
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**Inventory Review at the
National Records Center**

February 2004 A-07-04-20426

AUDIT REPORT



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SOCIAL SECURITY

MEMORANDUM

Date: February 18, 2004

Refer To:

To: Ramona Schuenemeyer
Acting Regional Commissioner
Kansas City

From: Assistant Inspector General
for Audit

Subject: Inventory Review at the National Records Center (A-07-04-20426)

OBJECTIVE

Our objective was to determine whether the National Records Center (NRC) maintains and accounts for Title II case folders in accordance with the Social Security Administration's (SSA) policies and procedures.

BACKGROUND

SSA stores millions of case folders at three folder storage facilities: Rolling Heights Megasite in Baltimore, Maryland; Wilkes-Barre Folder Servicing Operation in Wilkes-Barre, Pennsylvania; and the NRC in Independence, Missouri.¹ SSA components request folders from these facilities to facilitate claims actions and it is essential that the process for requesting and receiving folders from the facilities is timely and accurate to provide high-quality, citizen-centered service to SSA's customers.² The Office of the Inspector General (OIG) performed reviews at



Entrance to the NRC

¹ Title XVI folders are stored at the Wilkes-Barre Folder Servicing Operation in Wilkes-Barre, Pennsylvania. Title II disability folders for individuals under 55 years of age are stored at the Rolling Heights Megasite in Baltimore, Maryland. The NRC stores all other Title II folders, as well as folders that the Rolling Heights Megasite cannot accommodate.

² SSA's Strategic Plan 2003-2008.

the three folder storage facilities after receiving complaints from SSA components that folders were not received timely.³

We performed tests of the NRC's electronic and physical inventories. To test the electronic inventory, we traced a sample of 300 folders recorded in the Processing Center Action Control System (PCACS)⁴ as located at the NRC on August 5, 2003, to their physical location within the facility. To test the physical inventory, we traced a sample of 300 folders physically located at the NRC facility on August 12, 2003, to PCACS to ensure the folder locations were properly recorded in the system. See Appendix A for additional background information and the scope and methodology of our audit.

RESULTS OF REVIEW

We found that NRC generally maintains and accounts for Title II case folders in accordance with SSA's policies and procedures. However, our tests of the physical inventory identified 13 of 300 folders improperly recorded in PCACS. We also found that NRC did not update the folder location in PCACS for folders shipped to and received from the program service centers (PSC).

FOLDERS WERE NOT PROPERLY RECORDED IN PCACS

We selected 300 folders physically located at the NRC and determined whether the case folders were properly recorded in PCACS. We identified 13 folders physically stored at the NRC that were not properly recorded in PCACS. Specifically:

- Five folders were listed in PCACS as “SSN not found,” which means that the folder was destroyed.⁵ These folders should have been destroyed instead of stored at the NRC.
- Three folders showed “QUES QUES” in PCACS which indicates that the folder cannot be located. One of these folders should have been destroyed. The other two folders should have been identified in PCACS as stored at the NRC. If these folders are needed for a claims action, the PSC will have to create a new folder.

³ This report is the final in a series of three OIG reports on SSA's paper records storage process. The other reports, *Case Folder Storage and Retrieval at the Social Security Administration's Megasite Record Center* (A-04-99-62006) and *Audit of the Wilkes-Barre Folder Servicing Operation* (A-04-03-13040), are available on the OIG website at <http://www.ssa.gov/oig>.

⁴ PCACS is a software system used by SSA as a case control system to pinpoint the exact physical location and movement of SSA's millions of folders.

⁵ Prior to December 2002, it was the policy to enter “SSN not found” on PCACS once folders were destroyed. The policy now is to enter “DESTR” in the file location for the folder.

- Two folders were identified in PCACS as being located at a PSC instead of the NRC. If the folder was needed for a claims action, the PSC would be contacted for the folder but would be unable to locate the folder. Accordingly, the requester may have to wait longer than necessary for the folder or the PSC may have to create a new folder to send to the requester. See “Folder Locations Were Not Properly Updated in PCACS” on page 4 of this report for additional information on folder movement between the NRC and PSCs.
- Two folders were identified in PCACS as being stored at an NRC location different from where they were actually found at the NRC. Upon further investigation, folders with the same Social Security number (SSN) as these two folders were found at the locations shown on PCACS. The two folders for each SSN should have been filed together in one location.⁶
- One folder was listed in PCACS as being stored electronically when in fact a paper folder was present at the NRC. The paper folder should have been destroyed.

