

Audit Report

Reimbursement for Data Exchanges
with Third Parties

A-03-14-24027 / May 2015

OIG

Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: May 8, 2015 Refer To:

To: The Commissioner

From: Inspector General

Subject: Reimbursement for Data Exchanges with Third Parties (A-03-14-24027)

The attached final report presents the results of our audit. Our objective was to determine whether third parties properly reimbursed the Social Security Administration for data exchange agreements.

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



Patrick P. O'Carroll, Jr.

Attachment

Reimbursement for Data Exchanges with Third Parties

A-03-14-24027



May 2015

Office of Audit Report Summary

Objective

To determine whether third parties properly reimbursed the Social Security Administration (SSA) for data exchange agreements.

Background

SSA has significantly increased its data exchange workload. The Agency verifies information with other Federal, State, and local government agencies, and with many private organizations that are program and non-program related. SSA uses various systems for these data exchanges. As the number, type, and complexity of these exchanges and supporting agreements has increased, the workload of SSA components responsible for these various programs has increased.

In FY 2013, SSA created the Office of Data Exchange and Policy Publications to provide oversight and coordination of the Agency's data exchanges.

Several statutes and regulations allow SSA to be reimbursed for providing data and services to third parties. For example, the *Social Security Act* permits SSA to require reimbursement for the full cost of providing information for any purpose not directly related to administering the programs under the *Social Security Act*.

Findings

Although SSA was reimbursed for its costs for providing electronic data to third parties, the Agency's process for developing its cost estimates for reimbursable work could be improved. Of the 15 reimbursable agreements we reviewed, SSA did not request about \$289,000 for personnel costs for field office (FO) staff workloads for 2 agreements. Yet, the Agency received about \$4.3 million for FO workload for two other reimbursable agreements. To ensure consistency, the Agency needs to establish written policy to determine when it should seek reimbursement for FO workload costs for its data exchanges. Of the 20 non-reimbursable data exchanges we reviewed, SSA continued providing or receiving data for 5 data exchange agreements, although the agreements had lapsed or did not include expiration dates. During our review, SSA took steps to renew four of the five agreements.

Finally, SSA was developing an integrated system to inventory and track the Agency's data exchange activities. The Agency had determined that multiple SSA components maintained about 20 different databases and paper repositories of data exchange information, making it difficult for SSA to obtain complete information on the Agency's data exchange activities, such as volumes, counts, lists of partners, and copies of agreements. In FY 2014, SSA took steps to develop the Integrated Data Exchange Application (IDEA) that is expected to house all data exchanges and related agreement documentation in one comprehensive, searchable repository and serve as an accurate inventory of data exchanges. IDEA is in the planning phase, and the Agency expects it to be operational by 2017.

Recommendations

We made three recommendations for SSA to improve its data exchange agreement and inventory processes. SSA agreed with our recommendations.

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ABBREVIATIONS

ACA-HIX	<i>Affordable Care Act-Health Insurance Exchange</i>
CHIP	Customer Help and Information Program
CMA	Computer Matching Agreement
CMPPA	<i>Computer Matching and Privacy Protection Act</i>
DEXI	Data Exchange Inventory
DHS	Department of Homeland Security
DHHS	Department of Health and Human Services
DOD	Department of Defense
EAE	Enumeration at Entry
ED	Department of Education
FO	Field Office
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
IDEA	Integrated Data Exchange Application
IEA	Information Exchange Agreement
INS	Immigration and Naturalization Service
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
ODEPP	Office of Data Exchange and Policy Publications
OIG	Office of the Inspector General
SSA	Social Security Administration
SSN	Social Security Number
VIP	Visitor Intake Process

OBJECTIVE

Our objective was to determine whether third parties properly reimbursed the Social Security Administration (SSA) for data exchange agreements.

BACKGROUND

Data exchange is the sharing of electronic information between SSA, Federal, State, local, foreign, and private organizations.¹ An outgoing data exchange is data (SSA is the source of the data) flowing from SSA to an external agency. An incoming data exchange is data flowing to SSA for programmatic use. SSA has significantly increased its data exchange workload. SSA uses various systems for these data exchanges. As the number, type, and complexity of these data exchanges and supporting agreements has increased, the workload of the SSA components responsible for these exchanges has increased.

SSA's policy requires that all data exchange processes be supported by a data exchange agreement.² When SSA is the source agency for a data exchange, it must determine whether the data requested for the data exchange can be disclosed and under what statutory authority. Before the Agency can share electronic information, SSA policy requires that parties agree to certain terms and conditions to ensure individuals' privacy is protected.³ These data exchange agreements are subject to *Privacy Act* requirements.⁴ To conduct data exchanges, SSA uses different types of data exchange agreements.

Administrative Agreements

- Computer Matching Agreement (CMA) – A CMA is the primary agreement for the exchange of data between SSA and Federal, State, or local agencies that assist in administering federally funded and needs-based programs. Covered matches conducted in accordance with *Computer Matching and Privacy Protection Act* (CMPPA)⁵ requirements are generally those

¹ SSA, AIMS, GAM 03.01.04, January 2014.

² Id.

³ SSA, AIMS, GAM 03.01.04 and 03.01.06, January 2014 and FMM 05.02.07, April 11, 2013.

⁴ 5 U.S.C. § 552a(b)(3), permits SSA to disclose information about individuals without their consent pursuant to a routine use. See *Privacy Act*, 5 U.S.C. § (a)(7), (b)(3), (e)(3)(C) and (e)(4)(D), for information related to routine uses.

⁵ The *Computer Matching and Privacy Protection Act of 1988* amended the *Privacy Act* and provides specific requirements to be met pertaining to format, content, and approval of matching agreements. Such agreements are required when disclosing records in a system of records to a recipient agency or non-Federal agency (State or local) for use in a computer matching program. See Pub L. No. 100-503, and *Privacy Act*, 5 U.S.C. § 552a(o).

that may adversely affect an individual. A CMA has an 18-month lifespan with the option for a 12-month extension.⁶

- Information Exchange Agreement (IEA) – The purpose, terms, and conditions of IEAs are similar to CMAs. The major difference between CMAs and IEAs is that the data exchange performed under IEAs do not meet the *Privacy Act*'s definition of a “matching program,”⁷ are not subject to related CMA requirements for matching programs, have a longer duration, and are not subject to CMPPA reporting requirements. However, an IEA is governed by other provisions of the *Privacy Act* and is generally for a 5-year period.
- Memorandum of Understanding (MOU)⁸ – MOUs are used to effectuate a data exchange agreement that is not subject to the CMPPA requirements because the match falls outside the definition of a “matching program” under the *Privacy Act*.⁹ Such matches generally include those used to conduct pilot matches or collect statistical data. MOUs define the terms under which SSA agrees to provide reimbursable services, when appropriate; period of the agreement; and authority, functions, and security safeguards. MOUs can cover multi-year periods, not to exceed 5 years.¹⁰

Several statutes and regulations allow SSA to be reimbursed for providing data and services to third parties. For example, the *Social Security Act*¹¹ permits SSA to require reimbursement for the full cost of providing information for any purpose not directly related to the administration of the program or programs under the *Social Security Act*. The *Economy Act*¹² allows SSA to provide goods or services for other Federal agencies if, among other requirements, amounts are available to pay for those goods or services.¹³ It also requires payment “... for any part of the estimated or actual cost as determined by the agency or unit filling the order.”¹⁴ These charges compensate SSA for its work, so the Agency’s appropriation does not bear costs not directly related to administering its programs. For SSA to perform reimbursable work, it and the requesting entity must enter into a reimbursable agreement.¹⁵ The Agency processes

⁶ *Privacy Act*, 5 U.S.C. § 552a(o)(2)(C) and (D).

