

*Audit Report*

Performance Indicator Audit:  
Hearing Requests

**MEMORANDUM**

**Date:** February 27, 2013 **Refer To:**

**To:** The Commissioner

**From:** Inspector General

**Subject:** Performance Indicator Audit: Hearing Requests (A-15-12-12115)

We contracted with KPMG, LLP (KPMG) to evaluate three of the Social Security Administration's performance indicators (PI) established to comply with the *Government Performance and Results Act of 1993*. The attached final report presents the results of the evaluation of one PI. KPMG's objectives were to:

1. Comprehend and document the sources of data that were collected to report on the specified PI.
2. Identify and test critical controls (both electronic data processing and manual) of systems from which the specified performance data were gathered.
3. Test the adequacy, accuracy, reasonableness, completeness, and consistency of the underlying data for each of the specified PI.
4. Recalculate each measure to ascertain its accuracy.

If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.



Patrick P. O'Carroll, Jr.

Attachment

# Performance Indicator Audit: Hearing Requests

## A-15-12-12115



February 2013

Office of Audit Report Summary

### Objectives

To (1) comprehend and document the sources of data that were collected to report on the specified performance indicator (PI); (2) identify and test critical controls (both electronic data processing and manual) of systems from which the specified performance data were gathered; (3) test the adequacy, accuracy, reasonableness, completeness, and consistency of the underlying data for the specified PI; and (4) recalculate the measure to verify its accuracy.

### Background

We contracted with KPMG, LLP (KPMG) to evaluate one of the Social Security Administration's (SSA) PIs established to comply with the *Government Performance and Results Act of 1993*. KPMG audited the PI, *Complete the Budgeted Number of Hearing Requests*, which was included in SSA's Fiscal Year (FY) 2011 Performance and Accountability Report (PAR).

### Findings

KPMG tested the key internal controls over the Case Processing and Management System, which generates the data supporting the PI. Test work did not identify any findings related to the internal controls over the systems supporting the PI.

KPMG obtained the underlying data supporting the PI and verified that there were 795,424 total hearing requests completed in FY 2011. In addition, KPMG selected a sample of cases closed during the first and last weeks of the FY and verified the accuracy of the cases closed during the FY. KPMG's work did not identify significant findings regarding the adequacy, accuracy, reasonableness, completeness, and consistency of the underlying data for the PI subject to audit. KPMG was able to recalculate the accuracy of the PI without exception.

### Conclusion

Based on the results of KPMG's audit, they believe the PI was adequate, accurate, reasonable, complete, and consistent with the underlying data. In addition, KPMG noted that internal controls over the system supporting the PI were operating effectively.

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## ABBREVIATIONS

Act	<i>Social Security Act</i>
ALJ	Administrative Law Judge
FY	Fiscal Year
GPRA	<i>Government Performance and Results Act of 1993</i>
MCS	Modernized Claims System
MSSICS	Modernized Supplemental Security Income Claims System
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
PAR	Performance and Accountability Report
PI	Performance Indicator
Pub. L. No.	Public Law Number
SSA	Social Security Administration
SSDI	Social Security Disability Insurance
SSI	Supplemental Security Income
U.S.C.	United States Code

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## MEMORANDUM

Date: February 15, 2013

To: Inspector General

From: KPMG, LLP

Subject: Performance Indicator Audit: Hearing Requests (A-15-12-12115)

## OBJECTIVES

The *Government Performance and Results Act of 1993* (GPRA)<sup>1</sup> seeks to improve the Government's internal management as well as program effectiveness and public accountability, by promoting a focus on results, service quality, and customer satisfaction.<sup>2</sup> Specifically, GPRA requires that the Social Security Administration (SSA) establish performance indicators (PI) to measure or assess the relevant outputs, service levels, and outcomes of each program activity.<sup>3</sup> GPRA also requires a description of the means employed to verify and validate the measured values used to report on program performance.<sup>4</sup>

For this audit of SSA's PI for Fiscal Year (FY) 2011, *Complete the Budgeted Number of Hearing Requests*, our objectives were to:

1. Comprehend and document the sources of data that were collected to report on the specified PI.
2. Identify and test critical controls (both electronic data processing and manual) of systems from which the specified performance data were gathered.
3. Test the adequacy, accuracy, reasonableness, completeness, and consistency of the underlying data for the specified PI.
4. Recalculate the measure to verify its accuracy.

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<sup>1</sup> Pub. L. No. 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5 U.S.C., 31 U.S.C., and 39 U.S.C.).