Of the 13 folders improperly recorded in PCACS, 12 folders were sent to NRC by other storage facilities as part of large folder shipments.⁷ These folders were improperly recorded in PCACS prior to being shipped to NRC. However, NRC did not identify that the folders were improperly recorded in PCACS because the folders were placed directly into NRC’s inventory without being scanned into PCACS. Large folder shipments were not scanned into PCACS because of limited NRC resources. Instead, NRC relies on the purification process to identify errors in folders received from other storage facilities.⁸

Seven of the 13 folders should have been destroyed and were identified on the master beneficiary records (MBR)⁹ as destroyed. However, the folders were still stored at the NRC. Given the current reading in PCACS, these folders will never be selected for destruction. Instead, they will remain at the NRC until they are discovered during the purification process. We project that approximately 562,000 folders are physically

⁶ The NRC entered into an agreement with a contractor to provide clerical and file support (see Appendix A). According to the contract, “...two or more unstapled folders found with the same SSN shall be rubber-banded together.”

⁷ Folder shipments NRC received from other storage facilities ranged from approximately 265,000 to 1,228,000 folders.

⁸ The purification process involves performing an inventory on every folder to match folders located at the NRC with what is listed in PCACS. Due to the large number of folders at the NRC, the purification process is performed in segments. The 13 folders identified as errors were not located in any of the segments that have been purified, indicating that the purification process is effective.

⁹ The MBR is a magnetic file of every Retirement, Survivors and Disability Insurance beneficiary. It contains information, such as folder location, date of entitlement, and date of suspension or termination.

stored at the NRC that should be destroyed (see Appendix B). The additional storage cost for these folders is estimated at about \$35,000 annually.^{10, 11}

FOLDER LOCATIONS WERE NOT PROPERLY UPDATED IN PCACS



Boxes of Folders at NRC

When NRC sends a folder to a PSC, the NRC does not change the folder location in PCACS to show folder movement. NRC stated it would take additional staff to update the folder location in PCACS when folders are sent to a PSC.¹² So, the NRC leaves the responsibility to the PSC to update the folder location in PCACS. If the PSC does not update PCACS, the physical folder location will not be the same as the location listed in PCACS. If folders are requested that show the NRC as the location in PCACS, but are physically located at the PSC, SSA spends valuable resources trying to locate the folders. Specifically, the contractor is paid to search for the folders at the NRC. If the folder is not located within 14 days, the folder will automatically be requested again. The second request results in the contractor being paid again to conduct a much more comprehensive search than when the folder was initially requested. If the folder still cannot be located, NRC staff will contact the PSC to try to locate the folder.

When a PSC sends a folder to the NRC, it is again up to the PSC to update the location of the folder in PCACS. In our audit, we found two folders located at the NRC that had a PSC location in PCACS. So, the PSCs do not always update PCACS in a timely manner. If one of these folders was requested, unnecessary time would be expended looking for these folders. Finding or replacing missing medical folders is costly. Even more costly is the erroneous continuation of Title II disability benefits to an individual who is no longer disabled but continues to receive benefits because SSA personnel cannot locate the medical folder containing prior diagnostic information. Although the NRC has a policy in place to check a sample of incoming folders from PSCs to ensure the correct location is recorded in PCACS, errors may not be discovered as our review disclosed.

¹⁰ NRC provided us a cost of \$1.23 to store a box of 20 folders. OIG projected that 562,000 folders should be destroyed or 28,000 boxes of 20 folders each. Subsequently, 28,000 boxes at the cost of \$1.23 storing fee per box of folders arriving at the annual storage cost of \$35,000.

¹¹ In its comments to our draft report, SSA stated that the projected annual storage costs of \$35,000 would decrease each year as more files are subjected to the purification process. We agree, however, our calculations were based on the 562,000 folders that should have been destroyed as of the date of our inventory test, August 12, 2003.

¹² NRC updates the folder location in PCACS for folders sent to other SSA components, such as field offices or Disability Determination Services, but not to PSCs.

Since millions of folders are transported annually, it is imperative that PCACS reflect the actual location of these folders. To safeguard folders and to allow SSA to identify the exact location and movement of folders at all times, the NRC should update all folder locations in PCACS when folders depart and arrive at the NRC. If PCACS is up-to-date, the potential for misplaced or lost folders should decrease along with the additional resources spent in an attempt to locate folders that are not at the location shown in PCACS.