⁷ See *Privacy Act*, 5 U.S.C. § 552a(a)(8).

⁸ SSA, AIMS, GAM 03.06.02, July 2005. According to SSA policy, matches conducted pursuant to a Memorandum of Agreement (MOA) should not affect an individual adversely or affect his/her legal rights. SSA uses MOAs and MOUs interchangeably. *Id.*

⁹ See *Privacy Act*, 5 U.S.C. § 552a(a)(8).

¹⁰ SSA AIMS, FMM 05.02.03 N, November 13, 2009. This policy was in effect during period of performance for the MOUs in our review. SSA updated the policy on April 11, 2013, and MOUs were not covered.

¹¹ *Social Security Act* § 1106(c), 42 U.S.C. § 1306(c).

¹² 31 U.S.C. § 1535.

¹³ 31 U.S.C. § 1535(a).

¹⁴ 31 U.S.C. § 1535(b).

¹⁵ SSA, AIMS, FMM 05.02.02, April 11, 2013.

reimbursable agreements with the Agreement Workflow Tool, which is a workflow tool and repository for reimbursable agreement documents. Further, a project coordinator is assigned for each reimbursable agreement and works with various components to develop the cost estimate. The cost estimate is the basis of charges for SSA to recoup its direct and indirect costs associated with each reimbursable agreement. SSA has two types of financial agreements associated with reimbursable work: reimbursable and quid pro quo.

- *Reimbursable Agreement* - Sets forth each party's responsibilities, the terms and conditions under which SSA will provide information or services to the requesting entity, and each party's legal and financial obligations. When a reimbursable agreement involves the exchange of data, the reimbursable agreement package must include a data exchange agreement in addition to other required documents. Most reimbursable agreements have a 1-year duration that corresponds with the Federal fiscal year.
- *Quid Pro Quo Agreement* - When SSA and other Federal or State agencies provide each other services of approximately equal cost, in lieu of reciprocal billings, each party waives reimbursement from the other. Quid pro quo agreements include a cost-benefit analysis substantiating the estimated cost and savings of the services provided by both parties.¹⁶ Because of the difficulty and inaccuracy involved in determining approximately equal costs, the Agency discourages new requests for quid pro quo data exchanges.¹⁷

In addition to quid pro quo agreements, SSA policy¹⁸ states Agency components must charge the full cost for all services to requesting entities, unless one of the following conditions applies.

- SSA is authorized by law to charge the cost of such services to its appropriation. For example, costs to process Forms W-2, *Wage and Tax Statement*, for the Internal Revenue Service.
- The Commissioner has explicitly set the charge at an amount less than the full cost, including no charge, under the authority of section 1106 of the Act.¹⁹
- The actual administrative cost of billing and collecting exceeds the cost of providing the reimbursable service. For example, the Agency determines it is not cost-effective to pursue reimbursement of costs that are less than \$10.

Office of Data Exchange and Policy Publications

Before 2013, there were long-standing concerns with SSA's data exchange activities. Specifically, SSA did not have a visionary and strategic approach to agency data exchange

¹⁶ SSA, AIMS, FMM 05.02.12 D.3., April 11, 2013.

¹⁷ SSA, AIMS, FMM 05.02.12 A., April 11, 2013.

¹⁸ SSA, AIMS, FMM 05.02.05 D, April 11, 2013.

¹⁹ Social Security Act § 1106(c), 42 U.S.C. § 1306(c).

programs as well as technical coordination functions and supporting structures. The major concern was the lack of a centralized office to govern data exchanges and provide vital coordination, oversight, strategic decision-making, and policy and procedures. In April 2013, SSA established the Office of Data Exchange and Policy Publications (ODEPP) to serve as SSA's focal point for enterprise-wide data exchange activities. ODEPP serves as a single point of entry for data exchange activity and is the business process owner for SSA's data exchange activities. Additionally, ODEPP develops and implements an Agency-wide data exchange program governance process and coordinates with other data exchange stakeholders to ensure they comply with SSA policies and business processes. Before ODEPP was established, the responsibility for the data exchanges was spread among various groups throughout the Agency. With the creation of ODEPP, the responsibility is now centralized. Since its creation, ODEPP improved the Agency's data exchange processes. Some of these improvements include

- establishing a standard set of guiding principles used to establish new or expanded data exchanges;
- establishing Agency liaisons for all Federal and State agencies with data exchange agreements and assuming project coordinator functions for all federal agreements;
- documenting current policies and procedures, creating business process descriptions for over 20 separate components and processes, and developing new policies for data exchanges;
- redesigning the Agency's data exchange Webpage; highlighting data exchange services; and offering instructions to international, Federal and State partners on how to request data using a new standard data exchange request form; and
- conducting the planning and analysis for the development of the Integrated Data Exchange Application (IDEA) project proposal to consolidate about 20 different data exchange systems and processes to identify, unify, and streamline the data exchange business process.

Sampling Methodology

We selected a sample of data exchanges from SSA's Data Exchange Inventory (DEXI),²⁰ which is an Intranet application that provides a data exchange inventory between SSA and its exchange partners. It is one of many tools SSA used to monitor and track its data exchange activities. SSA acknowledged that DEXI may not have complete and accurate data exchange information; however, it was the best automated system available to provide a single listing of data exchanges. As of August 2013, DEXI included 1,029 active data exchanges²¹ that involved the Agency being the source of the electronic data provided to third parties either for the direct use

²⁰ See Appendix E for information on DEXI data reliability.

²¹ As of August 2013, DEXI included 1,028 data exchanges but did not include the data exchange for the Department of Health and Human Services' *Affordable Care Act*-Health Insurance Exchange program. We included this data exchange as part of our review because SSA added it to DEXI later.

by the third parties, or as a need for data matching for an incoming exchange to receive data from a partner to SSA. Of these data exchanges, 367 were reimbursable, and 662 were non-reimbursable. For the purpose of our review, we defined non-reimbursable as data exchanges for which SSA was not or could not be (for incoming data exchanges) reimbursed for providing data.

