

Fiscal
Year
2012

Social Security Administration Office of the Inspector General

Office of Audit Work Plan

Our Work Plan outlines our perspective of the major management and performance challenges facing SSA and serves as a tool for communicating our priorities to SSA, Congress, the Office of Management and Budget, and other interested parties.



I am pleased to present the Office of Audit's Fiscal Year 2012 Annual Work Plan (Plan). We designed the reviews described in the Plan to address those areas that are most vulnerable to fraud, waste, and abuse. Since 1997, we have provided our perspective on the top challenges facing Agency management to the Congress, Social Security Administration, and other key decisionmakers. For Fiscal Year 2012, the Office of the Inspector General has identified the following management challenges.

- Strengthen Strategic and Tactical Planning
- Improve Customer Service
- Improve the Timeliness and Quality of the Disability Process
- Improve Transparency and Accountability
- Invest in Information Technology Infrastructure to Support Current and Future Workloads
- Reduce Improper Payments and Increase Overpayment Recoveries
- Reduce the Hearings Backlog and Prevent its Recurrence
- Strengthen the Integrity and Protection of the Social Security Number

The Plan describes reviews we plan to begin in Fiscal Year 2012. In developing these reviews, we worked with Agency management to ensure we provide a coordinated effort.

Our Plan is dynamic. Congressional interest and Agency requests may require that we begin reviews not listed in the Plan. Although we have not included these reviews in our Plan, we will still need the Agency's full cooperation in ensuring all requested information is provided timely. We also encourage continuous feedback and additional study suggestions. This flexibility enables us to meet emerging and critical issues evolving in the upcoming year.



Steven L. Schaeffer
Assistant Inspector General for Audit
October 3, 2011

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- While planning for the next few years is important, SSA needs a longer-term vision to ensure the Agency has the programs, processes, and infrastructure required to provide needed services now and in 10 to 20 years.

- To enhance customer service, SSA has focused its efforts on clarifying its correspondence, expanding the use of online services, improving telephone services, and improving services provided by local field offices.

- At the end of FY 2008, there were 557,000 initial claims pending. As of June 2011, initial claims pending had grown to almost 756,000, a 36-percent increase over the FY 2008 year-end pending level.

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- In a January 21, 2009 memorandum on open Government, the President noted that transparency promotes accountability and provides information to citizens about what their Government is doing.

- SSA's primary IT investment over the next few years is the replacement of its NCC. SSA received \$500 million from the Recovery Act to replace the NCC.

- SSA is responsible for issuing over \$700 billion in benefit payments annually to about 60 million people. Workers, employers, and taxpayers who fund the SSA and SSI programs deserve to have their money effectively managed.

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Improper
Payments &
Overpayment
Recoveries

- As of August 2011, SSA's hearings backlog was approximately 767,000 cases—about 66,000 cases higher than the backlog at the same time in FY 2010. However, the situation shows improvement with the processing time dropping to 361 days in August 2011 from 429 days in August 2010.

- In FY 2010, SSA processed about 6 million original and 12 million replacement SSN cards and received approximately \$650 billion in employment taxes related to earnings under assigned SSNs. Protecting the SSN and properly posting wages reported under SSNs are critical.

Acronyms

AFI	Access to Financial Institutions
ALJ	Administrative Law Judge
CBSV	Consent Based Social Security Number Verification
CDR	Continuing Disability Review
CIRP	Comprehensive Integrity Review Process
CMS	Centers for Medicare and Medicaid Services
COBOL	Common Object Business Oriented Language
CY	Calendar Year
DDS	Disability Determination Services
DI	Disability Insurance
eCAT	Electronic Claims Analysis Tool
ERISA	<i>Employee Retirement Income Security Act of 1974</i>
ESF	Earnings Suspense File
EVMS	Earned Value Management System
FEQ	Foreign Enforcement Questionnaire
FISMA	<i>Federal Information Security Management Act of 2002</i>
FY	Fiscal Year
GPRA	<i>Government Performance and Results Act of 1993</i>
HSPD-12	Homeland Security Presidential Directive-12
IRS	Internal Revenue Service
IT	Information Technology
NCC	National Computer Center
OASDI	Old-Age, Survivors and Disability Insurance
ODAR	Office of Disability Adjudication and Review
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OQP	Office of Quality Performance
PII	Personally Identifiable Information
QDD	Quick Disability Determination
SDM	Single Decision Maker
SDW	Special Disability Workload
SSA	Social Security Administration
SSI	Supplemental Security Income
SSITWR	Supplemental Security Income Automated Telephone Wage Reporting
SSN	Social Security Number
SSNAP	Social Security Number Application Process
SSNVS	Social Security Number Verification Service
SSR	Supplemental Security Record

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The Office of the Inspector General (OIG) improves the Social Security Administration's (SSA) programs and operations and protects them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public.

The Office of Audit conducts financial and performance audits of SSA's programs and operations and makes recommendations to ensure SSA achieves its program objectives effectively and efficiently. Financial audits assess the reliability of financial data reported by SSA in its annual financial statements and any number of managerial information reports. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. The Office of Audit also conducts short-term management and program evaluations and projects on issues of concern to SSA, the Congress, and the public. In Fiscal Year (FY) 2011, we issued 110 reports with about \$2.7 billion in monetary findings.

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Annual Work Plan

Our Annual Work Plan (Plan) outlines our perspective of the major management and performance challenges facing SSA and serves as a tool for communicating our priorities to SSA, Congress, the Office of Management and Budget (OMB), and other interested parties. While our list of management challenges has not changed significantly in several years, SSA's environment has changed. For example, rising workloads have added greater challenges to SSA's customer service. For FY 2012, we are adding a challenge on strengthening strategic and tactical planning.

We prioritize our work to focus our resources on those areas that are most vulnerable to fraud, waste, and abuse. To ensure we provide a coordinated effort, we work with our Offices of Investigations, Counsel to the Inspector General, External Relations, and Technology and Resource Management.

In preparing this Plan, we solicited and received a number of suggestions from the Agency, and we have incorporated as many of them as possible.

We recognize this Plan is dynamic, so we encourage continuous feedback and additional suggestions. This flexibility enables us to meet emerging and critical issues evolving throughout the upcoming year.

This Plan describes reviews we intend to begin in FY 2012 in the following issue areas.

- Strengthen Strategic and Tactical Planning
- Improve Customer Service
- Improve the Timeliness and Quality of the Disability Process
- Improve Transparency and Accountability
- Invest in Information Technology Infrastructure to Support Current and Future Workloads
- Reduce Improper Payments and Increase Overpayment Recoveries
- Reduce the Hearings Backlog and Prevent its Recurrence
- Strengthen the Integrity and Protection of the Social Security Number

For more information on this Plan, please contact the Office of Audit at (410) 965-9700.

The environment in which SSA operates continues to change. The number of individuals receiving benefits has increased, and SSA predicts that it will continue to increase by the millions. The Agency estimates that 80 million individuals, most from the baby boomer generation, will file for benefits over the next 20 years. The population applying for benefits will expect SSA to provide a greater number of services electronically. SSA realizes that it needs to rely more on technology not only to meet customer expectations, but to keep up with a rising workload. As workloads rise, a greater proportion of SSA's workforce will become eligible to retire; 23 percent of SSA's employees are currently eligible. While not every employee retires as soon as he or she is eligible to do so, SSA predicts that over 36 percent of its current workforce will retire by 2019. Given the expectation of leaner future budgets, SSA needs to plan to meet its mission with fewer resources.