<sup>2</sup> Pub. L. No. 103-62 §§ 2(a)(3) and (6), 107 Stat. 285.

<sup>3</sup> 31 U.S.C. §1115(a)(4).

<sup>4</sup> 31 U.S.C. § 1115(a)(6).

This performance audit did not constitute an audit of financial statements in accordance with generally accepted government auditing standards. KPMG, LLP (KPMG) was not engaged to, and did not, render an opinion on SSA's internal controls over financial reporting or financial management systems (for purposes of Office of Management and Budget Circular A-127, *Financial Management Systems*, July 23, 1993, as revised). KPMG cautions that projecting the results of its evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

## BACKGROUND

We audited the following PI, which was included in SSA's FY 2011 *Performance and Accountability Report* (PAR).

PI	FY 2011 Target	FY 2011 Actual
Complete the Budgeted Number of Hearing Requests. <sup>5</sup>	815,000 <sup>6</sup>	795,424 <sup>7</sup>

SSA linked this performance indicator to its strategic objective 1.1, *Increase Our Capacity to Hear and Decide Cases*,<sup>8</sup> and its strategic goal 1, *Eliminate Our Hearings Backlog and Prevent Its Recurrence*.<sup>9</sup>

SSA administers the Old-Age, Survivors and Disability Insurance (OASDI) program under Title II of the *Social Security Act* (Act). OASDI provides income for eligible workers as well as eligible members of their families and survivors.<sup>10</sup> Social Security Disability Insurance (SSDI) provides benefits under the OASDI program, as authorized by Title II of the Act. SSDI provides income for eligible workers with qualifying disabilities and eligible members of their families before those workers reach retirement age.<sup>11</sup> The Supplemental Security Income (SSI) program, authorized by Title XVI of the Act, was designed as a needs-based program to provide or

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<sup>5</sup> SSA's FY 2011 PAR, Page 50.

<sup>6</sup> Id.

<sup>7</sup> Id.

<sup>8</sup> SSA *Annual Performance Plan for FY 2012 and Revised Final Performance Plan for FY 2011*, Page 7.

<sup>9</sup> Id.

<sup>10</sup> Act §§ 201, 202, and 223; 42 U.S.C. §§ 401, 402, 423.

<sup>11</sup> Id.

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supplement the income of aged, blind, and/or disabled individuals with limited income and resources.<sup>12</sup> A claimant may receive disability benefits under the SSDI and/or SSI programs.

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<sup>12</sup> Act §§ 1601 and 1605; 42 U.S.C. §§ 1381-1383f.

## PI Background

For all initial disability claims submitted, an initial disability determination is made in one of the following three ways: favorable, partially favorable, or unfavorable.

- Favorable, where the claimant was determined to be disabled.
- Partially favorable, where the claimant was determined to be disabled for only part of the time claimed.
- Unfavorable, where the claimant was not determined to be disabled.

Once the decision is rendered, the claimant can either accept the decision or request reconsideration of the claim. A claimant has 60 days to file for reconsideration, regardless of the decision. Claimants can request reconsideration for a favorable decision if they disagree on how the decision was reached. For example, if the claimant is mentally unstable and disagrees with the diagnosis, the claimant can request reconsideration of a favorable decision. A reconsideration request can be submitted electronically, through the mail, or in person at an SSA field office. Once SSA reviews the reconsideration, it sends the claimant a Reconsideration Decision. After claimants receive their Reconsideration Decision, they can accept the decision or request a hearing to have their claim reviewed by an administrative law judge (ALJ).<sup>13</sup>

## PI Calculation

This PI is derived by determining the number of hearing requests completed in the current FY.

$$\text{Complete the budgeted number of hearing requests.} \quad = \quad \text{Total number of hearing requests completed in the current FY up to the number budgeted.}$$

## RESULTS OF REVIEW

We tested the key internal controls over the Case Processing and Management System, which generates the data supporting the PI. Our tests did not identify any findings related to the internal controls over the systems supporting the PI.

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<sup>13</sup> Not all cases go through the reconsideration steps due to the Prototype operating in 10 States.

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We obtained the underlying data supporting the PI and verified that 795,424 hearing requests were completed in FY 2011. In addition, we selected a sample of cases closed during the first and last weeks of the FY and verified the accuracy of the cases closed during the FY. Our work did not identify significant findings regarding the adequacy, accuracy, reasonableness, completeness, and consistency of the underlying data for the PIs subject to audit. We were able to recalculate the accuracy of the PI without exception.

