

*Fiscal Year 2013*

**OFFICE OF AUDIT  
WORK PLAN**

*November 2012*

Our Work Plan  
outlines our  
perspective of the  
major management  
and performance  
challenges facing  
the Social Security  
Administration and  
serves as a tool for  
communicating our  
priorities to SSA,  
Congress, the Office  
of Management  
and Budget, and  
other interested  
parties.

**I** am pleased to present the Office of Audit's Fiscal Year 2013 Annual Work Plan (Plan). We designed the reviews described in the Plan to address those areas that are most vulnerable to fraud, waste, and abuse. Since 1997, we have provided our perspective on the top challenges facing Agency management to the Congress, Social Security Administration, and other key decisionmakers. For Fiscal Year 2013, the Office of the Inspector General has identified the following management challenges.

- Reduce Improper Payments and Increase Overpayment Recoveries
- Improve Customer Service
- Strengthen the Integrity and Protection of the Social Security Number
- Reduce the Hearings Backlog and Prevent its Recurrence
- Improve the Timeliness and Quality of the Disability Process
- Invest in Information Technology Infrastructure to Support Current and Future Workloads
- Improve Transparency and Accountability
- Strengthen Strategic and Tactical Planning

The Plan describes reviews we plan to begin in Fiscal Year 2013. In developing these reviews, we worked with Agency management to ensure we provide a coordinated effort.

Our Plan is dynamic. Congressional interest and Agency requests may require that we begin reviews not listed in the Plan. Although we have not included these reviews in our Plan, we will still need the Agency's full cooperation in ensuring all requested information is provided timely. We also encourage continuous feedback and additional study suggestions. This flexibility enables us to meet emerging and critical issues evolving in the upcoming year.



Steven L. Schaeffer  
Assistant Inspector General for Audit  
November 2012

# Contents

In FY 2011, OASDI improper payments were \$2.7 billion of program outlays, and SSI improper payments were \$3.3 billion of program outlays.

Improper Payments & Overpayment Recoveries

1

Each day, almost 182,000 people visit SSA field offices and more than 445,000 call the Agency for a variety of services.

Improve Customer Service

18

In FY 2011, SSA processed about 5.5 million original and 11 million replacement SSN cards and received about \$650 billion in employment taxes related to earnings under assigned SSNs.

Strengthen the Integrity & Protection of the SSN

25

Since FY 2008, average processing time dropped from an average of 514 days to 351 days as of the end of July 2012.

Reduce the Hearings Backlog & Prevent its Recurrence

30

As of July 2012, SSA had received almost 2.6 million initial and 684,000 reconsideration claims.

The Timeliness & Quality of the Disability Process

37

To provide additional customer service avenues, SSA introduced the Internet Social Security Benefit Application in 2000, and by the end of 2011, SSA was offering 30 eServices.

Information Technology Infrastructure

44

If the Agency does not spend tax dollars wisely or efficiently, the goals SSA is trying to accomplish are undermined.

Transparency and Accountability

50

While planning for the next few years is important, SSA needs a longer-term vision to ensure it has the programs, processes, staff, and infrastructure required to provide needed services 10 to 20 years from now.

Strengthen Strategic and Tactical Planning

56

## Abbreviations

ALJ	Administrative Law Judge
CDR	Continuing Disability Review
CMS	Centers for Medicare and Medicaid Services
CPMS	Case Processing Management System
CSV	Cash Surrender Value
CY	Calendar Year
DHS	Department of Homeland Security
DI	Disability Insurance
DMF	Death Master File
ESF	Earnings Suspense File
FY	Fiscal Year
GPO	Government Pension Offset
IG	Inspector General
IPERA	<i>Improper Payments Elimination and Recovery Act</i>
IPIA	<i>Improper Payments Information Act of 2002</i>
IRS	Internal Revenue Service
MACADE	Manual Adjustment, Credit, and Award Data Entry
MADCAP	Manual Adjustment, Credit, and Award Process
MEF	Master Earnings File
NDNH	National Directory of New Hires
OASDI	Old-Age, Survivors and Disability Insurance
OCSE	Office of Child Support Enforcement
OI	Office of Investigations
OIG	Office of the Inspector General
OIO	Office of International Operations
OMB	Office of Management and Budget
OQP	Office of Quality Performance
PAR	Performance and Accountability Report
PIA	Primary Insurance Amount
PII	Personally Identifiable Information
Pub. L. No.	Public Law Number
ROAR	Recovery of Overpayments Accounting and Reporting
RPS	Representative Payee System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSR	Supplemental Security Record
SSNVS	Social Security Number Verification System
TY	Tax Year
WebCIRP	Web Comprehensive Integrity Review Process

The Office of the Inspector General (OIG) improves the Social Security Administration's (SSA) programs and operations and protects them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public. The Office of Audit conducts financial and performance audits of SSA's programs and operations and makes recommendations to ensure SSA achieves its program objectives effectively and efficiently. Financial audits assess the reliability of financial data reported by SSA in its annual financial statements and any number of managerial information reports. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. The Office of Audit also conducts short-term management and program evaluations and projects on issues of concern to SSA, the Congress, and the public. In Fiscal Year (FY) 2012, we issued 110 reports with about \$5.3 billion in monetary findings.

## Annual Work Plan

Our Annual Work Plan (Plan) outlines our perspective of the major management and performance challenges facing SSA and serves as a tool for communicating our priorities to SSA, Congress, the Office of Management and Budget (OMB), and other interested parties. While our list of management challenges has not changed significantly in several years, SSA's environment has changed. For example, rising workloads have added greater challenges to SSA's customer service. For FY 2012, we added a challenge on strengthening strategic and tactical planning.

We prioritize our work to focus our resources on those areas that are most vulnerable to fraud, waste, and abuse. To ensure we provide a coordinated effort, we work with our Offices of Investigations, Counsel to the Inspector General, External Relations, and Technology and Resource Management.

In preparing this Plan, we solicited and received a number of suggestions from the Agency, and we have incorporated as many of them as possible.

We recognize this Plan is dynamic, so we encourage continuous feedback and additional suggestions. This flexibility enables us to meet emerging and critical issues evolving throughout the upcoming year.

This Plan describes reviews we intend to begin in FY 2013 in the following issue areas.

- Reduce Improper Payments and Increase Overpayment Recoveries
- Improve Customer Service
- Strengthen the Integrity and Protection of the Social Security Number
- Reduce the Hearings Backlog and Prevent its Recurrence
- Improve the Timeliness and Quality of the Disability Process
- Invest in Information Technology Infrastructure to
- Support Current and Future Workloads
- Improve Transparency and Accountability
- Strengthen Strategic and Tactical Planning

For more information on this Plan, please contact the Office of Audit at (410) 965-9700.

## Reduce Improper Payments and Increase Overpayment Recoveries

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The Social Security Administration (SSA) is responsible for issuing over \$700 billion in benefit payments annually to about 60 million people. Given the amount involved, even the slightest error in the overall payment process can result in millions of dollars in over- or underpayments.

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

For example, according to SSA, in Fiscal Year (FY) 2010:

- The Old-Age, Survivors and Disability Insurance (OASDI) improper overpayment error was \$2.7 billion or 0.39 percent of program outlays, and the underpayment error was \$1.8 billion or 0.25 percent of program outlays.
- The SSI improper overpayments were \$3.3 billion or 6.7 percent of program outlays, and underpayment errors were \$1.2 million or 2.4 percent of program outlays.

For FYs 2011 through 2013, SSA's goal is to maintain OASDI payment accuracy at 99.8 percent for both over- and underpayments; whereas for SSI, the Agency's goal is to achieve a 98.8-percent underpayment accuracy rate and a 95-percent overpayment accuracy rate for FYs 2012 and 2013.

One of SSA's greatest payment accuracy challenges is SSI overpayments. According to SSA, the SSI overpayment accuracy rate in FY 2008 was 89.7 percent, the lowest rate since the program's early days. However, the Agency has made improvements; and in FY 2010, the SSI overpayment accuracy rate rose to 93.3 percent.

SSA is undertaking projects to (1) maximize its use of proven debt collection tools and techniques; (2) implement new tools for debt collection; and (3) develop recommended changes to laws, regulations, and policies to enhance its ability to collect debt.

In November 2009, the President issued Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*. In March 2010, the Office of Management and Budget (OMB) issued guidance for implementing the Executive Order. In July 2010, the *Improper Payments Elimination and Recovery Act of 2010* was enacted. OMB issued guidance on implementing this Act in April 2011. As a result, all agencies with high-priority programs—because they have significant improper payments—are required to intensify their efforts to eliminate payment errors. OMB designated SSA's programs as high-risk.

Continuing disability reviews (CDR) and redeterminations are cost-effective program integrity tools. By completing CDRs, SSA periodically verifies that individuals are still disabled and entitled to disability payments; whereas, through redeterminations, SSA verifies that SSI recipients still meet the non-medical factors of eligibility.

Available data indicate that SSA saves about \$9 for every \$1 spent on CDRs, including Medicare and Medicaid program effects. However, because of the lack of funding, the Agency reduced this workload over a several year period. From Calendar Years (CY) 2005 through 2010, we estimated SSA made between \$1.3 and \$2.6 billion in disability benefit payments that could have been avoided had full medical CDRs been conducted when they became due.

According to SSA, it processed 2.47 million SSI redeterminations in FY 2010 and 2.46 million redeterminations in FY 2011. Also, SSA reported that recent estimates indicated redeterminations provide a return-on-investment of about \$6 in program savings over 10 years for every \$1 spent, including savings accrued to Medicaid.

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

SSA uses a variety of methods to collect the debt related to overpayments. Collection techniques include internal methods, such as benefit withholding and billing and followup. In addition, SSA uses external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (Pub. L. No. 104-134) for OASDI debts and the *Foster Care Independence Act of 1999* (Pub. L. No. 106-169) for SSI debts. These debt collection tools include the Treasury Offset Program, credit bureau reporting, administrative wage garnishment, and Federal Salary Offset. In FY 2011, SSA recovered \$3.2 billion in OASDI and SSI overpayments at an administrative cost of \$0.08 for every dollar collected.

SSA has also worked to improve its ability to prevent over- and underpayments by implementing our audit recommendations. For example, in March 2012, we issued a report on *Spousal Beneficiaries Who Reported They Were Entitled to a Government Pension* that estimated (a) 255 beneficiaries were overpaid about \$6.6 million because SSA did not take follow-up actions after these individuals reported they would receive a pension, and (b) 670 additional beneficiaries were overpaid about \$6 million because the Government Pension Offset was not timely or accurately imposed. SSA agreed with the recommendations we made to improve this area.

Also, in August 2012, we issued a report on *Using Medicare Claim Data to Identify Deceased Beneficiaries* that estimated SSA overpaid 890 deceased beneficiaries about \$99 million. SSA also agreed with the recommendations we made to improve this area.

## **FY 2013 Planned Reviews**

- Access to Financial Institutions
- Accuracy of Benefits for Beneficiaries Coming Out of a Period of Suspense
- Accuracy of Claimant Representative Fees Paid on Title XVI Claims
- Adjustment of Monthly Benefits Under the Family Maximum Provisions of the Social Security Act
- Administrative Waivers Granted Under the \$1,000 Tolerance for Disability Insurance Beneficiaries
- Auxiliary Payments to Children After Divorce
- Beneficiaries with Disabilities Who are Not Using Medicare
- Beneficiaries with Undisclosed Marriages or Divorces
- Changing Spouse to Widow(er) Benefits When Government Pensions are Involved
- Child Support Payments and the Supplemental Security Income Program
- Concurrent Beneficiaries Improperly Receiving Social Security-Administered Payments in Excess of Federal Limits
- Cost-Benefit Analysis of Processing Low Dollar Overpayments
- Disabled Beneficiaries with Multiple Social Security Numbers that Are Not Cross-Referenced in the Social Security Administration's Systems
- Disabled Individuals with Mental Impairments Acting as a Representative Payee
- Discharging Overpayments Based on Bankruptcy Petitions
- Disclaimed Self-Employment Earnings
- Effectiveness of the Social Security Administration's Development of Unemployment Alerts and their Impact on Social Security Benefits
- Identifying Deceased Beneficiaries in U.S. Territories
- Improper Payments Resulting from Unresolved Delayed Claimants
- Improper Payments to Student Beneficiaries
- Master Beneficiary Records Lacking Multiple Entitlement Data
- Match of California Death Master File Against the Social Security Administration's Records
- Non-Responders to the Social Security Administration's Foreign Enforcement Questionnaires
- Old-Age, Survivors and Disability Insurance Benefits Affected by Federal Pensions
- Old-Age, Survivors and Disability Insurance Benefits That Should Have Been Subject to Supplemental Security Income Windfall Offset
- Overpayments Collected through Long-Term Repayment Plans
- Overpayments Pending a Collection Determination by the Social Security Administration
- Parole and Probation Violators and the Clark Case
- Payment Accuracy of Multiple Entitled Title II Beneficiaries
- Payments to Spouses Eligible for Higher Retirement Benefits
- Payments to Supplemental Security Income Recipients Residing at Nursing Home Addresses
- Processing Department of Homeland Security Alerts for Aliens Absent from the United States

Similar Fault Decision with Waived and Uncollected Title XVI Overpayments  
Social Security Funds Held in Dormant Bank Accounts that Have Been Escheated to States  
Special Disability Workload Payments to Beneficiaries with Earnings from Significant Work Activity  
Supplemental Security Income Recipients Receiving Improper Payments Due to Unstated Income  
Supplemental Security Income Recipients Who Have Life Insurance Policies with Unverified Cash Surrender Values  
Supplemental Security Income Recipients Who Have Not Cashed Their Social Security Checks Within 1 Year  
Supplemental Security Income Recipients with Multiple Non-Cross-Referred Social Security Numbers  
Supplemental Security Income Telephone Wage Reporting  
The Accuracy and Consistency of Information Contained in Both the Modernized Supplemental Security Income Claims Systems and Supplemental Security Record  
The Social Security Administration's Full Compliance with the Martinez Settlement Agreement  
The Social Security Administration's Overpayment Compromise Settlement Process  
The Social Security Administration's Reporting of Improper Payments in the Fiscal Year 2012 Performance and Accountability Report  
The Social Security Administration's Timeliness in Terminating Benefits of Beneficiaries Who Die Overseas  
Title II Beneficiaries Receiving Benefits Under the Lawful Presence Payment Provisions  
Title II Dropped Exceptions from the Manual Adjustment, Credit, and Award Data Entry System  
Title II Overpayments in Protest Status over 1 Year  
Untimely Processing of SSI Wage Information  
Using Cross-Program Recovery of Benefit Overpayments  
Work Continuing Disability Reviews for Disabled Title II Beneficiaries with Earnings  
Young Adult Recipients Who Change Residences and/or Living Arrangements

## Access to Financial Institutions

Access to Financial Institutions is an electronic process that assists SSA in verifying bank account balances to determine whether an individual is eligible for SSI. Access to Financial Institutions also enables SSA to detect undisclosed accounts by searching for accounts at five banks based on the individual's geographic location. Our review will determine whether SSA's Access to Financial Institutions program is useful in identifying undisclosed bank accounts and verifying bank account balances.