At a time when SSA needs to plan to do more with less, SSA lacks long-term plans in a number of critical areas. In a March 2011 report, *The Social Security Administration: A Vision for the Future*, the Social Security Advisory Board recommended that SSA take multiple steps to ensure success in 2020, including rethinking its service delivery strategy, performing a comprehensive review of program policy to reduce complexity, establishing a Systems Modernization Plan, and developing a Human Capital Plan. SSA's Future Systems Technology Advisory Panel's June 2010 report, *Re-imagining Social Security*, recommended that SSA establish electronic service delivery as a strategic goal.

In our Congressional Response Report, *The Social Security Administration's Information Technology Strategic Planning*, we stated that SSA did not have a comprehensive Agency Information Infrastructure Plan to meet potential processing needs for the next 20 years or that



Strengthen
Strategic
and Tactical
Planning

would allow the Agency to recover quickly if one or more major components of its processing infrastructure failed or was destroyed. While SSA has an information technology (IT) planning process, the process is decentralized and SSA officials agreed that it needed to be strengthened. In our Congressional Response Report, *The Social Security Administration's Customer Service Delivery Plan*, we concluded

SSA does not have a long-term (10 years or longer) customer service delivery plan. Instead, SSA uses its Agency Strategic Plan to present incremental steps it must take to reach a greater vision for the Agency.

The *Government Performance and Results Act of 1993* (GPRA) mandates that Federal agencies draft strategic plans to help improve service delivery by requiring that Federal managers plan to meet program objectives. The *GPRA Modernization Act of 2010* reaffirms the importance of strategic planning. Under this law, Federal agencies are required to continue drafting strategic plans, including descriptions of the operational processes, skills, technology, and human capital information and other resources required to meet the agencies' strategic goals and objectives.

While GPRA-based strategic plans may provide a needed framework, SSA's descriptions within its strategic plans of the programs, processes, and resources needed to meet its mission and strategic objectives have generally been broad-based roadmaps. SSA needs more detailed planning to ensure it achieves the desired outcomes. Additionally, SSA's GPRA-based strategic plans have covered a period of 5 years, and future plans may cover only 4 years based on revised timeframes within the *GPRA Modernization Act*. While planning for the next few years is important, SSA needs a longer-term vision to ensure the Agency has the programs, processes, and infrastructure required to provide needed services now and in 10 to 20 years.

FY 2012 Planned Reviews

Child Support Payments and the Supplemental Security Income Program

Comparison of Debt Collection Activities Between Programs

Identifying Supplemental Security Income Payments to Parents Not Supporting Children Using Department of Education Data

Management Controls over Hearing Office Performance

Relationship Between the Number of Disability Applications and Unemployment Rates

Single Decision Maker

Supplemental Security Income Cash Benefits for Children with Disabilities

Tactical Plans for Using Contractors Versus Employees for Information Technology-Related Projects

The Social Security Administration's Acquisition Workforce Plan

The Social Security Administration's Use of Building Design Industry Best Practices for Its New Data Center

The Social Security Administration's Video Service Delivery Initiatives

The Supplemental Security Income Redetermination Selection Methodology

Child Support Payments and the Supplemental Security Income Program

Children who receive Supplemental Security Income (SSI) are not required to file for child support benefits. As of December 2009, of 1.2 million children under age 18 who were receiving SSI payments, 158,393 were also receiving child support payments from absent parents. Congress created the Child Support Enforcement program in 1975 to reduce public expenditures on welfare by obtaining support from non-custodial parents to keep custodial parents and their children off welfare. State Child Support Enforcement agencies assist custodial parents in obtaining financial and medical support for children by locating noncustodial parents, establishing paternity and support obligations, and enforcing those obligations. We will determine whether SSA should change its policy to require that children with an absent parent file for child support payments.

Comparison of Debt Collection Activities Between Programs

The percentage of SSA's debt in a collection arrangement varies significantly between the Social Security and SSI programs. Although the percentage of Social Security program debt in collection arrangements rose from FYs 2002 through 2007 (from 39 percent to 44 percent, respectively), the percentage of debt in a collection arrangement is lower than the percentage of SSI debt in a collection arrangement during the same period (52 to 55 percent). After FY 2007, SSA no longer published the percentage of debt in a collection arrangement. We will identify the potential financial impact if SSA placed Social Security program debt in a collection arrangement at the same rate as SSI debt.

Identifying Supplemental Security Income Payments to Parents Not Supporting Children Using Department of Education Data

In December 2009, we issued a report, *Supplemental Security Income Payments to Parents Not Supporting Children*, which estimated SSA paid \$10.2 million to parents even though a State/School district was covering the child's needs. This review only identified cases based on coding in SSA's systems. Our planned review will identify SSI funds paid to children whose needs are being paid for by State/local government because they are in a full-time residential, special needs type school.

Management Controls over Hearing Office Performance

Administrative law judges (ALJ) at hearing offices and national hearing centers disposed of approximately 740,000 hearings in FY 2010. SSA expects hearing office ALJs, managers, and staff to adhere to the Agency's policies and procedures to ensure each claimant has a fair hearing on his/her claim. Agency managers monitor the quality of the hearing process, direct sufficient resources to key workloads, and address allegations pertaining to deviations from proper case handling. We will assess the Office of Disability Adjudication and Review's (ODAR) oversight of hearing office operations, including management information reports, periodic reviews, and other monitoring efforts. We will also identify risk factors that may indicate potential areas for management follow-up, including workload and staffing trends, and internal/external allegations.

Relationship Between the Number of Disability Applications and Unemployment Rates

In FY 2009, SSA's initial Disability Insurance (DI) claims increased more than 19 percent while initial SSI disability claims increased 13 percent. In addition, the unemployment rate in the United States has increased substantially—rising from 4.6 percent in Calendar Year (CY) 2007 to 9.6 percent in CY 2010. In a 2011 letter to the Inspector General, Senators Tom Coburn and Orrin Hatch stated that “. . . given the looming collapse of (the Social Security Disability Income program), it is imperative that disability claims are properly examined to ensure that only those who are lawfully entitled to benefits receive them.” The Senators further wrote, “Individuals cannot be allowed to exploit SSDI, transforming it into a supplemental source of unemployment income with enormous and crippling costs to taxpayers.” Our review will analyze the relationship between the increases in disability claim applications and State unemployment rates.

Single Decision Maker

In 1997, SSA began piloting a new disability claims process as part of the Disability Redesign initiative. From this pilot, the Agency identified the successful elements, including using Single Decision Makers (SDM) in the disability determination services (DDS). SDMs are disability examiners who can generally make disability determinations without a medical consultant's sign-off. In 1999, SSA began piloting SDM in Alabama, Alaska, California—Los Angeles North and Los Angeles West Branches, Colorado, Louisiana, Michigan, Missouri, New Hampshire, New York, and Pennsylvania. Since 1999, the Agency has selected Florida, Guam, Kansas, Kentucky, Maine, Nevada, North Carolina, Vermont, Washington, and West Virginia to test the use of SDMs. We will assess SDM to determine whether SSA should stop it in the pilot sites or implement it at the remaining DDSs.

Supplemental Security Income Cash Benefits for Children with Disabilities

Congress created the SSI program in 1972 for children with severe physical disabilities, but now the program largely serves children with behavioral, learning, and mental disorders. Childhood disability benefits do not have to be spent on any special disability-related needs the child may have. We will determine how SSI payments to disabled children are used.

Tactical Plans for Using Contractors Versus Employees for Information Technology-Related Projects

The President has charged Federal agencies with saving \$40 billion annually by FY 2011 by terminating unnecessary contracts, strengthening acquisition management, ending the overreliance on contractors, and reducing the use of high-risk contracts across Government. In response to the President's initiative, OMB has worked with agencies on developing specific steps to meet the President's three goals, one of which is to identify organizations within each agency that may be overreliant on contractors and pilot new processes to achieve the best mix of public and private labor resources. SSA will study hearing recorder support services in ODAR and evaluate opportunities to increase efficiency and achieve cost savings through in-sourcing functions, while working to eliminate the disability backlog and prevent its recurrence. We will determine whether SSA is achieving the best mix of public and private labor resources to accomplish its goals with the least cost.

