



SOCIAL SECURITY

Office of the Inspector General

September 9, 2011

The Honorable Sam Johnson
Chairman, Subcommittee on
Social Security
Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I am pleased to provide you with the enclosed report addressing your April 14, 2011 request for a review of services for which the Social Security Administration (SSA) could charge user fees and, in so doing, cover all or a portion of its costs.

Thank you for bringing your concerns to my attention. My office is committed to performing reviews that identify areas in which SSA can improve the effectiveness and efficiency of its programs and operations. The report highlights various facts pertaining to the issues raised in your letter. To ensure SSA is aware of the information provided to your office, we are forwarding a copy of this report to the Agency.

If you have any questions concerning this matter, please call me or have your staff contact Misha Kelly, Congressional and Intra-Governmental Liaison, at (202) 358-6319.

Sincerely,

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

Patrick P. O'Carroll, Jr.
Inspector General

Enclosure

cc:
Michael J. Astrue

CONGRESSIONAL RESPONSE REPORT

Social Security Administration Field Office User Fees

A-04-11-01118



September 2011

Mission

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

Authority

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

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

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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.

Background

OBJECTIVE

The objectives of our review were to (1) identify additional services and records for which the Social Security Administration (SSA) could charge a fee to capture all or a portion of its costs; (2) evaluate how charging a fee would impact SSA's workload and customer behavior; and (3) assess the validity of SSA's estimate that it costs \$26 for every remittance processed at the field offices and, if accurate, possible methods for SSA to reduce this cost.

BACKGROUND

In an April 14, 2011, letter to the Inspector General, the Honorable Sam Johnson, Chairman, Subcommittee on Social Security, Committee on Ways and Means, asked that we (1) identify services for which SSA could charge user fees and, in so doing, cover all or a portion of its costs; (2) determine whether such charges could reduce SSA's workload by affecting customer behavior; and (3) assess the validity of SSA's estimate that it costs \$26 for every remittance processed at its field offices.

SSA provides face-to-face services to its customers through a network of about 1,300 field offices throughout the United States and its territories. In Fiscal Year (FY) 2010, field offices assisted over 45 million customers with a variety of services, including applying for benefits under SSA's Old-Age, Survivors and Disability Insurance and Supplemental Security Income (SSI) programs; processing applications for original Social Security numbers (SSN) or replacement SSN cards; processing post-entitlement actions and status changes; performing SSI redeterminations; and responding to many other requests for help and information.

Unlike many private and public sector entities, SSA generally does not charge customers fees for services it deems program-related. That is, it does not charge fees for services related to its core mission of processing claims, assigning SSNs, posting wages, and performing post-entitlement work. However, in certain situations, SSA charges fees for non-program-related services such as providing information to third parties or individuals. The *Social Security Act*, *Freedom of Information Act*, and *Privacy Act of 1974* (Privacy Act) provide the public the right to request information about themselves and the Government.¹ These laws, as well as SSA regulations, provide the Agency the authority to charge fees for certain information requests.² Generally, the regulations allow SSA to recover its costs for searching, copying, and certifying

¹ *Social Security Act* § 1106, 42 U.S.C. § 1306, 5 U.S.C. § 552, and 5 U.S.C. § 552a, respectively.

² *Social Security Act* § 1106(c), 42 U.S.C. § 1306(c), 20 C.F.R. §§ 401.95 and 402.165, 5 U.S.C. § 552(a)(4)(A)(i), and 5 U.S.C. 552a(f)(5).

information in its system of records. The fees compensate SSA for its work, so the Social Security Trust Funds do not bear the costs of such activities. In FY 2010, SSA's field offices collected 31,557 fee remittances totaling almost \$1.9 million.

We previously issued two reports discussing SSA charging fees for certain services. In May 1997, we issued an evaluation report on *Canada's Experience in Charging a User Fee for Social Insurance Number Cards* (A-06-97-62003). While several differences existed between the two countries, we noted that Canada's experience charging user fees for Social Insurance Number cards was positive and favorably accepted by its constituents. To help cover its cost for processing the SSN workload, we recommended that SSA charge a fee for issuing replacement Social Security cards. However, SSA did not implement our recommendation.

In an August 2009 report, *Field Office Procedures for Charging and Collecting Fees* (A-04-09-19041), we determined that SSA's policies and procedures governing field office collection of fees for information requests could be improved. Specifically, policies, procedures, and field office practices did not ensure the consistent determination and collection of fees. In this report, we made several recommendations that the Agency agreed to implement. These recommendations included clarifying existing policies and standardizing the fees charged for common information requests.

