



SOCIAL SECURITY

MEMORANDUM

Date: February 25, 2011

Refer To:

To: The Commissioner

From: Inspector General

Subject: Performance Indicator Audit: Hearings and Appeals Backlog (A-15-10-11075)

We contracted with KPMG to evaluate 10 of the Social Security Administration's performance indicators (PI) established to comply with the *Government Performance and Results Act*. The attached final report presents the results of three of the PIs evaluated. For the PIs included in this audit, 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 generated.
3. Test the adequacy, accuracy, reasonableness, completeness, and consistency of the underlying data for the specified PI.
4. Recalculate each measure to ascertain its accuracy.

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

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

Patrick P. O'Carroll, Jr.

Attachment

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**PERFORMANCE INDICATOR AUDIT
HEARING AND APPEALS BACKLOG**

February 2011 A-15-10-11075

AUDIT REPORT



Mission

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

Authority

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

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

To ensure objectivity, the Inspector General (IG) Act empowers the IG with:

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

Vision

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

Executive Summary

OBJECTIVE

For this audit of Social Security Administration (SSA) performance indicators (PI) for Fiscal Year (FY) 2009, *Achieve the Target to Eliminate the Oldest Hearings Pending*, *Achieve the Target to Eliminate the Oldest Appeals Council Cases Pending*; and *Achieve the Target for Average Processing Time of Appeals Council Decisions*, 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 generated.
3. Test the adequacy, accuracy, reasonableness, completeness, and consistency of the underlying data for the specified PI.
4. Recalculate each measure to ascertain its accuracy.

BACKGROUND

The *Government Performance and Results Act of 1993* (GPRA)¹ requires that SSA develop PIs that assess the relevant service levels and outcomes of each program activity.² GPRA also calls for a description of the means employed to verify and validate the measured values used to report on program performance.³

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

¹ Public Law Number (Pub. L. No.) 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5 United States Code [U.S.C.], 31 U.S.C. and 39 U.S.C.).

² 31 U.S.C. § 1115(a)(4).

³ 31 U.S.C. § 1115(a)(6).

RESULTS OF REVIEW

Our audit did not identify any significant findings related to the internal controls over the systems supporting the PI. In addition, our audit did not identify significant findings with the adequacy, accuracy, reasonableness, completeness, and consistency of the underlying data for the indicators subject to audit. We were able to recalculate the accuracy of the PI without exception. However, our audit identified areas for improvement related to internal controls and accuracy of the underlying data presented and disclosed in the Performance and Accountability Report (PAR) for the indicators: (1) *Achieve the Target to Eliminate the Oldest Hearings Pending*, (2) *Achieve the Target to Eliminate the Oldest Appeals Council Cases Pending*, and (3) *Achieve the Target for Average Processing Time of Appeals Council Decisions*.

RECOMMENDATIONS

We recommend that SSA:

1. Consider implementing policies, procedures, and/or training to ensure disability hearing and Appeals Council (AC) request form dates are properly entered into the Case Processing and Management System (CPMS) or the Appeals Review Processing System (ARPS).
2. Consider implementing policies and procedures to ensure the Notice of Disposition is sent to the claimant in a timely manner and recorded accurately in CPMS or ARPS.
3. Consider implementing procedures to ensure the CPMS Batch Processing Spreadsheet is completed accurately on a daily basis along with the sign off page to document the review of the spreadsheet.
4. Consider implementing procedures to ensure independent personnel regularly review activity on the Disability Adjudication Reporting Tool (DART) database.

In response to prior PI audits, SSA stated it did not maintain data to support some PIs because of computer storage capacity issues and staffing resources. Over the past several years, technology has evolved. Therefore, this is an opportune time for SSA to reevaluate computer storage capacity. In prior audits, SSA also quoted Office of Management and Budget (OMB) Circular A-11, *Preparation, Submission and Execution of the Budget*, which states, “Performance data need not be perfect to be reliable, particularly if the cost and effort to secure the best performance data will exceed the value of any data so obtained.”⁴ Currently, Circular A-11 states that “Performance data need not be perfect to be reliable; however, significant data limitations can lead to

⁴ See for example, OIG Performance Indicator Audit: Outstanding Debt (A-02-05-15116, January 2006, p. D-2).

inaccurate assessments and distort performance results. Examples of data limitations include imprecise measurement and recordings, incomplete data, and inconsistencies in data collection procedures.⁵

Additionally, Circular A-11, section 230.5, states that verification and validation of performance data to support the general accuracy and reliability of performance information reduces the risk of inaccurate performance data, and provides a sufficient level of confidence to the Congress and the public that the information presented is credible.⁶ Although we are not making formal recommendations relating to maintaining data, we encourage SSA to revisit the issue of maintaining data to support the PIs reported in the Agency's annual PAR. Maintaining the supporting data would enable third-party evaluations of the PI, as suggested by Circular A-11.

