

# **U.S. House of Representatives**

Committee on Ways and Means

Subcommittee on Social Security



## **Statement for the Record**

**Oversight Hearing on Social Security Administration Field Office Service Delivery**

**Patrick P. O'Carroll, Jr.**

**Inspector General of the Social Security Administration**

**April 15, 2010**

**Statement of the Honorable Patrick P. O'Carroll, Jr., Inspector General,  
Social Security Administration**

**Before the U.S. House of Representatives, Committee on Ways and Means,  
Social Security Subcommittee**

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Good morning, Chairman Pomeroy, Congressman Johnson, and members of the subcommittee. Thank you for the invitation to appear before you this morning to discuss service issues at the Social Security Administration (SSA). And Mr. Chairman, it is a particular pleasure to appear before you for the first time in your tenure as Chairman. We have enjoyed a productive working relationship over your many years on the Committee, and I look forward to working with you in your new role.

As you know, SSA has for many years rightfully enjoyed its reputation as a premier public service agency in the Federal government. Despite the enormity of its mission, the Agency has consistently provided excellent customer service, and the American people have come to expect that high level of service. As demands on the Agency increase due to the aging of the baby boom population and the economic downturn, and as resources remain limited, it has become more of a challenge than ever to provide such a high level of service. I welcome your attention to these issues, as the American people expect and deserve that level of service, particularly given that their contact with SSA comes at critical times in their lives—upon becoming disabled, at retirement, marriage, death of a loved one, birth of a child, and other life milestones.

I would be remiss, however, as Inspector General, if I did not stress the need to strike an appropriate balance between service and stewardship. For the fifteen years of the Office of the Inspector General's existence, we have repeatedly sounded this call. The proper distribution of benefit payments demands careful and responsible management; without stewardship, SSA does a *disservice* to the public. It is critical we hold true to SSA's goal to provide the right payment to the right person at the right time, that applications for benefits be honest and accurate, and that beneficiaries whose work situation or medical condition changes be removed from the benefit rolls promptly to free both funds and SSA staff resources for the next deserving applicant. Thus, the OIG's stewardship efforts and the Agency's service reputation are two sides of the same coin, and my testimony today will touch on both sides.

My office is in the midst of a study that goes to the very heart of SSA's customer service efforts. Entitled *Customer Wait Times in the Social Security Administration's Field Offices*, the study began last fall, and will be completed by October of this year. In the study, we note that between August 2008 and July 2009, 18 percent of SSA field office visitors had to wait between 31 and 60 minutes to see a service representative, while another 7 percent had a wait of over an hour. Our work will delve deeper into these numbers and assess the impact of waiting times on customer service.

Previously, we conducted another service review of SSA's controls over the issuance of "Social Security Number Verification Printouts" (SSN Printouts). Due to concerns regarding the potential for identity theft, SSA began issuing these documents in 2002 as a safe alternative to issuing a full "numident" printout—the latter of which contains a significant amount of personally identifiable information about the number holder (for example, name, SSN, date of birth, place of birth, and parents' names). In contrast, the SSN Printout contains only the number holder's name and SSN—much like a Social Security card.

The SSN Printout quickly became popular with the public. In fiscal year 2006, SSA offices issued about 6.3 million of these SSN printouts—primarily so the number holders could prove the validity of their SSNs to third parties, such as employers or Departments of Motor Vehicle. Our review sought to determine whether SSA had adequate controls in place to protect the integrity of this process. We found that those controls should be strengthened, and made eight recommendations to SSA. The Agency agreed in whole with three, partially agreed with another four, and disagreed with our last recommendation: that it issue SSN printouts only when the numberholder expresses an immediate need for a verification of the SSN.

In related studies, we have examined the charging of fees for SSA services. While a full numident printout costs \$16, SSN printouts are free to the number holder, as are replacement Social Security cards. Early in our existence, we issued a 1997 report that examined Canada's experience in charging a fee for replacement of the Canadian equivalent of a Social Security card. We found that Canada's experience had generally been positive, and recommended that SSA charge a fee for replacement Social Security cards.

More recently, we examined SSA's collection of fees for information requested under the Privacy Act and the Freedom of Information Act, both of which authorize such fees in certain situations. We found that existing policies, procedures, and field office practices did not ensure the consistent

determination and collection of fees. We made six recommendations to improve agency determination and collection of these fees, and SSA agreed with all six recommendations.

While these types of issues speak directly to SSA's customer service delivery, as I said earlier, integrity of SSA programs is inextricably linked to service. Getting the right payment to the right person means, inversely, not issuing improper payments. To prevent this, it is critical not only to prevent placing ineligible individuals in benefit status, but to remove individuals from benefit status when changes to their situations make them ineligible for the benefits they are receiving.

At SSA, this is accomplished through Continuing Disability Reviews in the Title II and Title XVI programs and Redeterminations in the Title XVI program. These reviews of medical condition and work status in the disability programs and income, assets, and living arrangements in the Title XVI program are key elements in the integrity of SSA's programs, and therefore, in the delivery of services to the American people.