## CONCLUSIONS

Based on the results of our audit, we believe the PI was adequate, accurate, reasonable, complete, and consistent with the underlying data. In addition, we noted that internal controls over the system supporting the PI were operating effectively.

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# APPENDICES

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## Appendix A – SCOPE AND METHODOLOGY

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We obtained an understanding of the Social Security Administration's (SSA) *Government Performance and Results Act of 1993*<sup>1</sup> business processes related to the performance indicator (PI), *Complete the Budgeted Number of Hearing Requests*. Our understanding was obtained through research and interviews with key SSA personnel from the Offices of Applications and Supplemental Security Income Systems as well as the Divisions of Management Information and Analysis; Disability Adjudication and Review; and Disability Systems.

Through inquiry, observation, and other substantive testing, including testing of source documentation, we performed the following.

- Reviewed the *Annual Performance Plan for Fiscal Year (FY) 2012 and Revised Final Performance Plan for 2011* to obtain an understanding of the FY 2011 PIs.
- Reviewed prior Office of the Inspector General and Government Accountability Office reports related to SSA's PIs.
- Reviewed applicable laws, regulations, and SSA policy.
- Reviewed documentation and flowcharts of the PI components.
- Flowcharted the hearing request processes (see Appendix B).
- Identified and tested key controls related to manual or basic computerized processes (for example, spreadsheets, databases, etc.).
- Determined the adequacy, accuracy, reasonableness, completeness, and consistency of performance data reported in SSA's FY 2011 *Performance and Accountability Report*.
- Assessed the completeness and accuracy of the data to determine their reliability as they pertain to the audit objectives.

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

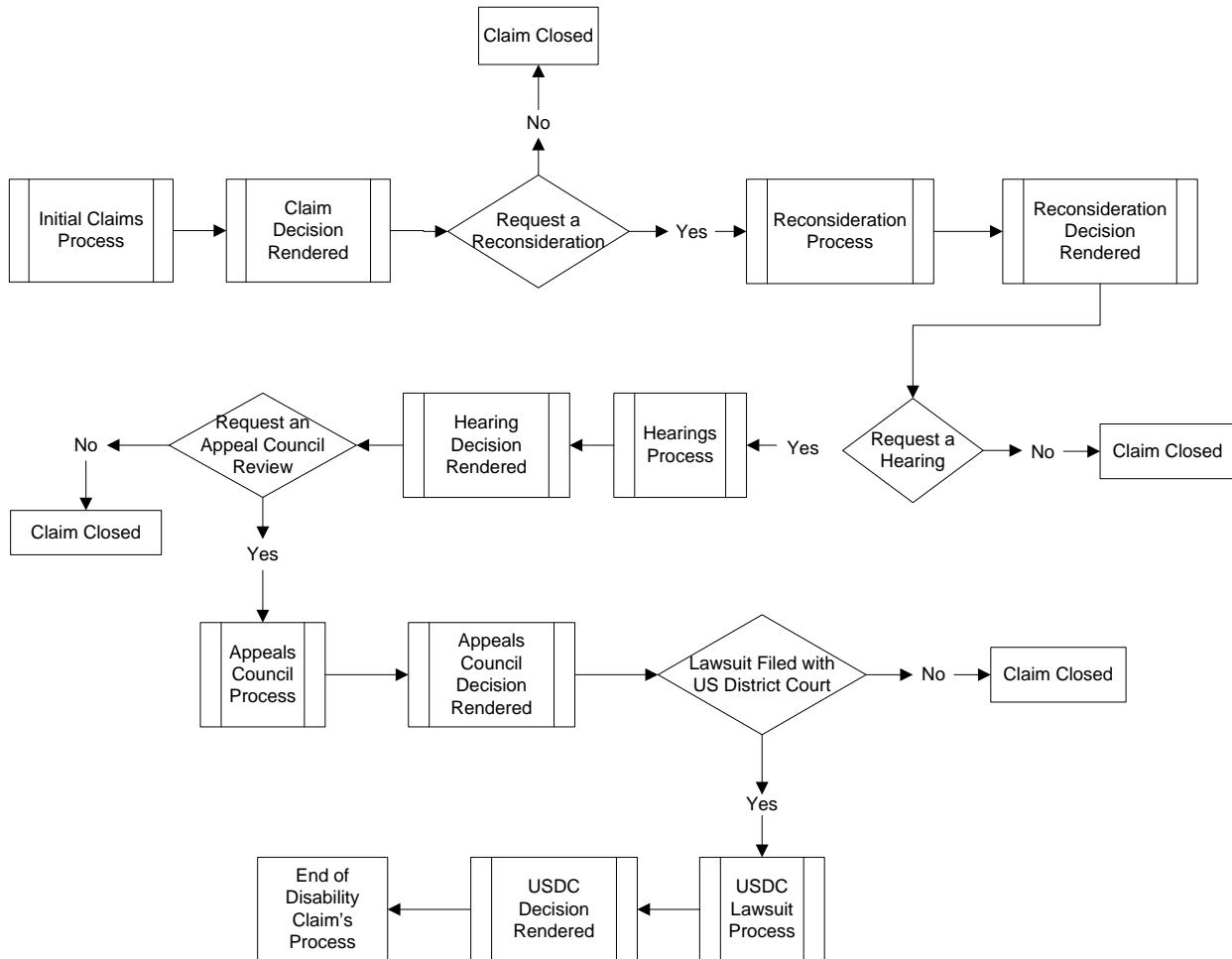
We determined the data used in this review were sufficiently reliable and believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>1</sup> Pub. L. No. 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5 U.S.C., 31 U.S.C., and 39 U.S.C.).