AGENCY COMMENTS

While SSA agreed with our recommendations, SSA did not agree with our statement to reevaluate its computer storage capacity. SSA stated that it would not be implementing any processes for storing PI data because of technical and staffing constraints. SSA suggested that KPMG consider an equally effective technique for auditing PI activity “real-time” as it is produced, rather than trying to reconstruct Management Information 1 year later.

The text of SSA’s general comments can be found in Appendix D.

KPMG RESPONSE

We appreciate the Agency’s comments and consideration of our statement. Reviewing real-time data as SSA produces it only provides evidence that the data are available in the year produced. It does not provide sufficient evidence of the underlying data supporting the FY being audited.

⁵ OMB Circular A-11, *Preparing, Submitting, and Executing the Budget*, November 2010, Section 230.5.

⁶ Ibid.

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Introduction

OBJECTIVE

The *Government Performance and Results Act of 1993* (GPRA)¹ requires that the Social Security Administration (SSA) develop performance indicators (PI) that assess the relevant service levels and outcomes of each program activity.² GPRA also calls for a description of the means employed to verify and validate the measured values used to report on program performance.³

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

For this audit of SSA's PIs for Fiscal Year (FY) 2009, *Achieve the Target to Eliminate the Oldest Hearings Pending; Achieve the Target to Eliminate the Oldest Appeals Council Cases Pending; and Achieve the Target for Average Processing Time of Appeals Council Decisions*, our objectives were as follows.

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 generated.
3. Test the adequacy, accuracy, reasonableness, completeness, and consistency of the underlying data for the specified PI.
4. Recalculate each measure to ascertain its accuracy.

¹ 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.).

² 31 U.S.C. § 1115(a)(4).

³ 31 U.S.C. § 1115(a)(6).

This performance audit did not constitute an audit of financial statements in accordance with government auditing standards. KPMG was not engaged to, and did not, render an opinion on SSA's internal controls over financial reporting or over financial management systems (for purposes of Office of Management and Budget [OMB] Circular A-127, *Financial Management Systems*, July 23, 1993, as revised). KPMG cautions that projecting the results of our audit 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 PIs, which were included in SSA's FY 2009 Performance and Accountability Report (PAR).

<u>PI</u>	<u>FY 2009 – Target</u>	<u>FY 2009 – Actual</u>
<i>Achieve the Target to Eliminate the Oldest Hearings Pending⁴</i>	Less Than 1 Percent of Hearings Pending 850 Days or Older	228 of 166,838 Cases Remained Pending (.14 Percent)
<i>Achieve the Target to Eliminate the Oldest Appeals Council Cases Pending⁵</i>	Less than 1 Percent of Appeals Council Cases Pending 750 Days or Older	10 of 12,184 Cases Remained Pending (.08 Percent)
<i>Achieve the Target for Average Processing Time of Appeals Council Decisions⁶</i>	265 Days	261 Days

The strategic objective related to these PIs is *Improve Our Workload Management Practices Throughout the Hearing Process.*⁷ The PIs are intended to measure/report SSA's progress in Strategic Goal 1: *Eliminate SSA's Hearings Backlog and Preventing Its Recurrence.*

⁴ FY 2009 PAR, p. 49.

⁵ FY 2009 PAR, p. 51.

⁶ FY 2009 PAR, p. 51.

⁷ FY 2009 PAR, p. 16.

SSA's organizational mission is to "Deliver Social Security services that meet the changing needs of the public."⁸ As part of this mission, SSA administers the Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), and Supplemental Security Income (SSI) programs. The OASI program, authorized by Title II of the *Social Security Act* (Act), provides income for eligible workers and eligible members of their families and survivors.⁹ The DI program, also authorized by Title II of the Act, provides income for eligible workers with qualifying disabilities and for eligible members of their families before those workers reach retirement age.¹⁰ The SSI program, authorized by Title XVI of the Act, was designed as a needs-based program to provide or supplement the income of aged, blind, and/or disabled individuals with limited income and resources.¹¹ A claimant may receive disability benefits under the DI and/or SSI programs administered by SSA.

Based on the Act, an individual found to be disabled may qualify for disability benefits if the following two criteria are met.

- An individual must be unable to engage in substantial gainful activity because of a medically determinable physical or mental impairment; **and**¹²
- The medical condition(s) must be expected to result in death or has lasted or can be expected to last for a period of not less than 12 months.¹³

For all initial disability claims submitted, one of three initial disability determinations is made: favorable, partially favorable, or unfavorable. Once the decision is rendered to the claimant, 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.¹⁴ A reconsideration request can be submitted electronically, through the mail, or in person at an SSA field office (FO). Once the reconsideration has been reviewed, a Reconsideration Decision is sent to the claimant.¹⁵ Once the decision is made, the claimant can either accept the decision or request a hearing.