CONCLUSIONS AND RECOMMENDATIONS

We found that the NRC generally maintained and accounted for Title II case folders in accordance with SSA's policies and procedures. We identified 13 folders as improperly recorded in PCACS; however, the 13 folders had not been through NRC's purification process. As long as the NRC continues the purification process, we believe folders improperly recorded in PCACS will be identified and the problems corrected. We also believe that the NRC has an opportunity to improve controls over its folder inventory by updating the folder location in PCACS for all folders that depart and arrive at the NRC.

We recommend that the NRC:

1. Destroy the seven folders that meet the criteria for destruction.
2. Update PCACS to indicate the NRC as the current location for the two folders showing a "QUES QUES" location and the two folders recorded as stored at a PSC location.
3. Associate the folders for the two SSNs that show different locations at the NRC.
4. Determine if it is financially feasible to update the folder location in PCACS for all folders that depart and arrive at the NRC and take appropriate action.

AGENCY COMMENTS

In commenting on our draft report, SSA agreed with our recommendations. SSA completed the feasibility study we suggested in recommendation number 4. Based on the study, SSA determined it was not financially feasible to update the folder locations in PCACS for all folders that depart and arrive at the NRC. We appreciate SSA's timely completion of this feasibility study and we recognize their resource concerns. However, the potential for misplaced or lost folders will continue to exist unless all folder locations are updated in PCACS when they depart and arrive at the NRC. (See Appendix D for the Agency's comments.)



Steven L. Schaeffer

Appendices

[**Appendix A**](#) – Acronyms

[**Appendix B**](#) – Background, Scope and Methodology

[**Appendix C**](#) – Sampling Methodology and Results

[**Appendix D**](#) – Agency Comments

[**Appendix E**](#) – OIG Contacts and Staff Acknowledgments

Appendix A

Acronyms

CDR	Continuing Disability Review
MACC	Management Assistance and Concepts Corp
MBR	Master Beneficiary Record
NRC	National Records Center
OIG	Office of the Inspector General
PCACS	Processing Center Action Control System
PSC	Program Service Center
SSA	Social Security Administration
SSN	Social Security Number
WBFSO	Wilkes-Barre Folder Servicing Operation

Background, Scope and Methodology

Background

The Social Security Administration (SSA) strives to deliver high-quality, citizen-centered service.¹ One way to measure good customer service is through the timeliness of SSA's actions. SSA's ability to promptly react is often directly dependent on its ability to retrieve historical claim information. Historical files may be needed for a variety of reasons, such as new claims, appeals, attorney reviews and litigation, and continuing disability reviews (CDR). For disability cases subject to a CDR, SSA personnel need the prior Title II disability folder to determine whether the beneficiary's medical condition has improved. SSA's ability to quickly find case folders is an important part in upholding the integrity of SSA's disability determinations and continuing payments. Finding or replacing missing medical folders is costly. Even more costly is the erroneous continuation of Title II disability benefits to an individual who is no longer disabled but continues to receive benefits because SSA personnel cannot locate the medical folder containing prior diagnostic information.



Entrance to cave housing NRC Space

SSA stores case folders at three major folder storage locations: the Rolling Heights Megasite, Wilkes-Barre Folder Servicing Operation (WBFSO), and the National Records Center (NRC). The Office of the Inspector General (OIG) agreed to review these folder storage locations after two regional State disability determination groups alleged that the unavailability of case folders had seriously hampered efforts to perform CDRs. In reviews of the Rolling Heights Megasite and the WBFSO, the OIG identified case folders were missing or improperly recorded in the electronic inventory system. The NRC was the final location reviewed.

Approximately 24 million Title II case folders are stored at the NRC. Field offices, Disability Determination Services, hearing offices, and program service centers (PSC)

¹ SSA's Strategic Plan 2003-2008.

routinely request case folders from the NRC to facilitate initial and post-entitlement actions. SSA hired a contractor to provide all clerical and file support involved in filing and retrieving individual folders. The contractor at the NRC is responsible for refiling, recalling, dropfiling, sequencing, and merging folders along with purification and destruction services.²

Processing Center Action Control System (PCACS) is a software system used by SSA as a case control system to pinpoint the exact physical location and movement of SSA's millions of folders.

Scope and Methodology

In performing our audit, we:

- Reviewed the Program Operations Manual System instructions for storing and accessing Title II folders.
- Reviewed prior OIG audit work related to SSA folder storage.
- Interviewed Mid-America Program Service Center staff to obtain an understanding of PCACS, the NRC's electronic inventory system.
- Interviewed SSA and contractor personnel involved in the folder storage and retrieval systems at the NRC.
- Reviewed folder storage and retrieval operations at the NRC.
- Evaluated the existing controls, policies, and procedures related to folder processing at the NRC.
- Performed tests of the electronic and physical inventories. In addition, we projected the results of our electronic and physical inventory tests to the population of Title II case folders. See Appendix B for a detailed description of our sampling methodology.