## Accuracy of Benefits for Beneficiaries Coming Out of a Period of Suspense

During an audit where we examined SSA's development of earnings alerts for SSI recipients, we identified a population of approximately 57,000 SSI records with undeveloped earnings alert. Of the 57,000 records, approximately 40,000 were in a non-pay status or had been terminated. Of these, SSA received new claims from 11,879 individuals. Per SSA's policy, development of records in a non-pay status is not required unless benefits are reinstated. Our review will determine the effectiveness of SSA's determinations of past and continuing eligibility for SSI recipients whose payments are reinstated after a period of suspense.

## Accuracy of Claimant Representative Fees Paid on Title XVI Claims

In matters before SSA, a claimant may appoint a qualified representative to act on their behalf. SSA must authorize all fees charged to the claimant or an individual for these services. If SSA favorably decides a claim that results in past-due benefits and the claimant's representative is eligible for direct fee payments, SSA withholds from the claimant's past-due benefits the amount required by law for possible fee payment. After authorizing the fee, SSA remits payment directly to the representative. In a November 2010 report, *Claimant Representative Fees Paid Through the Social Security Administration's One-Time Payment System*, we found SSA did not always pay the correct amount of representative fees in claims that involved concurrent benefits. For Title XVI claims in which the claimant elected third-party representation (attorney), we will determine whether SSA (1) paid the correct representative fee and (2) withheld the representative fee from the claimant's past-due benefits.

## Adjustment of Monthly Benefits Under the Family Maximum Provisions of the Social Security Act

The Family Maximum provisions of the *Social Security Act* limit the amount of monthly benefits paid based on an insured individual's earnings. If the total benefits exceed a maximum amount, those benefits are reduced. According to SSA, one of the leading causes of computational payment errors involves the improper application of the family maximum provisions. Our review will determine whether SSA correctly adjusts monthly auxiliary or survivor benefits in accordance with the family maximum provisions.

## Administrative Waivers Granted Under the \$1,000 Tolerance for Disability Insurance Beneficiaries

In some instances, beneficiaries receive payments for which they are not entitled. These erroneous payments are overpayments. When SSA detects overpayments, it attempts to obtain repayment from the individuals liable for the debt. A beneficiary may seek relief from repaying the amount owed by requesting a waiver of recovery. Generally, SSA will grant a waiver if the beneficiary is without fault and the recovery would “defeat the purpose of the program” or is “against equity and good conscience.” When a person requests a waiver and the total amount of liability is \$1,000 or less, SSA will waive the overpayment because it would impede efficient administration of the Act unless there is some indication the person may be at fault. We will determine whether SSA adhered to policy when granting waivers under the \$1,000 administrative tolerance for Disability Insurance (DI) beneficiaries.

## Auxiliary Payments to Children After Divorce

According to SSA policy, if the marriage between a numberholder and a parent ends in a divorce in or after July 1996, the benefits of the numberholder’s stepchild will terminate. The stepchild’s entitlement ends with the month in which the divorce becomes final. If the marriage between the numberholder and the parent is annulled in or after September 1996, benefits will terminate as of the month of the annulment. If the divorce/annulment occurred before July/September 1996, the stepchild’s benefits will not be terminated. This review will determine whether SSA terminated auxiliary benefits to stepchildren when the marriage between the numberholder and the parent ended.

## Beneficiaries with Disabilities Who are Not Using Medicare

SSA has conducted two Medicare Non-Usage Projects in which it matched data with the Centers for Medicare and Medicaid Services (CMS) to determine whether Title II beneficiaries over age 90 had used Medicare Part B in the previous 3 years. When CMS reported no Medicare Part B activity, SSA presumed there was a high probability the beneficiaries were deceased and attempted to contact the beneficiaries. SSA recovered millions of dollars from these projects but determined they were too resource-intensive to continue. We will determine whether SSA could use Medicare information to identify beneficiaries who are receiving disability benefits but may be deceased.

## Beneficiaries with Undisclosed Marriages or Divorces

In some instances, marriage or divorce can affect a Social Security beneficiary’s eligibility. We will determine whether information in SSA’s records or obtained through public record searches indicated beneficiaries were married or divorced after they became entitled to benefits but did not report this change to SSA.

## Changing Spouse to Widow(er) Benefits When Government Pensions are Involved

Spouses of individuals insured under the OASDI program can be eligible for auxiliary benefits, which are based on a percentage of the insured individual's primary insurance amount (PIA). OASDI auxiliary benefits can be subject to the Government Pension Offset (GPO), which reduces monthly benefits for spouses, divorced spouses, and surviving spouses who receive a pension based on their own work for a Federal, State, or local government that was not subject to Social Security taxes under the *Federal Insurance Contributions Act*. The GPO amount is two-thirds the amount of the pension. If two-thirds of the GPO is equal to or more than the OASDI benefit, the auxiliary payments can be reduced to zero.

In September 2009, we issued a report on *Spouses' to Widow(er)s' Benefits When Government Pensions are Involved* (A-13-08-28103). That review found that SSA did not always verify government pension information, as required by the Agency's policies and procedures. Our current review will assess SSA's progress in completing government pension verifications and payment recalculations when auxiliary beneficiaries receiving payments as spouses had their benefit status changed to widow(er)s.

## Child Support Payments and the Supplemental Security Income Program

SSI is intended to be a program of last resort. Therefore, it is important to assess the other benefits for which an individual is eligible based on his/her own activities or indirect qualification through family circumstances. A recipient is not eligible for SSI if he/she does not apply for all other benefits for which he/she may be eligible. Children who receive SSI are not required to file for child support benefits. We will determine whether SSA should pursue a legislative change so the Agency can obtain and match State child support data with the SSI rolls (since child support payments are unearned income for SSI purposes).

## Concurrent Beneficiaries Improperly Receiving Social Security-Administered Payments in Excess of Federal Limits

In 2011, we conducted an audit of *Supplemental Security Income Recipients Receiving Social Security Administered Payments in Excess of Federal Limits*. That audit identified over 29,000 concurrently entitled beneficiaries who received combined SSA payments that exceeded Federal limits. Our review will identify additional beneficiaries improperly receiving excess payments.

## Cost-Benefit Analysis of Processing Low Dollar Overpayments

In FYs 2005 through 2009, SSA processed over 1 million SSI overpayments of \$45 or less, totaling over \$21 million. Our review will analyze the cost-effectiveness of processing small overpayments.

## Disabled Beneficiaries with Multiple Social Security Numbers that Are Not Cross-Referenced in the Social Security Administration's Systems

We searched SSA's data for records of beneficiaries with matching first and last names, dates and places of birth, and parents' names. From these matches, we excluded records already cross-referenced in SSA's systems. We identified 22,848 pairs, which may represent individuals with 2 SSNs that are not cross-referenced. This audit will further investigate these records and determine the number of beneficiaries who have multiple Social Security numbers (SSN) that are not cross-referenced in SSA's systems.

## Disabled Individuals with Mental Impairments Acting as a Representative Payee

While conducting an audit of *Disabled Individuals with Mental Impairments in Need of a Representative Payee*, we identified approximately 6.5 million beneficiaries who had mental impairments. The audit determined 64 (23 percent) of the 275 mentally impaired individuals in our sample may have been incapable of managing their own funds. Our review will identify individuals who are receiving benefits because of a mental impairment and serving as a representative payee for individuals receiving their own OASDI benefits or SSI payments.

## Discharging Overpayments Based on Bankruptcy Petitions

To obtain relief from repayment of debts, an individual may petition the bankruptcy court to discharge the debts or schedule a repayment plan. According to SSA policy, it automatically waives bankruptcy cases with overpayment amounts below specific levels. SSA also has a right to contact the court and defend its collection of the overpayment regardless of the bankruptcy. We will evaluate the effectiveness of SSA's procedures for determining whether SSA should discharge overpayments when beneficiaries file bankruptcy petitions.

## Disclaimed Self-Employment Earnings

The Dallas Region has encountered a high number of situations where SSI recipients filed self-employment tax returns to obtain the earned income tax credit then contacted SSA to disclaim the earnings to ensure continued eligibility for SSI payments. Further, our investigations in New York State identified cases where individuals acknowledged they reported false self-employment earnings on their tax return to achieve the covered quarters necessary to become eligible for OASDI benefits. We will identify instances where numberholders disclaimed self-employment earnings and determine the potential impact to Federal programs.

## Effectiveness of the Social Security Administration's Development of Unemployment Alerts and their Impact on Social Security Benefits

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 authorized the Office of Child Support Enforcement (OCSE) to design and operate the National Directory of New Hires (NDNH). The NDNH is a national repository of wage and employment data and Unemployment Insurance information reported by Federal and State agencies. SSA accesses the NDNH to establish or verify eligibility and/or payment

amounts under the SSI program. We will determine whether SSA is properly processing the unemployment alerts and appropriately adjusting benefit amounts.

## Identifying Deceased Beneficiaries in U.S. Territories

During our August 2012 audit, *Using Medicare Claim Data to Identify Deceased Beneficiaries*, we found that about 10 percent of the beneficiaries in our sample had an address in Puerto Rico and had not used Medicare in the previous 3 years. We believe it would be beneficial to review this population of aged beneficiaries, including those who reside in other U.S. territories. Our review will identify deceased beneficiaries in U.S. territories who continue receiving Social Security benefits because SSA did not receive notification of their deaths.

## Improper Payments Resulting from Unresolved Delayed Claimants

SSA requires that individuals filing for auxiliary or survivor benefits submit evidence to establish their entitlement to benefits. The Agency places in a delayed payment status individuals who have filed a claim but who have not provided all the required evidence of eligibility, and whose entitlement would affect other beneficiaries. SSA considers delayed claimants as entitled when computing benefit payments for the currently entitled beneficiaries on the same record. This action protects delayed claimants from loss of benefits and prevents overpayments to currently entitled beneficiaries if SSA subsequently determines the delayed claimants are entitled. If, however, SSA denies the delayed claimant, the benefit payments to the entitled beneficiaries need to be increased.

In September 2009, we issued a review of *Improper Payments Resulting from Unresolved Delayed Claimants*. This review will determine whether SSA has taken (1) corrective actions to address the recommendations in our 2009 report and (2) appropriate action to resolve delayed auxiliary or survivor claimants and pay underpayments due all affected beneficiaries.

## Improper Payments to Student Beneficiaries

Title II of the *Social Security Act* provides benefits to children upon the worker's retirement, death, or disability. Generally, child beneficiaries may receive benefits until they marry or reach age 18. Amendments to the Act provide for extended benefits beyond age 18 to enable child beneficiaries who are full-time students at an elementary or secondary school to complete their education. This review will evaluate the effectiveness of SSA's controls and procedures over payments to student beneficiaries.

## Master Beneficiary Records Lacking Multiple Entitlement Data

In certain situations, a beneficiary can be concurrently entitled to as many as three types of benefits under the OASDI program—primary beneficiary, widow, and spouse. In multiple entitlement situations, SSA pays the full benefit on the primary entitlement record and reduces the benefit due on the other record(s). To initiate the offset, SSA must record the multiple entitlements on the affected Master Beneficiary Records. We will determine whether SSA is overpaying individuals receiving OASDI benefits under multiple records (separate SSNs), but the multiple entitlements are not properly posted on the Master Beneficiary Records involved.

## Match of California Death Master File Against the Social Security Administration's Records

Our Office of Investigations (OI) found some California death data did not appear in SSA's Death Master File (DMF). We obtained a database containing California death information for most of the 1980s. This review will determine whether active benefit claims exist on the records of individuals the California DMF reported as deceased between 1980 and 1989.

## Non-Responders to the Social Security Administration's Foreign Enforcement Questionnaires

As of December 2010, there were approximately 548,000 OASDI beneficiaries residing in foreign countries and receiving about \$321 million in monthly benefit payments (about \$3.85 billion, annually). As of April 2011, representative payees were serving about 35,000 beneficiaries who were residing in foreign countries. SSA uses its Foreign Enforcement Program to verify the existence and identity of OASDI beneficiaries living outside the United States. A significant component of the Foreign Enforcement Program is the Foreign Enforcement Questionnaire. SSA uses Foreign Enforcement Questionnaires to contact beneficiaries and representative payees annually or biennially. We will determine whether SSA complied with its policies and procedures when individuals did not respond to the Foreign Enforcement Questionnaire.

## Old-Age, Survivors and Disability Insurance Benefits Affected by Federal Pensions

The Windfall Elimination Provision eliminates windfall Social Security benefits for retired or disabled workers and their families receiving pensions from employment not covered by Social Security. Under this provision, SSA uses a modified benefit formula to determine a wage earner's monthly Social Security benefit. The GPO provision reduces monthly Social Security benefits for spouses, divorced spouses, and surviving spouses who also receive a government pension based on their own non-covered earnings. Our review will identify those OASDI beneficiaries whose payments may be affected by Federal pensions.

## Old-Age, Survivors and Disability Insurance Benefits That Should Have Been Subject to Supplemental Security Income Windfall Offset

When beneficiaries are entitled to both OASDI and SSI for the same months, any retroactive OASDI benefits that may be payable must be reduced by any SSI payments that should not have been paid because of the OASDI entitlement. If the SSI entitlement is not properly identified, all retroactive OASDI benefits may incorrectly be released to a beneficiary. We will determine whether SSA is properly reducing OASDI benefits that are subject to SSI offset.