⁸ FY 2009 PAR, p. 7.

⁹ The Act §§ 201-234, 42 U.S.C. §§ 401-434.

¹⁰ Ibid.

¹¹ The Act §§ 1601-1637, 42 U.S.C. §§ 1381-1383f.

¹² The Act § 223 (d)(1).

¹³ Ibid.

¹⁴ Claimants are told they have 60 days to submit the additional appeal, in addition to a 5-day grace period to account for mail delays, for a total of 65 days (Program Operations Manual System [POMS] GN 03102.100).

¹⁵ Not all cases go through the reconsideration steps due to the Prototype operating in 10 States (POMS DI 12005.001).

SSA faces a considerable challenge of processing a large backlog of requests for hearings at resource levels that have not kept pace with the rising level of hearings requests and pending cases. The Agency has developed a four-pronged plan to eliminate the backlog and prevent its recurrence, based on (1) expanding compassionate allowances; (2) improving performance; (3) increasing adjudicatory capacity; and (4) increasing efficiency with automation and business processes.

Results of Review

Our audit did not identify any significant findings related to the internal controls over the systems supporting the PI. In addition, our audit did not identify significant findings with the adequacy, accuracy, reasonableness, completeness, and consistency of the underlying data for the indicators subject to audit. We were able to recalculate the accuracy of the PI without exception. However, our audit identified areas for improvement related to internal controls and accuracy of the underlying data presented and disclosed in the PAR for the indicators *Achieve the Target to Eliminate the Oldest Hearings Pending*, *Achieve the Target to Eliminate the Oldest Appeals Council Cases Pending*, and *Achieve the Target for Average Processing Time of Appeals Council Decisions*.

ACHIEVE THE TARGET TO ELIMINATE THE OLDEST HEARINGS PENDING

Indicator Background

This PI measures the reduction of the oldest hearings pending. The oldest hearings pending are those cases that are pending or will be pending 850 days or more at the end of the FY. Once a claimant has received his/her claim decision from the initial claims process and the subsequent reconsideration process, the claimant may accept the decision rendered by the adjudicator or request a hearing¹⁶ to have the claim reviewed by an administrative law judge (ALJ), the adjudicators SSA uses to decide cases. A claimant has 60 days to file a request for a hearing upon notice of the decision from the initial disability claims process or the reconsideration process. After hearings are held or adjourned, hearings office staff updates the Case Processing and Management System (CPMS) based on the decision rendered by the ALJ. For additional indicator background information, see Appendix B.

The Management Information (MI) group freezes the data in the CPMS on the last Friday in September so it cannot be changed.¹⁷ As a result, the data reported for this PI were run from September 27, 2008 to September 25, 2009. The calculation of the performance target is performed by dividing the total number of hearings pending 850 days or older as of September 25, 2009 by the total number of hearings pending 850 days or older as of September 27, 2008.

¹⁶ Claimants file a request for hearing by submitting form HA-501, *Request for Hearing by an Administrative Law Judge*.

¹⁷ For PI reporting purposes, SSA considers the last Friday in September as the last day of the reporting period.

PI Calculation

$$\text{Percent of Hearings Pending} \\ \text{850 Days or Older} = \frac{\text{Total Number of Hearings Pending 850} \\ \text{Days or Older as of September 25, 2009}}{\text{Total Number of Hearings Pending 850} \\ \text{Days or Older as of September 27, 2008}}$$

Findings

We selected a sample of hearings cases that were closed in the FY and a sample of hearings cases that were pending as of the end of the FY to determine the accuracy of the cases reflected as closed or pending. Our testwork did not identify any significant findings related to the internal controls over the systems supporting the PI. In addition, we did not identify any significant findings related to the adequacy, accuracy, reasonableness, completeness, and consistency of the underlying data for the specified PI in the FY 2009 PAR. However, our audit identified areas for improvement related to internal controls and accuracy of the results presented and disclosed in the PAR.

Accuracy of Underlying Data

In accordance with the Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*, transactions should be recorded completely, accurately, and timely.¹⁸ We noted the following.