As shown in Table 1, we reviewed 35 reimbursable and non-reimbursable agreements associated with 902 data exchanges or 88 percent of the data exchanges in DEXI. Of the 35 sample agreements, 15 were reimbursable, and 20 were non-reimbursable. Our selection criteria included (1) type of user: Federal, state/local, and private organizations; (2) type of data exchange agreement: CMA, IEA, and other types of data exchange agreements; and (3) type of data: Social Security number (SSN) verification, benefit verification, and other data. To ensure information obtained from DEXI was accurate, we reviewed other data sources (that is, Agreement Workflow Tool, Verification Account Management System,²² Executive and Management Information System,²³ and Management Information Architecture)²⁴ to validate the data exchange information contained in DEXI.

Table 1: Sample Data Exchange Agreements

Type of Agreement	Federal	State/ Local	Private	Total Selected Agreements	Number of Data Exchanges	Total Exchange Population	Percent of Exchanges Reviewed
Reimbursable	10	4	1	15	269	367	73%
Non-Reimbursable	10	10		20	633	662	96%
TOTAL	20	14	1	35	902	1,029	88%

RESULTS OF REVIEW

Although SSA was reimbursed for its costs for providing electronic data to third parties, the Agency's process for developing its cost estimates for reimbursable work could be improved. Of the 15 reimbursable agreements we reviewed, SSA did not request about \$289,000 for personnel costs for field office (FO) staff workloads for two agreements. Yet, the Agency received about \$4.3 million for FO workloads for two other reimbursable agreements. To ensure consistency, the Agency needs to establish written policy to determine when it should seek reimbursement for

²² The Verification Account Management System is a centralized location for SSA's data exchange and verification requesters.

²³ The Executive and Management Information System is a Web-based application that provides management information for various data exchange applications.

²⁴ The Management Information Architecture is a Website containing management information related to certain Government-to-Government electronic services. It posts and stores management reports and some data exchange management information.

FO workload costs for its data exchanges. Of the 20 non-reimbursable agreements we reviewed, SSA was providing or receiving data for five data exchange agreements despite the fact the authorizing documents either had lapsed or did not include expiration dates. During our review, SSA had taken steps to renew four of the five agreements.

Finally, SSA was developing an integrated system to inventory and track the Agency's data exchange activities. The Agency had determined that multiple SSA components maintained 20 different databases and paper repositories of data exchanges making it difficult for the Agency to obtain complete information for the Agency's data exchange activities such as volumes, counts, lists of partners, and copies of agreements. In FY 2014, SSA took steps to develop IDEA, which is expected to house all data exchanges and related agreement documentation in one comprehensive, searchable repository and serve as an accurate inventory of data exchanges. IDEA is in the planning phase, and SSA expects it to be operational by 2017.

COSTS FOR REIMBURSABLE AGREEMENTS

In FY 2013, SSA had two reimbursable agreements that included about \$90,200 in estimated costs for providing SSN and benefit verification services to the Departments of Education (ED) and Housing and Urban Development (HUD), see Table 2. These costs included personnel costs for the Office of Systems' staff, costs for processing verification transactions, and applicable overhead costs. As shown below, neither the estimate nor the actual costs included personnel costs for FO workloads associated with resolving discrepancies found because of the data matches.

Table 2: Estimate and Actual Cost for ED and HUD Reimbursable Agreements

Cost Category	ED		HUD		Total	
	Estimate	Actual	Estimate	Actual	Estimate	Actual
Personnel						
Field Office	\$0	\$0	\$0	\$0	\$0	\$0
System	\$13,200	\$9,368	\$14,900	\$16,362	\$28,100	\$25,730
Information Technology						
Processing of queries	\$13,800	\$4,168	\$25,500	\$8,017	\$39,300	\$12,185
Other						
Overhead (Salaries)	\$4,700	\$3,373	\$5,300	\$5,891	\$10,000	\$9,264
Overhead (Information Technology)	\$1,900	\$1,014	\$2,700	\$1,816	\$4,600	\$2,830
Contingency	\$3,400	N/A	\$4,800	N/A	\$8,200	N/A
Total	\$37,000	\$17,923	\$53,200	\$32,086	\$90,200	\$50,009

Under the *Higher Education Act*,²⁵ ED must ensure students applying for financial assistance satisfy eligibility requirements. SSA verifies the SSN the applicant provides and confirms the applicant's citizenship status as recorded in SSA's systems. The CMA between SSA and ED described the process for resolving unsuccessful matches on name, date of birth, or SSN. ED is required to notify applicants and provide them at least 30 days to correct or contest the data match by referring them to a local SSA FO. Comparing the no-match transactions for the period March 2013 to February 2014 with SSA's Visitor Intake Process (VIP) and Customer Help and Information Program (CHIP)²⁶ data, we determined about 7,300 individuals who received no-match replies visited FOs to resolve their discrepancies.²⁷ As result, we estimate that SSA incurred about \$235,000 in personnel costs to provide these individuals services.

HUD requires that rental assistance applicants and participants disclose their SSNs to ensure they are eligible for rental assistance. Further, HUD is required to collect income information from applicants and participants in rental assistance programs to determine eligibility for, and the level of, rental assistance. The CMA between SSA and HUD authorizes SSA to match finder files provided by HUD to its enumeration and benefit records to help determine eligibility for the rental assistance program. SSA provides HUD monthly benefit information and verifies SSNs. According to the CMA, before taking any adverse action against applicants based on the computer match, HUD must provide tenants 30 days to contest or correct the no-match responses. HUD refers applicants to local SSA FOs to resolve discrepancies.

We compared the HUD no-match data to the VIP/CHIP data for the period December 2013 to March 2014 and determined that 416 individuals who received no-match responses visited FOs to resolve the discrepancies. We were only able to review the no-match transactions for 3 months because SSA does not retain transaction data beyond a 3-month period. However, we estimate for the entire year, SSA incurred about \$54,000 in personnel costs to correct errors in individuals' records because of inaccuracies identified during the data match. Our analysis did not include those individuals who visited or called SSA to resolve discrepancies with benefit information. Therefore, it is likely that SSA incurred over \$54,000 in personnel costs to provide these individuals services.

According to SSA staff, the Agency had not traditionally factored in fall-out (FO and teleservice center workload) costs to be a part of the "cost of furnishing data" under CMAs, because any discrepancy in the matched data is likely to be an error or incorrect information in SSA's systems. Further, in most cases, the Agency accrues a benefit for SSA programs from the individuals coming into the office to correct the Agency's records. Moreover, if SSA did not

²⁵ Higher Education Act of 1965, as amended, 20 U.S.C. § 1070.