## Overpayments Collected Through Long-Term Repayment Plans

A beneficiary is overpaid when he/she receives more benefits in a period than he/she was entitled to receive. If SSA does not grant the beneficiary a waiver for the overpayment, he/she is expected to repay the overpayment through a lump sum or monthly installments. If the payback period for an overpayment is long, the likelihood that SSA will recover all the overpayment may be negatively affected. We estimate there are approximately 120,000 recipients with overpayments of \$10,000 or more. Our review will determine the probability of overpayment recovery when SSA enters into installment agreements with lengthy payback periods.

## Overpayments Pending a Collection Determination by the Social Security Administration

SSA's overpayment collection process depends on the debtor's entitlement status. When the debtor is on the benefit rolls, SSA tries to recover the overpayment by offsetting future benefits; however, the debtor may request an alternative repayment agreement. When the debtor is no longer on the benefit rolls, SSA attempts to collect the debt through letters and billing as well as with assistance from debt collectors. Our review will determine why SSA has not taken collection actions on outstanding overpayments.

## Parole and Probation Violators and the Clark Case

As of March 9, 2011, SSA was no longer suspending or denying benefits based solely on a probation or parole violation warrant. Before this date, parole and probation violators were only excluded from referral when they resided in New York, Vermont, or Connecticut. On April 13, 2012, the Federal District Court issued the final order in *Clark vs. Astrue*. On June 8, 2012, SSA submitted a plan to the Court for implementing the Court Order, including timeframes for implementation. We will assess SSA's implementation of the Clark court case.

## Payment Accuracy of Multiple Entitled Title II Beneficiaries

In certain situations, a beneficiary can be concurrently entitled to as many as three types of benefits under the OASDI program—primary beneficiary, widow, and spouse. Overpayments occur when SSA does not properly offset the benefits. We will determine whether SSA pays the correct benefit to individuals who have multiple entitlements.

## Payments to Spouses Eligible for Higher Retirement Benefits

Individuals receiving spousal benefits may be eligible for higher retirement benefits on their own earnings records. Each year, SSA performs the Widow(er)'s Insurance Benefits/Retirement Insurance Benefits (WIB/RIB) operation to identify and notify surviving spouses who are eligible for higher retirement benefits at full retirement age (FRA) and age 70. The WIB/RIB operation provides surviving spouses with up to three notices during their lifetime: at FRA, at age 70, and approximately 1 year after age 70. Our December 2008 report, *Payments to Spouses Eligible for Higher Retirement Benefits*, identified spouses who would have been eligible for additional benefits had they been paid on their own earnings records after attaining age 70 or between FRA and age 70. We will determine whether SSA has taken corrective actions in response to our prior report and assess SSA's controls for beneficiaries receiving spousal benefits who are eligible to receive higher retirement benefits on their own earnings records.

## Payments to Supplemental Security Income Recipients Residing at Nursing Home Addresses

Residence in a nursing home can affect an SSI recipient's eligibility and/or payment amount. When SSI recipients are permanent residents of nursing homes for a full calendar month and Medicaid pays over 50 percent of the costs for that care, the SSI payment is limited to \$30 per month. We will determine whether SSI recipients living in nursing homes improperly receive higher SSI payments.

## Processing Department of Homeland Security Alerts for Aliens Absent from the United States

Permanent resident aliens who plan to leave the United States and preserve their right to reenter the United States after an absence of 1 year or up to 2 years apply to the Department of Homeland Security (DHS) for a reentry permit before leaving. Many permanent resident aliens also apply for reentry permits when they plan to be outside the United States for less than 1 year. Aliens removed from the United States are not eligible for benefits. DHS transmits the names of aliens removed from the United States to SSA where they are matched to SSA's records. Our review will determine whether SSA is properly processing DHS alerts and adjusting benefits.

## Similar Fault Decision with Waived and Uncollected Title XVI Overpayments

Under administrative finality, SSA staff generally determines that an improper payment made within the last 2 years is a collectable overpayment. To collect an overpayment made more than 2 years past the point of discovery, SSA staff generally must determine that similar fault or fraud caused the improper payment. Similar fault is established when a change event (change in income, resources, living arrangements, etc.) is material and will create a new or additional overpayment; a discrepancy exists between the new and reported data; the SSI recipient knowingly completed an incorrect or incomplete report, concealed events or changes, or neglected to report change events or changes that he/she knew or should have known would affect payments; the change event can and will be verified; the change is clearly attributable to the SSI recipient; and the case does not involve fraud. Our

review will determine the appropriateness of waivers granted for overpayments determined to be collectable after a finding of similar fault.

## Social Security Funds Held in Dormant Bank Accounts that Have Been Escheated to States

As of October 2012, SSA had used direct deposit to make 94.5 percent of Social Security and 82.3 percent of SSI payments. On March 1, 2013, Treasury will stop issuing paper checks and require that all beneficiaries receive their payments through electronic payment, with limited exceptions, which will increase the volume of direct deposit payments. One risk in using direct deposit is that SSA could continue depositing payments into the bank accounts of deceased beneficiaries. Our February 2004 audit of *Social Security Funds Held in Dormant Bank Accounts* found that SSA had deposited over \$1 million into the accounts of 15 beneficiaries OI had determined were deceased. Our review will determine the effectiveness of SSA's collection of improper payments held in dormant bank accounts and escheated to State accounts of unclaimed property.

## Special Disability Workload Payments to Beneficiaries with Earnings from Significant Work Activity

Section 1611(e)(2) of the *Social Security Act* requires that SSI recipients who are eligible for Title II benefits file for those benefits. SSA categorizes SSI recipients who appear to be insured for, but are not receiving, DI benefits as Special Disability Workload. Many Special Disability Workload cases involve substantial gainful activity, which the Agency defines as work that involves significant physical or mental activities performed for pay or profit. This review will determine whether beneficiaries included in SSA's Special Disability Workload received DI benefits when they had substantial gainful activity.

## Supplemental Security Income Recipients Receiving Improper Payments Due to Unstated Income

SSA defines unstated income as income not reported or otherwise known to SSA but determined to exist because an individual's (or couple's) living expenses exceed income from known sources. The amount of unstated income to be charged is the difference between stated (or known) monthly income and monthly living expenses. This review will identify SSI recipients who may be receiving improper benefit payments due to unstated income.

## Supplemental Security Income Recipients Who Have Life Insurance Policies with Unverified Cash Surrender Values

SSA considers life insurance with a cash surrender value (CSV) as a countable resource unless the policy's total face value is under \$1,500 or the beneficiary set aside up to \$1,500 of the CSV for burial. SSA's systems do not alert staff to review the CSV of life insurance policies that may increase over the life of the insurance policy. Our review will determine the effectiveness of SSA's oversight of cases with policies that have a CSV exceeding the SSI resource limit.

## Supplemental Security Income Recipients Who Have Not Cashed Their Social Security Checks Within 1 Year

SSI checks can be cashed up to 12 months from their issue date. After 12 months, the checks are no longer negotiable. If Treasury records show a check not cashed within 12 months, it returns the funds to SSA in the form of a limited payability credit on the 15<sup>th</sup> month. SSA policy requires that the field office contact the recipient or representative payee to determine why he/she did not cash the check and determine whether there are any unreported changes that may affect the recipient's eligibility. Our review will determine whether SSA is taking appropriate actions when SSI recipients do not cash their Social Security checks within 1 year.

## Supplemental Security Income Recipients with Multiple Non-Cross-Referred Social Security Numbers

We will identify and review instances where SSA appeared to issue an SSI recipient multiple, non-cross-referred SSNs.

## Supplemental Security Income Telephone Wage Reporting

To ensure that SSI payment amounts are accurate, SSI recipients, deemors, and representatives are required to provide wage statements to SSA. Field offices accept monthly wage statements via mail, fax, or hand-delivery. To streamline and simplify the wage reporting process, SSA created the SSI Automated Telephone Wage Reporting system. SSA reports that its wage reporting system has a 92-percent accuracy rate. Our review will determine the SSI Automated Telephone Wage Reporting system's effectiveness in receiving and processing accurate wage reports, reducing improper payments, and recruiting and promoting new participation.

## The Accuracy and Consistency of Information Contained in Both the Modernized Supplemental Security Income Claims Systems and Supplemental Security Record

We have identified cases where SSA staff did not clear pending MSSICS cases that contained data, such as wage information that could affect a payment change and lead to an overpayment. Unless information in MSSICS that may affect a payment change is used, cleared, and forwarded to the Supplemental Security Record, SSA will continue issuing the unadjusted benefit payment. We will determine whether similar information contained in MSSICS and on the Supplemental Security Record is consistent and accurate.

## The Social Security Administration's Full Compliance with the Martinez Settlement Agreement

The Martinez class action lawsuit challenged SSA's policy of basing payment suspensions solely on the existence of an outstanding felony arrest warrant rather than developing information to ensure the individual was "fleeing." The parties reached a settlement in September 2009 in which SSA changed its policy to suspend OASDI benefits and deny SSI payments only if the outstanding felony warrant for the individual was for one of three National Crime Information Center Uniform Offense Classification Codes: Escape; Flight to avoid prosecution, confinement, etc.; and Flight-Escape. SSA is fulfilling the terms of

the settlement agreement in four phases. Our review will assess SSA's full compliance with the Martinez (Fugitive) settlement agreement.

## The Social Security Administration's Overpayment Compromise Settlement Process

The *Debt Collection Act of 1982* permits Federal agencies to arrange compromise settlements of overpayment claims. When an overpayment is not fully recovered, it may be more advantageous to negotiate the best possible compromise settlement with the debtor. SSA typically does not offer a debtor the option to compromise. We estimate SSA negotiated a compromise settlement for less than 2 percent of overpayments. However, when a settlement was negotiated, SSA successfully collected 72 percent of DI and 60 percent of SSI overpayments. Our review will evaluate SSA's controls over the overpayment compromise settlement process and determine whether SSA is using compromise settlements to the fullest extent possible.

## The Social Security Administration's Reporting of Improper Payments in the FY 2012 Performance and Accountability Report

On July 22, 2010, the President signed into law the *Improper Payments Elimination and Recovery Act* (IPERA), which amended the *Improper Payments Information Act of 2002* (IPIA). OMB issued guidance on IPERA on April 14, 2011. According to the OMB guidance, each FY, agencies' Inspectors General (IG) should determine whether the agency is complying with IPIA, as amended by IPERA. We will determine whether the figures presented in the FY 2012 Performance and Accountability Report are reasonable and whether SSA complied with all requirements of IPIA as amended by IPERA.

## The Social Security Administration's Timeliness in Terminating Benefits of Beneficiaries Who Die Overseas

The death of a beneficiary residing abroad who has an auxiliary beneficiary on their record generates an alert to the Office of International Operations (OIO). However, benefit payments continue. If there is another beneficiary on the record, payments to the deceased beneficiary are not automatically terminated when SSA receives a death report. Rather, the termination must be processed through SSA's Manual Adjustment, Credit, and Award Process (MADCAP). We will determine whether SSA promptly processes death alerts for beneficiaries living abroad.

## Title II Beneficiaries Receiving Benefits Under the Lawful Presence Payment Provisions

The *Personal Responsibility and Work Opportunity Reconciliation Act of 1996* requires that Title II beneficiaries be U.S. citizens, U.S. nationals, or aliens lawfully present in the United States to be eligible for benefits. SSA must suspend payments to beneficiaries for any month they are not lawfully present in the United States for the entire month. Our review will determine the effectiveness of SSA's controls over benefit payments to beneficiaries who must be lawfully present in the United States.

## Title II Dropped Exceptions from the Manual Adjustment, Credit, and Award Data Entry System

SSA payment centers effectuate awards and post-entitlement cases using MADCAP. Staff uses Manual Adjustment, Credit, and Award Data Entry (MACADE) to enter actions into MADCAP without preparing an input form. Once payment center staff enters the case into MACADE, MADCAP processes the case. If a technician makes an error inputting the case into MACADE, MADCAP will not fully process the case. If an exception occurs, the case routes back to the technician who initiated the action in MACADE. If the case is not completed after a certain number of days, MACADE will remove the case from the system. We will determine whether staff properly cleared MADCAP dropped exceptions and assess the costs associated with those not properly cleared.

## Title II Overpayments in Protest Status over 1 Year

When an individual requests a waiver or reconsideration of an overpayment, he/she continues receiving benefits until a decision is made. If SSA denies the request for waiver or reconsideration, it resumes recovery efforts. SSA's Recovery of Overpayments Accounting and Reporting (ROAR) system generates diaries for individuals in current pay status who have overpayments in protest status. While reviewing ROAR records for an audit of double check negotiations, we identified 7,660 overpayments over 1 year old with outstanding balances. Further, 266 (3.5 percent), totaling \$290,000, were in a protest status over 1 year. This review will determine the total population of Title II overpayments in protest status longer than 1 year, why they are in protest status, and whether SSA's actions to collect them are sufficient.

## Untimely Processing of Supplemental Security Income Wage Information

Work activity can affect continued eligibility for SSI payments. Income earned by other members of the household can also affect benefits. Recipients or their representative payees are responsible for reporting changes in work activity and earnings within a specific period. In addition, SSA has a duty to timely update its records to account for these wages and adjust benefits accordingly. Collecting and compiling wage information and updating the Supplemental Security Record is labor-intensive and must be accomplished in a relatively short time period each month for the system to compute and issue the correct payment amount. Our review will determine whether SSA is effectively identifying, receiving, and timely inputting unverified wages for SSI recipients.

## Using Cross-Program Recovery of Benefit Overpayments

Cross-program recovery is the process of collecting overpayments by withholding the payable benefits individuals are to receive from another SSA-administered benefit program. The *Social Security Protection Act of 2004*, enacted in March 2004, reaffirmed the Agency's authority to collect SSI overpayments under section 1147 of the *Social Security Act* and expanded its authority by allowing SSA to use cross-program recovery to withhold up to 100 percent of any underpayments due. SSA can also withhold up to 10 percent of monthly payments to offset overpayments. Our June 2007 review of *Cross-Program Recovery of Benefit Overpayments* found the Agency could have collected about \$3.6 million over a 21-month period from SSI payments to recover OASDI overpayments. Our current review will assess SSA's progress concerning cross-program recovery of benefit overpayments as authorized by the *Social Security Protection Act of 2004*.