## Appendix B – FLOWCHARTS AND NARRATIVES

**Figure B-1: Hearing Request Process Flowchart**



## PROCESS NARRATIVE

Once a claimant has received their claim decision from the initial claims and subsequent reconsideration processes, they can accept the decision given or request a hearing to have the claim reviewed by an administrative law judge (ALJ).<sup>1</sup> The types of decisions that can be appealed are as follows.

<sup>1</sup> Not all cases go through the reconsideration steps due to the Prototype operating in 10 States.

- Favorable, where the claimant was determined to be disabled. This type of appeal is rare but can happen when the decision was based on evidence the claimant was deemed psychologically disabled, but they disagree with the prognosis.
- Partially favorable, where the claimant was determined to be disabled for only part of the time they were claiming.
- Unfavorable, where the claimant was not determined to be disabled.

A claimant has 60 days to file a request for a hearing upon notice of the decision made during the reconsideration process. Claimants can file a request for hearing in one of two ways.

- Completing the Form HA-501, *Request for Hearing by an ALJ*, online via the iAppeals system.
- Completing a written request for a hearing and hand delivering or mailing the form to a Social Security Administration (SSA) field office.

Once the claimant has completed Form HA-501 through iAppeals, the Form is automatically routed to one of the following systems.

- Modernized Claims System (MCS) for Title II (Social Security Disability Insurance) applications, which are disability benefits that are awarded based on payroll deductions that occur as a result of work activity and contributions made by self-employed workers.
- Modernized Supplemental Security Income Claims System (MSSICS) for Title XVI (Supplemental Security Income) applications. Title XVI payments are available to aged and disabled individuals who meet the necessary criteria.

If the claimant submits a written request for a hearing to the field office, field office personnel must enter the hearing request into MCS or MSSICS, depending on the type of claim. Once the hearing request is in MCS/MSSICS, the field office updates the Electronic Disability Claims System. Generally, the Office of Disability Adjudication and Review processes cases on a first-in, first-out basis using the hearing request date. Depending on the office policy, the case intake technician or a manager may determine whether the case fits specific profiles to be reviewed by an Attorney Adjudicator or ALJ. If the case fits any of these profiles, the technician refers it to an attorney adjudicator for review. Attorney Adjudicators screen cases to determine whether they can award benefits based solely on the record as it stands without a hearing. However, the Attorney Adjudicator can only issue a fully favorable decision.

The case can also be a critical case, which requires an expedited hearing. There are several types of critical cases: claimants in dire need and those for claimants with a terminal illness. Case intake technicians also flag critical cases and refer them for possible on the record decisions. For critical cases, if a fully favorable decision cannot be rendered without additional evidence, the hearing request is still expedited.