The Social Security Administration's Acquisition Workforce Plan

To assist Federal agencies with increasing the size and improving their current acquisition workforce, Congress enacted section 869 of the *Duncan Hunter National Defense Authorization Act for FY 2009*. In accordance with this Act, OMB issued the Acquisition Workforce Development Strategic Plan to guide Federal agencies with the growth in capacity and capability of the civilian agency acquisition workforce over the next 5 years. As of November 2009, SSA was required to submit plans to OMB on how it would strengthen its acquisition workforce to ensure that the Agency awards and administers contracts in accordance with the federal acquisition regulations. We will determine whether the Office of Acquisition and Grants adhered to the OMB's Acquisition Workforce Development Strategic Plan, and whether its workforce is staffed appropriately, receives appropriate training and development, and has improved its workforce management infrastructure.

The Social Security Administration's Use of Building Design Industry Best Practices for its New Data Center

Under the *American Recovery and Reinvestment Act of 2009* (Recovery Act), SSA received \$500 million to replace its National Computer Center (NCC). We contracted with Strategic e-Business Solutions, Inc. and its subcontractor, Fortress International Group, to assist us on this review. We will determine whether the final design/build proposal provides reasonable assurance that SSA will receive a data center that is cost-effective, efficient, with the required capacity, operational in the required timeframe, and has an appropriate useful life.

The Social Security Administration's Video Service Delivery Initiatives

SSA established video service delivery to enhance service to rural communities and allow direct visual contact with the claimant to increase the quality and value of the interview. In 2003, SSA initiated its first video service delivery in the Denver Region. Since that time, the pilot expanded to over 200 field offices, and SSA plans to add 100 sites in FY 2011. Expanded service also allows field offices to work together to assist busy offices, redistributing the workload while providing efficient, cost-effective customer service. To date, over 32,000 video service delivery actions included enumeration, claims taking, and post-entitlement activities. We will assess the controls over SSA's video service delivery pilots, including processing replacement Social Security number (SSN) applications in certain Alaska, North Dakota, Utah, and Wyoming locations.

The Supplemental Security Income Redetermination Selection Methodology

SSA uses redeterminations to determine whether a claimant remains eligible for SSI and receives the correct SSI payment amount. SSI claimants are "profiled" based on their potential for payment error. Redeterminations may be scheduled or unscheduled. SSA schedules redeterminations every 6 years if changes in eligibility or payment are unlikely; and annually, if changes in eligibility or payment are likely. Unscheduled redeterminations are performed when a child is added to the claimant's record, effectuation of certain appeals decisions, or a claimant returns to the United States after being absent for 30 days or more. We will determine whether SSA is properly identifying SSI cases for which a redetermination should be performed.

For over 75 years, the public has depended on SSA's programs as an economic safety net. Whether it is after the loss of a loved one, at the onset of disability, or during the transition from work to retirement, SSA touches the lives of virtually every person in America. The Commissioner of Social Security has acknowledged that the Agency has struggled to maintain the level of service people deserve.

Because of the economic downturn and the leading edge of baby boomer retirements, SSA is being inundated with retirement and disability claims. The Agency reported in its FY 2012 Annual Performance Plan that it anticipated receiving 3.3 million disability claims in FY 2011—about 100,000 more than in FY 2010. Additionally, nearly 80 million baby boomers are expected to file for retirement over the next 20 years—an average of 10,000 per day.

SSA concedes it is at a critical time concerning its ability to deliver quality customer service to the public. Many factors challenge the Agency, including budget constraints, shifting demographics, growing workloads, changing customer expectations, and an aging workforce. SSA is also finding that increasing numbers of individuals expect the Agency to provide services in new ways made possible by technology. Additionally, SSA anticipates increases in non-traditional workloads, including new provisions of the Medicare program and immigration enforcement.

Despite these challenges, the public deserves competent, efficient, and responsive service. In April 2011, the President issued Executive Order 13571, *Streamlining Service Delivery and Improving Customer Service*, which requires that Federal agencies develop “. . . a Customer Service Plan to address how the agency will provide services in a manner that seeks to streamline service delivery and improve the experience of its customers.”



To enhance customer service, SSA has focused its efforts on clarifying its correspondence, expanding the use of online services, improving telephone services, and improving services provided by local field offices. While SSA has made great strides in improving service to the public, SSA acknowledges increasing workloads, and the loss of expertise because of the retirement of its employees, continue to be challenges for the Agency.

Providing oversight to ensure representative payees properly manage the Social Security benefits of vulnerable beneficiaries is a critical customer service performed by SSA. Some beneficiaries are not able to manage or direct the management of their finances because of their age or mental and/or physical impairment. For such individuals, SSA appoints a representative payee who receives and manages the beneficiary's payments. SSA reported, as of December 2010, there were approximately 5.7 million representative payees who managed about \$63 billion in annual benefit payments for approximately 7.8 million beneficiaries. SSA is required to conduct periodic site reviews of certain types of representative payees. If SSA suspects a representative payee of misusing benefits, SSA may refer the case to OIG.

The Government Accountability Office placed strategic human capital management on its list of high-risk Federal programs and operations. SSA recognizes its employees are key to improving customer service. Most of the Agency's 68,000 employees deliver direct service to the public or directly support the services provided by front-line workers. SSA projects 47.3 percent of its employees, including 62.8 percent of supervisors, will be eligible to retire by FY 2019. SSA expects this will result in a loss of institutional knowledge that will affect SSA's ability to deliver quality service to the public.

FY 2012 Planned Reviews

Accuracy of the Social Security Administration's Employee Retirement Income Security Act Data
Assessing the Increase in iClaim Applications
Benefit Payments Managed by Representative Payees of Children in Foster Care in the State of Pennsylvania
Bond and Credit Analysis for Fee-for-Service Payees
Controls over Representative Payee use of Express Debit Cards
Field Office Performance
Group and Boarding Homes Serving as Representative Payees
Medicare Prescription Drug Program Low Income Subsidy Redeterminations
Organizational Representative Payees for the Social Security Administration
Oversight of Employee Coverage Agreements with State and Local Governments
Pending Representative Payee Applications
Representative Payees and Beneficiaries Residing in Different States
Sanctioned Nursing Homes Serving as Representative Payees
The Administrative Law Judge Alleged Misconduct Complaint Process
The Agency's Use of Form SSA-827 with Health Information Technology Disability Cases
The Office of Quality Performance Quality Review Feedback Form
The Social Security Administration's Pre-Release Procedures of Institutionalized Individuals
The Social Security Administration's Reviews of Employers Serving as Representative Payees

Accuracy of the Social Security Administration's Employee Retirement Income Security Act Data

The *Employee Retirement Income Security Act of 1974* (ERISA) also known as the *Pension Reform Act*, sets minimum standards for pension plans in private industry. The Department of Labor, Internal Revenue Service (IRS), and Pension Benefit Guaranty Corporation each have a role in administering ERISA. Under ERISA and the *Social Security Act*, SSA is responsible for relaying information it receives from the IRS and Pension Benefit Guaranty Corporation to certain claimants about potential pension benefits. These claimants may be eligible for deferred, vested benefits from private pension plans. Generally, SSA sends Form SSA-L99-C1, *Potential Private Pension Benefit Information*, to new Social Security or Medicare claimants for whom it has information about potential pension benefits. The Agency requested that we determine the accuracy of the pension information provided in these notices.