## Work Continuing Disability Reviews for Disabled Title II Beneficiaries with Earnings

In April 2009, we issued a *Follow-up on Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File*. We estimated there was about \$3.1 billion in overpayments because of disabled beneficiaries' work activity. We estimated SSA did not detect 42 percent (about \$1.3 billion) of the overpayments. We recommended that SSA develop and implement a plan to allocate more resources to timely perform work-related CDRs—and assess overpayments resulting from work activity—for cases identified by the Agency's earnings enforcement process. Our current audit will determine whether SSA evaluated earnings reported to the Master Earnings File (MEF) for disabled individuals receiving Title II benefits and completed work CDRs more efficiently based on improvements it made to the work-CDR process.

## Young Adult Recipients Who Change Residences and/or Living Arrangements

Under the SSI program, a change in a recipient's living arrangements, marital status, or parent status may affect his/her SSI eligibility or monthly payment amount. We believe young adults (age 18 to 29) have a higher tendency than other age groups to change residences, change living arrangements, marry or divorce, or become parents. As such, the accuracy of SSA's eligibility information for this age group is critical in paying the correct benefits. We will determine the accuracy of SSA's non-disability eligibility data for 18 to 29-year-old SSI recipients.

## Improve Customer Service

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For over 75 years, the public has depended on SSA's programs as an economic safety net. Whether it is after the loss of a loved one, at the onset of a disability, or during the transition from work to retirement, SSA touches the lives of virtually every person in America as well as Americans living abroad. Each day, almost 182,000 people visit SSA field offices and more than 445,000 call the Agency for a variety of services, such as filing a claim, asking questions, and updating information. The Commissioner of Social Security has acknowledged that the Agency has struggled to maintain the level of service people deserve because of budget constraints and the economic downturn.

Because of the economic downturn, high unemployment rates, and baby boomers reaching their most disability-prone years, SSA is being inundated with retirement and disability claims. The Agency reported in its FY 2013 Annual Performance Plan that it anticipates receiving over 3.1 million disability claims in FY 2013. SSA also estimates retirement and survivor claims will be over 30 percent higher in FY 2013 than in FY 2007.

At the same time, the nation is becoming more diverse. Today, minorities comprise approximately 30 percent of the population, and the Census Bureau estimates that minorities will make up over half the population by 2050. As SSA enhances its service delivery strategies, it must also consider the increasing multilingual, multicultural population it serves.

Many factors challenge the Agency, including budget constraints, shifting demographics, growing workloads, changing customer expectations, and an aging workforce. SSA is also finding that increasing numbers of individuals expect the Agency to provide services in new ways made possible by technology, especially as the use of mobile devices and social media increase.

Despite these challenges, the public deserves competent, efficient, and responsive service. In April 2011, the President issued Executive Order 13571, *Streamlining Service Delivery and Improving Customer Service*, which requires that Federal agencies develop ". . . a Customer Service Plan to address how the agency will provide services in a manner that seeks to streamline service delivery and improve the experience of its customers." In FY 2012, SSA published its Customer Service Plan, which outlines its strategy to improve service delivery quality, speed, and efficiency. The Customer Service Plan highlights the Agency's signature initiative—video hearings—which uses technology to minimize costs and expand customer access. Along with video technology, the Agency plans to improve its telephone and walk-in services, increase such online services as additional Spanish applications, enhance security for Internet access to personalized information, and increase customer feedback.

Providing oversight to ensure representative payees properly manage the Social Security benefits of vulnerable beneficiaries is a critical customer service performed by SSA. Some beneficiaries are not able to manage or direct the management of their finances because of their age or mental and/or physical impairment. For such individuals, SSA appoints a representative payee who receives and manages the beneficiary's payments. As of December 2011, SSA reported there were approximately 5.9 million representative payees who managed about \$72 billion in annual benefit payments for approximately 8.4 million

beneficiaries. Most representative payees are required to submit an annual accounting report for the use of beneficiary funds. Additionally, SSA is required to conduct periodic site reviews of certain types of representative payees. If SSA suspects a representative payee is misusing benefits, it may refer the case to OIG. In FY 2012, a woman who had been convicted in the starvation death of a man 30 years earlier was arrested for holding mentally disabled adults captive while spending their Social Security checks. The *Social Security Protection Act of 2004* generally bars people who have been imprisoned for longer than 1 year from becoming a representative payee. When people apply to become payees, they answer a question as to whether they have been convicted of an offense and imprisoned for longer than 1 year. In a prior OIG report, the Agency recognized that self-reporting of such information “is not always reliable.” This story illustrates the importance and challenges of selecting and overseeing payees.

In addition, SSA is challenged with unauthorized direct deposit changes. SSA uses direct deposit to make 91 percent of OASDI and 76 percent of SSI payments. In October 2011, we began tracking allegations that indicated individuals other than the beneficiaries or their representative had redirected benefit payments away from the beneficiaries’ bank accounts. As of June 2012, we had received over 13,000 reports concerning direct deposit changes to an SSA beneficiary’s record. In a FY 2012 audit, we interviewed 28 beneficiaries who reported they had not received 42 direct deposit payments, totaling \$45,376.

Service delivery is a daunting logistical and technical challenge. The Agency recognizes its success is dependent on its workforce. The Agency expects to lose over 2,000 employees in FY 2013 in addition to the 7,000 it lost in FYs 2011 and 2012—a total of 9,000 Social Security and State disability determination services (DDS) employees in just 3 years. Although the Agency’s work has increased, SSA anticipates having about the same number of employees it had in 2007. The Government Accountability Office placed strategic human capital management on its list of high-risk Federal programs and operations. SSA recognizes its employees are key to its customer service. Most of the Agency’s 68,880 employees deliver direct service to the public or directly support the services provided by front-line workers. SSA projects 44.9 percent of its employees, including 60.3 percent of supervisors, will be eligible to retire by FY 2020. SSA expects this will result in a loss of expertise that will affect SSA’s ability to deliver quality service to the public. The Agency recognizes that it must use recruitment and retention efforts that will attract a multi-generational, multi-cultural workforce with the competencies needed to achieve its mission. It is critical that the Agency find new and innovative ways to transfer institutional knowledge as its experienced employees retire.

## **FY 2013 Planned Reviews**

Accounting for Large Underpayments Released to Organizational and/or Volume Representative Payees

Actions Concerning Volume Representative Payees' Misuse of Benefits

Actions Taken on Employee Complaints of Mismanagement at the Office of Disability Adjudication and Review

Benefit Payments Managed by Representative Payees of Children in Foster Care in the State of California

Benefit Wait Times—from Claim Approval to Benefit Payment

Group and Boarding Homes Serving as Representative Payees

Large Volume Individual Representative Payees for the Social Security Administration

Maintenance of Current Addresses for Supplemental Security Income Recipients

Oversight of Claimant Representatives at the Initial and Reconsideration Levels

Pending Representative Payee Applications

Reducing Field Office Workloads with iAppeals

Representative Payees and Beneficiaries Residing in Different States

Social Security Administration Budget Issues and Their Impact on Customer Service at its Field Offices

Social Security Administration Employees' Productivity While Working Overtime

The Social Security Administration's Plans to Implement User Fees for Additional Information Requests

The Social Security Administration's Pre-Release Procedures for Institutionalized Individuals

The Social Security Administration's Training Process for Organizational Representative Payees

Timeliness of the Social Security Administration's Remittance Processing

## Accounting for Large Underpayments Released to Organizational and/or Volume Representative Payees

As of February 2012, organizational representative payees were managing benefits for 657,670 OASDI beneficiaries. It is critical that payees comply with SSA's policies and procedures in managing beneficiaries' funds. Prior audits of organizational payees have shown that they tended to have sloppy accounting practices and questionable charges to beneficiaries. Our October 2011 audit, *Accuracy of Title II Survivors Benefit Transactions Greater than \$30,000 Processed Through the Manual Adjustment, Credit and Award Process System*, identified 1,068 beneficiaries who received more than \$30,000 in retroactive benefits paid through SSA's MADCAP system in FY 2009. We determined that organizational representative payees managed 109 (10 percent) of the 1,068 beneficiaries' payments. Our current review will determine whether organizational and/or volume representative payees maintain effective control over the receipt and disbursement of large (\$10,000 or more) retroactive SSA payments.

## Actions Concerning Volume Representative Payees' Misuse of Benefits

Generally, misuse by a representative payee is when the payee receives payment and converts such payment, or any part thereof, to a use other than for the beneficiary. With enactment of the *Social Security Protection Act of 2004*, SSA is required to certify an amount equal to misused benefits for repayment to the beneficiary or alternate representative payee in all cases when the payee was not an individual, or the payee was an individual representative payee serving 15 or more beneficiaries. We will determine whether SSA repays benefits and obtains restitution when organizational representative payees serving 50 or more beneficiaries, or individual payees serving 15 or more beneficiaries, misuse Social Security payments.

## Actions Taken on Employee Complaints of Mismanagement at the Office of Disability Adjudication and Review

In our March 2002 audit of *Office of Hearings and Appeals' Procedures for Addressing Allegations of Mismanagement* (Limited Distribution), we reported a number of issues related to ODAR's processing of OIG allegations of mismanagement. We are completing a review assessing ODAR's handling of public complaints against ALJs. This current review will assess ODAR's process for resolving employee complaints of mismanagement.

## Benefit Payments Managed by Representative Payees of Children in Foster Care in the State of California

Social Security payments made to children in foster care are among the most sensitive. It is essential that SSA protect the rights of children and their Social Security benefits. Therefore, it is important that SSA follow its requirements to ensure children in foster care have the appropriate representative payees. Foster care agencies have traditionally been among SSA's most dependable payees; however, their appointment as representative payee is not automatic. According to data obtained from the Department of Health and Human Services' Website, California has the largest population of children in foster care—about 57,000 children at the end of FY 2010. We will determine whether children in California's foster care programs have suitable representative payees.

## Benefit Wait Times—from Claim Approval to Benefit Payment

To qualify for disability benefits, an individual must file an application with SSA. An SSA field office determines whether the individual meets the non-disability criteria. If the applicant meets the criteria, a State DDS makes the disability determination. Once a DDS determines a claimant is disabled, SSA begins processing the claim for payment. We will determine how long claimants wait to receive their first benefit payment and any retroactive payments due.

## Group and Boarding Homes Serving as Representative Payees

In July 2007, the National Academies issued a report on *Improving the Social Security Representative Payee Program: Serving Beneficiaries and Minimizing Misuse*. The study concluded SSA's designation of individual payee was too broad and mixed payees who served a single or few beneficiaries with payees who operated group homes for up to 14 beneficiaries. Further, the report indicated individual payees who were owners or administrators of group homes had an inherent conflict of interest and therefore required special monitoring. Our review will determine whether group and boarding home representative payees meet the needs of the beneficiaries they serve and/or misused Social Security benefits.

## Large Volume Individual Representative Payees for the Social Security Administration

SSA selects representative payees for OASDI beneficiaries and SSI recipients when representative payments would serve the individuals' interests. Representative payees are responsible for managing benefits in the beneficiary's best interest. We will determine whether SSA's internal controls are adequate to ensure large-volume individual representative payees use and account for Social Security benefits in accordance with SSA's policies and procedures.

## Maintenance of Current Addresses for Supplemental Security Income Recipients

SSA policy requires that a recipient's current address be up-to-date to determine proper check delivery; proper SSI and State supplement payment amounts; whether living arrangements have changed; and which State is supplying the Medicaid services. Federal regulations state that SSI recipients or their representative payees must report a change of address within 10 days. Erroneous addresses may lead to improper payments to individuals who are no longer alive or in new living arrangements. In addition, States depend on SSA to maintain updated information to ensure correct State supplement payments and Medicaid eligibility. We will determine whether SSA is effectively maintaining current address information to determine SSI eligibility, State Medicaid eligibility, and the proper State supplement payment amounts.

## Oversight of Claimant Representatives at the Initial and Reconsideration Levels

The Agency requested that we review pre-hearing activity by potential claimant representatives. The Agency is concerned that claimants, especially those who are generally unfamiliar with our hearings process and do not have access to local counsel or advocacy assistance, could be susceptible to predatory or fraudulent practices by unscrupulous individuals who seek to provide assistance or representational services to claimants as they enter the disability hearings process. Our review will determine (1) whether claimants are subject to fraudulent or predatory practices with respect to solicitation of claimant representation; (2) SSA's control processes are effective in preventing unscrupulous and predatory behavior by claimant representatives; and (3) whether there are any serious integrity issues that SSA may be able address through rules, regulations, or implementation of other policies.

## Pending Representative Payee Applications

SSA's Representative Payee System (RPS) contains information about representative payees. This includes current and former payees; payee applicants not selected; and applicants who cannot, or should not, be selected. This review will determine whether SSA properly resolves applications that are pending in the RPS.

## Reducing Field Office Workloads with iAppeals

SSA's iAppeals allows the public to submit appeals and related documents via the Internet. On March 16, 2012, SSA began requiring that all claimant representatives use iAppeals to request direct payment from the Agency. We will assess (1) the role of iAppeals in reducing field office workloads associated with appeals, (2) employee experiences with the iAppeals process, and (3) any plans to enhance iAppeals and increase participation.

## Representative Payees and Beneficiaries Residing in Different States

In a recent audit, we identified several beneficiaries who were residing in one State and had a representative payee who was residing in a different State. A representative payee who resides in a different State some distance from the beneficiary he/she serves may not be the best candidate to properly manage the recipient's funds. This review will determine whether payments to beneficiaries residing in a State different from their representative payees are being used in the beneficiaries' best interests.

## Social Security Administration Budget Issues and Their Impact on Customer Service at its Field Offices

On August 15, 2011, Social Security field offices nationwide began closing to the public 30 minutes earlier each day. For example, a field office that was usually open to the public Monday through Friday from 9 a.m. to 4 p.m. now closes at 3:30 p.m. Our review will assess the effect of closing Social Security field offices to the public early.

## Social Security Administration Employees' Productivity While Working Overtime

In FY 2011, the Agency received an annual appropriation of \$10.8 billion. Of this amount, SSA used approximately \$168 million for overtime pay. The Agency provides overtime hours to employees specifically for developing and clearing critical workloads. Our review will assess SSA employees' productivity while working overtime hours.