²⁶ VIP helps SSA FO staff simplify and control all stages of in-office interviews and appointments. It tracks all in-office interviews and scheduled appointments, monitors visitor and appointment information, and provides reports and charts on a variety of local office statistical data. CHIP is a computer program that assists SSA personnel nationwide in responding to the public's calls accurately, quickly, and consistently. For telephone calls, CHIP provides instant access to facts, policies, and other reference materials.

²⁷ See Appendix C for methodology for reimbursement of FO workload.

provide these data through a data exchange, the subject agency (Education or HUD in the case of the two agreements cited) could send *all* of the individuals (not just the ones with discrepancies) to the FOs to obtain the necessary benefit verification documentation. Under the Agency's current business process for *Privacy Act* requests, the Agency may not seek reimbursement from these individuals. Therefore, a cost-benefit analysis identifies the benefit to the Agency to disclose the data through a data exchange rather than to individuals visiting FOs.

However, we found SSA did not consistently determine when it should seek reimbursement for FO workloads. For two other reimbursable agreements in our population related to SSN and benefit verifications, the Agency requested and received reimbursement for FO and teleservice center workloads for data exchanges with the Department of Health and Human Services' (DHHS) *Affordable Care Act*-Health Insurance Exchange (ACA-HIX) program²⁸ and the Department of Homeland Security's (DHS) E-Verify²⁹ program. SSA received about \$738,000 for ACA-HIX and about \$3.6 million for E-Verify, because individuals contacted (visited FOs or called the teleservice center) SSA to update their records based on responses received from the data exchanges. As with the reimbursable agreements with Education and HUD, SSA benefited from individuals contacting the Agency to correct their records.

For example, for E-Verify about 143,000 newly hired individuals either visited a FO or contacted the teleservice center to correct their records after receiving an SSA tentative non-confirmation response from E-Verify. The corrected records help ensure accurate wage reporting by employers. While the Agency stated the estimated fall-out costs for ACA-HIX and E-Verify reimbursable agreements greatly exceeded the estimated benefits to the Agency, SSA's current policy did not explain how the Agency made this determination. We believe SSA needs to establish written policy to determine when it should seek reimbursement for FO and teleservice center workloads for its data exchange agreements with third parties to ensure consistency with its business processes and compliance with regulations.

NON-REIMBURSABLE DATA EXCHANGE AGREEMENTS

Of the 20 non-reimbursable agreements we reviewed, SSA was providing or receiving data for 5 agreements despite the fact that the MOUs authorizing the disclosure of data either had lapsed or did not include expiration dates, see Table 3.³⁰ According to SSA policy, all data exchanges

²⁸ The CMA for ACA directs SSA to provide SSN verifications, death indicators, benefit verifications, quarters of coverage, and other data verifications to assist HHS in making eligibility determinations for the ACA-HIX. If the information the applicant provides does not match SSA's records, HHS provides the applicant the opportunity to contest the non-confirmation.

²⁹ The agreement for E-Verify directs SSA to verify the SSNs and employment authorization of newly hired employees to determine their eligibility to work in the United States. If the information the employee provides his/her employer does not match SSA's records, the employer receives a tentative non-confirmation response, and the employee is referred to SSA for resolution.

³⁰ SSA was not reimbursed for 15 of the 20 sample data exchange agreements because the Agency was authorized by law to charge the cost to its appropriation, the Commissioner waived the cost, or the agreement was quid pro quo. See Appendix D for a summary of the analysis for non-reimbursable data exchanges.

must be supported by a data exchange agreement.³¹ The data exchange agreement documents the legal authorities, purpose, and authorized use of the data as well as terms and conditions under which an exchange will occur. Further, although there is no legal mandate specifying terms for the duration of MOUs, SSA set the terms not to exceed 5 years.³² The Office of General Counsel has stated that data exchange agreements should have a finite period of performance and not run in perpetuity because terms change; governments amend laws; responsibilities expand and contract; and parties to an agreement can change.³³

Table 3: Expired or Outdated Non-Reimbursable Agreements

State/Jurisdiction or Department	Purpose	Initiated Date	Expiration Date	Duration of Performance ¹
State				
New York City	SSN Verification	Jul 2005		9 years
Indiana	SSN Verification	Sep 2007	Sep 2012	7 years
Alabama	SSN Verification	Jan 2008	Jan 2013	6 years
Federal				
Homeland Security	Enumeration at Entry	Dec 2000		14 years
Defense	Wounded Military Expedited	Jan 2008	Jan 2013	6 years

Note 1: As of 2014.

State Data Exchange Agreements

SSA did not renew three agreements where it performed verifications for data received from the States for SSA's program purposes. Two agreements were not renewed within the 5-year period, and one did not include an expiration date. All three agreements involved SSA providing SSN verification to States responsible for registering a death as part of the Electronic Death Registration initiative.³⁴ SSN verification enables States to verify decedent SSNs before submitting death reports to SSA to help ensure timely and accurate death reports. SSA initiated the three MOUs between July 2005 and January 2008; therefore, the duration of performance ranged from 6 to 9 years.

We spoke with Agency staff about the expired agreements, and they acknowledged they did not renew the agreements timely but would take appropriate action to ensure the agreements were

³¹ SSA AIMS, GAM 03.01.04, January 6, 2014.

³² SSA AIMS, FMM 05.02.03 N, November 13, 2009. This was the policy during period of performance for the MOUs in our review. SSA updated the policy on April 11, 2013 and MOUs were not covered.

³³ Deputy Commissioner for Budget, Finance and Management, *Electronic Information Exchange Initiative, Report to the Commissioner of Social Security*, August 2008. The Agency issued this report to help improve the management, execution, processing, and oversight of its electronic information exchanges and disclosure policies.

³⁴ The purpose of the three agreements was to establish the terms and conditions under which SSA verifies SSNs as part of the contract for the Electronic Death Registration initiative.

renewed. As of February 2015, SSA had renewed the agreements with Alabama and Indiana and was working with New York City to renew its agreement. Further, SSA stated that, although the agreements had lapsed or were outdated, SSA still had the legal authority to provide SSN verification for the Electronic Death Registration process pursuant to its routine uses under the *Privacy Act*.³⁵ We agree that SSA had the authority to share the data; however, one of the purposes of having a set period of performance for data exchange agreements is to ensure third parties are using the data as authorized by the legally binding agreement. Additionally, a set period of performance also helps ensure that all terms, conditions, and authorized signatures are up to date and accurate. Therefore, it is important for the Agency to update and renew its agreements timely.

Federal Data Exchange Agreements

Two data exchange agreements where SSA was receiving data from Federal agencies were not renewed timely. One agreement expired in January 2013. The other agreement did not include an expiration date even though the terms and conditions had changed during the 14 years the agreement was in effect. For these agreements, DEXI incorrectly showed that SSA was the source of the data when, in fact, the other Federal agencies were providing SSA with the electronic data. We discuss this issue in detail later in this report.