For purposes of this review, we focused on services SSA's *field offices* provided to customers. SSA personnel in teleservice centers, hearing offices, program service centers, and Headquarters components provide numerous services to Agency customers. However, we believe field office user fees could have the most significant impact on customer behavior(s) and SSA's workloads. Additional information regarding our scope and methodology can be found in Appendix B.

Results of Review

As lawmakers address the economic difficulties being experienced nationwide, Federal agencies, including SSA, are attempting to accomplish their missions with less funding. Faced with this challenge, we believe SSA must set aside the status quo and be creative. Although SSA charges user fees for certain information requests, these collections are not consistently applied and only amounted to about \$2 million in FY 2010. SSA recently established a workgroup to develop and update certain standardized fees. While the workgroup is in the planning and development phase, we applaud the Agency for this effort and encourage the workgroup to consider the options presented in this report.

Assuming the Agency adopts more streamlined and less expensive remittance procedures, we believe SSA could implement user fees for certain high-volume services and records processed at its field offices. Specifically, we believe SSA should consider charging its customers standardized fees for replacement SSN cards, SSN Printouts, and Benefit Verifications. Although we were unable to determine the specific impact such charges would have on customer behavior and SSA's workloads, our limited research, discussions, and a prior review indicate that such fees would reduce requests for these documents. In FY 2010, we estimated that the cost to SSA for processing these three workloads was about \$660 million.³ If SSA charged a fee to recover these costs, or avoided significant portions of these costs through decreased demand, SSA could focus its limited resources on other critical workloads.

ADDITIONAL SERVICES FOR WHICH SSA COULD CHARGE A FEE

In addition to fees the Agency already charges for information requests, we believe SSA should consider implementing user fees for three high-volume workloads: replacement SSN cards, SSN Printouts,⁴ and Benefit Verifications.⁵ In FY 2010, SSA field offices processed almost 38 million requests for these documents. Table 1 details the number of replacement SSN cards, SSN Printouts, and Benefit Verifications SSA's field offices processed in FY 2010.

³ This amount only includes the cost to SSA for processing replacement SSN cards, SSN Printouts, and Benefit Verifications. It does not include the cost to SSA for collecting a fee, which SSA estimated to be \$26 in a 2004 analysis.

⁴ SSN Printouts contain the numberholder's name and SSN. Unlike the SSN card, the SSN Printout contains no significant security features other than the field office stamp and employee signature.

⁵ Benefit Verifications detail the type of benefit a beneficiary is receiving, the monthly benefit amount, and the date the benefit started.

Table 1: Number of Replacement SSN Cards, SSN Printouts, and Benefit Verifications Processed in FY 2010

Service/Record	Number of Records Processed
Replacement SSN Cards	11,186,797
SSN Printouts	7,258,492
Benefit Verification Letters	19,380,955
Total	37,826,244

We estimated that in FY 2010, it cost SSA approximately \$658 million for field offices to process these workloads. Table 2 details SSA's FY 2010 estimated costs for processing replacement SSN cards, SSN Printouts, and Benefit Verifications. By recovering its costs for these workloads, we estimate that SSA could use its limited resources on other critical Agency functions, such as processing initial disability claims and performing SSI redeterminations and continuing disability reviews.

Table 2: Estimate of SSA Costs of Processing Replacement SSN Cards, SSN Printouts and Benefit Verifications—FY 2010

Service	Cost Per Each Service	Number of Services Provided	Total Cost of Each Service
Replacement SSN Card	\$32 ⁶	11,186,797	\$357,977,504
SSN Printout	20 ⁷	7,258,492	145,169,840
Benefit Verification	8 ⁸	19,380,955	155,047,640
Total			\$658,194,984

⁶ A representative of SSA's Office of Budget stated that, in FY 2010, it cost the Agency about \$32 to process a replacement SSN card.

⁷ SSA, Program Operations Manual System (POMS), GN 03311.007 C (April 1, 2008). According to this policy, the Commissioner approved charging a fee for an SSN Printout requested by third parties with appropriate consent. SSA set the fee at \$46 for the first SSN Printout and \$20 for each additional printout in the request. The \$46 fee consists of a \$20 charge to process the SSN Printout and provide a "match/no match" response, which covers personnel and overhead costs and is based on information captured by SSA's Cost Analysis System, and a \$26 charge for the full cost to the Agency to process the associated remittance.