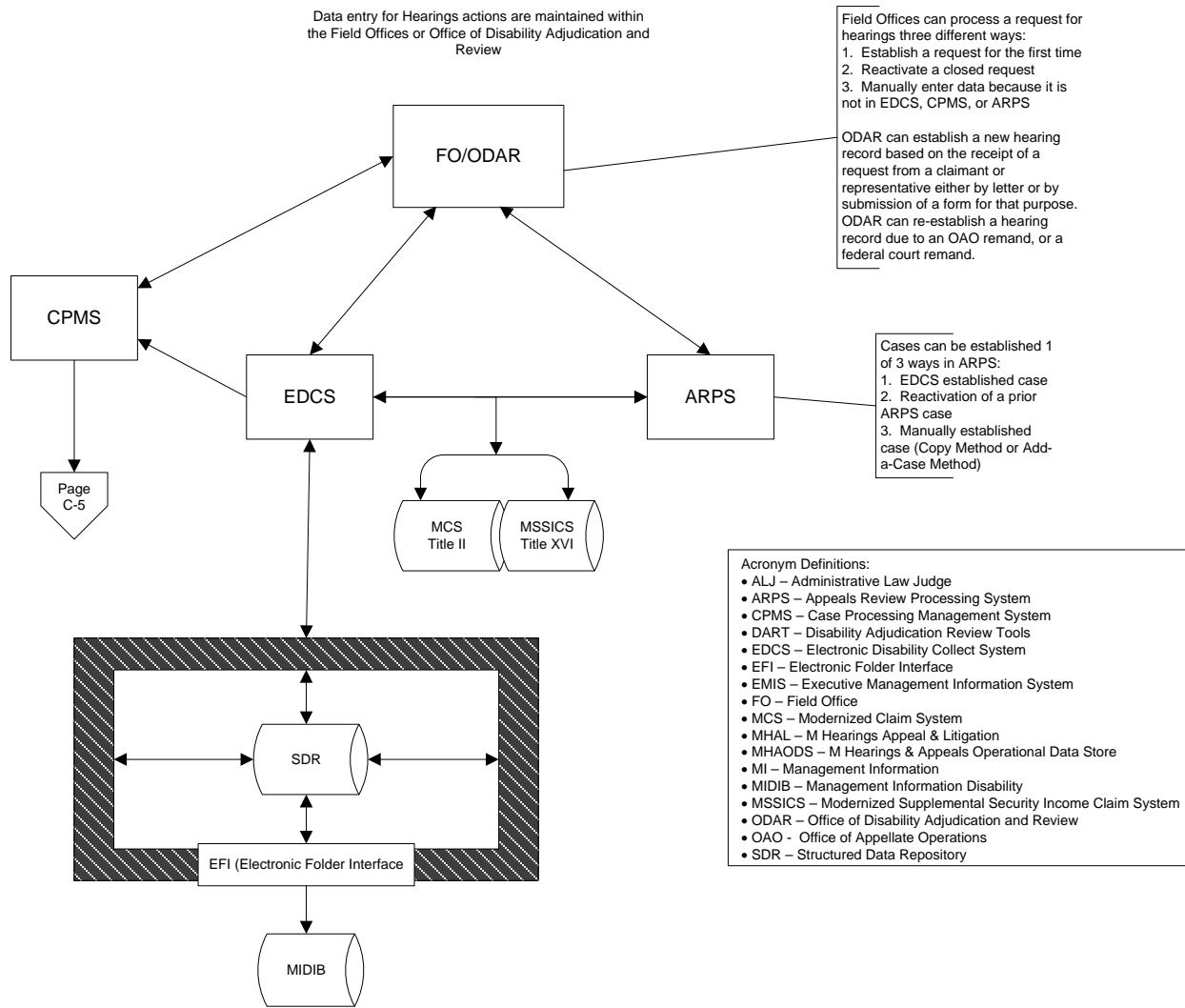
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ALJs can also screen cases in the *ALJ Screening for on the Record or Dismissal*. However, unlike attorney adjudicators, ALJs can process all types of decisions including favorable, partially favorable, and unfavorable.