- The data exchange agreement with the Department of Defense (DOD) was in effect for 5 years and expired in January 2013. This agreement authorized DOD to provide SSA such data as SSNs, names, and dates of birth of wounded military personnel to assist with expedited services when military personnel file a claim for disability benefits. SSA electronically flags the accounts of military personnel to produce alerts that would direct SSA claims personnel to use specific expedited procedures for the claims. In FY 2013, SSA received about 3.2 million transactions for DOD even though the agreement expired during the second quarter of FY 2013.
- SSA and the Immigration and Naturalization Service (INS)³⁶ executed a data exchange agreement in December 2000 to establish a pilot program that allowed INS to share with SSA data to assist with enumerating immigrants admitted as lawful permanent residents. However, in 2003, INS became the U.S. Citizenship and Immigration Services under DHS. When an immigrant is admitted into the United States, the U.S. Citizenship and Immigration Services electronically transmits the enumeration data to SSA so an SSN can be assigned or a replacement card issued, a process known as Enumeration at Entry (EAE).³⁷ According to the data exchange agreement, initially, the EAE program focused on aliens who were 18 years or older and (1) who had requested original or replacement SSN cards, (2) were

³⁵ 5 U.S.C. § 552a (b)(3) permits SSA to disclose information about individuals without their consent pursuant to a routine use.

³⁶ With the passage of the *Homeland Security Act* in November 2002, DHS formally came into being and the INS is now the United States Citizenship and Immigration Services.

³⁷ SSA, POMS, RM 10205.600, April 03, 2012.

issued visas in certain overseas consular posts, and (3) were admitted in the United States as lawful permanent residents. The second phase was to expand the categories of aliens, such as applicants for employment authorization documents. In August 2009, SSA expanded the age group authorized to use EAE. Therefore, the terms and conditions of the data exchange agreement changed. However, neither Agency had renewed the agreement since 2000. In FY 2013, SSA received and processed about 187,000 transactions for the EAE program. Because of the changes to the EAE program, SSA should coordinate with DHS to renew the data exchange agreement to reflect the current terms, conditions, and appropriate authorized signatures. As of February 2015, SSA stated it had made numerous attempts over the last 9 years to collaborate with DHS to update the agreement without success.

DEVELOPMENT OF DATA EXCHANGE SYSTEM

SSA was developing an integrated system to inventory and track its data exchange activities because it had been difficult for the Agency to obtain complete and accurate information on data exchange activities. The Agency had determined that multiple SSA components maintained about 20 different databases and paper repositories of data exchange information. Because each system maintained different portions of the Agency's data exchange information, it had been problematic for SSA to obtain complete information on its data exchange activities, such as volumes, counts, lists of partners, and copies of agreements.

One of these databases was DEXI, which was initially designed to provide staff at various levels with the tools to easily locate information about data exchanges and maintain the data. It contains information on incoming and outgoing data exchanges. However, DEXI was not an effective tool to properly track, monitor, and provide effective oversight of SSA's data exchange activities because it included inaccurate and incomplete information. We determined that 223 (25 percent) of 902 data exchanges included in DEXI had 1 to 3 errors related to key data fields, such as the direction of the data transfer, agreement authorization, type of authorizing agreement, or agreement cost. Additionally, DEXI was missing agreements' begin and end dates for 191 (21 percent) of 902 data exchanges.³⁸ According to SSA staff, DEXI had inaccurate and incomplete information because it relied on individuals entering the data exchange information without any independent validation of the data.

In 2014, the Agency identified a need to develop a better workflow, management information tool, and repository for its data exchanges and proposed a new system called IDEA. The Agency expects IDEA to serve as an accurate data exchange inventory and provide reports on the volumes, types, and partners for all data exchange activity to successfully manage and plan the Agency's data exchange workload. Further, SSA had designed IDEA to integrate its data management systems and establish one system that guides users through all agreement workflows while maintaining an inventory of all documentation related to the data exchanges. The Agency expects IDEA to house and associate all final agreements, related documentation, associated exchanges, and agreement data in one comprehensive, searchable repository that will

³⁸ We provide more detailed information about DEXI in Appendix E.

serve as an accurate data exchange inventory. To help ensure data exchange information is accurate and complete, IDEA will be a single access point to enter/update data exchange information, important data fields will be marked as mandatory and invalid information will trigger flags or stop the automated workflow. IDEA is in the planning phase, and SSA expects it to be operational by 2017.

CONCLUSIONS

SSA established ODEPP to be the focal point for enterprise-wide data exchange activities to improve its data exchange processes. Since its creation in 2013, ODEPP had identified and implemented improvements to data exchange processes. We believe the Agency should consider the results of this review to further improve its data exchange processes. While SSA was reimbursed for its costs for providing electronic data to third parties, the Agency could strengthen its policies to ensure reimbursement of all costs incurred. Additionally, SSA continued sending and receiving data for five data exchanges although the agreements that authorized the disclosure of the electronic data had lapsed or were not renewed in a timely manner. Lastly, SSA was not able to provide clear, concise, accurate, and complete information regarding its universe of data exchanges activities because the Agency maintained about 20 different databases and paper repositories that included different portions of the Agency's data exchange information. The Agency is developing a new system to provide a better workflow system and repository for its data exchanges. We commend SSA for its initiative, and given the importance of providing accurate data exchange agreements, we encourage the Agency to continue moving forward with developing the IDEA system.

RECOMMENDATIONS

1. Establish written policy that clearly defines when SSA should request full reimbursement for supplying information to include personnel costs related to FO and teleservice center workloads for its data exchanges.
2. Continue to develop and enforce processes to ensure data exchange agreements are renewed timely and to ensure proper authorization and disclosure of information.
3. Continue the development and implementation of a comprehensive data exchange inventory, workload process, and management information system with available resources. Establish milestones that help ensure the system's implementation by 2017.

AGENCY COMMENTS AND OIG RESPONSE

SSA agreed with our three recommendations and provided additional comments that we address below. See Appendix F for the Agency's full comments.

Overall, our report acknowledged SSA had recently improved its data exchange process, such as establishing a new component to serve as the Agency's focal point for data exchange activities, developing new policies and guiding principles, and developing a new integrated system to inventory and track data exchange information. However, our report identified other areas where

SSA could make improvements to strengthen the management and oversight of its data exchange processes.

The Agency indicated that we relied solely on DEXI as the data source for this review even though the Agency had informed us that DEXI was not the sole source of data. We relied on DEXI to select the agreements for review because it was the best automated system available to provide a single listing of data exchanges. We acknowledged that DEXI may not have included complete and accurate data exchange information, and to ensure the information included in DEXI was accurate, we reviewed other data sources to validate the information contained in DEXI. We noted throughout the report when we found the information maintained in DEXI to be inaccurate.