- For 3 of 25 sampled disability hearings that were closed during the FY and for 2 of 10 sampled disability hearings pending as of the end of the FY, the request dates per the disability hearing request form did not agree with the hearing request date recorded in CPMS. The differences between the hearing request date per CPMS and the disability hearing request form were caused by clerical errors. The differences in the dates per CPMS and the disability hearing request form did not affect the accuracy of the PI.
- For all 25 sampled disability hearings that were closed during the FY, the date per the Notice of Disposition did not agree with the disposition date per CPMS. We noted a maximum difference of 6 days between the disposition date recorded in CPMS and the date per the Notice of Disposition. We noted that there were 785 disability hearings that were processed and closed during the last 6 days of the FY per CPMS. Based on the results of our audit, 785 would be the maximum number of disability hearings that could have been recorded as being closed per CPMS during the FY, but the Notice of Disposition may not have been sent until FY 2010. These cases could have been recorded in CPMS as closed in the incorrect FY based on the date the Notice of Disposition was sent and not the date it was recorded as being closed per CPMS. Therefore, the number of disability hearing requests

¹⁸ GAO/AIMD-00-21.3.1, November 1999, p.15.

pending 850 days or older as reported in SSA's FY 2009 PAR could be understated by 785 hearings. We noted that the FY 2009 target for this indicator was less than 1 percent of hearings pending 850 days or older. Therefore, even if the number of hearing requests pending 850 days or older was understated by 785 cases, SSA would have achieved its target.

The reason for the discrepancy in close-out dates is that decisions were not always mailed in the allotted timeframe. Effective July 12, 2008, all decisions involving disability cases required an electronic signature by an ALJ or Attorney Adjudicator. The electronic signature process updates CPMS, uploads a copy of the decision to the electronic folder, and post-dates the decisions 3 business days to allow for mailing. The support staff copies and mails the signed decision document to the claimant and the third-party representative, if any. SSA modified the process in November 2009, with the advent of centralized printing of electronic decisions, to eliminate discrepancies in the close-out dates.

Based on our audit, we do not believe these issues affect the accuracy of the PI. However, these issues may potentially lead to future inaccurate reporting of the aging of disability hearing requests in SSA's PAR.

Critical Internal Controls – Accuracy and Completeness

In accordance with GAO's *Standards for Internal Control in the Federal Government*, transactions should be recorded completely, accurately, and timely.¹⁹ We were unable to obtain the detailed *CPMS Batch Processing Spreadsheet* for 6 of the 25 selected test dates because SSA had no requirement to maintain *CPMS Batch Processing Spreadsheets* on a daily basis. In addition, while testing the spreadsheets, we found unresolved errors in the spreadsheets. SSA uses the *CPMS Batch Processing Spreadsheets* to ensure that record counts between tape extracts and record counts loaded into the Master Hearings and Appeals Operational Data Store (MHAODS) MI database are consistent.²⁰ As a result, we could not verify the completeness and accuracy of this key control in six instances for this PI. Based on our audit, we do not believe this issue affected the accuracy of the PI. However, these issues may potentially lead to future inaccurate reporting of the aging of disability hearing requests in SSA's PAR.

¹⁹ GAO/AIMD-00-21.3.1, November 1999, p.15.

²⁰ The MHAODS database includes the run-to-run record counts that update the CPMS Batch Processing Spreadsheet to verify that the number of records extracted from the Hearings and Appeals production environment agrees with what was selected from the programs that captured the records over a 24-hour period.

Achieve the Target to Eliminate the Oldest Appeals Council Cases Pending

Indicator Background

This PI measures the reduction of the oldest Appeals Council (AC) cases pending. The oldest AC cases are identified as those cases that are pending or will be pending 750 days or more at the end of the FY. If a claimant wishes to appeal the disability claim decision made during the hearings process, he/she has an option to submit a request for the AC to review the claim. Once the claimant has received the hearings disposition, he/she has 60 days to file an appeal after the hearing decision is issued.²¹ If a claimant does not file within 60 days, the claim is closed, and no further action is taken.²² The date the appeal request is received by any Social Security office is considered the request for review date. For PI reporting purposes, the request for review date is the date the case officially becomes a pending AC case. Once a decision is rendered, a release notice is signed and mailed to the claimant. This signifies the end of the AC appeals request process and is the point at which SSA considers a disability claim appeal to have been processed. See Appendix B for the Process Flowchart – Hearings and Appeals.

For reporting purposes, the MI group freezes the data in the Appeals Review Processing System (ARPS) on the last Friday in September so it cannot be changed.²³ As a result, the data reported for this PI were run from September 27, 2008 to September 25, 2009. The calculation of the performance target is performed by dividing the total number of AC cases pending 750 days or older as of September 25, 2009 by the total number of AC cases pending 750 days or older as of September 27, 2008.

PI Calculation

$$\text{Percent of Oldest Appeals Council Cases Pending} = \frac{\text{Total Number of Appeals Council Cases Pending } 750 \text{ Days or Older as of September 25, 2009}}{\text{Total Number of Appeals Council Cases Pending } 750 \text{ Days or Older as of September 27, 2008}}$$

²¹ Claimants are told they have 60 days to submit the additional appeal, in addition to a 5-day grace period to account for mail delays, for a total of 65 days (POMS, GN 03104.100).