Assessing the Increase in iClaim Applications

SSA's goal is to have 50 percent of retirement applications and 25 percent of DI applications submitted online by 2012. The number of claims filed online has been steadily increasing since FY 2002. In fact, by FY 2010, 27 percent of DI applications were submitted online, surpassing SSA's goal. However, approximately 37 percent of retirement applications were filed online in FY 2010, well below SSA's 2012 goal of 50 percent. We will assess SSA's success in increasing the number of iClaim applications by (1) reviewing SSA's plans to increase online submissions, (2) determining what applicant groups are submitting online applications, and (3) determining which applicant groups could benefit most by SSA's outreach.

Benefit Payments Managed by Representative Payees of Children in Foster Care in the State of Pennsylvania

Social Security payments made to children in foster care are among the most sensitive. It is essential that SSA protect the rights of children and their Social Security benefits. Therefore, it is important that SSA ensure children in foster care have the appropriate representative payee. Foster care agencies have traditionally been among SSA's most dependable payees; however, their appointment as representative payee is not automatic. We will determine whether children in the Pennsylvania State foster care programs have appropriate representative payees.

Bond and Credit Analysis for Fee-for-Service Payees

SSA authorizes fee-for-service representative payees to collect a fee for providing representative payee services. Government regulations require that a non-governmental fee-for-service organization have a bond for SSA to authorize it to collect a fee. The amount of the bond must be sufficient to compensate the organization or SSA for any loss of client benefits and conserved funds. SSA should perform a financial analysis before authorizing a fee-for-service organization to serve as a representative payee. SSA obtains this financial information to strengthen the oversight of fee-for-service payees. We will assess Agency controls over organizational representative payees required to (1) maintain sufficient surety bond coverage and (2) undergo a credit analysis. We will also assess the training and support provided to regional and field office employees responsible for oversight of organizational representative payees.

Controls over Representative Payee Use of Express Debit Cards

The Department of the Treasury has announced that all Social Security, SSI, Veterans Affairs, Railroad Retirement, and Office of Personnel Management benefits will be electronic by March 1, 2013. The Department of the Treasury sponsors the Direct Express debit card program in collaboration with Comerica Bank. The Direct Express card is a prepaid debit card offered to Social Security and SSI recipients who wish to receive their benefits electronically. Representative payees for beneficiaries may sign up for the Direct Express debit card, but it is not intended for use by organizations. We will determine the adequacy of SSA's controls to ensure individuals who go into the care of a representative payee no longer have access to the Direct Express debit card program.

Field Office Performance

Field offices are SSA's primary points for face-to-face contact with the public. In FY 2010, SSA had approximately 1,300 field offices. SSA's programs have grown significantly over the last 5 years and will continue to do so at an increasing rate as aging baby boomers reach their most disability-prone years. Claims processed for SSI increased approximately 26 percent from FYs 2004 to 2009. For FYs 2010 through 2017, SSA projects it will consistently have workloads of approximately 3 million claims each year. We will determine (1) the factors that affect field office performance, (2) field office management tools, and (3) SSA initiatives to increase the productivity of field office staff.

Group and Boarding Homes Serving as Representative Payees

The National Academy of Sciences issued a July 2007 report, *Improving the Social Security Representative Payee Program: Serving Beneficiaries and Minimizing Misuse*. This study concluded SSA's current designation of individual payee is too broad because it mixes payees who serve a single or even a few beneficiaries with payees who operate group homes for up to 14 beneficiaries. We will determine whether group and boarding home representative payees meet the needs of the beneficiaries served and/or misuse Social Security benefits.

Medicare Prescription Drug Program Low Income Subsidy Redeterminations

The *Medicare Prescription Drug, Improvement and Modernization Act of 2003* established a voluntary prescription drug program effective January 1, 2006. Under the statute, SSA has identified over 18 million Medicare beneficiaries who might qualify for a subsidy that assists beneficiaries with limited resources in paying their premiums and other costs. The law requires that SSA periodically redetermine an individual's continuing eligibility for the subsidy and the amount of the subsidy. SSA has created a process whereby it selects a portion of all eligible individuals for a cyclical redetermination. We will determine whether SSA is effectively managing its subsidy redetermination process.

Organizational Representative Payees for the Social Security Administration

Congress has granted SSA the authority to appoint representative payees for those beneficiaries not able to manage or direct the management of their benefits. Representative payees (organizations or individuals) receive and manage payments on behalf of these beneficiaries. Given the vulnerability of the beneficiaries and the risk a representative payee may misuse beneficiaries' funds, it is imperative that SSA have appropriate safeguards to ensure representative payees meet their responsibilities. We will determine whether Appalachian Benefits Assistance Corporation; Bobby E. Wright Comprehensive Behavior Health Center, Inc.; Genesis Eldercare, Catonsville Commons; Gold Crest Care Center; Kemp Klein Law Firm; and PAM, Inc., as representative payees, (1) used and accounted for Social Security benefits in accordance with SSA's policies and procedures, (2) had effective safeguards over the receipt and disbursement of Social Security benefits, and (3) adequately protected the beneficiaries' personally identifiable information (PII).

Oversight of Employee Coverage Agreements with State and Local Governments

Section 218 agreements are voluntary agreements between a State and SSA to provide Social Security coverage to selected State and local employees. Additional coverage is available through a modification of the State's agreement. In general, a modification can only expand the scope of coverage, not restrict it. Each State designates a State Administrator, who is responsible for preparing modifications for all entities in that State and acting as a liaison between the State, its political subdivisions, and SSA. A State or local government entity wishing to secure or change section 218 coverage can only do so through the State Administrator's office. We will assess SSA's regional oversight of existing Section 218 agreements and continuing efforts to monitor adjustments to State and local pension plans that may entail further modification of existing State agreements.

Pending Representative Payee Applications

The Representative Payee System contains information about current and prior representative payees, payee applicants not selected, and applicants who cannot, or should not, be selected as payees. This information is stored on the Master Representative Payee File. The system generates alerts when the Master Beneficiary and Supplemental Security Records do not agree with the Representative Payee System. We will determine whether SSA properly resolves applications pending in the Representative Payee System.

Representative Payees and Beneficiaries Residing in Different States

Representative payees who reside in different States than the beneficiaries they serve may not be the best candidates to properly manage recipients' funds. We will determine whether (1) Social Security and SSI payments to beneficiaries residing in a State different from their representative payee's are used in the beneficiaries' best interests and (2) SSA has effective payee monitoring procedures.

Sanctioned Nursing Homes Serving as Representative Payees

Many elderly and disabled Americans reside in nursing homes. Some of these nursing homes serve as representative payees for SSA beneficiaries. Although nursing homes are legally required to maintain the well-being of each resident, some of these residents suffer neglect or abuse. While the States and CMS have the responsibility for monitoring the quality of nursing homes, SSA can obtain timely information on potential nursing home representative payee problems by working with the State and CMS. We plan to determine whether and how SSA is monitoring sanctioned nursing homes who serve as representative payees.

The Administrative Law Judge Alleged Misconduct Complaint Process

In March 2010, SSA established the Administrative Law Judge/Public Alleged Misconduct Complaints System to manage and respond to complaints of ALJ bias or misconduct. This system was designed to identify claimants, representatives, or other parties filing complaints; obtain information about ALJs allegedly engaging in bias or misconduct; document, monitor, and track complaints about ALJs accused of engaging in bias or misconduct; identify patterns of improper ALJ behavior; and assist the Agency in deterring future incidents of ALJ bias or misconduct. We will determine whether the System effectively manages ALJ complaints and discloses information as required under the new process.