⁸ SSA could not provide a standard cost for producing Benefit Verifications. However, in our August 2009 report, *Field Office Procedures for Charging and Collecting Fees* (A-04-09-19041), we noted that field office charges for this document ranged from \$0 to \$16. Accordingly, for our estimate, we used \$8 as the cost of processing a Benefit Verification.

Replacement SSN Cards

In our May 1997 report, *Canada's Experience in Charging a User Fee for Social Insurance Number Cards* (A-06-97-62003), we recommended that SSA implement a user fee for processing replacement SSN card applications. In our report, we noted that Canada charged a fee for its Social Insurance Number card and that its policy was well-established and accepted by its citizens. Additionally, although we acknowledged various differences in the SSN and the Social Insurance Number, we noted that Canada's replacement card rate was about one-third the rate of the SSN card.

At the time of our review, SSA stated that it was preparing a report for Congress on the subject and elected not to express a position on our recommendation. Nevertheless, SSA did not implement our recommendation.

Unlike driver's licenses and passports, SSN cards do not expire. A numberholder must obtain a replacement SSN card (or, at a minimum, update SSA's records) when his/her name changes, or for a noncitizen, when his/her immigration status changes. We understand that SSA may want to make exceptions to charging user fees in these situations. However, for other circumstances, such as lost cards, we believe SSA should reexamine our previous recommendation. As such, we encourage SSA to include user fees for replacement SSN cards in its ongoing workgroup efforts.

SSN Printouts

SSA charges third parties \$46 for SSN Printouts when the numberholder provides the requestor consent to obtain the document from SSA. However, the Agency does not charge the numberholder for this same information when he/she obtains it for him/herself. We have conducted two reviews examining controls over SSN Printouts.⁹ In each, we noted that the demand for SSN Printouts had increased significantly since SSA first began issuing these documents. In FY 2004, SSA issued about 5.3 million SSN Printouts, and by FY 2009, this number had grown to over 7 million.

We believe one of the main drivers of demand for the SSN Printout is third parties who want to verify an individual's SSN. As confirmed by our observations and interviews with field office managers, State Departments of Motor Vehicles (DMV) and employers are the third parties that most frequently ask numberholders to obtain SSN Printouts. However, many other third parties, such as State Social Service organizations, schools, banks, and other Federal agencies, may also request that numberholders obtain a Printout. These organizations know the document is free and immediate. However, we believe if SSA were to charge numberholders a fee for the SSN Printout, the demand

⁹ SSA, OIG, *Controls for Issuing Social Security Number Verification Printouts* (A-04-07-27112), December 2007. As of July 2011, the draft report resulting from our second review is with SSA for comment. We anticipate its final release by the end of FY 2011.

would decrease. Current law¹⁰ allows SSA to recover the cost of providing these documents to individuals, but in the past, SSA has elected not to do so. We encourage SSA to consider fees for SSN Printouts as part of its workgroup's efforts.

Benefit Verifications

The *Social Security Act* and its implementing regulations¹¹ allow SSA to charge fees for information requests, such as Benefit Verifications. However, SSA policy deemed requests for these verifications to be program-related and therefore the Agency does not charge the beneficiary, his/her family members, or representative payees a fee for these documents.¹²

In the announcement of this policy,¹³ SSA stated that, "Historically, SSA has provided benefit verification directly to the individual to whom it belongs as a public service. It is in the best interest of the Social Security Administration to have a public well informed about their benefits under Social Security programs." However, our 2009 audit showed that not all field offices had implemented this policy, and some still charged for Benefit Verifications. Additionally, while a well-informed public may be ideal, we believe the current budget situation calls for SSA to reconsider this decision. In fact, faced with budget cutbacks, in March 2011, SSA stopped sending annual Social Security Statements to every eligible U.S. worker over age 25. While we do not believe the Agency should stop providing Benefit Verifications, we believe it is reasonable to charge a fee for the documents—especially given the size of this workload (over 19 million processed at field offices in FY 2010).

HOW CHARGING FEES FOR SERVICES/RECORDS IMPACTS CUSTOMER BEHAVIOR

Because of the limited time we had to conduct this audit, we did not perform a detailed study to determine how charging fees for certain records would impact customer behavior and SSA's workload. However, our limited research, interviews, and a prior review, indicate that customers would request fewer records if charged a fee and therefore SSA's workload would decrease.

In our May 1997 report, we noted that Canada's replacement card rate was about one-third the rate of the SSN card. Additionally, because Canadians were accustomed to paying fees to the Government for various services and records, the public reaction to fees for replacement Social Insurance Number cards was favorable. Like Americans, Canadians typically pay fees when processing passports, driver's licenses, and immigration documents. Americans also pay fees for other Federal and State services.