²² If a claimant can submit a valid reason as to why he/she did not submit the appeal within the 60-day window, he/she is allowed to submit the appeal after the 60-day window has expired (that is, medical reason where he/she was physically unable to submit the appeal) (POMS, GN 03101.020).

²³ For PI reporting purposes, SSA considers the last Friday in September as the last day of the reporting period.

Findings

We selected a sample of AC cases that were closed during the FY and a sample of AC cases that were pending as of the end of the FY to determine the accuracy of the cases reflected as closed or pending. Based on testwork performed, we did not identify any significant findings related to the internal controls over the systems supporting the PI. In addition, we did not identify any significant findings related to the adequacy, accuracy, reasonableness, completeness, and consistency of the underlying data for the specified PI in the FY 2009 PAR. However, our audit identified areas for improvement related to the accuracy of the results presented and disclosed in the PAR.

Accuracy of Underlying Data

In accordance with *GAO Standards for Internal Control in the Federal Government*, transactions should be recorded completely, accurately, and timely.²⁴ We noted the following.

- The Office of Appellate Operations (OAO) could not provide detailed data supporting the 12,184 cases pending at the beginning of the year as reflected in the PAR. OAO provided detailed data supporting 12,320 cases pending, an immaterial difference of 136 cases. The difference between the amount reported in the PAR at the beginning of year and the underlying supporting data is attributed to when OAO obtained the data for the PAR. OAO incorrectly ran the reports on September 25, 2008 (instead of September 27, 2008) and did not capture the actual number pending at the beginning of FY 2009. The immaterial difference did not affect the accuracy of the PI.
- For 4 of 25 sampled disability AC cases closed during the FY, the request date per the AC request form did not agree with the request date per the ARPS. The differences between the disability appeals request date per ARPS and the disability appeals request form were caused by clerical errors made when entering the appeals request into ARPS. The differences in the dates per ARPS and the disability hearing request form did not affect the accuracy of the PI.
- For 4 of 25 sampled disability AC cases closed during the FY, ODAR could not provide the disability AC request form and the Notice of Appeals Council Decision letter because these case folders were being used in the regions and could not be provided for our audit timely. We were unable to determine whether SSA closed these cases during the FY because there was a lack of documentation. These missing cases did not affect the accuracy of the PI because of the immaterial impact on the overall cases closed.

²⁴ GAO/AIMD-00-21.3.1, November 1999, p.15.

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- For 2 of 25 sampled disability AC cases closed during the FY, the disposition date per the AC request form did not agree with the disposition date per ARPS. The differences between the disability appeals request date per ARPS and the disability appeals request form were caused by clerical errors when entering the appeals request into ARPS. The differences in the dates per ARPS and the disability hearing request form did not affect the accuracy of the PI.

Based on our audit, we do not believe these issues affected the accuracy of the PI. However, these issues may lead to future inaccurate reporting of the aging of AC cases in SSA's PAR.

ACHIEVE THE TARGET FOR AVERAGE PROCESSING TIME FOR APPEALS COUNCIL DECISIONS

Indicator Background

See the discussion above under PI, *Achieve the Target to Eliminate the Oldest Appeals Council Cases Pending*, for a description of the disability AC business process and applicable information technology systems.

The reporting phase for the PI is September 27, 2008 through September 25, 2009. The average processing time of AC decisions is calculated by dividing the cumulative processing time of all AC decisions made during the year divided by the total number of AC decisions processed during the FY. The start date for calculating the processing time begins on the date the Form HA-520, *Request for Review of Decision/Order of ALJ*, is filed with SSA. SSA considers the date the AC decision has been processed as the date the necessary documentation has been released to the claimant that a decision has been rendered. The number of days it took to process the AC decision is the number of days between the request date and the date the "Action" document was released back to the claimant.

PI Calculation

$$\text{Average Processing Time of Appeals Council Decisions} = \frac{\text{Cumulative Processing Time of All Appeals Council Decisions Made in FY 2009}}{\text{Number of Appeals Council Decisions Made in FY 2009}}$$

Findings

We recalculated the average processing time of AC decisions. Our testwork did not identify any significant findings related to the internal controls over the systems supporting the PI. In addition, we did not identify any significant findings related to the adequacy, accuracy, reasonableness, completeness, and consistency of the underlying data for the specified PI in the FY 2009 PAR.