The Agency's Use of Form SSA-827 with Health Information Technology Disability Cases

The *Health Insurance Portability and Accountability Act of 1996*, requires that agencies have an individual's authorization to obtain relevant medical and non-medical information required to process claims and determine the capability of managing benefits. Therefore, SSA created Form SSA-827, *Authorization to Disclose Information to the Social Security Administration*, which serves as the claimant's written request to release medical or other information to SSA. This information includes the claimant's doctors, hospitals, schools, psychiatric social worker, nurse, family member, friend, or employer. Form SSA-827 also initiates the release of health information between healthcare providers and SSA via electronic health records. An electronic health record includes patient demographics, progress notes, medications, past medical history, and laboratory reports. Our review will determine whether SSA is obtaining pertinent claimant medical information by proper use of Form SSA-827.

The Office of Quality Performance Quality Review Feedback Form

The Office of Quality Performance (OQP) conducts Transaction Accuracy and Stewardship Reviews for the Social Security and SSI programs. For all Stewardship reviews, as well as Transaction Accuracy Reviews, with a dollar deficiency of \$5.00 or more or informational items that require field office action, OQP sends a feedback form to the Regional Office Coordinator. Our review will determine whether the corrective action determined by OQP quality reviews are completed in accordance with policy.

The Social Security Administration's Pre-Release Procedures of Institutionalized Individuals

SSA designed its pre-release procedures to ensure eligible individuals timely SSI payments when they reenter the community. The procedures also allow for a determination of potential eligibility and payment amount based on anticipated circumstances. SSA has about 800 pre-release agreements with institutions in 40 States. SSA has no universal work processes in place to document or identify pre-release cases or statistics to show how effective this procedure is in obtaining benefits for individuals released from an institution. We will evaluate the effectiveness of SSA's pre-release procedures for institutionalized individuals.

The Social Security Administration's Reviews of Employers Serving as Representative Payees

In a January 14, 2010 letter, members of Congress asked that we provide information about SSA's oversight of representative payees who also act as employers to the beneficiaries they serve. Our May 2010 response stated the Agency had conducted special reviews of representative payees who employed beneficiaries. In addition to these special reviews, the Agency hired a contractor to review 350 employer representative payees. The contractor was to complete these reviews by the end of FY 2010. We will determine whether these reviews complied with applicable SSA policies and procedures.

SSA is facing a considerable increase in initial and reconsideration claims. At the end of FY 2008, there were over 557,000 initial claims pending. As of June 2011, initial claims pending had grown to almost 756,000, a 36-percent increase over the FY 2008 year-end pending level. In addition, reconsideration claim receipts through the third quarter of FY 2011 were 31 percent higher than the same period in FY 2009.

In November 2010, SSA released its *Strategy to Address Increasing Initial Disability Claims Receipts* (Strategy) to reduce the initial claims backlog to a pre-recession level by 2014. The multi-year Strategy includes

- increasing staffing in the DDSs and Federal disability processing components;
- improving efficiency through automation;
- expediting planned IT infrastructure investments to optimize systems performance; and
- refining policies and business processes to expedite case completion.

As part of the Strategy, SSA provided funding for States to hire additional DDS employees and plans to maintain higher staffing levels over the next several years. In addition, SSA continues to use overtime in the DDSs. SSA also created centralized units, called Extended Service Teams, in Arkansas, Mississippi, Oklahoma, and Virginia. The Teams assist and take claims from the States with the highest pending levels. As of March 2011, SSA had placed 333 new employees in the 4 sites. SSA also increased staffing levels in the Federal disability processing components that support the DDSs—hiring about 237 additional employees.

While SSA has provided funding to hire additional DDS employees, some DDSs are facing high attrition rates, hiring freezes, and employee furloughs, all of which affect SSA's ability to process its disability workload. As of June 2011, seven states are still furloughing DDS employees.



Our June 2011 review, *The Social Security Administration's Strategy for Reducing the Initial Claims Backlog*, reported that SSA had already taken actions to reduce its initial disability claims backlog—primarily by hiring additional staff using both annual appropriations and funding provided under the Recovery Act. We also reported that the Strategy outlined additional actions SSA has taken or plans to take to reduce initial disability claims to a pending level goal of 525,000 by FY 2014. Based on SSA's projections for receipts, work years, and productivity, we reported that it appears SSA will meet its goal. However, achieving this goal depends on SSA receiving funding that will enable it to achieve the projections for work years and productivity.

The increase in initial disability applications also forces the dedication of DDS resources to processing initial applications rather than conducting medical continuing disability reviews (CDR). In our March 2010 review, *Full Medical Continuing Disability Reviews*, we reported that SSA estimates a backlog of over 1.5 million medical CDRs at the end of FY 2010. As a result, we estimated that from CY 2005 through CY 2010, SSA will have made benefit payments of between \$1.3 and \$2.6 billion that could have been avoided if the medical CDRs in the backlog had been conducted by DDSs when they were due. Although SSA increased the number of medical CDRs completed in FY 2011, a backlog of 1.4 million medical CDRs will exist at the end of the FY.

We will continue working with SSA as it improves the disability process and addresses the workload backlogs. We will also continue working with SSA to address the integrity of the disability programs through the Cooperative Disability Investigations program. The program's mission is to obtain evidence that can resolve questions of fraud in SSA's disability claims. SSA's Offices of Operations, Inspector General, and Disability Programs manage the program in a cooperative effort.

Improve the Timeliness and Quality of the Disability Process

FY 2012 Planned Reviews

Administrative Costs Claimed by Disability Determination Services

Consultative Examination Quality and Costs

Disabled Adult Children with an Incorrect Month of Entitlement

Disabled Beneficiaries with an Incorrect Month of Termination

Disabled Individuals Hiding Self-employment Income

Disabled Individuals in the Kansas City Region with Visual Disorders Who Operate Motor Vehicles

Electronic Signatures to Obtain Evidence for Disability Claims

Extended Service Teams

Failure to Cooperate Denial Decisions by State Disability Determination Services

Overall Processing Times for Childhood Supplemental Security Income Claims in Calendar Year 2010

Selection Process of Quick Disability Determinations

Uneffectuated Medical Cessations

Variations in Indirect Costs at State Disability Determination Services

Administrative Costs Claimed by Disability Determination Services

Our reviews of the administrative costs claimed by the Arkansas, Hawaii, Illinois, Louisiana, Tennessee, Texas, and Virginia DDSs will evaluate the DDS' internal controls over the accounting and reporting of administrative costs, determine whether costs claimed by the DDS were allowable and funds were properly drawn, and assess limited areas of the general security controls environment.

Consultative Examination Quality and Costs

DDSs in each State and other responsible jurisdictions determine claimants' disabilities and ensure adequate evidence is available to support its determinations. To assist in making proper disability determinations, DDSs can purchase medical examinations, x-rays, and laboratory tests on a consultative basis to supplement evidence obtained from the claimants' physicians or other treating source. SSA reimburses the DDSs for 100 percent of allowable reported expenditures up to each DDS' approved funding authorization. SSA expects State agencies to exercise reasonable care in expending funds required for making disability determinations. The Agency must use these funds effectively and economically in carrying out the provisions of the disability program. We will assess (1) DDS procedures to control consultative exam purchase rates, and (2) how exam purchase rates affect SSA's disability determination decisions.

Disabled Adult Children with an Incorrect Month of Entitlement

Disabled adult children, age 18 or over, of retired, deceased, or disabled workers may receive disability benefits if the disability began before the child reached age 22 and has lasted, or is expected to last, a continuous period of at least 12 months or result in death. The child is entitled to 6 months of retroactive benefits from his/her date of application if the wage earner is retired or deceased. The child is entitled to 12 months of retroactive benefits if the wage earner is disabled. We will determine whether SSA established the proper month of entitlement for disabled adult children.