Aisle of Boxes at NRC

² The current contractor at the NRC is AHTNA Government Service Corp, along with Management Assistance and Concepts Corp (MACC), collectively known as AHTNA-MACC. The current contract was entered into on August 1, 2001 and extends for 5 years, with the option to change terms of the contract each year.

Generally, we determined that the computer-generated data used for our audit were sufficiently reliable to meet our audit objective. This assessment was based on tests we performed on the completeness, accuracy, and validity of the PCACS inventory system. While we tested the reliability of the NRC's computerized PCACS inventory, we did not determine the reliability of the entire PCACS system or evaluate internal controls over the system. The issues we identified with the completeness and accuracy of the data are disclosed in the results of review section of this report.

The entity audited was the NRC within the Processing Center Operations in the Kansas City Regional SSA Office. We performed our audit at the NRC in Independence, Missouri and Office of Audit in Kansas City, Missouri, from July 2003 to October 2003. We conducted our audit in accordance with generally accepted government auditing standards.

Sampling Methodology and Results

Methodology

Test of Electronic Inventory

To test the electronic inventory, we traced a statistical sample of 300 folders recorded in Processing Center Action Control System (PCACS) as located at the National Records Center (NRC) on August 5, 2003, to their physical location within the facility.

Universe	Universe Size	Sample Size	Selection Date	Selection Criteria
All folders in PCACS coded "Cave File"	24,105,937	300	August 5, 2003	Social Security number (SSN)

Test of Physical Inventory

To test the physical inventory, we traced a sample of 300 folders physically located at the NRC facility on August 12, 2003, to PCACS. We selected the first 5 folders in each of the 60 file locations and recorded the SSNs. We then verified the folder was appropriately listed in the PCACS computerized inventory.

Universe	Universe Size	Sample Size	Selection Date	Selection Criteria
All folders in PCACS coded "Cave File"	24,105,937	300	August 12, 2003	First 5 folders in each file

Since we did not manually count the inventory of folders on August 12, 2003, we relied on the total number of folders identified in the computerized inventory system on August 5, 2003 for our universe size. There should not be a significant variance in the total number of case folders at the NRC on these two dates.

Results

Results of Test of Electronic Inventory

In our review, the 300 sampled case folders identified in PCACS as being located at the NRC were found at the correct location.

Results of Test of Physical Inventory

Results from Test of the Physical Inventory	Sample Error	Projected Error	Projection Lower Limit	Projection Upper Limit
Folders that should have been destroyed	7	562,472	265,192	1,045,681
Folders with an improper location on PCACS	6	482,119	210,807	942,324

All projections were made at the 90-percent confidence level.

Appendix D

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: February 9, 2004 Refer To:

To: Steven L. Schaeffer
Assistant Inspector General for Audit

From: Ramona Schuenemeyer
Acting Regional Commissioner
Kansas City

Subject: Inventory Review at the National Records Center (A-07-04-20426)
Kansas City Comments

We appreciate OIG's efforts in conducting this review. Our comments on the report content and recommendations are attached.

Please let me know if we can be of further assistance. Staff inquiries may be referred to R. Stewart Bent, Director, Social Security Administration National Records Center (SSANRC) at 816-257-9689.

Attachment:
Kansas City Response

COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION (SSA) ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "INVENTORY REVIEW AT THE NATIONAL RECORDS CENTER" (A-07-04-20426)

We appreciate the opportunity to comment on the subject draft report. The report's findings confirm our own reviews and analysis that the National Records Center (NRC) maintains and accounts for Title II case folders in accordance with SSA's policies and procedures. Furthermore, the NRC's oversight of the AHTNA-MACC Corporation ensures prompt service with excellent quality.

We are grateful for the opportunity to explain the work and processes at the NRC. We are proud of this large-scale operation that provides timely, accurate service to field offices, payment centers, the Megasite, Hearings and Appeals offices, other SSA components and the Veteran's Administration.

Recommendation 1

Destroy the seven folders that meet the criteria for destruction.

SSA Comment: We agree and took action on the seven identified folders. This was completed on February 9, 2004.