Additionally, our audit identified one overall area for improvement related to internal controls for these three PIs. In accordance with GAO's *Federal Information System Controls Audit Manual*, information systems should implement a ". . . collection, review, and analysis of auditable events for indications of inappropriate or unusual activity, and the appropriate investigation and reporting of such activity."²⁵ During our audit procedures performed over the PIs subject to audit, we were unable to review the audit logs at the Disability Adjudication Reporting Tool (DART)²⁶ database level because users did not regularly review audit logs. In addition, users who would review such audit logs are commonly the same users creating the activity. As such, the opportunity exists that users could be reviewing their own work. We were unable to review the logs because there were no active procedures and/or requirement to collect, review, or analyze activity on the DART database.

²⁵ GAO *Federal Information System Controls Audit Manual*, GAO-09-232G, p. 202.

²⁶ DART is a database built, maintained, and supported by ODAR containing data extracted daily from Hearings and Appeals Operation Data Store, the official CPMS MI database housed on the mainframe in Baltimore. DART does not replace the CPMS MI reports on the CPMS menu; rather, it supplements CPMS MI to help ODAR's total case processing reporting needs.

Conclusions and Recommendations

We did not identify any significant findings related to the internal controls over the systems supporting the PIs. In addition, we did not identify any significant findings related to the adequacy, accuracy, reasonableness, completeness, and consistency of the underlying data for the indicators subject to audit. However, our audit identified areas for improvement related to internal controls and accuracy of the results presented and disclosed in the PAR. We recommend that SSA:

1. Consider implementing policies, procedures, and/or training to ensure disability hearing and AC request form dates are properly entered into CPMS or ARPS.
2. Consider implementing policies and procedures to ensure the Notice of Disposition is sent to the claimant in a timely manner and recorded accurately in CPMS or ARPS.
3. Consider implementing procedures to ensure the CPMS Batch Processing Spreadsheet is completed accurately on a daily basis along with the sign-off page to document the review of the spreadsheet.
4. Consider implementing procedures to ensure independent personnel regularly review activity on the DART database.

In response to prior PI audits, SSA stated it did not maintain data to support some PIs as a result of computer storage capacity issues and staffing resources. Over the past several years, technology has evolved. Therefore, this is an opportune time for SSA to reevaluate computer storage capacity. In prior audits, SSA also quoted OMB Circular A-11, *Preparation, Submission and Execution of the Budget*, which states, “Performance data need not be perfect to be reliable, particularly if the cost and effort to secure the best performance data will exceed the value of any data so obtained.”²⁷ Currently, Circular A-11 states that “Performance data need not be perfect to be reliable; however, significant data limitations can lead to inaccurate assessments and distort performance results. Examples of data limitations include imprecise measurement and recordings, incomplete data, and inconsistencies in data collection procedures.”²⁸

²⁷ OIG Performance Indicator Audit: Outstanding Debt (A-02-05-15116, January 27, 2006, p. D-2).

²⁸ OMB Circular A-11, *Preparing, Submitting, and Executing the Budget*, November 2010, Section 230.5.

Additionally, Circular A-11, section 230.5, states that verification and validation of performance data to support the general accuracy and reliability of performance information reduces the risk of inaccurate performance data and provides a sufficient level of confidence to the Congress and the public that the information presented is credible.²⁹ Although we are not making formal recommendations related to maintaining data, we encourage SSA to revisit the issue of maintaining data to support the PIs reported in the Agency's annual PAR. Maintaining the supporting data would enable third-party evaluations of the PI, as suggested by Circular A-11.

AGENCY COMMENTS

While SSA agreed with our recommendations, SSA did not agree with our statement to reevaluate its computer storage capacity. SSA stated that it would not be implementing any processes for storing PI data because of technical and staffing constraints. SSA suggested that KPMG consider an equally effective technique for auditing PI activity "real-time" as they produce it, rather than trying to reconstruct MI 1 year later.

The text of SSA's general comments can be found in Appendix D.

KPMG Response

We appreciate the Agency's comments and consideration of our statement. Reviewing real-time data as SSA produces it only provides evidence that the data are available in the year produced. It does not provide sufficient evidence of the underlying data supporting the FY being audited.

²⁹ Ibid.