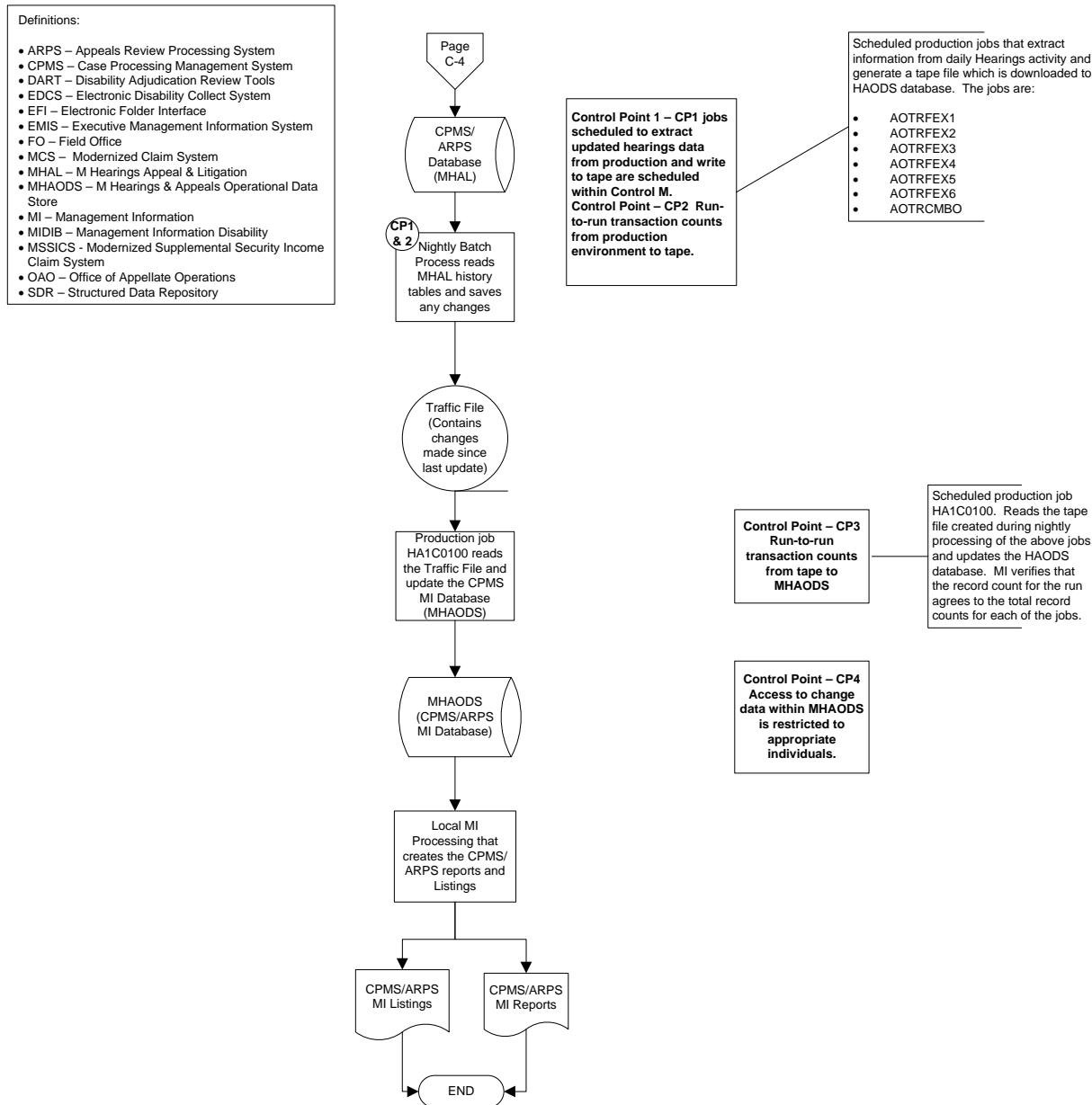
To schedule a hearing, the hearing office staff coordinates with all parties, including the representatives and expert witnesses, to determine when the hearing can be scheduled. The support staff sends the notice of hearing to all the parties to appear at the hearing. After cases have been scheduled, staff members continue taking action to process requests for postponements, process development, and contact claimants who have failed to respond to their notices. By regulation, notices must be sent at least 20 days before the hearing.

At the hearing, the ALJ takes the testimony of the claimant and their witnesses and of expert witnesses. They can also request additional evidence or testimony that they want to see before issuing a decision. The decision can be *fully favorable, partially favorable, or unfavorable*. Once a decision is made, ALJs document their decision, write their instructions, draft the decision, or have a decision writer draft it. After the decision is drafted, the ALJ reviews and signs it. The decision based on the hearing request is issued and the hearing request considered to be closed.

**Figure B–2: Hearing Requests Systems Process Flowchart**



**Figure B–3: Hearing Requests Systems Process Flowchart**



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## Appendix C – AGENCY COMMENTS

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### MEMORANDUM

Date: February 6, 2013 Refer To: S1J-3

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

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

Subject: Office of the Inspector General Draft Report, “Performance Indicator Audit: Hearing Requests”  
(A-15-12-12115)—INFORMATION

Thank you for the opportunity to review the draft report. We do not have any comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

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## Appendix D – MAJOR CONTRIBUTORS

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Victoria Vetter, Director, Financial Audit Division

Mark Meehan, Audit Manager, Financial Audit Division

Sig Wisowaty, Senior Auditor, Financial Audit Division

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