PI 4.6b Develop and implement an agency Environmental Management System	We agree to consider your recommendation for PI 4.5a. We disagree for PIs 4.6a and 4.6b – these PIs relate to EO 13514 and the government-wide initiative to improve environmental, energy and economic performance.	We do not question the importance of protecting our nation's environment. However, the two PIs “replacing gasoline-powered vehicles with alternative-fuel vehicles” and “develop and implement an Environmental Management System” do not measure progress toward the administration of SSA’s “major functions and operations,” which is the focus of GPRA and the <i>GPRA Modernization Act of 2010</i> . Therefore, we recommended that SSA consider eliminating these PIs and instead focus on those PIs that better measure results related to SSA's major programs and operations. This does not mean that we believe these PIs should not be tracked by SSA as secondary measures, given the importance of protecting the environment as a national priority, and we have modified our recommendation accordingly.

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