¹⁰ *Social Security Act* § 1106(c), 42 U.S.C. § 1306(c), 20 C.F.R. §§ 401.95 and 402.165.

¹¹ *Social Security Act* § 1106(c), 42 U.S.C. § 1306(c), 20 C.F.R. §§ 401.95 and 402.165.

¹² SSA, POMS, GN 03311.005 B.3.c. (June 17, 2009).

¹³ Administrative Message 04209, December 27, 2004.

For example, Americans pay for copies of prior year tax returns, visiting national parks, and registering vehicles. Therefore, we believe it is reasonable that the American public's reaction to SSA charging fees for certain workloads would be similar to the Canadian public.

In our research, we identified a 2011 report by the Public Sector Research Centre of PricewaterhouseCoopers LLP, *Charging Ahead: Should government charge more?*¹⁴ The report discussed whether the United Kingdom should charge its constituents more fees for government services. The report cited several reasons for charging fees, including the following.

- Charging could nudge people toward the “right” behavior (for example, keeping appointments).
- Charging could reduce public spending by lowering or shifting demand if fewer people request a service because they have to pay.
- Charging can raise revenue.
- Charging can be seen as fairer than a tax, in that those who use a service more pay more.

While this study was not conducted in the United States and is not specific to fees for SSA's services and records, we believe its conclusions are reasonable.

ACCURACY OF SSA's ESTIMATE THAT IT COSTS \$26 TO PROCESS A REMITTANCE

SSA staff with whom we spoke acknowledged that the 2004 estimate, which stated it costs field offices \$26 to process a remittance, is outdated and may be inaccurate. Since 2004, SSA has not updated the estimate to account for changes in labor and/or overhead costs. Additionally, the field office remittance process has changed. Accordingly, we do not believe the \$26 estimate is reliable.

Nevertheless, it is our opinion that SSA's current remittance process is cumbersome and antiquated. Despite the changes SSA has made to the process, we believe it must be revised before any large-volume user fees are implemented. If not, the remittance process will add a tremendous workload burden on the field offices.

SSA staff acknowledged that the current remittance process simply will not work for large volume collections. In fact, those with whom we spoke believe the \$26 estimated cost is irrelevant to the discussion of future user fees because the current process is not viable. Accordingly, SSA's user fee workgroup is in the research and planning phase of new *automated* collection and remittance options for field offices.

¹⁴ See

http://download.pwc.com/ie/pubs/2011_charging_ahead_should_government_charge_for_more.pdf.

SSA's Current Collection and Remittance Process

SSA's 2004 analysis based its cost estimate on the remittance procedures in place at that time. The cost included field office staff time to process the remittance as well as overhead costs. The overhead costs totaled about \$16 per remittance. Table 3 details the estimated time for each step required to process a fee remittance.

Table 3: Field Office Processing Times for Fee Remittances

Process	Cash Remittance	Check Remittance	Credit Card Remittance
Explain the Fee	1 minute	1 minute	1 minute
Receive Payment	1 minute	1 minute	2 minutes
Issue Receipt	5 minutes	5 minutes	5 minutes
Log the Receipt	1 minute	1 minute	1 minute
Cash/Check to Remittance Clerk	2 minutes	2 minutes	n/a
Provide Change	3.75 minutes	n/a	n/a
Complete Fee Transmittal Register	2 minutes	n/a	n/a
Put Cash/Check in Safe	3 minutes	3 minutes	n/a
Update Debt Management System	5 minutes	n/a	n/a
Total	23.75 minutes	13 minutes	9 minutes

Since the 2004 analysis, SSA has implemented the Electronic Field Office Remittance (eFOR) system, a Web-based program designed to assist field office staff through the remittance process. Specifically, eFOR assists staff with entering the correct remittance data into SSA's Debt Management System and, when the transaction is complete, automatically generates a customer receipt.

We reviewed the remittance process at three field offices. We found that check and credit card transactions processed through eFOR took less time than what SSA determined in its 2004 remittance analysis. Although eFOR appeared to improve the remittance process, staff still had to manually input transaction data, and processing times only improved by a few minutes.

Automated Options for Future SSA Collections

The Department of the Treasury (Treasury) provides Federal agencies with electronic systems to process cash, check, credit card, and debit card remittance transactions. These systems include Pay.gov,¹⁵ OTCnet,¹⁶ and Card Acquiring Services.¹⁷ In general, Treasury does not charge agencies to use these applications or the data processing and credit verification services that support the systems. However, SSA would incur setup costs to develop interfaces with Treasury and other Agency systems, install necessary equipment in its field offices, and train SSA personnel.