Disabled Beneficiaries with an Incorrect Month of Termination

Under the *Social Security Act*, a beneficiary is considered disabled if a severe physical or mental condition prevents him/her from engaging in work or substantial gainful activity (SGA) and the condition is expected to last for at least 12 months. SSA conducts periodic CDRs to verify a beneficiary's continuing eligibility. When a CDR reveals a beneficiary is no longer disabled, SSA makes a disability cessation determination. Generally, SSA should terminate benefits 3 months after the disability cessation determination. We plan to determine whether SSA has adequate controls to ensure staff terminates disability benefits in the correct month.

Disabled Individuals Hiding Self-Employment Income

To receive disability benefits, individuals must not be able to engage in SGA. Because of this stipulation, individuals awarded disability benefits may be inclined to conceal work by deliberately reporting the income under someone else's SSN. Our review will identify individuals receiving DI benefits who may have participated in self-employment activities and concealed the income by transferring it to another person.

Disabled Individuals in the Kansas City Region with Visual Disorders Who Operate Motor Vehicles

SSA defines "blindness" for disability determination purposes as a central visual acuity of 20/200 or less using correcting lens. However, most States only require vision that can be corrected to 20/60 or better to issue a driver's license. Therefore, there are concerns that an individual issued a driver's license may not meet the requirements to receive disability benefits. In December 2009, approximately 8,000 beneficiaries in Iowa, Kansas, Missouri, and Nebraska received disability benefits based on blindness. We will work with our Office of Investigations to identify individuals who are disabled because of visual disorders but have a valid State driver's license.

Electronic Signatures to Obtain Evidence for Disability Claims

Each year, SSA sends over 15 million requests for evidence of alleged medical conditions and treatment to doctors, hospitals, and other sources provided by disability claimants. A claimant's written authorization for sources to release information to the Agency must accompany each request. SSA requires a traditional pen and ink signature on the authorization; however, it is working to replace the traditional signature on the authorization with an electronic signature. We will assess SSA's efforts to develop this electronic signature.

Extended Service Teams

As part of its strategy to address increasing initial disability claims, SSA established Extended Service Teams in Arkansas, Mississippi, Virginia, and Oklahoma. In FY 2010, the Extended Service Teams processed 22,236 initial disability claims, about 1 percent of all initial disability claims. We plan to assess the effect Extended Service Teams have had on disability case processing.

Failure to Cooperate Denial Decisions by State Disability Determination Services

An individual must provide medical evidence of impairment and the severity of the impairment to establish a disability. Before a DDS makes a determination concerning an individual's disability, it develops a complete medical history and makes a reasonable effort to obtain medical reports from appropriate medical sources. The claimant must cooperate with the DDS to obtain or identify available medical or other evidence about his/her impairment. When an individual fails to cooperate, the DDS can make a decision based on the available information. We will evaluate the reasons for the differences in the frequency in which State DDSs deny initial claims for reasons of failure to cooperate.

Overall Processing Times for Childhood Supplemental Security Income Claims in Calendar Year 2010

Under the SSI program, SSA provides payments to certain children with disabilities. To receive SSI payments, a child must meet two sets of eligibility criteria: financial criteria based on the income and resources of the child and family and medical criteria about the child's impairment or combination of impairments. A child who is eligible for SSI may also be eligible for State supplemental payments, Medicaid, food stamps, and other social services. We will determine the average overall times for childhood SSI claims decided in CY 2010 by the DDSs, hearing offices, Appeals Council, and Federal Courts.

Selection Process of Quick Disability Determinations

Quick Disability Determination (QDD) cases are initial disability cases electronically identified as (a) having a high potential the claimant is disabled, (b) likely that evidence of the claimant's allegations can be easily and quickly obtained, and (c) a case that can be processed quickly in a DDS. SSA's Office of Program Development and Research establishes a threshold for each DDS to identify a target percentage of initial disability claims as QDD. The threshold identifies the percentile rank that the initial disability claim must achieve to qualify as a QDD for each DDS. The threshold can be different for each DDS and is set at the beginning of the year based on the Agency's strategic goals, the projected (or budgeted) number of initial disability claims, and each DDS' past performance. Our review will identify disability cases that are similar in nature that SSA may or may not identify as a QDD case depending on the location of the DDS processing the case.

Uneffectuated Medical Cessations

In October 2007, SSA issued a policy instruction to address problems with beneficiaries who continue to receive benefits that the Agency should have terminated after the DDS made medical cessation determinations. In January 2006, SSA took action to resolve the underlying system and process issues associated with uneffectuated medical cessations. Our review will identify the actions SSA took to correct the issues that resulted in the Agency not terminating benefits following a medical cessation decision.

Variations in Indirect Costs at State Disability Determination Services

SSA is responsible for reimbursement of DDS indirect costs. Indirect costs arise from activities that benefit multiple State and Federal agencies but are not readily identifiable to the DDS. In accordance with OMB Circular A-87, States can allocate indirect costs to the Federal government based on the terms of an indirect cost rate and/or a cost allocation plan. Indirect cost rates among DDSs vary from a low of 2 percent to a high of 43 percent. We will determine the reasons for significant variations in indirect costs at State DDSs.

Transparency and accountability are critical factors in the level of trust and confidence the American public has in its Government, including SSA. If the Agency does not spend tax dollars wisely or efficiently, the goals SSA is trying to accomplish are undermined.

Mismanagement and waste, as well as a lack of transparency for citizens into Government operations, can erode trust in SSA's ability to tackle the challenges it faces.

In a January 21, 2009 memorandum on open Government to the heads of executive departments and agencies, the President noted that Government should be transparent because transparency promotes accountability and provides information for citizens about what their Government is doing. We are reviewing SSA's implementation of the Open Government Directive, which requires that SSA take steps to make its operations more transparent, participatory, and collaborative.

Sound financial reporting and effective performance measurement support both concepts of transparency and accountability. Per the *Chief Financial Officers Act of 1990*, its OIG oversees an audit of SSA's financial statements each year to ensure that the Agency provides clear and accurate financial information to the Administration, Congress, and public. Similarly, GPRA requires that SSA develop objective, quantifiable, and measurable goals and outcome-based performance measures and report them in annual performance and accountability plans and reports. The plans and reports help hold the Agency accountable for achieving results, and public reporting of the Agency's progress in meeting its goals adds



transparency to its operations. In FY 2012, we will continue to evaluate the quality of SSA's performance measures and goals to ensure they focus on the critical programs and tasks SSA needs to achieve to successfully meet its mission.

Effective internal control helps ensure SSA is accountable to its mission. SSA management is responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. OMB Circular A-123, *Management's Responsibility for Internal Control*, requires that SSA develop and implement cost-effective internal controls for results-oriented management. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. In FY 2012, we will complete a number of audits that determine the effectiveness of the controls SSA has in place over its programs and systems.

As part of its efforts to be accountable, SSA must ensure that its partners provide the contracted services efficiently and effectively. Each year, SSA enters into a number of contracts and provides a number of grants that help the Agency obtain services and research. In FY 2010, SSA spent nearly \$1.4 billion on contracts and grants that provided many services, including computer system development and support, and health IT infrastructure. We will review multiple contracts and grants in FY 2012 to ensure SSA receives the services for which it paid and has proper internal controls in place to ensure effective oversight of contractors.