We further analyzed OIG's projected annual storage costs of \$35,000 that could accrue from this problem. We note that many of the incorrect reads were in files that were transferred as a group from another location. Re-scanning these files would have been cost-prohibitive. We appreciate that OIG's conclusion noted NRC has a purification process (recently accelerated) and acknowledges this will result in identifying and correcting the status of improperly recorded folders.

We further note that 4 of the 13 errors were for folders in the WN-4 file. This is one of those transferred files and will be undergoing purification this summer. File WN-4 has approximately 135,000 folders (about 0.56% total stored in NRC). Two of the seven folders that should have been destroyed were from this file. This will affect both projected error rates and storage cost computations. We believe that the projection's lower limit may be closer to the actual numbers we will find in those files and that the first year's cost for extra storage would be \$16,308¹. Regardless of which projection is used, these costs are not an ongoing annual cost but will decrease each year as more of the files are purified.

NRC's increased rate of purification of this and similar files received en masse will reduce the extra storage costs considerably in the coming years.

¹ OIG's lower limit projection on folders that should have been destroyed but may still be in boxes is 265,192. Using a cost of \$1.23 to store a box of 20 folders and figuring 13,259 extra boxes brings a current year storage cost of \$16,308.

Recommendation 2

Updates PCACS to indicate the NRC as the current location for the two folders showing a “QUES QUES” location and the two folders recorded as stored at a PSC location.

SSA Comment: We agree. These actions were completed on February 9, 2004.

Recommendation 3

Associates the folders for the two SSNs that show different locations at the NRC.

SSA Comment: We agree. These actions were completed on February 9, 2004.

Recommendation 4

Determine if it is financially feasible to update the folder location in PCACS for all folders that depart and arrive at the NRC and take appropriate action.

SSA Comment: We have determined that the costs do not justify the potentially small improvement in accuracy.

Of the 600 SSNs reviewed, there were five SSNs reading to the PSC and two SSNs with duplicate folders in the NRC. One of the PSC records should have been destroyed. The error rate for the reviewed SSNs is 1%. We looked at the costs of re-scanning all new and re-filed folders upon receipt in the NRC plus scanning all folders in closed files transferred to NRC and determined the added process is cost prohibitive.

Note that the two SSNs that had duplicate folders were from WN-4 file mentioned in Recommendation 1 as a file sent en masse to NRC. Again, this is a small file that contains around 135,000 folders (0.56% of the NRC total) and will be undergoing purification this summer. This problem, along with similar problems in closed files received from other locations, is not representative of the accuracy of the reads at NRC. Any errors found during the on-going purification process are promptly corrected.

Only one folder of the seven in error had been sent to NRC as an active file or re-file.

Current procedure has clericals in the PSCs updating all the folder locations in PCACS before shipment to NRC. Re-scanning in the NRC would be a duplication of effort without a guarantee of correcting improper reads while having the potential to introduce new errors on properly updated folders.

By re-scanning, we project the additional costs to the Agency could exceed \$1 million per year either in increased contractor costs or additional SSA clerical employees hired at the NRC. That is, to accomplish re-scanning the 30,000 to 60,000 folders received each day could require up to

30 additional clericals plus additional leads, supervisors and computer equipment². For example, 30 clerical employees at GS-4, Step 5, according to OPM's Salary Table 2004-KC (\$29,859) would have a salary of \$895,770 before we consider the salaries of leads and supervisors. A contractor could bid lower or higher. At best, this added expense would only result in a very small incremental increase in the accuracy rate above 99%.

SSA strives for the highest quality in maintaining and storing folders at the NRC. PSC clericals receive training and reminders on scanning and boxing folders going to NRC. PSCs review their staff to ensure the quality of the work. The NRC's Quality Assurance Technicians (QATs) perform sample reviews on incoming folders. And, as stated above, the NRC's ongoing purification process should identify and correct any improperly recorded folders. These steps ensure that the accuracy of location reads in the NRC will remain high.

[SSA also provided technical comments which we addressed in the report as appropriate.]

² 30,000 to 60,000 folders per day fill about 1,500 to 3,000 boxes using an average of 20 folders per box. Scanning at 5 minutes per box results in 125 to 250 hours work each day. This would require an average of 30 clericals = 30 x 7hrs = 210 hours each day.

Appendix E

OIG Contacts and Staff Acknowledgments

OIG Contacts

Mark Bailey, Director (816) 936-5591

Shannon Agee, Audit Manager (816) 936-5590

Acknowledgments

In addition to those named above:

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For additional copies of this report, please visit our web site at www.ssa.gov/oig or contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-1375. Refer to Common Identification Number A-07-04-20426.

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The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program