SSA's user fee workgroup, in concert with other SSA components, is in the planning phase for a new field office remittance process. However, representatives of this group stated that, until they fully define user requirements, they could not provide a cost estimate for the new system. Assuming SSA implements an automated system, such as one of those offered by Treasury, we believe the cost of each remittance would be nominal. As such, we encourage SSA to continue its efforts to adopt a more efficient field office remittance process. Once completed, we believe such a system will allow SSA field offices to collect user fees for SSN replacement cards, SSN Printouts, and Benefit Verifications, with minimal cost and workload impact.

¹⁵ Pay.gov is a secure Government-wide, Web based application that enables customers to make payment from a computer with Internet access. Pay.gov provides a suite of services allowing agencies to receive and process on-line remittances in an efficient and timely manner. The Pay.gov application provides four types of services: Collections, Forms, Billing, and Reporting.

¹⁶ OTCnet is a secure, Web-based application that provides electronic check capture, bank deposit, and reporting services. Users must obtain compatible check scanning hardware.

¹⁷ Card Acquiring Services enables Federal agencies to electronically collect customers' point of sale credit and debit card payments. Card Acquiring Services accepts most major credit cards and debit cards. Users must obtain compatible credit/debit processing terminals.

Conclusions

Given the current and future budget outlook for Federal agencies, we believe SSA should consider new business practices. SSA generally has not charged user fees for the majority of its services. However, it is our opinion that fiscal realities mandate the Agency reconsider this position. Admittedly, fees initially may not be a popular choice. However, our research and prior reviews indicate that similar fees have been accepted in other countries, and may influence customer behavior and reduce SSA's workloads.

We believe SSA could implement user fees for certain high-volume services and records processed at its field offices. Specifically, we believe SSA should consider charging its customers standardized fees for replacement SSN cards, SSN Printouts, and Benefit Verifications. In FY 2010, we estimate 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, we believe SSA must implement an improved remittance process before implementing such fees.

In response to a draft of this report, the Agency stated that it established a workgroup to study the best method to standardize fees, define the business process to charge and collect fees, and determine the costs to implement a remittance process to collect fees for certain services. The Agency further stated that the workgroup will evaluate the legislative changes needed to authorize SSA to charge fees for statutorily mandated services and the use of the resulting revenues.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

Appendix A

Acronyms

C.F.R.	Code of Federal Regulations
DMV	Department of Motor Vehicles
eFOR	Electronic Field Office Remittance
FY	Fiscal Year
OIG	Office of the Inspector General
POMS	Program Operations Manual System
Privacy Act	<i>Privacy Act of 1974</i>
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
Treasury	Department of the Treasury
U.S.C.	United States Code

Scope and Methodology

For purposes of this report, we focused solely on the services the Social Security Administration's (SSA) field offices provide customers. To accomplish our objectives, we reviewed various SSA workloads to determine the services/records for which the Agency could charge a fee. Because of time constraints, we were unable to determine the specific impact charging a fee for services would have on customer behavior. Therefore, we spoke with SSA officials and reviewed prior studies to understand better how customer behavior could be impacted. We also reviewed SSA's 2004 remittance analysis stating that it cost \$26 to process a remittance.

We also obtained field office fee data from SSA's Debt Management System for the period October 1, 2009 through September 30, 2010.

Additionally, we:

- Reviewed applicable sections of the *Social Security Act* and *Privacy Act of 1974* as well as SSA's regulations, policies, and procedures.
- Interviewed SSA personnel in Headquarters and field offices to determine the types of services and records the Agency provides to the public and third parties for which it could charge a fee.
- Interviewed personnel with other agencies to gain an understanding of how they charge and collect fees.
- Interviewed SSA personnel in selected field offices to gain an understanding of the remittance process.
- Interviewed personnel with the Department of the Treasury to gain an understanding of its Financial Management System.

Our review of internal controls was limited to gaining an understanding of SSA field office user fees and remittance process. We performed our audit at the Office of Audit in Atlanta, Georgia; SSA Headquarters in Baltimore, Maryland; and three SSA field offices in Atlanta, Georgia (Marietta and Atlanta Downtown) and Birmingham, Alabama (Birmingham Downtown). The data were sufficiently reliable to meet our objective.

The SSA entities audited were the Offices of Operations; Budget, Finance and Management; and Systems. We conducted this performance audit from April through July 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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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.

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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.

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