FY 2012 Planned Reviews

Approval of Office of Disability Adjudication and Review Employee Outside Activities
Characteristics of Supplemental Security Income Recipients
Contract Audits: AT&T, CESSI, Compuware Corporation
Controls over Payments to Claimant Representatives
Controls over the Homeland Security Presidential Directive Credentials for Separated Employees
Cost Rates Charged for Reimbursable Work for Data Exchanges
Fiscal Year 2012 Financial Statement Audit Oversight
Fiscal Year 2012 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges
Homeland Security Presidential Directive 12 Badging Process
Oversight of Inter-Agency Agreements
Performance Measure Audits
Status of Demonstration Project Authority
The Social Security Administration's Compliance with Energy Conservation Policy
The Social Security Administration's Grant Awards Process
Use of Representative Payee Report Information

Approval of Office of Disability Adjudication and Review Employee Outside Activities

An outside activity is any paid, self-employed, or volunteer work or activity for an organization other than SSA. This includes any social, civic, charitable, religious, professional, or other similar organization. However, simply joining, or membership in, such an organization is not an outside activity. Employees may engage in outside activities but only if the activity does not adversely affect the performance of official duties, pose a conflict of interest with official duties, or discredit the agency/Government. SSA employees are encouraged to request advanced approval for participation in an outside activity by submitting a *Request for Approval of Outside Activity* (SSA-520). Our review will determine whether ODAR employees notified their managers and received approval for non-SSA employment.

Characteristics of Supplemental Security Income Recipients

As of January 2011, approximately 8 million individuals received federally administrated monthly SSI payments. As a means-tested program, SSI considers all an individual's countable income and resources as the measure of his/her need for assistance. Nonetheless, for recipients who want to work, the SSI program is designed to encourage and support their work attempts to help them achieve greater degrees of independence. Our review will identify the characteristics of SSI recipients who have been on the SSI rolls for 10 years or more. Specifically, we will identify information such as type of disability, age, marital status, location, number and dates of redeterminations, and the need for a representative payee. For example, SSA could use this information to determine whether it needs to focus additional efforts on certain groups of recipients to help them achieve a greater degree of independence.

Contract Audits

AT&T was awarded a \$260 million contract to acquire hardware, software, and services to replace SSA's 800-number telephone system and support the Agency's "CARE thru 2020" initiative.

CESSI, Division of Axiom Resource Management, Incorporated, provides employment services and incentives for disabled beneficiaries under the Ticket-to-Work Program.

Compuware Corporation provides SSA continued use and maintenance support for the proprietary Government-owned Compuware Corporation mainframe and distributed software.

Controls over Payments to Claimant Representatives

The *Social Security Act* provides that a claimant representative may not charge or collect, directly or indirectly, a fee in any amount not approved by SSA or a Federal court. If a claimant representative is eligible for direct payment, and has not waived fee payment, SSA will directly pay the claimant representative from a portion of the past-due benefits. At the end of each year, SSA issues a Form 1099-MISC to each claimant representative paid directly by the Agency. We will determine whether claimant representative fee payments are (1) properly approved, (2) accurately paid, (3) consistently recorded in Agency systems, and (4) timely reported to representatives for tax purposes.

Controls over the Homeland Security Presidential Directive Credentials for Separated Employees

When an employee separates from SSA, the employee's supervisor reclaims all the employee's identification cards and badges before departure. In accordance with Homeland Security Presidential Directive-12 (HSPD-12), badges are to be deactivated within 18 hours of the cardholder's separation, or loss or expiration of the card, and are to be destroyed by crosscut shredding. We will assess controls over the HSPD-12 credentials for employees who separated from SSA.

Cost Rates Charged for Reimbursable Work for Data Exchanges

Over the past several years, SSA has significantly increased its electronic exchange workload. The Agency has been verifying information with other Federal, State, and local government agencies, and with many private organizations, that are both mission and non-mission related. As the number, type, and complexity of these exchange programs increase and supporting agreements increase, the workloads of SSA components responsible for these various programs has increased. Our previous reviews of the Agency's verification programs found that the cost for the data exchange programs vary and can range from as high as \$5.00 for the Consent Based Social Security Number Verification Program to \$0.0062 for the Help America Vote Verification Program. We will determine whether government agencies and the private sector properly reimbursed SSA for its data exchange services.

Fiscal Year 2012 Financial Statement Audit Oversight

The *Chief Financial Officers Act of 1990* requires that agencies annually prepare audited financial statements. Each agency's Inspector General is responsible for auditing these financial statements to determine whether they provide a fair representation of the entity's financial position. This annual audit also includes an assessment of the agency's internal control structure and its compliance with laws and regulations. Grant Thornton will perform the audit work to support the opinion on SSA's financial statements. We will monitor Grant Thornton to ensure the reliability of the firm's work to meet our statutory requirements for auditing the Agency's financial statements.

Fiscal Year 2012 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges

The Reports Consolidation Act of 2000 requires that Inspectors General provide a summary and assessment of the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. We provide the major management challenges for FY 2012 below.

- Strengthen Strategic and Tactical Planning
- Reduce the Hearings Backlog and Prevent its Recurrence
- Improve the Timeliness and Quality of the Disability Process
- Reduce Improper Payments and Increase Overpayment Recoveries
- Improve Customer Service
- Invest in Information Technology Infrastructure to Support Current and Future Workloads
- Strengthen the Integrity and Protection of the Social Security Number
- Improve Transparency and Accountability

Homeland Security Presidential Directive 12 Badging Process

Under HSPD-12, all employees and contractors must have an appropriate access badge and display it at all times while in an SSA Headquarters building. SSA created the Identity Management System to store the required information and interface with other SSA systems. SSA's Office of Facilities Management developed the Contractor Enrollment Request Management System to track new contractors and revoke credentials for contractors according to their status. Effective October 31, 2008, all new contractors are required to enroll in the System. We will determine whether SSA's (1) internal controls over the authorization and issuance of Agency contractor badges complies with HSPD-12 and (2) handling of returned contractor badges is properly controlled.

Oversight of Inter-Agency Agreements

In FY 2010, SSA signed approximately 185 inter-agency agreements costing about \$156 million. Services provided under these agreements include (1) management of SSA benefit programs overseas, (2) transit subsidy programs, (3) records storage, (4) investigations, and (5) program-related data. We will assess the role and effectiveness of these inter-agency agreements.

Performance Measure Audits

GPRAs require that each agency create 5-year strategic plans, annual performance plans, and annual performance reports. In 2009, SSA released its strategic plan that covers FYs 2008 through 2013. The success of SSA's performance measurement initiatives hinges on the quality of the data used to measure and report on program performance. Consequently, it is important that SSA have assurance the data reported are reliable and meaningful and its performance report will be useful to the Congress and Agency management. We have contracted with KPMG to audit various performance measures reported by SSA in its annual Performance and Accountability Report.

Status of Demonstration Project Authority

Over the last decade, SSA has initiated 14 demonstration projects related to DI, SSI, or both. During this period, SSA has spent approximately \$245 million on demonstration projects and expects to spend approximately \$131 million more on the remaining projects. We will determine the status of the Agency's demonstration project authority.

The Social Security Administration's Compliance with Energy Conservation Policy

SSA operates its buildings in accordance with requirements of the *Energy Policy Act of 2005*; *Energy Independence and Security Act of 2008*; and Executive Order 13423, *Strengthening Federal Environmental, Energy, and Transportation Management*. SSA spends approximately \$30 million on utilities each year, with approximately \$23 million of these costs spent at Headquarters. We will determine whether SSA is complying with its Energy and Conservation policies.

The Social Security Administration's Grant Awards Process

In FY 2010, SSA awarded 167 grants and cooperative agreements, totaling over \$45 million, to fund 4 programs. Grantees are most often required to share the costs of the projects. Generally, cost sharing ranges from 5 to 25 percent of the total project cost. Based on the results of our report, *SSA's Financial Literacy Research Consortium*, congressional staff requested we review SSA's grant awards process.