The importance of Redeterminations in the Supplemental Security Income (SSI) program cannot be disputed, and the number of Redeterminations has decreased substantially, even as the number of SSI recipients has increased. From Fiscal Years 2000 through 2004, there was a sharp increase in Redeterminations as SSA acted to have the SSI program removed from the Government Accountability Office's high-risk list. These efforts were successful, but once this goal was accomplished, Redeterminations fell off sharply, by some 60 percent between Fiscal Years 2003 and 2008. Last year, we issued a report on Redeterminations, and estimated that SSA could have saved an additional \$3.3 billion during Fiscal Years 2008 and 2009 alone if Redeterminations were conducted at a Fiscal Year 2003 pace. We recommended that SSA establish a methodology to determine the number of Redeterminations that are needed each year, identify the savings lost if those Redeterminations are not completed, establish a methodology to identify the cost-savings ratio for Redeterminations conducted each year, and continue to pursue the establishment of a self-funding program integrity fund. SSA agreed with all of our recommendations.

A self-funding program integrity fund is a longstanding proposal that would fund integrity initiatives such as Redeterminations and Continuing Disability Reviews (which I'll address momentarily). The proposal would provide for indefinite appropriations to make available to SSA 25 percent, and to OIG 2.5 percent, of actual overpayments collected based on detection of erroneous payments. It would also establish a revolving fund that would be financed from the projected lifetime savings of SSA's

stewardship/program activities. SSA would be permitted to utilize up to 50 percent of the estimated future lifetime program savings from such activities as CDRs, Redeterminations, Cooperative Disability Investigations, and similar activities to fund initiatives that would yield at least a 150 percent return on investment within ten years.

Such an integrity fund would provide for increased integrity initiatives which, in turn, could free up appropriated resources for improvements in customer service.

CDRs, like SSI Redeterminations, have an enormous impact on program integrity and thus, on service delivery. Last month, we issued a report on medical CDRs, which are designed to detect medical improvement that renders a beneficiary ineligible for benefits. SSA will have a backlog of 1.5 million medical CDRs by the end of this fiscal year. This backlog is particularly unfortunate, given that SSA eliminated a backlog of 4.3 million CDRs and became current in Fiscal Year 2002, thanks to special funding provided for that specific purpose.

In our report, we estimated that SSA will have made benefit payments of \$1.3 to \$2.6 billion that could potentially have been avoided if the CDRs in the backlog had been conducted when due. We further estimated that in Fiscal Year 2011 alone, SSA will pay between \$556 million and \$1.1 billion in benefits that could potentially be avoided if CDRs are conducted timely.

Of course, medical improvement is not the only reason beneficiaries become ineligible or unentitled. Last year, we issued a follow-up report on disabled Title II beneficiaries with earnings reported to SSA. In a 2004 report, we had found that \$1.4 billion was paid to 63,000 individuals who had earnings posted to SSA's Master Earnings File. We made recommendations to prevent this from occurring in the future. Although SSA agreed with our recommendations, we found last year that SSA still did not evaluate all earnings posted to the Master Earnings File, and that \$1.3 billion was overpaid to about 49,000 disabled individuals due to this undetected work activity.

These audits involving both medical improvement and undetected work activity go to the very heart of both integrity and service. And there is no population more in need of prompt and efficient service than those beneficiaries who are unable to manage their own benefits. SSA's representative payee program serves this population of seven million beneficiaries, but can address this need only if SSA is aware that the beneficiary needs such help.

Just this month, we issued an audit report entitled *Aged Beneficiaries in Need of Representative Payees*, in which we sought to identify vulnerabilities of direct benefit payment to aged beneficiaries and to determine whether additional safeguards are needed to ensure that their funds are properly managed. There are approximately five million beneficiaries aged 85 or older, and that number will double in the next 20 years, and quadruple in the next 40 years. Only about 230,000 of these beneficiaries have representative payees. We reviewed a sample population of 275 of these beneficiaries who were receiving their benefits without the use of a representative payee, to assess whether they needed such assistance.

Based on the sample results, we estimated that about one million beneficiaries over age 85 may have been incapable of managing, or directing the management of, their benefits. These beneficiaries generally had individuals or organizations managing their benefits *outside of* SSA's representative payee program and, therefore, without benefit of the rules and protections that the program carries.

We further estimated that these benefits totaled about \$1 billion monthly, so that over a one-year period, SSA disbursed about \$12.5 billion in benefits that were managed by someone other than the beneficiary, with no controls over the management of those funds. We made five recommendations, of which SSA agreed with four. SSA disagreed with our recommendation to establish additional controls to better identify aged beneficiaries in need of representative payees, stating that it could not justify the investment of resources that would be required, and that targeting aged beneficiaries for capability reviews could be perceived as discriminatory.

The preservation of resources that could be gained through better stewardship, particularly if an integrity fund becomes a reality, could be a boon to SSA as it faces an ever-increasing customer base. The Agency has done an admirable job maintaining a high level of customer service with the resources available, but I encourage the Agency and the Congress to continue not only to seek an appropriate balance between service and stewardship, but to recognize that stewardship is a key component of service.

I thank you again for the invitation to testify, and I'd be happy to answer any questions.