Appendices

Appendix A

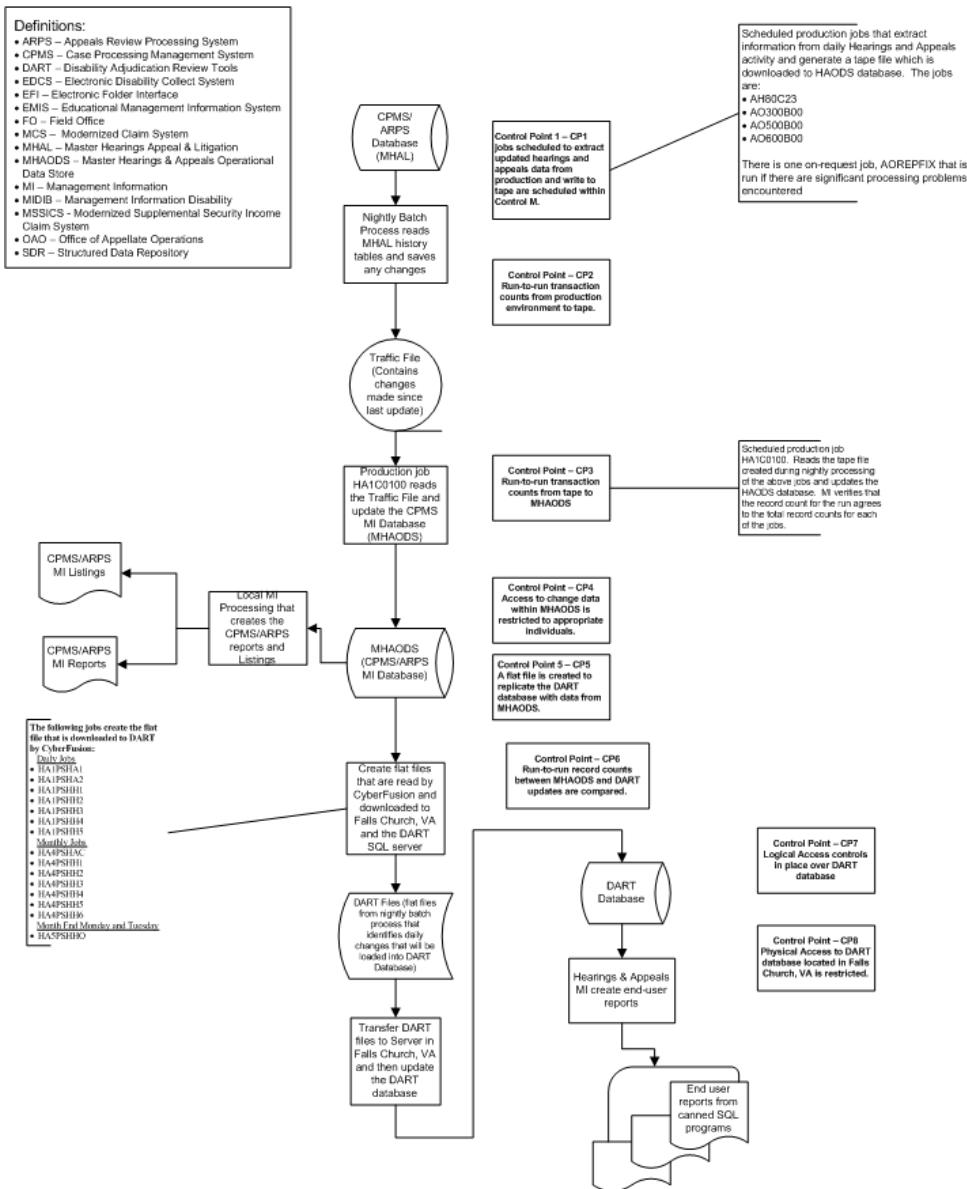
Acronyms

AC	Appeals Council
Act	<i>Social Security Act</i>
ALJ	Administrative Law Judge
ARPS	Appeals Review Processing System
CPMS	Case Processing and Management System
DART	Disability Adjudication Reporting Tool
DI	Disability Insurance
FO	Field Office
FY	Fiscal Year
GAO	Government Accountability Office
GPRA	<i>Government Performance and Results Act</i>
MHAODS	Master Hearings and Appeals Operational Data Store
MI	Management Information
OAO	Office of Appellate Operations
OASI	Old-Age and Survivors Insurance
ODAR	Office of Disability Adjudication and Review
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PAR	Performance Accountability Report
PI	Performance Indicator
POMS	Program Operations Manual System
Pub.L.No.	Public Law Number
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

Appendix B

Process Flowchart – Hearings and Appeals

Data Flow Diagram - Performance Measures 1.2b, 1.2d, 1.2e



Appendix C

Scope and Methodology

We obtained an understanding of the Social Security Administration's (SSA) *Government Performance and Results Act of 1993* (GPRA)¹ business processes related to performance indicators (PI), *Achieve the Target to Eliminate the Oldest Hearings Pending; Achieve the Target to Eliminate the Oldest Appeals Council Cases Pending; and Achieve the Target for Average Processing Time of Appeals Council Decisions.* This was completed through research and interviewing key SSA personnel from the Office of Disability Adjudication and Review (ODAR).