The Agency disagreed that it should have charged HUD and ED for FO and teleservice center workload costs related to the data exchange agreements. The Agency stated that these costs were a part of their normal mission and workload responsibility, and hence, were covered by SSA's appropriation. As shown in this report, SSA was inconsistent when determining when to charge personnel costs for FO and teleservice center workloads. For the two agreements with HUD and ED, SSA decided not to request reimbursement for FO and teleservice center workloads because it believed the activities were part of its mission. However, the Agency did not consider these same costs mission-related for the data exchange agreements with DHS (E-Verify) and DHHS (ACA-HIX). SSA requested and received from DHS and DHHS about \$4.3 million for costs associated with FO and teleservice center workloads. The four data exchange agreements were similar because they required Federal agencies to refer individuals who received a no-match response from the data matches to SSA to resolve discrepancies to avoid any adverse action (denial of benefits or employment). In Recommendation 1, we stated that SSA should establish written policy that clearly defines when SSA should request full reimbursement for supplying information to include personnel costs related to FO and teleservice center workloads for its data exchanges and the Agency agreed with this recommendation.

Lastly, the Agency indicated that the five non-reimbursable data exchange agreements that were outdated or expired were outside the scope of our audit. The five agreements were not outside the scope of our audit because our audit focused on both reimbursable and non-reimbursable agreements to ensure that SSA was properly reimbursed for data exchanges. Had we focused solely on reimbursable agreements, we could not provide assurance SSA was being properly reimbursed for its costs. Thus, we included non-reimbursable agreements in our review to assess whether SSA should have been reimbursed for these agreements. Moreover, we determined whether the data exchanged with third parties was in accordance with the terms and conditions of the data exchange agreements, including the timeframes of those agreements.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed the *Social Security Act*, applicable Federal regulations, and the Social Security Administration's (SSA) policies and procedures pertaining to reimbursable and non-reimbursable agreements.
- Interviewed Agency staff to discuss the accuracy of the Data Exchange Inventory (DEXI) system; management oversight and overall data exchange agreement process; renewal process for data exchange agreements; and actual agreements.
- Using specified criteria, created a DEXI ad hoc report as of August 2013. DEXI contained 1,029 active data exchanges that involved the Agency providing electronic data to third parties.¹ While we found that DEXI was not accurate, it contained the best data the Agency had available for its data exchanges. We discuss the issues with DEXI in the report.
- Reviewed a sample of 15 reimbursable agreements representing 269 data exchanges and 20 non-reimbursable agreements representing 633 data exchanges. These data exchange agreements were selected based on the type of user, data exchange agreement, and data.
- To validate information (for example, direction of the data transfer, agreement authorization, type of authorizing agreement, or agreement cost) in DEXI for our sample population, we obtained and reviewed the following.
 - Documents from the Agreement Workflow Tool application for the sample reimbursable agreements: *Cost Estimate for Negotiating Reimbursable Services*, SSA-1033; *Actual Cost for Reimbursable Services*, SSA-1036; *Statement of Account for Goods and Services Provided to Another Federal Agency*, SSA-1037; *Agreement Covering Reimbursable Services*, SSA-1235; Computer Matching Agreements; Information Exchange Agreements, and other applicable documents.
 - Computer Matching Agreements, Information Exchange Agreements, and Memorandums of Understanding for sample non-reimbursable agreements.
 - Transaction data for data exchange agreements with the Departments of Education (ED), March 2013 through February 2014, and Housing and Urban Development (HUD), December 2013 through March 2014. We obtained transaction data for the Department of Health and Human Services (HHS) for the *Affordable Care Act* Health Insurance Exchange verification from October 1, 2013 through September 30, 2014.

¹ As of August 2013, DEXI included 1,028 data exchanges but did not include the data exchange for the Department of Health and Human Services' *Affordable Care Act*-Health Insurance Exchange program. We included this data exchange as part of our review because SSA added it to DEXI later.

- Visitor Intake Process and Customer Help and Information Program for ED, HUD, and HHS workloads. Matched verification data to Visitor Intake Process and Customer Help and Information Process data to determine the number of SSA contacts related to data exchanges.
- Transaction summary reports from the Verification Account Management System, Data Exchange Management Information System, Executive and Management Information System, and Management Information Architecture to determine the transaction volume of the data exchanges sampled.
- Management information extracted from the Electronic Data Exchange System for Computer Matching Agreements and Information Exchange Agreements.

We conducted our review at the Philadelphia Audit Division, Philadelphia, Pennsylvania, from April through December 2014. We determined the computer-processed data were sufficiently reliable for our intended use. We conducted tests to determine the completeness and accuracy of the data. These tests allowed us to assess the reliability of the data and achieve our audit objectives.

The entities reviewed were the Office of Earnings, Enumeration and Administrative Systems under the Office of the Deputy Commissioner for Systems and the Office of Data Exchange and Policy Publications under the Office of the Deputy Commissioner for Retirement and Disability Policy. We conducted this 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 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.

Appendix B – REIMBURSABLE AGREEMENT ANALYSIS

Table B–1 summarizes our results for the 15 sampled reimbursable data exchange agreements representing 269 data exchanges.

Table B–1: Reimbursable Agreement Analysis

	Agency	Data Exchange Purpose	Estimated Cost	Summary of Findings
1	Department of Health and Human Services	Social Security number (SSN), benefit, and income verification; prisoner and citizenship confirmation	\$5,847,452	Fully reimbursed
2	Railroad Retirement Board	Death indicators	\$9,000	Fully reimbursed
3	Department of Education	SSN verification and citizenship confirmation	\$37,000	Not fully reimbursed, \$235,000
4	Department of Housing and Urban Development	SSN, benefit, income verification	\$53,200	Not fully reimbursed, \$54,000
5	Department of Homeland Security	SSN verification and citizenship confirmation	\$9,482,100	Fully reimbursed
6	Department of Treasury	Numident processing	\$34,722	Fully reimbursed
7	Corporation for National and Community Service	SSN verification	\$11,600	Fully reimbursed
8	Department of Defense	SSN verification	\$12,500	Fully reimbursed
9	Department of Defense	SSN verification	\$11,800	Fully reimbursed
10	Department of Agriculture	SSN verification	\$12,605,500	Fully reimbursed
11	California Department of Motor Vehicles	SSN verification	\$13,002	Fully reimbursed
12	American Association of Motor Vehicle Administrators - Help America Vote Verification	SSN verification	\$162,000	Fully reimbursed
13	American Association of Motor Vehicle Administrators	SSN verification	\$263,600	Fully reimbursed
14	State Agents for Department of Agriculture	Prison confirmation	\$102,351	Fully reimbursed
15	Consent Based Social Security Number Verification	SSN verification	\$735,000	Fully reimbursed

Appendix C – REIMBURSEMENT METHODOLOGY FOR FIELD OFFICE WORKLOAD

We used the Social Security Administration's (SSA) fallout methodology to determine its field office (FO) workloads for the data exchange agreements with the Departments of Education (ED) and Housing and Urban Development (HUD). We used the fallout from management information reports to calculate SSA's FO workload-related costs for reimbursement.