## The Social Security Administration's Plans to Implement User Fees for Additional Information Requests

In September 2011, we issued a report on *Social Security Administration Field Office User Fees*. In this report, we stated SSA should consider charging its customers standardized fees for replacement SSN cards, SSN Printouts, and Benefit Verifications. In FY 2010, we estimated that the cost to SSA for processing these three workloads was about \$660 million. If SSA charged a fee to recover these costs, or avoided the costs through decreased demand, SSA could focus its limited resources on other critical workloads. However, SSA must implement an improved remittance process before implementing such fees. This review will determine whether SSA has taken sufficient steps toward implementing user fees for additional information requests.

## The Social Security Administration's Pre-Release Procedures for Institutionalized Individuals

A pre-release agreement is a written agreement between an institution and SSA to allow the Agency to process an SSI application for an institutionalized individual several months before his/her anticipated release. SSA's pre-release procedures ensure eligible individuals receive timely SSI payments when they reenter the community. This review will determine whether SSA has appropriate oversight of Pre-Release agreements and whether the Pre-Release Program accomplishes its goals.

## The Social Security Administration's Training Process for Organizational Representative Payees

SSA has designed a lesson plan to provide organizational representative payees training on their duties and responsibilities as a representative payee. SSA offices can use the lesson plan to train organizational payees or provide it to organizations for self-study. We will determine whether SSA's training process for organizational representative payees is adequate to ensure payees fulfill their required responsibilities.

## Timeliness of the Social Security Administration's Remittance Processing

Each of SSA's eight program service centers has a Debt Management Section responsible for collection of overpayments. Our review will determine whether SSA processes overpayment remittances timely, efficiently, and effectively.

## Strengthen the Integrity and Protection of the Social Security Number

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In FY 2011, SSA processed approximately 5.5 million original and 11 million replacement SSN cards and received approximately \$650 billion in employment taxes related to earnings under assigned SSNs. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring SSN integrity and that eligible individuals receive the full benefits due them.

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

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

- Establishing Social Security Card Centers in some States—most recently, the Manhattan Social Security Card Center—that focus exclusively on assigning SSNs and issuing SSN cards.
- Implementing a new SSN assignment methodology called SSN Randomization.
- Addressing internal control weaknesses we identified in the Agency's process for issuing SSN Printouts.
- These actions include implementing a pilot study in three SSA offices in which applicants must provide stronger, more reliable identity documents before obtaining the SSN Printout. Additionally, the Agency is implementing improved monitoring tools to track the SSN Printout workload.
- Continuing to enhance the SSN Application Process to enforce additional enumeration and evidence collection policies.

We applaud the Agency for these efforts. SSA's refinements to its enumeration process over the last decade represent significant improvements. However, given the preponderance of SSN misuse and identity theft in U.S. society, we continue to believe protection of this critical number is a considerable challenge for SSA as well as its millions of customers. Unfortunately, once SSA assigns an SSN, it has no authority to control the collection, use, and protection of these numbers by other entities. Our audit and investigative work have taught us that the more SSNs are unnecessarily used, the higher the probability they could be used to commit crimes throughout society. In fact, the Federal Trade Commission estimated that as many as 9 million Americans' identities are stolen each year.

In May 2012, the IG testified before the Subcommittees on Oversight and Social Security, Committee on Ways and Means, regarding ways to improve SSN protection and guard against misuse, identity theft, and tax fraud. In his testimony, the IG also stated the SSNs of deceased individuals are vulnerable to misuse. As such, the public release of SSA's

DMF raises concerns. Each DMF record usually includes the individual's SSN, full name, date of birth, and date of death. The DMF contains about 86 million records, and it adds about 1.1 million records each year. While the DMF has important and productive uses, our investigations show that individuals can use available death data to commit fraud. To the extent possible, we believe SSA should limit public access to the DMF to only what it is required to release by law and take all possible steps to ensure its accuracy.

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

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

SSA spends scarce resources correcting earnings data when employers report incorrect information. The Earnings Suspense File (ESF) is the Agency's record of wage reports on which wage earners' names and SSNs fail to match SSA's records. As of November 2011, the ESF had accumulated about \$993 billion in wages and 313 million wage items for Tax Years 1937 through 2009. In Tax Year (TY) 2009 alone, SSA added 7.7 million wage items representing \$73 billion in wages to the ESF.

SSA has taken steps to reduce the size and growth of the ESF. The Agency offers employers the ability to verify names and SSNs of their employees using the Agency's Social Security Number Verification Service (SSNVS), an online verification program, before reporting wages to SSA. In FY 2012, approximately 41,000 registered employers submitted about 102 million verifications. SSA also supports DHS in administering the E-Verify program, which assists employers in verifying the employment eligibility of newly hired employees. As of FY 2012, about 404,000 employers had enrolled to use E-Verify and these employers had submitted approximately 23 million queries during this period. Additionally, about 84,500 transactions were processed through the E-Verify Self-Check Service, which is an Internet-based application that allows U.S. workers to check their own employment eligibility status.

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

## **FY 2013 Planned Reviews**

- Access Controls over the Business Services Online
- Accuracy of Tax Identification Numbers Reported on Social Security Benefit Statements
- Earnings Suspense File Edits and the Impact on Disability Benefits
- Evaluating Controls over Office of Disability Adjudication and Review Mailed Forms
- Impact from Social Security Number Misuse Among Beneficiaries Assigned Social Security Numbers in Puerto Rico
- Improper Use of Children's Social Security Numbers
- The Social Security Administration's System for Detecting Employee Enumeration Fraud

## Access Controls over the Business Services Online

Business Services Online (BSO) is a suite of Internet services that, among other things, allows employers to report Forms W-2 electronically. To access BSO, employers, businesses, and representatives must register through the BSO Integrated Registration Services, which is an Internet application that provides registration, authentication, and authorization services for the Business-to-Government suites of services. Our review will determine whether controls over BSO registration are effective in detecting and preventing misuse.

## Accuracy of Tax Identification Numbers Reported on Social Security Benefit Statements

SSA began issuing Social Security Benefit Statements in 1985 for TY 1984. There are two basic statements used to notify beneficiaries that a portion of their Social Security benefits may be taxable: SSA-1099 and SSA-1042. SSA tracks the data for issuing these forms by SSN through its payment systems. Our review will determine whether SSA captures accurate SSNs when processing OASDI payments through the Single Payment System.

## Earnings Suspense File Edits and the Impact on Disability Benefits

OQP is modifying its edits to locate the owners of suspended wages. Previous edits used only the name and SSN of the suspended wage; however, OQP has stated the new processes will use information stored on the earnings and benefit records. As a result, the processes will match names and SSNs as well as use employment history and earnings patterns to help identify the numberholder related to the suspended items. OQP also noted that the new processes should be able to resolve millions of wage items reported with a “zero” SSN, which have proven to be the most difficult items to correct. This review will assess the impact the OQP earnings reinstatement process has on individuals receiving disability benefits.

## Evaluating Controls over Office of Disability Adjudication and Review Mailed Forms

According to the Agency’s Central Print Summary report, ODAR shipped over 5.6 million notices in FY 2011. We plan to review ODAR’s mailing process to assess the steps ODAR is taking to reduce the cost and volume of outgoing mail, and determine whether ODAR forms shared with the public and experts are meeting new PII control standards.

## **Impact from Social Security Number Misuse Among Beneficiaries Assigned Social Security Numbers in Puerto Rico**

In January 2012, DHS conducted a multi-jurisdictional investigation that targeted the large-scale trafficking of legitimate Puerto Rican birth certificates and U.S. SSN cards in 31 States, the District of Columbia, Puerto Rico, the Dominican Republic, and Mexico. The operation resulted in 60 arrest warrants, 28 search warrants, and 24 administrative arrests. In addition, in 2009, an investigation prosecuted two individuals for illegal distribution of genuine SSN cards and Puerto Rican birth certificates. This review will determine whether the erroneous wages were posted to beneficiary's records due to SSN misuse and if those wages had an impact on the beneficiary's eligibility for benefits or the amount of the benefits paid.

## **Improper Use of Children's Social Security Numbers**

During the Annual Wage Reporting validation process, SSA checks the dates of birth on the Numident to determine whether the earnings reported by employers belong to children. If the date of birth indicates the wage earner is 6 years old or younger, SSA places the earnings in the ESF. SSA does not have a process to validate earnings posted to the records of children ages 7 through 13. SSA posts those earnings to the numberholder's MEF. As of November 2011, about 22,000 children (age 6 and younger) had \$244 million in wages posted to the ESF and approximately 240,000 children (ages 7 to 13) had approximately \$1.6 billion in wages posted to the MEF for TYs 2007 to 2009. This audit will determine the extent to which U.S. companies improperly used the SSNs of children age 13 and younger for work purposes during TYs 2007 through 2009.

## **The Social Security Administration's System for Detecting Employee Enumeration Fraud**

Implemented in FY 2008, Web Comprehensive Integrity Review Process (WebCIRP) is an electronic application that provides management information on sensitive data that staff access in SSA's system of records. Specifically, WebCIRP provides information resulting from automated integrity reviews of transactions involving enumeration, SSI, and OASDI data. Access to WebCIRP is restricted to authorized managers. Our review will determine whether WebCIRP's integrity criteria are sufficient to identify employee actions that may indicate potential enumeration fraud.

## Reduce the Hearings Backlog and Prevent its Recurrence

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SSA's first goal in its FY 2008-2013 *Agency Strategic Plan* was to "... eliminate our hearings backlog and prevent its recurrence." As part of this effort, SSA directed increased resources to improve hearing timeliness and process more hearings. While timeliness and productivity have improved since FY 2008, greater receipts have led to an increase in the hearings backlog. Since FY 2008, average processing time dropped by over 30 percent, from an average of 514 days to 351 days, as of the end of July 2012. In addition, dispositions per administrative law judge (ALJ) per day increased about 5 percent during the same period. That said, the hearings backlog grew by 823,000 cases at the end of June 2012, an increase of about 36,000 since the start of FY 2012, because of a high level of requests for hearings.

The Agency continues implementing the Commissioner's plan to eliminate the backlog through a variety of initiatives including

- increasing adjudicatory capacity through additional hiring and use of senior attorney adjudicators (SAA) to issue fully favorable on-the-record decisions;
- reducing the volume of aged cases in the hearing offices; and
- improving hearing efficiency by training hearing office ALJs, managers and staff, and increasing the use of automation, such as the expansion of video hearings.

We have conducted a number of audits analyzing the effectiveness of the Agency's efforts to improve timeliness and reduce the pending backlog. In an April 2012 audit, we reported that the five video-only NHCs provided the Agency with additional flexibility and increased adjudicatory capacity. Transferring older cases from some of the most heavily backlogged hearing offices to the NHCs for processing assisted those offices in reducing their pending levels and processing times. In a June 2012 report, we highlighted similar benefits related to video teleconferencing (VTC) at SSA, while also noting that VTC decreased ALJ travel to remote sites. Nonetheless, we reported that SSA could take additional steps to expand its use by placing VTC equipment in field offices, law offices, and Government sites, mandating video hearings, and placing greater restrictions on claimants declining a scheduled video hearing. We also reported that relocating unused equipment and expanding the use of desktop video units could increase the capacity for video hearings.

Members of Congress have expressed concerns about ALJ adherence to the Agency's policies and procedures while also demonstrating good stewardship of taxpayer dollars. Our February 2012 report on ALJs who were significant outliers in terms of their productivity or decisional allowance rates found that greater Agency attention is needed to ensure outliers in ALJ performance, be it high or low, are monitored and the underlying work processes are periodically reviewed. While we believe the Agency should remain mindful of the ALJs' qualified decisional independence, it is possible that other unrelated factors could be contributing to strong variations in workloads.

Ongoing and planned work will focus our audit resources on oversight of claimant representatives' services and related fees at all levels of the disability process, hearing office management of hearings workloads, growing workloads at the Appeals Council (AC), and potential efficiency improvements in the processing of claims to ensure reliable decisional outcomes and reduce overall costs.

## **FY 2013 Planned Reviews**

- Agency Oversight of Claimant Representatives
- Amendment of the Disability Onset Date at Hearings
- Analysis of Hearing Offices Using Key Risk Factors
- Costs Incurred by the Social Security Administration When Unrepresented Disability Claimants Postpone Hearings to Obtain Representation
- Effectiveness of Screening Tools in Identifying On-the-Record Cases
- Effectiveness of the Office of Disability Adjudication and Review's Resource Allocation Process
- Factors that Result in Office of Disability Adjudication and Review Allowances
- New Hires Performing Hearing Reporter Duties
- Qualifying for Disability Based on the Claimant's Inability to Understand English
- Role of Out-of-Area Cases in Hearing Office Workloads
- Steps to Address Growing Workloads at the Appeals Council
- The Office of Disability Adjudication and Review's Use of the Electronic Claims Analysis Tool
- Trends Associated with Cases Decided by High Denial Outlier Administrative Law Judges

## Agency Oversight of Claimant Representatives

In FY 2011, SSA issued over \$1.7 billion in direct payments to claimant representatives. This audit will select a sample of claimant representatives and assess (1) the key characteristics related to a variety of factors, including decisional outcomes, level of appellate representation, and geographic distribution and (2) any anomalies that may need monitoring and/or review by SSA.

## Amendment of the Disability Onset Date at Hearings

As part of the hearing process, an ALJ may modify a claimant's disability onset date before issuing an allowance decision. For instance, a claimant may agree to amend the claim so the disability onset was 1 year later than initially stated, which lessens the underpayment amount due. If the claimant agrees to this change, the decision is fully favorable. If the claimant does not agree, the ALJ can allow the case as a partially favorable decision which is subject to appeal. In some cases, the amendment may lead to a "closed period of disability," meaning the ALJ is approving benefits for a period in the past, but not for future benefits. Our review will identify (1) trends associated with amended disability onset dates, (2) the reasons for these amendments, and (3) potential opportunities for additional training to improve this process.

## Analysis of Hearing Offices Using Key Risk Factors

In FY 2011, ALJs and SAAs issued over 793,000 decisions. In conducting this work, ALJs, managers, and staff adhere to ODAR's policies and procedures to ensure each claimant has a fair hearing on his/her claim. Agency managers monitor the quality of the hearings process, ensure sufficient resources are directed at key workloads, and address allegations pertaining to deviations from proper case handling. This review will rank individual hearing office performance using a number of key performance indicators developed as part of our earlier review, *Identifying and Monitoring Key Risk Factors at Hearing Offices*.