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

- Reviewed prior SSA, Government Accountability Office, Office of the Inspector General, and other reports related to SSA's GPRA performance and related information systems.
- Reviewed applicable laws, regulations, and SSA policy.
- Interviewed appropriate SSA personnel to confirm our understanding of the PIs.
- Flowcharted the processes (see Appendix B).
- Documented the data sources used to report on the PIs.
- Identified and tested critical (key) internal controls (automated and manual) over the systems from which performance data are generated.
- Determined the adequacy, accuracy, reasonableness, completeness, and consistency of performance data reported in SSA's Fiscal Year 2009 Performance and Accountability Report.
- Recalculated each measure to ascertain its accuracy, as necessary.
- Assessed the reasonableness of the data to determine the data's reliability as it pertained to the objectives of the audit and intended use of the data.

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

¹ 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.).

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 that the data used in the report is sufficiently reliable and believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



Appendix D

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: February 10, 2011 Refer To: S1J-3

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

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

Subject: Office of the Inspector General (OIG) Draft Report, "Performance Indicator Audit: Hearing and Appeals Backlog" (A-15-10-11075)--INFORMATION

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

Please let me know if we can be of further assistance. Please direct staff inquiries to Chris Molander, at extension 57401.

Attachment:
SSA Response

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “PERFORMANCE INDICATOR AUDIT: HEARING AND APPEALS BACKLOG” A-15-10-11075

Thank you for the opportunity to review the subject draft report. We offer the following comments.

GENERAL COMMENTS

Page ii and page 11, References to Maintaining Data

You suggest we reevaluate our practices for compiling and maintaining management information (MI) to support performance indicator (PI) data.

Comment

As we noted in comments on previous PI audits (e.g., “Performance Indicator Audit: Electronic Service Delivery” (A-15-10-11073)), due to technical and staffing constraints, we are not implementing any new processes for storing PI data. To obtain the data you seek, we suggest you consider an equally effective technique for auditing PI activity -- a “real-time” review of performance measure data as we produce it, rather than trying to reconstruct MI a year later. While FY 2010 was not the focus of your current audit, it appears you used a real-time approach to review data from part of that year and “did not find any discrepancies or issues with the underlying data or the calculations for FY 2010.” Your findings are a strong indication that our performance information is reliable. Going forward, a similar real-time review should be sufficient to confirm that fact.

RESPONSES TO RECOMMENDATIONS

Recommendation 1

Consider implementing policies, procedures, and/or training to ensure disability hearing and appeals council request form dates are properly entered into Case Processing and Management System (CPMS) or Appeals Review Processing System (ARPS).

Response

We agree. To ensure that employees properly enter information into CPMS and ARPS, we will provide additional training on the policies and procedures already in place for CPMS and ARPS.

We consider this recommendation closed for tracking purposes.

Recommendation 2

Consider implementing policies and procedures to ensure the Notice of Disposition is sent to the claimant in a timely manner and recorded accurately in CPMS or ARPS.

Response

We agree. We will continue to monitor data and make changes to existing policies and procedures to ensure that we are sending the hearing level and appeal council dispositions to the claimant in a timely manner and recording the information accurately in CPMS and ARPS.

We consider this recommendation closed for tracking purposes.

Recommendation 3

Consider implementing procedures to ensure the CPMS Batch Processing Spreadsheet is completed accurately on a daily basis along with the sign-off page to document the review of the spreadsheet.

Response

We agree. In a February 2010 CPMS release, we implemented an automated process to replace manual updating of the CPMS Batch Processing Spreadsheet. This process will help to ensure accuracy.

We consider this recommendation closed for tracking purposes.

Recommendation 4

Consider implementing procedures to ensure independent personnel regularly review activity on the Disability Adjudication Reporting Tool (DART) database.

Response

We agree with your recommendation; however, we will not implement it in the manner you suggest. CPMS will become the automated source of management information for this PI, and we have scheduled a new CPMS release for July 2011.

DISTRIBUTION SCHEDULE

Commissioner of Social Security
Chairman and Ranking Member, Committee on Ways and Means
Chief of Staff, Committee on Ways and Means
Chairman and Ranking Minority Member, Subcommittee on Social Security
Majority and Minority Staff Director, Subcommittee on Social Security
Chairman and Ranking Minority Member, Committee on the Budget, House of Representatives
Chairman and Ranking Minority Member, Committee on Oversight and Government Reform
Chairman and Ranking Minority Member, Committee on Appropriations, House of Representatives
Chairman and Ranking Minority, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations,
House of Representatives
Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate
Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate
Chairman and Ranking Minority Member, Committee on Finance
Chairman and Ranking Minority Member, Subcommittee on Social Security Pensions and Family Policy
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Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Counsel to the Inspector General

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

Office of External Relations

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.