For the period March 2013 through March 2014,¹ we compared the total number of individuals SSA verified with the number of individuals who contacted SSA after receiving a no-match response. We obtained the unique Social Security numbers with a date of verification after the contact date included in SSA's Visitor Intake Process and Customer Help and Information Program systems to determine whether they contacted SSA.

After determining the number of individuals who contacted SSA after receiving a no-match response, we used the SSA-1033, *Cost Estimate for Negotiating Reimbursable Services* to calculate the reimbursement costs. The SSA-1033 is an electronic document used to calculate SSA's estimated reimbursable costs. It includes rates for personnel and system resources as well as overhead rates. SSA publishes the form annually with the current rates.

Table C-1: FO Reimbursement Costs

Description	ED	HUD ^(a)	Total
All Transactions	9,322,425	13,023,879	22,346,304
Transactions with No-Match Responses	805,584	33,766	839,350
FO Contacts with No-Match Responses	7,326	416	7,742
Total Reimbursement Cost for FO/Teleservice center Workload	\$235,364	\$53,524	\$288,888

- (a) We were only able to review HUD's no-match transactions for a 3-month period (December 2013 to March 2014) because SSA did not retain transaction data beyond 3 months. However, we estimate for the entire year, SSA incurred about \$54,000 in personnel costs to provide services under the data exchange agreement.

¹ Obtained transaction data for data exchange agreements with ED, March 2013 through February 2014; and HUD, December 2013 through March 2014.

Appendix D – NON-REIMBURSABLE AGREEMENT ANALYSIS

Table D–1 summarizes the results for the 20 sampled non-reimbursable data exchange agreements representing 633 data exchanges.

Table D–1: Non-Reimbursable Agreement Analysis

	Agency	Agreement Description	FY 2013 Transactions	Summary of Findings
1	Government Accountability Office (GAO)	Social Security number (SSN) verification		Non-Reimbursable ¹
2	Department of Veterans Affairs	Income verification	1,513,532	Non-Reimbursable
3	Department of Defense	SSN verification	455,209	Reimbursable ⁽¹⁾
4	Department of Health and Human Services	SSN verification	95,387	Reimbursable ⁽¹⁾
5	Department of Defense	Wounded military expedited	3,192,121	Expired, Non-Reimbursable, Incoming data ⁽²⁾
6	Department of Homeland Security	Enumeration at Entry	186,623	Outdated, Non-Reimbursable, Incoming data ⁽²⁾
7	Office of Personnel Management	SSN and benefit verification		Non-Reimbursable
8	Department of Veterans Affairs	SSN and benefit verification	1,751,721	Non-Reimbursable
9	Department of Health and Human Services	SSN verification	3,022,840	Reimbursable ⁽¹⁾
10	Office of Personnel Management/Department of Agriculture	SSN and benefit verification		Non-Reimbursable
11	New York City	SSN verification	54,083	Outdated, Non-Reimbursable
12	New York – Various States	SSN and benefit verification	680,215	Non-Reimbursable
13	Alabama – Various States	SSN and benefit confirmation	589,655	Non-Reimbursable
14	Alabama – Various States	SSN and benefit verification	4,761,814	Non-Reimbursable
15	Alabama – Various States	SSN and benefit verification	76	Non-Reimbursable
16	Alabama	SSN verification	139,776	Expired, Non-Reimbursable
17	Alabama – Various States	SSN verification	160,599	Non-Reimbursable

¹ There is no data exchange agreement covering data the Social Security Administration (SSA) provides to GAO because GAO is exempt from certain disclosure regulations, See Privacy Act, 5 U.S.C. § 552a(b)(10). SSA included the data exchange with GAO in the Data Exchange Inventory because it provides GAO with electronic data, but does not require a written agreement for the exchange of data.

	Agency	Agreement Description	FY 2013 Transactions	Summary of Findings
18	Indiana	SSN verification	72,711	Expired, Non-Reimbursable
19	Oklahoma – Various States	Benefit verification	2,277,582	Non-Reimbursable
20	Alabama – Various States	SSN and benefit verification	589,655	Non-Reimbursable

Notes:

1. The Data Exchange Inventory (DEXI) indicated these agreements were non-reimbursable, but we found the data exchanges were reimbursable.
2. DEXI indicated that SSA was providing data to the third parties, but the agreements showed the Agency was actually receiving the data.

Appendix E – DATA EXCHANGE INVENTORY SYSTEM

Our review of the Data Exchange Inventory (DEXI) system determined it was not an effective tool to properly track, monitor, and provide effective oversight of SSA's data exchange activities because it included inaccurate and incomplete information. We determined that 223 (25 percent) of 902 data exchanges included in DEXI had 1 to 3 errors related to key data fields, such as the direction of the data transfer, agreement authorization, type of authorizing agreement, or agreement cost, see Table E–1. The direction of the data identifies whether the Social Security Administration (SSA) is the source or recipient of the electronic data. The agreement type, authorization, and cost are codes indicating the type of administrative agreement that makes the exchange of data with third parties permissible. The agreement authorization specifies the legal authority/permission to execute a given data exchange (routine use, legislative, or court case). The agreement type identifies the type of administrative agreement used for the data exchange (Computer Matching Agreements, Information Exchange Agreement, or Memorandum of Understanding). Lastly, the agreement cost specifies the financial arrangement for a given data exchange (reimbursable, no cost, waived cost, or quid pro quo).

For example, DEXI included three data errors for the data exchange agreement between SSA and the Department of Defense (DOD) for the wounded military program. DEXI indicated that SSA was the source of the electronic data; however, DOD provided SSA the SSNs, names, and dates of birth of wounded military personnel to assist with expedited services when military personnel file a claim for disability benefits. Further, DEXI indicated there was no agreement in place for the data exchange, and the cost was not applicable. However, our review showed SSA and DOD executed an MOU in February 2008 to establish the data exchange and the MOU stated that no cost would be incurred for receipt of the information consistent with the *Economy Act*.¹