## Costs Incurred by the Social Security Administration When Unrepresented Disability Claimants Postpone Hearings to Obtain Representation

Many unrepresented claimants decide to postpone their hearings to obtain representation before they appear before an ALJ. The postponed hearing causes the claimant an additional wait period and prevents claimants who are ready for their hearing from being scheduled as quickly as possible. Some offices use different methods to reduce the impact of these postponements. For example, some ALJs adopt a "rocket docket" where they schedule twice as many unrepresented claimants during a usual hearing day because of anticipated postponements. Other ALJs require that unrepresented claimants be scheduled at the end of the day. One Hearing Office Director told us she was working on a local pilot project to have a senior attorney call the unrepresented claimants and have a pre-hearing conference to reduce the number of postponements. This review will determine whether additional contacts with unrepresented claimants may cost-effectively avoid hearing postponements.

## Effectiveness of Screening Tools in Identifying On-the-Record Cases

As part of SSA's appellate process, ALJs or SAAs review claim files to determine whether they can issue on-the-record (OTR) decisions without hearings. In FY 2011, ALJs and SAAs issued approximately 110,000 OTR decisions, representing about 14 percent of total dispositions. To assist with OTR decisions, ODAR created a screening tool that focuses efforts on claimants with specific impairments related to the Agency's Compassionate Allowance initiative. According to ODAR guidance, selecting "Targeted Impairments" allows ALJs and SAAs to generate a list of pending cases that result in a fully favorable decision about 85 percent of the time. ODAR has identified 32 targeted impairments, with 6 impairments relating to claimants age 50 and older. Our review will (1) assess the effectiveness of screening tools used to identify OTR decisions and (2) identify any best practices associated with these decisions.

## Effectiveness of the Office of Disability Adjudication and Review's Resource Allocation Process

In 2011, ODAR used approximately 3,000 locations to hold disability hearings. Large hearing offices typically operate five to seven hearing rooms along with remote hearing sites. SSA is increasing its VTC capacity to address growing workloads and hearing backlogs. The use of this equipment varies by ALJ, hearing office, and region. Moreover, the nature of the equipment, as well as the addition of new locations to host this equipment, provides SSA with additional flexibility in eliminating its hearings backlog. This review will determine whether ODAR is using its resources, including the use of its hearing rooms, video and audio equipment, and human resources, efficiently and effectively.

## Factors that Result in Office of Disability Adjudication and Review Allowances

In FY 2011, DDSs processed about 3.3 million initial disability claims, of which they denied 65 percent. However, of almost 683,000 dispositions issued at the ODAR hearing level in FY 2011, 65 percent were allowances. During our review, *Disability Impairments on Cases Most Frequently Denied by Disability Determination Services and Subsequently Allowed by Administrative Law Judges*, we identified four impairments for cases most frequently denied by DDSs, appealed, and allowed at the hearing level. We analyzed information available in SSA's systems for cases with these four impairments and identified factors that may contribute to hearing level allowances, such as the age of the claimant. However, according to SSA, there are additional factors that contribute to hearing level allowances that we could not corroborate based on the information in SSA's systems. Therefore, this review will identify factors that occur after the DDS' denial on initial disability claims that result in allowances at the ODAR hearing level.

## New Hires Performing Hearing Reporter Duties

ODAR budgeted to hire 150 verbatim hearing reporters (VHR) in FYs 2011 and 2012 as part of a Multi-Sector Workforce (MSW) Pilot Project. A VHR creates digital hearing recordings, summarizes testimony and ALJ directives, and lists exhibits offered by a claimant during a hearing. At remote sites, a VHR may transport, set up, and operate equipment for a video hearing. New employees were hired to replace contractors who performed VHR functions at hearing offices but not contractors at remote site locations. Unlike the contractors who perform the VHR functions, these new employees will double as case technicians when not recording hearings. The Agency terminated the pilot project shortly after it began and hearing offices could decide whether they wanted to continue with the project or return to the former process. We will assess lessons learned from the pilot project as well as the status of VHR activities at the original pilot locations.

## Qualifying for Disability Based on the Claimant's Inability to Understand English

Medical-Vocational Guidelines allow a consideration of disability for those who are unable to communicate in English or are able to speak and understand English but are unable to read or write in English. This review will analyze the effect of regulations regarding allowance of a disability claim based on a claimant's inability to understand the English language.

## Role of Out-of-Area Cases in Hearing Office Workloads

In general, SSA attempts to hold hearings within 75 miles of a claimant's home. To the extent cases come to the hearing office from individuals outside the service area (out-of-area cases), policy requires that the cases be transferred to the appropriate hearing offices. Previous audit work has indicated that some claimant representatives are changing claimants' addresses to locations closer to hearing offices where ALJs have high allowance rates. This review will analyze the (1) effectiveness of SSA's policies and procedures to restrict the service area for claimants filing appeals and (2) impact on hearing office workloads when out-of-area cases become a large volume of their cases.

## Steps to Address Growing Workloads at the Appeals Council

As of May 2012, the AC pending workload was 163,000 requests for review, an increase of over 100,000 cases since the start of FY 2009. Moreover, as of May 2012, the average processing time of these cases was approximately 347 days, which is about how long it takes at the initial hearing level (351 days) and a significant increase from the 257 days at the end of FY 2009. Our review will assess management initiatives to address the growing AC backlog and increasing processing times.

## The Office of Disability Adjudication and Review's Use of the Electronic Claims Analysis Tool

The electronic claims analysis tool (eCAT) is a Web-based application designed to document a disability adjudicator's analysis and ensure all relevant Agency policies are considered during the disability adjudication process. SSA began implementing eCAT at

DDSS nationwide in 2009. In July 2010, eCAT, version 6, was released and included integration with ODAR. Our review will assess ODAR's use of eCAT.

### Trends Associated with Cases Decided by High Denial Outlier Administrative Law Judges

In our review of ALJ outliers, we noted that ALJ allowance rates varied from 6 to 99 percent. Most denials may become subject to a subsequent appeal and review by the AC. In each case, we will review the outcomes of these subsequent reviews to determine whether the rate of reversal on outlier cases is different from the national rate on these same actions. To the extent we see strong variances, we will investigate the matter further and discuss our findings with ODAR to determine what additional steps can be taken. This review will assess the status of cases decided by high denial outlier ALJs after they have undergone review by the AC or have been resubmitted as a new claim.

## Improve the Timeliness and Quality of the Disability Process

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In recent years, SSA has faced a considerable increase in initial and reconsideration claims. In FY 2011, SSA received over 3.3 million initial disability and 836,000 reconsideration claims. As of July 2012, SSA had received almost 2.6 million initial and 684,000 reconsideration claims. The increase in claims is matched by an increase in the number of claims pending completion. Specifically, at the end of FY 2008, there were about 565,000 initial claims pending. However, as of July 2012, initial claims pending had grown to over 717,000, a 27-percent increase over the FY 2008 year-end pending level.

In November 2010, SSA released its *Strategy to Address Increasing Initial Disability Claims Receipts* (Strategy). The multi-year Strategy's goal was to reduce initial claims pending to a pre-recession level of 525,000 by 2014 and includes

- increasing staffing in the DDSs and Federal disability processing components;
- improving efficiency through automation;
- expediting planned IT infrastructure investments to optimize systems performance; and
- refining policies and business processes to expedite case completion.

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

In total, SSA hired more than 2,600 DDS employees in FYs 2009 and 2010. However, in FY 2011, SSA froze DDS hiring and did only limited critical hiring in FY 2012. As a result, SSA expected to lose about 2,600 DDS employees during FYs 2011 and 2012.

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

The increase in initial disability applications also forces the dedication of DDS resources to processing initial applications rather than conducting medical continuing disability reviews (CDR). In our March 2010 review, *Full Medical Continuing Disability Reviews*, we reported that SSA had a backlog of over 1.5 million medical CDRs at the end of FY 2010. As a result, we estimated that from CYs 2005 through 2010, SSA could have avoided making benefit payments of between \$1.3 and \$2.6 billion if the medical CDRs in the backlog had been conducted by DDSs when they were due. SSA projects a backlog of 1.2 million medical CDRs will still exist at the end of FY 2012.

We will continue working with SSA as it improves the disability process and addresses the workload backlogs. We will also continue working with SSA to address the integrity of the disability programs through the Cooperative Disability Investigations program. The program's mission is to obtain evidence that can resolve questions of fraud in SSA's disability claims. SSA's Offices of Operations, Inspector General, and Disability Programs manage the program in a cooperative effort.

## **FY 2013 Planned Reviews**

Adequacy of Oversight of Purchases of Consultative Examinations

Administrative Costs Claimed by the California, Illinois, and Rhode Island Disability Determinations Services

Claimant Representatives at the Disability Determination Services Level

Failure to Cooperate Denial Decisions by State Disability Determination Services

Forms Developed and Used by Disability Determination Services

Impact of Increases in State Unemployment Rates on the Social Security Administration's Disability Programs

Indirect Costs Claimed by the Louisiana Disability Determination Services

Individuals Receiving Disability Benefits Because of Blindness Who Operate Motor Vehicles

Medical Evidence of Record Payment at Disability Determination Services

Nationwide Trends in Childhood Cognitive Impairments

Non-Federal Workloads Processed by Disability Determination Services

Overall Disability Process Times in 2012

The Reconsideration Process at Disability Determination Services

The Social Security Administration's Efforts to Replace the Dictionary of Occupational Titles in its Disability Adjudication Process

The Social Security Administration's Efforts to Use Health Information Technology to Improve the Disability Process

The Social Security Administration's Partnership with the Department of Defense for Medical Records Used for Disability Determinations

The Social Security Administration's Progress in Reducing the Initial Claims Backlog

Title II Disabled Beneficiaries with an Incorrect Date of Disability Onset

Variances in Indirect Costs Claimed by State Disability Determination Services

## Adequacy of Oversight of Purchases of Consultative Examinations

In evaluating disability based on a mental disorder, SSA requires evidence to establish both the existence of a medically determinable mental impairment and the degree of limitation caused by the impairment. This medical evidence consists of signs, symptoms, and/or laboratory or psychological test findings. The individual's treating sources typically provide such evidence. DDSs use consultative examinations with all other evidence in the case file to determine the existence and severity of any mental impairment(s). This review will assess the adequacy of SSA's oversight of DDS purchases of consultative exams.

## Administrative Costs Claimed by the California, Illinois, and Rhode Island Disability Determinations Services

State DDSs perform disability determinations in accordance with Federal regulations. In carrying out its obligation, each State agency is responsible for determining the claimants' disabilities and ensuring that adequate evidence is available to support its determinations. We will review three DDSs to (1) evaluate their internal controls over the accounting and reporting of administrative costs, (2) determine whether costs claimed were allowable and funds were properly drawn, and (3) assess limited areas of the general security controls environment.

## Claimant Representatives at the Disability Determination Services Level

Claimants can elect to have an attorney or non-attorney represent them when filing for benefits at SSA. This review will determine whether there are differences in processing times between claims with representatives compared to those without representatives.

## Failure to Cooperate Denial Decisions by State Disability Determination Services

An individual must provide medical evidence of impairment and the severity of the impairment to establish a disability. This may include evidence of age, education, training, work experience, daily activities, and any other factors that show how the impairment affects his or her ability to work. Before a DDS can make a determination concerning an individual's disability, it develops a complete medical history and makes every reasonable effort to help obtain medical reports from appropriate medical sources. The claimant must cooperate with the DDS to obtain or identify available medical or other evidence about his or her impairment. When an individual fails to cooperate, the DDS will make a decision based on the available information. This review will evaluate the reasons for the differences in the frequency in which State DDSs deny initial claims for reasons of failure to cooperate.

## Forms Developed and Used by Disability Determination Services

DDS adjudicators are responsible for developing medical and non-medical evidence to make informed disability determinations. Many factors, such as geographical location, access to a telephone, or work schedules, can impact the method selected to develop claimant and collateral evidence. The manner in which the adjudicator obtains such evidence is at the requestor's discretion. DDSs frequently mail OMB-approved forms to collect descriptive information about a claimant's activities and socialization. The DDS may determine additional information is necessary to fully evaluate a claimant's limitations in the ability to function, and may use impairment- or case-specific questions to develop the additional information. This review will determine whether locally developed forms used by DDSs are effective and cost-beneficial.

## Impact of Increases in State Unemployment Rates on the Social Security Administration's Disability Programs

From FY 2007 to FY 2010, initial DI claims increased approximately 32 percent while initial SSI disability claims increased approximately 19 percent. In addition, the unemployment rate in the United States rose from 4.6 percent in CY 2007 to 9.6 percent in CY 2010. Unemployment rates remain high despite a decline since CY 2010. As of May 2012, the unemployment rate was 8.2 percent. This review will evaluate the impact increases in State unemployment rates had on SSA's disability programs.

## Indirect Costs Claimed by the Louisiana Disability Determination Services

The Louisiana DDS ranks in the top 10 among all DDSs in terms of total indirect cost expenditures. We will determine whether the indirect costs claimed by the Louisiana DDS for FYs 2010 and 2011 were allowable and properly allocated.

## Individuals Receiving Disability Benefits Because of Blindness Who Operate Motor Vehicles

SSA defines blindness for disability determination purposes as a central visual acuity of 20/200 or less in the better eye with the use of a correcting lens. However, of the 50 States and the District of Columbia, 47 (92 percent) require visual acuity of 20/40 or better to obtain a private driver's license, and 39 (76 percent) require a visual acuity of better than 20/200 to obtain a restricted driver's license. In June 2011, we identified over 161,000 beneficiaries nationwide who received disability benefits because of blindness. This review will identify individuals disabled due to blindness, but who have a valid State driver's license.

## Medical Evidence of Record Payment at Disability Determination Services

DDSS pay for medical evidence of record (MER) to adjudicate disability applications. The payment to acquire MER may include a copying or search fee. The DDS processes approvals and payments associated with MER. SSA reimburses medical providers for MER requested and received via SSA's health IT process. Our review will assess health IT payment and quality assurance processes, and MER approval and quality assurance processes.

## Nationwide Trends in Childhood Cognitive Impairments

A diagnosis of mental retardation requires two factors: significantly sub-average general intellectual functioning and deficits in adaptive functioning. In determining mental retardation, SSA generally accepts medical diagnoses, intelligence quotient scores, and other findings from acceptable medical sources unless outweighed by other evidence. It is not acceptable to discount intelligence quotient scores or other psychological test measures without explaining how the evidence was weighed and how any conflicts in the evidence were resolved. This review will determine whether certain geographical areas have unusually high numbers of approved childhood claims for mental retardation and other cognitive impairment disabilities.