Table E–1: DEXI Data Field Errors

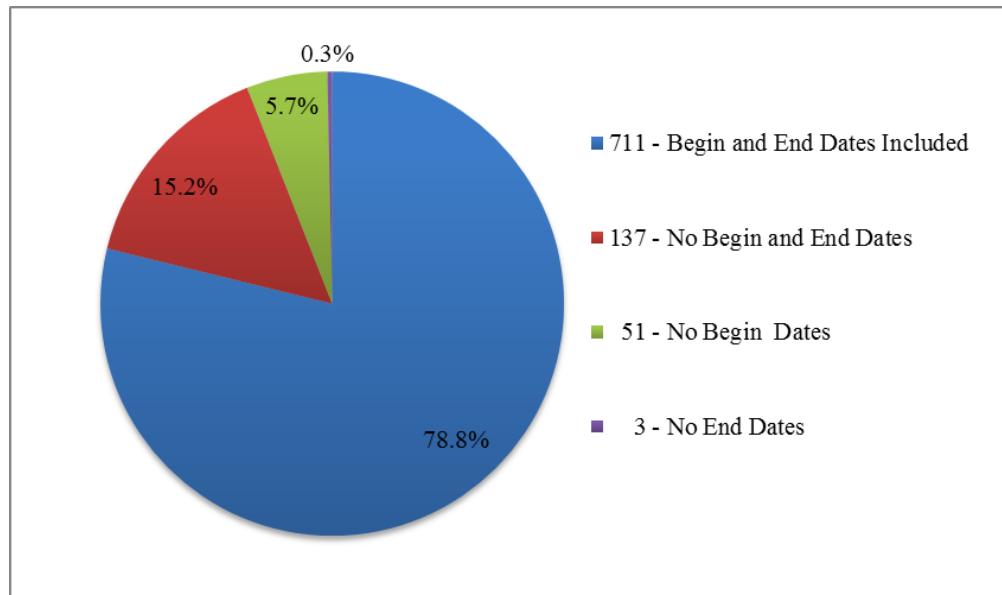
Data Errors	Number of Data Exchanges
1	64
2	58
3	101
Total	223

Additionally, DEXI was missing key information about agreement dates. The agreement begin and end dates were missing for 191 (21 percent) of 902 data exchanges. The begin date is the date the administrative agreement was signed by all parties, and the end date is the agreement's expiration date. Specifically, 137 exchanges did not include begin and end dates, 51 were missing the begin date, and 3 were missing the end date, see Figure E–1. These data fields are

¹ 31 U.S.C. § 1535.

not mandatory in DEXI. For example, five non-reimbursable data exchange agreements in our sample had end dates that were either missing or outdated. According to SSA staff, DEXI had inaccurate and incomplete information because the Office of Systems only maintained the data exchange elements related to their work, and there were no validation processes or automated controls in effect to ensure accuracy of other elements.

Figure E–1: Missing Dates for Data Exchange Agreements



Appendix F – AGENCY COMMENTS



Social Security

MEMORANDUM

Date: April 16, 2015 **Refer To:** S1J-3

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

From: Frank Cristaudo /s/
Executive Counselor to the Commissioner

Subject: Office of the Inspector General Draft Report, “Reimbursement for Data Exchanges with Third Parties” (A-03-14-24027) - INFORMATION

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

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

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
“REIMBURSEMENT FOR DATA EXCHANGES WITH THIRD PARTIES” (A-03-14-
24027)**

We submitted our technical comments outlining specific areas that should be addressed and corrected, and present the following comments for further consideration.

We use data exchanges to verify information with other Federal, State, and local government agencies, and with many private organizations. As the number, type, and complexity of these exchange programs and supporting agreements increase, the workloads of our components responsible for these various programs has increased. The Social Security Act permits us to require that individuals (including Federal agencies) who request information pay the full cost of supplying information for any purpose not directly related to administering our programs. These charges compensate us for our work, so that our appropriation does not bear the cost. OIG determined whether third parties properly reimbursed us for data exchange agreements.

OIG looked at our practices in fiscal year 2013, prior to the establishment of the Office of Data Exchange and Policy Publications. We have made many improvements to our processes since 2013, and OIG noted several of these improvements in their draft report. Agency experts had extensive conversation with the OIG audit team throughout this review to ensure that OIG fully understood our past and current practices. We are disappointed that OIG relied solely on the Data Exchange Inventory (DEXI) as the data source for this review, as we informed OIG at the entrance conference that DEXI was not the sole source of data.

In the *Results of Review* section of the report, OIG stated that although we were reimbursed for our costs for providing electronic data to third parties, our process for developing cost estimates for reimbursable work could be improved. In addition, OIG asserted that we did not always seek full reimbursement for costs incurred and that of the 15 reimbursable agreements OIG reviewed, we did not request about \$289,000 for personnel costs for field office (FO) staff with the Departments of Education (ED) and Housing and Urban Development (HUD). Both HUD and ED ask recipients to visit their local Social Security Administration (SSA) FO to resolve any discrepancies in their earnings records. This activity is part of our normal mission and workload responsibility, and covered by our budget appropriation. The agency continues to disagree that we should have charged our data exchange partner for these costs. Proper identification of reimbursable costs is a complex process, and we are fully committed to formally documenting and improving our operating policies with regard to reimbursement of data exchanges.

OIG’s recommendation regarding timeliness of renewals was also not part of the audit objective; the stated objective was to determine if we were properly reimbursed for data exchanges. OIG identified five “non-reimbursable data exchange agreements” as expired or outdated. Of those, three were not the governing data exchange agreements with financial provisions, and as such, documented in separate contracts that OIG did not review. The remaining two agreements were also outside the scope of the audit because they were agreements in which our agency received data from other agencies; consequently, we could not be reimbursed.

We are disappointed that OIG included within their findings several items that are beyond the scope of the audit objective. Because administration of data exchange agreements represents a

complex and evolving area of program administration, we feel that the inclusion of the out of scope items clouds the picture of the tremendous progress the agency has made in initiating, controlling, and maximizing the use of our data exchange agreements. While we disagree with OIG's inclusion of the items that are outside the scope of the audit objective, we will continue to make improvements in our data exchange services wherever necessary and practicable.

Recommendation 1

Establish written policy that clearly defines when SSA should request full reimbursement for supplying information to include personnel costs related to FO and teleservice center workloads for its data exchanges.

Response

We agree. We publish policies on reimbursable agreements on an ongoing basis as needed. We are drafting agency policy on reimbursement agreements specific to data exchange work. We will include provisions in this policy for the proper reimbursement of personnel costs related to FO and teleservice center data exchange workloads. We expect to submit draft data exchange reimbursement policy for inter-component review by December 2015.

Recommendation 2

Continue to develop and enforce processes to ensure data exchange agreements are renewed timely and to ensure proper authorization and disclosure of information.

Response

We agree. We will evaluate our current business processes to ensure we have adequate controls in place to renew data exchanges timely and make sure they contain proper authorization and disclosure information. We will complete our review and make any necessary process changes by December 2015.

Recommendation 3

Continue the development and implementation of a comprehensive data exchange inventory, workload process, and management information system with available resources. Establish milestones that help ensure the system's implementation by 2017.

Response

We agree. We will continue work on our Integrated Data Exchange Application and anticipate systems development will begin in fiscal year 2016.

In addition to the information listed above, SSA also provided technical comments, which have been addressed, where appropriate, in this report.

Appendix G – MAJOR CONTRIBUTORS

Cylinda McCloud-Keal, Director, Philadelphia Audit Division

Virginia Harada, Audit Manager

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