## Non-Federal Workloads Processed by Disability Determination Services

Some state DDSs make disability determinations for claims unrelated to SSA benefits. Those claims are referred to as “Non-SSA Program” claims and primarily involve Medicaid-only cases. In some States, the DDS makes disability determinations for other agencies, such as those administering teachers’ retirement systems, State employee’s retirement systems, and State homestead acts. The DDSs should ensure the non-SSA program work does not hamper the DDS’ ability to fulfill its obligations under SSA regulations, and adhere to all applicable State and Federal laws regarding funding and reporting. Our review will examine the DDS’ fiscal reporting for non-SSA workloads.

## Overall Disability Process Times in 2012

In CY 2009, the average overall claim times decreased for DDS-level cases, remained about the same for hearing level cases, and increased for AC and Federal Court level cases. This review will determine the average overall times for Social Security disability claims decided in CY 2012 by the DDSs, hearing offices, AC, and Federal Courts.

## The Reconsideration Process at Disability Determination Services

If a claimant disagrees with an initial disability determination, he/she can file an appeal within 60 days from the date he or she receives notice of the determination. In most States, the first level of appeal is reconsideration by the DDS. The Agency decided to assess the effect of reinstating the reconsideration step as part of the disability claims process in *Prototype States* because allowing claims at the reconsideration level provides benefits earlier to some claimants who would otherwise wait for a hearing. Our review will assess the effects on claimants between states that have reconsideration and those that do not.

## The Social Security Administration's Efforts to Replace the Dictionary of Occupational Titles in its Disability Adjudication Process

SSA uses the Dictionary of Occupational Titles (DOT) to determine whether a claimant can do his or her past work as it is usually performed in the national economy or to find other occupations he or she could do based on his or her medical-vocational profile. The Agency used occupational information in over 60 percent of disability determinations in CYs 2007 through 2009. The Department of Labor (DoL) initially developed the DOT in 1939. DoL has replaced the DOT with the Occupational Information Network. We will assess SSA’s efforts in providing updated occupational information for its disability adjudication process.

## The Social Security Administration's Efforts to Use Health Information Technology to Improve the Disability Process

Annually, SSA pays for more than 15 million health records from about 500,000 providers. This makes SSA the nation's largest non-clinical user of health records. The Congressional Budget Office estimates that about 90 percent of doctors and 70 percent of hospitals will be using health IT records by 2019. In FY 2009, SSA was paying \$15 for health IT records, but the goal is to lower the payment to \$1 by FY 2017 if appropriate based on an annual assessment. SSA plans to expand its use of health IT to streamline the disability process and maximize the advantages of electronic records. We plan to assess SSA's efforts related to health IT.

## The Social Security Administration's Partnership with the Department of Defense for Medical Records Used for Disability Determinations

In August 2011, SSA and the Department of Defense began a 6-month Pilot to transfer electronically medical records between agencies. According to SSA's strategic plan, the initial results of the pilot showed promise in improving the timeliness of receiving medical records. In April 2012, SSA expanded the project. We will assess SSA's success in this Pilot to obtain medical records for disability determinations.

## The Social Security Administration's Progress in Reducing the Initial Claims Backlog

One method to decrease the disability claims backlog was to increase staff in DDS and Federal processing components. SSA hired over 2,600 new DDS employees in FYs 2009 and 2010 combined. As a result, initial disability claims pending declined by about 83,000 in FY 2011, and processing times decreased slightly. However, with the hiring freeze in FY 2011 and limited critical hiring in FY 2012, this level of performance will be short-lived. Our review will determine the status of SSA's actions to reduce its initial disability claims backlog.

## Title II Disabled Beneficiaries with an Incorrect Date of Disability Onset

As part of the disability determination, DDSs establish a date of disability onset, which is the application date if there is insufficient evidence of when the alleged disability started. After the DDS obtains the necessary medical evidence of the disability, it may change the disability onset to an earlier date. We will determine whether SSA established a correct date of disability onset for disabled beneficiaries.

## Variances in Indirect Costs Claimed by State Disability Determination Services

SSA reimburses 100 percent of DDS' indirect costs. Indirect costs arise from activities that benefit multiple State and Federal agencies but are not readily identifiable to the DDS. States can allocate indirect costs to SSA based on the terms of an indirect cost rate and/or a cost allocation plan. A cognizant Federal agency reviews and approves each State-developed rate or plan. Indirect cost rates among DDSs vary from a low of 2 percent to a high of 43 percent. We will evaluate the reasons for significant variances in indirect costs

claimed by State DDSs and determine whether DDSs complied with cost principles for indirect costs.

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

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

SSA's primary IT investment over the next few years is the replacement of its NCC. SSA received \$500 million from the *Recovery Act* to replace the NCC. The NCC was built in 1979, and while its computing capacity has been expanded over its 30 years of operations, increasing workloads and expanding telecommunication services are severely straining its ability to support the Agency's business. Additionally, significant structural problems and electrical capacity issues have developed that make construction of a new primary computer center imperative. The Agency plans to complete construction of its National Support Center in 2014 and move its IT infrastructure to the new data center by 2016.

The Agency uses a variety of technologies, including telephone service, the Internet, and videoconferencing to deliver service to its customers. Each year, SSA reports about 57 million calls on its National 800-Number and a comparable number in its field offices. To provide additional customer service avenues, the Agency introduced its first online service, the Internet Social Security Benefit Application in 2000, and by the end of 2011, SSA was offering the public 30 eServices. Although SSA has received 41 percent of claims online as of July 2012, SSA still primarily administers its services to the public through face-to-face or telephone contact.

Moreover, with the recent surge in retirement and disability claims caused by the recession, retirement of baby boomers, and baby boomers reaching their disability prone years, SSA plans to develop additional electronic services and continue to increase its use of social media to communicate with its customers and decrease the volume of telephone calls and the number of patrons visiting its field offices. The Commissioner testified that to keep SSA's field offices from being overwhelmed by increasing workloads, the Agency would need to increase electronic filings to 50 percent by 2013.

The Agency also needs to develop an electronic services roadmap and incorporate it in its customer service strategic plan to demonstrate how SSA plans to achieve its short- and long-term customer service delivery goals.

Critical government and private-sector computer networks are under constant attack from foreign nations, criminal groups, hackers, virus writers, and terrorist organization. According to a 2011 Government Accountability Office report, cyber-attacks have increased by 650 percent in the past 5 years. As a result, cyber-security is becoming increasingly important as all agencies work to ensure that their systems and networks are secure and their information remains intact and accessible to the right users.

One of the most difficult challenges facing the Federal government is how to secure wireless networks, while allowing agencies to benefit from mobile computing. Wireless networking enables computing devices with wireless capabilities to use computing resources without being physically connected to a network. Unfortunately, wireless networks are typically less secure than their wired counterparts for several reasons, including the ease of access to the wireless networks and the weak security configurations often used for wireless networks. SSA's FY 2012 Financial Statement Audit testing identified approximately 250 wireless access points; however, SSA's documentation showed only 2 authorized access points.

To address ever-increasing security challenges, it is crucial that SSA implement a well-designed continuous monitoring strategy to monitor and assess security controls. SSA has issued its *Continuous Monitoring Strategy*, but is still implementing it. OMB and the National Institute of Standards and Technology (NIST) requires near real-time continuous monitoring for risk management and risk-based decision-making.

Finally, Federal agencies must ensure they wisely invest their scarce resources. A Federal agency must develop and maintain an Information Resources Management Strategic Plan (IRM) that supports an agency's Strategic Plan to help accomplish its mission. In addition, the strategic planning process should drive performance improvements to save money and avoid costs through collaboration, reuse, productivity enhancements, and elimination of redundancy.

Our prior audit work in this area found that SSA's IRM activities only span 2 years. In addition, the IRM did not provide the Agency with a clear IT blue print or IT resource requirements, and did not address all critical future challenges. For example, SSA's IRM did not provide a long-term IT human capital plan that addresses the Agency's specific needs for IT expertise to maintain or improve its legacy systems. Further SSA's IRM for FYs 2012 through 2016 does not provide a detailed explanation of the IT infrastructure that will be needed to support the Agency's programs 5 to 10 years in the future. The Agency's IRM discusses how SSA plans to maintain its IT infrastructure to meet its current mission and customer needs.

Under the current budget trend, it is crucial for SSA to ensure its IT investments are guided by its strategic planning and investment control process to ensure it receives the full functionality and cost savings expected and to prevent duplicate efforts and waste.

## **FY 2013 Planned Reviews**

Contractor Access to Social Security Administration Data

Cost Savings Planned and Achieved through the Social Security Administration's Information Technology Development Initiatives

Fiscal Year 2013 Evaluation of the Social Security Administration's Compliance with the *Federal Information Security Management Act*

Functionality of the Citizen Access Routing Enterprise Through 2020 Project

Information Technology Service Contract with Booz Allen Hamilton

Lockheed Martin Information Technology Support Services Contract

Security of the Social Security Administration's Wireless Networks

The Social Security Administration's Implementation of an Information Security Continuous Monitoring Program

The Social Security Administration's Process to Identify and Remediate Unknown Hardware Devices Connected to its Computer Network

The Social Security Administration's Public-Facing Web Application Testing Process

## Contractor Access to Social Security Administration Data

SSA's systems access policy is built on the principles of least privilege and need-to-know. Controlling and limiting systems access to the Agency's information systems and resources is the first line of defense in assuring the confidentiality, integrity, and availability of the Agency's IT resources. This policy applies to all SSA employees and other authorized users, such as employees of other agencies, business partners, contractors, agents, and any other individuals operating on behalf of the Agency who have direct access to and/or use SSA information system resources. SSA uses Top Secret security software to enforce its data access policies and controls. Our review will determine whether (1) security profiles assigned to SSA contractors provide access to SSA data they do not need, (2) terminated contractors continue to have access to SSA's systems, and (3) the Agency has an appropriate process for requesting and approving access to SSA's systems.

## Cost Savings Planned and Achieved Through the Social Security Administration's Information Technology Development Initiatives

In our July 2007 review of the *Social Security Administration's Management of Information Technology Projects*, and April 2009 review of *Opportunities and Challenges for the Social Security Administration*, we reported SSA needed to develop an effective process to complete post-implementation reviews for its IT projects. These reviews would independently verify IT investment results after completion of a project to ensure the functionality and cost savings were ultimately achieved. At SSA, the Strategic Information Technology Assessment and Review (SITAR) is the governing body for its IT planning process and is responsible for development of the Agency's IT Systems Plan. SSA's SITAR evaluates functionality, return on investment, and cost savings information to make its decisions during the IT planning process. This review will determine whether SSA achieved the anticipated cost savings for its IT initiatives.

## Fiscal Year 2013 Evaluation of the Social Security Administration's Compliance with the Federal Information Security Management Act

The *Federal Information Security Management Act of 2002* (FISMA) provides the framework for securing the Government's information and information systems. All agencies must implement FISMA's requirements and report annually to OMB and Congress on the adequacy and effectiveness of their security programs. FISMA requires that each agency develop, document, and implement an agency-wide information security program. FISMA directs each agency's OIG or an independent external auditor to perform an annual, independent evaluation of the effectiveness of the agency's information security program and practices. This review will determine whether SSA's overall security program and practices complied with the requirements of FISMA for FY 2013.

## Functionality of the Citizen Access Routing Enterprise through 2020 Project

In September 2007, SSA proposed a major IT project to replace its existing call center network. Our review will determine whether SSA received the goods and services from the Citizen Access Routing Enterprise through 2020 project for which it contracted.

## Information Technology Service Contract with Booz Allen Hamilton

On September 16, 2008, SSA entered into a 5-year, firm-fixed-priced contract with Booz Allen Hamilton through a blanket purchase agreement. Under this contract, Booz Allen Hamilton provides strategic-level expert advice, assistance, and support of SSA's mission-oriented IT business functions and initiatives. The total value of the contract is \$50 million over a 5-year period. This review will (1) determine whether SSA received the goods and services for which it contracted and (2) review the services provided by Booz Allen Hamilton and the related costs for adherence to the negotiated contract terms and applicable regulations.

## Lockheed Martin Information Technology Support Services Contract

The IT Support Services Contract is an indefinite delivery and indefinite quantity contract, with both fixed-price and time and materials provisions to acquire IT support services. Awarded vendors provide services for their awarded technical areas cumulatively covering all stages of the application software development lifecycle, including requirements analysis, design, development, testing, implementation, and support of SSA's program, administrative, and management needs. The contract period, including options, is 7 years. Our review will (1) determine whether SSA received the goods and services for which it contracted and (2) review the services provided and the related costs for adherence to the negotiated contract terms and applicable regulations.

## Security of the Social Security Administration's Wireless Networks

SSA's *Information Systems Security Handbook* governs the use of wireless communication technology in SSA facilities. This includes any form of wireless communication device. The policy states that mobile computing devices must be Government furnished equipment and must employ the appropriate Agency-approved security configuration. Our review will determine whether SSA's wireless connections are authorized, implemented, and monitored in accordance with Federal laws, regulations, guidelines, standards, and Agency policy and procedures.

## The Social Security Administration's Implementation of an Information Security Continuous Monitoring Program

Continuous monitoring or Information Security Continuous Monitoring is one of six steps in the Risk Management Framework described in NIST Special Publication 800-37, Revision 1, *Applying the Risk Management Framework to Federal Information Systems* (February 2010). NIST defines such monitoring as maintaining ongoing awareness of information security, vulnerabilities, and threats to support organizational risk management decisions. The objectives are to (1) conduct ongoing monitoring of the security of an organization's networks, information, and systems and (2) respond by accepting, transferring, or mitigating risk as situations change. This review will determine whether SSA's monitoring strategy prevents cyber-security incidents.

## The Social Security Administration's Process to Identify and Remediate Unknown Hardware Devices Connected to its Computer Network

SSA scans its network to identify devices connected to the network. This scan runs constantly and takes about 30 days to cover the entire network. Of the 215,396 devices connected to its network, SSA had identifying information as unknown for 15,210. Our review will determine whether SSA has a process to identify and remediate “unknown” hardware on its network.

## The Social Security Administration's Public-Facing Web Application Testing Process

The Agency’s Website is accessible by the public. SSA has implemented a number of customer service applications on its website and plans to implement additional services in the future. Having a disciplined process for testing new and modified systems before their implementation is essential to ensure hardware and interfacing applications operate as intended; that unauthorized changes are not introduced; and the application is secure. Once a change has been made to the application, it should be tested in a structured manner. Our review will determine whether (1) SSA’s process for testing its public-facing Web applications complies with Federal standards and best practices and (2) SSA follows its testing process.

## Improve Transparency and Accountability

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Transparency and accountability are critical factors in the level of trust and confidence the American public has in its Government, including SSA. If the Agency does not spend tax dollars wisely or efficiently, the goals SSA is trying to accomplish are undermined. Mismanagement and waste, as well as a lack of transparency for citizens into Government operations, can erode trust in SSA's ability to tackle the challenges it faces.

Sound financial reporting and effective performance measurement support both concepts of transparency and accountability. Per the *Chief Financial Officers Act of 1990*, the OIG oversees an audit of SSA's financial statements each year to ensure that the Agency provides clear and accurate financial information to the Administration, Congress, and public.

Effective internal control helps ensure SSA is accountable to its mission. SSA management is responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. OMB Circular A-123, *Management's Responsibility for Internal Control*, requires that SSA develop and implement cost-effective internal controls for results-oriented management. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. In FY 2013, we will complete a number of audits that determine the effectiveness of the controls SSA has in place over its programs and systems.

As part of its efforts to be accountable, SSA must ensure that its partners provide the contracted services efficiently and effectively. Each year, SSA enters into a number of contracts and provides a number of grants that help the Agency obtain services and research. In FY 2011, SSA spent nearly \$1.4 billion on contracts and grants that provided many services, including computer system development and support. We will review multiple contracts in FY 2013 to ensure SSA receives the services for which it paid and has proper internal controls in place to ensure effective oversight of contractors.

## **FY 2013 Planned Reviews**

- 1099 Tax Reporting Related to Claimant Representatives
- Claimant Representatives Who Receive More than \$6,000 in Fees
- Controls over the HSPD Credentials for Separated Employees
- Cost Rates Charged for Reimbursable Work for Data Exchanges
- Disability Determination Process Small Grant Program
- Disposal of Documents with Personal Identifying Information at Social Security Administration Offices
- Fiscal Year 2013 Financial Statement Audit Oversight
- Former SSA Employees in the Military
- Identifying Relationships Between Medical Experts and Claimant Representatives
- Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges
- MDRC Contract Close Out on Contract Number SS00-06-60075
- Office of Quality Performance Virtual Quality Reviews
- The Social Security Administration's Compliance with Energy Conservation Policy
- The Social Security Administration's Credit Cards
- The Social Security Administration's Response to Substantiated Employee Investigations
- Westat Contract Close Out on Contract Number SS00-05-60072

## 1099 Tax Reporting Related to Claimant Representatives

An appointed representative—which may be an attorney or an eligible non-attorney who has met certain prerequisites—must obtain authorization before seeking compensation from the claimant (or an individual) for services rendered with respect to the claim. If the representative is eligible for and elects direct payment, SSA will withhold the fee from the claimant’s past-due benefit, assess a fee related to SSA’s processing (the lesser of 6.3 percent or \$86), and pay the fee directly to the representative. SSA is also required to report these payments to the Internal Revenue Service (IRS) when they exceed \$600 annually. Our review will determine whether SSA (1) assessed the correct fees on claimant representative payments and (2) timely and accurately reported claimant representative payments to the IRS.

## Claimant Representatives Who Receive More than \$6,000 in Fees

Appointed representatives may seek SSA’s authorization for their fee by following one of two alternative and mutually exclusive processes: (1) a fee agreement filed before the first favorable decision or (2) a fee petition, generally filed after the representative has completed his/her work on the claim. The fee specified in the fee agreement cannot exceed the lesser of 25 percent of the total amount of past-due benefits or \$6,000. Based on the fee petition and submitted information, such as hours worked, SSA will authorize a reasonable fee for the specific services provided. While petitions can be in amounts under \$6,000, we plan to focus on controls over petition amounts above \$6,000 in this review. Our review will determine whether fee petitions are: (1) tracked by management, (2) supported by evidence, and (3) approved by all required parties.

## Controls over the HSPD Credentials for Separated Employees

The Agency tracks and controls badges issued to its employees. Badges should be deactivated within 18 hours of the cardholder’s separation from SSA or the loss or expiration of the card, and should be destroyed. In FY 2010, there were about 2,500 employees who retired and should have had their badges deactivated. In addition to retirements, there were a number of employees who left the Agency for other reasons. This review will assess the controls over credentials for employees who separated from SSA.

## Cost Rates Charged for Reimbursable Work for Data Exchanges

Over the past several years, SSA has significantly increased its electronic exchange workload. The Agency has been verifying information with other Federal, State, and local government agencies and with many private organizations. SSA uses various systems for these data exchanges. As the number, type, and complexity of these exchanges increase, and supporting agreements increase, the workload on SSA components responsible for these various programs has increased. In 2008, the Agency reported that there were over 3,000 data matching and exchange agreements. From our previous work reviewing the Agency’s verification programs, we have found that the cost for the data exchange programs vary among programs. This review will determine whether users reimburse SSA for its data exchange services.

## Disability Determination Process Small Grant Program

SSA awarded a 5-year grant (renewable annually) on September 1, 2011 to Policy Research Inc. (PRI) in Delmar, New York. The goal of this program is to improve the disability determination process through stipends (\$10,000) to graduate students for innovative research relevant to the disability program. This will allow graduate-level students to conduct supervised independent research on improving the disability determination processes. PRI directs this project as program manager. In March 2012, SSA issued a press release announcing the first round of stipend awards to eight graduate student researchers from across the country. These projects are in three categories: compassionate allowances and wounded warriors, homelessness and SSI, and disability enrollment. At the same time, PRI released a request for applications for the second round of research proposals. This review will evaluate the grants to determine whether (1) money was paid appropriately, (2) the graduate students gave useful advice, and (3) SSA implemented any of their ideas.

## Disposal of Documents with Personal Identifying Information at Social Security Administration Offices

SSA has a responsibility to safeguard its records, data, and systems, thereby maintaining the public trust and protecting national security interests. Given the amount of SSN-laden material SSA generates and must dispose of every day, we will assess the Agency's disposal of trash to ensure PII is not mishandled.

## Fiscal Year 2013 Financial Statement Audit Oversight

The *Chief Financial Officers Act of 1990* requires agencies to annually prepare audited financial statements. Each agency's IG is responsible for auditing these financial statements to determine whether they provide a fair representation of the entity's financial position. This annual audit also includes an assessment of the agency's internal control structure and its compliance with laws and regulations. Grant Thornton, LLP, performs the audit work to support this opinion of SSA's financial statements. We will monitor the contract to ensure reliability of the firm's work to meet our statutory requirements for auditing the Agency's financial statements.

## Former Social Security Administration Employees in the Military

The *Uniformed Services Employment and Reemployment Rights Act of 1994* ensures that persons who serve or have served in the Armed Forces, Reserves, National Guard, or other "uniformed services": (1) are not disadvantaged in their civilian careers because of their service; (2) are promptly reemployed in their civilian jobs upon their return from duty; and (3) are not discriminated against based on past, present, or future military service. We will assess SSA's compliance with this law for its employees in the uniformed services.

## Identifying Relationships Between Medical Experts and Claimant Representatives

A medical expert (ME) is a physician, psychologist, speech-language pathologist, and certain other type of medical professional who provides impartial expert opinion evidence for an ALJ to consider when making a decision about disability. MEs often testify at a hearing, and sometimes provide opinions in writing by answering written questions called interrogatories. MEs must disqualify themselves if they believe they cannot be completely impartial, have prior knowledge of the case, or have had prior contact with claimants. We will review Agency controls over ME selection and identify any MEs providing services to both SSA and claimant representatives.

## Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges

The *Reports Consolidation Act of 2000* (Pub. L. No. 106-531) requires that IGs provide a summary and assessment of the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. We will provide a summary and assessment of the most serious management and performance challenges facing SSA in FY 2013.

## MDRC Contract Close Out on Contract Number SS00-06-60075

Annually, SSA's Office of Acquisition and Grants (OAG) requests that we audit the final vouchers for various cost-type contracts. This year, OAG requested we audit MDRC (Contract Number SS00-06-60075). Our review will determine the allowability of the direct costs and apply the final negotiated indirect rates to the allowable direct costs to compute the allowable costs for January 20, 2006 through September 11, 2011.

## Office of Quality Performance Virtual Quality Reviews

Our review will determine whether OQP's use of virtual reviews has promoted consistency between offices that make disability determinations and between offices that review disability determinations.

## The Social Security Administration's Compliance with Energy Conservation Policy

This audit will determine whether SSA is complying with its adopted Energy and Conservation policies.

## The Social Security Administration's Credit Cards

The President signed the Government Charge Card Abuse Prevention Act of 2012, P.L. 112-194, in October 2012. The Act addresses agencies' management of government purchase and travel charge card programs. Under this Act, OIGs conduct periodic reviews of Agency charge card programs.

## The Social Security Administration's Response to Substantiated Employee Investigations

This review will determine the actions taken by SSA when its employees commit fraud against the Agency.

### Westat Contract Close Out on Contract Number SS00-05-60072

OAG requested we audit Westat (Contract Number SS00-05-60072) to determine the allowability of the direct costs and apply the final negotiated indirect rates to the allowable direct costs to compute the allowable costs from September 29, 2005 through July 31, 2011.

## **Strengthen Strategic and Tactical Planning**

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

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

At a time when SSA needs to plan to do more with less, SSA lacks long-term plans in a number of critical areas. In a March 2011 report, *The Social Security Administration: A Vision for the Future*, the Social Security Advisory Board concluded that SSA needed to develop an innovative service delivery plan that reflects the service options currently available and anticipates those that will emerge in the following 10 years. It recommended that SSA take multiple steps to ensure success in 2020, including rethinking its service delivery strategy, performing a comprehensive review of program policy to reduce complexity, establishing a Systems Modernization Plan, and developing a Human Capital Plan.

SSA's Future Systems Technology Advisory Panel's June 2010 report, *Re-imagining Social Security*, recommended that the Agency establish electronic service delivery as a strategic goal for all employees. It also recommended that SSA move to an electronic customer self-service model with the goal of moving transactions to the Internet each year until 90 percent of SSA's business takes place online. The Commissioner of Social Security terminated the Future Systems Technology Advisory Panel on January 9, 2012 due to budgetary constraints. In announcing the termination, the Agency noted that it did not have the resources to support the panel or to implement its recommendations.

In our June 2009 report, *The Social Security Administration's Information Technology Strategic Planning*, we stated that SSA did not have a comprehensive Agency information infrastructure plan to meet potential processing needs for the next 20 years or that would allow the Agency to recover quickly if one or more major components of its processing infrastructure failed or was destroyed. While SSA has an IT planning process, it is decentralized and SSA officials agreed that it needed to be strengthened.

In our July 2011 report, *The Social Security Administration's Customer Service Delivery Plan*, we concluded SSA did not have a long-term (10 years or longer) customer service delivery plan. We noted that SSA must develop a long-term customer service delivery plan that serves as a roadmap for ensuring the Agency is technologically and structurally prepared with appropriate staff to address increased workloads and provide service delivery in an electronic environment. The plan should identify what the service delivery environment will be in the future, including what services customers will expect and how they will want to receive those services.

The *Government Performance and Results Act of 1993* (GPRA) mandates that Federal agencies draft strategic plans to help improve service delivery by requiring that Federal managers plan to meet program objectives. The GPRA Modernization Act of 2010 reaffirms the importance of strategic planning. Under this law, Federal agencies are required to continue drafting strategic plans, including descriptions of the operational processes, skills, technology, and human capital information and other resources required to meet the agencies' strategic goals and objectives.

While GPRA-based strategic plans provide a needed framework, SSA's descriptions within its strategic plans of the programs, processes, and resources needed to meet its mission and strategic objectives have generally been broad-based roadmaps. In addition, the strategic plans only cover a 4-year period, with SSA's most recent strategic plan addressing FYs 2013-2016. Other strategic plans produced by the Agency, like the Information Resources Management Strategic Plan and the Office of Human Resources' Strategic Plan, also cover periods of a few years. While planning for the next few years is important, SSA needs a longer-term vision to ensure the Agency has the programs, processes, staff, and infrastructure required to provide needed services 10 to 20 years from now and beyond.

## **FY 2013 Planned Reviews**

Identifying Supplemental Security Income Payments to Parents Not Supporting Children Using Department of Education Data

Sufficiency of Service Delivery Options Available to the Public at the Field Office Level

The Social Security Administration's Process for Title II Debt Collection Arrangements

## Identifying Supplemental Security Income Payments to Parents Not Supporting Children Using Department of Education Data

In December 2009, we issued a report on SSI payments to parents who were not supporting their children and estimated \$10.2 million in funds were being issued even though States or local school districts were covering the children's needs. This prior review only identified cases based on coding in SSA's systems. This new review would include obtaining data from the Department of Education of all children in full-time residential special needs type schools and matching the data with SSI recipients.

## Sufficiency of Service Delivery Options Available to the Public at the Field Office Level

The principles outlined in SSA's 2010 Vision include expanded service options for the public, transactions completed at the first point of contact, one-stop Government service, expanded service hours, technological enhancements, and that SSA attract and retain a highly qualified and skilled workforce. The Vision recognized that there would continue to be community based local Social Security offices. The Agency also recognized that implementation of many of the initiatives covered in the Vision would require additional authority and flexibility. Therefore, it expected that implementation would vary among States. In a time of tight budgets, the Agency will need to find more ways to shift work to electronic resources. This review will determine the extent of service delivery options available to the public at the field office level. We will also assess whether the Agency could do more to improve its service delivery options to help ensure the most effective use of its field office staff.

## The Social Security Administration's Process for Title II Debt Collection Arrangements

SSA's *FY 2007 Performance and Accountability Report* shows the percentage of Title II debt in a collection arrangement rose from 39 percent in FY 2002 to about 50 percent in FY 2010. We will evaluate SSA's process for Title II debt collection arrangements.