Use of Representative Payee Report Information

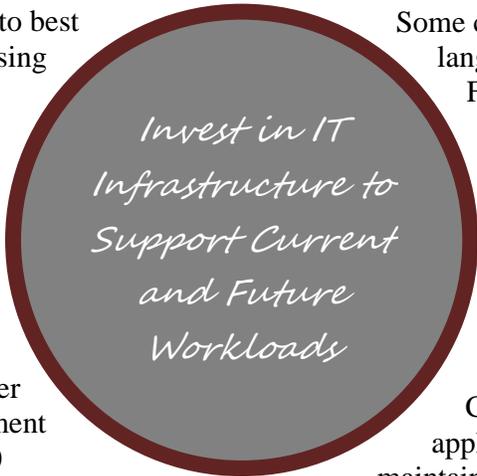
Social Security law and regulations require that representative payees use the benefits they receive for the needs of the beneficiary and in their best interests. Representative payees are responsible for keeping records and reporting how they spend benefits by completing an annual Representative Payee Report. SSA uses these reports to monitor how payees spend or save benefits on behalf of the beneficiary and identify situations where representative payment may no longer be appropriate or the payee may no longer be suitable. In CYs 2008 through 2010, SSA mailed representative payees approximately 18 million initial requests for Representative Payee Reports. Representative payees submitted more than 15 million Representative Payee Reports. We will assess the effectiveness of SSA's Annual Representative Payee Reporting program.

SSA faces the challenge of how to best use technology to meet its increasing workloads. Congress, SSA's Advisory Board, and the OIG have stated concerns regarding the Agency's system modernization efforts, IT service delivery, and IT strategic planning and management of IT investments.

SSA's primary IT investment over the next few years is the replacement of its NCC. SSA received \$500 million from the Recovery Act to replace the NCC. The NCC was built in 1979, and while its computing capacity has been expanded over its 30 years of operations, increasing workloads and expanding telecommunication services are severely straining its ability to support the Agency's business. SSA estimates that by 2012, the NCC as a stand-alone data center will no longer be able to support this expanding environment. Additionally, significant structural problems and electrical capacity issues have developed that make construction of a new primary computer center imperative; however, the Agency has projected that this new facility cannot be operational before 2016.

In addition to its aging data center, SSA's legacy systems and applications need to be modernized. Over the past 30 years, SSA has developed some of the most complex, powerful, and successful Common Object Business Oriented Language (COBOL) software in the world. The Agency has roughly 60 million lines of COBOL in production. These COBOL programs support the Agency's high transaction volume and enable SSA to meet its regulatory, benefit, and reporting requirements.

SSA will not be able to manage current workloads and those projected without the proper IT infrastructure. The Agency uses a variety of technologies, including telephone service, the Internet, and videoconferencing to deliver service to its customers.



Some consider COBOL a dead or dying language. On the other hand, other Federal agencies and Fortune 500 companies use COBOL to process billions of transactions every day. In a 2007 report, the National Research Council stated that newer programming languages had more productive capabilities than applications written in COBOL. Further, COBOL applications are cumbersome to maintain. On the other hand, in a 2002 study, Gartner stated that replacing all SSA's COBOL applications at once is too costly and risky. The study reported that many of SSA's COBOL applications provide excellent, continuing support, particularly for routine, high volume workloads. In conclusion, Gartner suggested restructuring the COBOL applications to better support SSA's future systems development.

In FY 2010, SSA received approximately 45 million visitors in its field offices and handled almost 68 million transactions via its national toll-free number. One way SSA is addressing the need for additional customer service avenues is with Voice Over Internet Protocol telephone systems. This process places telephone calls over the Internet, which allows SSA to fully integrate its telephone system and computer network, providing faster call routing to any geographic location, the ability for calls to follow the users between locations across the network, and quicker access to caller information.

Historically, SSA has primarily administered its services through face-to-face or telephone contact. The Agency estimated the aging of the baby boomers would substantially increase its traditional workloads. To improve its services to the public, the Agency has been transitioning to Web-based services for both retirement and disability claims. The Agency took its first step

toward this transition by introducing the Internet Social Security Benefit Application in 2000, and by the end of 2010, SSA offered 22 eServices to the public. While SSA offers Web-based services, as of April 2011, it was receiving only 39.6 percent of retirement applications online. The Commissioner testified that to keep SSA's field offices from being overwhelmed by increasing workloads, the Agency would need to increase electronic filings to 50 percent by 2013.

In the future, the Agency plans to improve its authentication process and release several other online services. Although the Agency has made progress, it needs to provide even more electronic services to the public and promote the public's use of electronic services that are already available – especially online benefit applications. The Agency has a tactical plan to develop and implement electronic services in FY 2011, but no documented strategic plan beyond 2011.

FY 2012 Planned Reviews

Effectiveness of the Social Security Administration's Comprehensive Integrity Review Process

Fiscal Year 2012 Evaluation of the Social Security Administration's Compliance with the *Federal Information Security Management Act*

Follow-up: The Social Security Administration's Earned Value Management System

National Computer Center Replacement Project Status

Security Review of the Citizen-to-Government Internet Applications

Security Settings for Multi-Functional Copiers, Printers, Faxes, and Scanners Connected to the Social Security Administration's Network

The Social Security Administration's Process for Identifying and Remediating Unknown Hardware Devices Connected to its Computer Network

The Social Security Administration's Systems Development Lifecycle—Software Validation Process

Effectiveness of the Social Security Administration's Comprehensive Integrity Review Process

To prevent and detect potential employee system security violations, SSA developed the Comprehensive Integrity Review Process (CIRP). All components that conduct queries against identity and earnings data use CIRP to monitor the use of these queries. Our review will determine whether CIRP is effective in detecting and alerting management to employee's specific mainframe systems activity with the potential for fraud or misuse.

Fiscal Year 2012 Evaluation of the Social Security Administration's Compliance with the *Federal Information Security Management Act*

The *Federal Information Security Management Act of 2002* (FISMA) provides the framework for securing the Government's information and information systems. All agencies must implement FISMA and report annually to OMB and Congress on the adequacy and effectiveness of their security programs. OMB uses this information to evaluate agency-specific and Government-wide security performance, develop the annual security report to Congress, and assist in improving and maintaining adequate agency security performance. We will determine whether SSA's overall security program and practices complied with the requirements of FISMA.

Follow-up: The Social Security Administration's Earned Value Management System

The Earned Value Management System (EVMS) provides reports of project status; produces early warning signs of impending schedule delays and cost overruns; and provides estimates of anticipated costs at completion. In 2006, we conducted an audit of the *Social Security Administration's Implementation of Earned Value Management Systems*. We found weaknesses that limited the effectiveness of SSA's EVMS process and IT development project management. We also found control weaknesses in the Agency's data collecting system and project baseline change management process that may affect the accuracy and reliability of EVMS. SSA agreed with our recommendations. This audit will determine whether SSA addressed the recommendations in our 2006 report and EVMS complies with Federal standards and best practices.

National Computer Center Replacement Project Status

Under the Recovery Act, SSA received \$500 million designated to replace the Agency's NCC. We contracted with Strategic e-Business Solutions and its subcontractor to assist us on this review. The contractor and subcontractor provide expertise in systems engineering and critical facility infrastructure, which will allow us to evaluate SSA's process for selecting its NCC replacement strategy and efforts to implement this strategy.

Security Review of the Citizen-to-Government Internet Applications

SSA data centers provide data processing and electronic communications support to approximately 1,300 SSA field offices nationwide. In addition, SSA has more than 250 matching agreements with Federal, State, and other agencies that use the SSN for verification purposes. IT services continue to grow in importance as SSA improves its processes and timeliness related to adjudicating claims, improving productivity, and providing more opportunities for the public to conduct business with SSA electronically. The critical nature of the Agency's mission requires that there be no downtime in service. We will determine whether SSA's process to establish eAuthentication requirements for the citizen-to-government Internet applications creates a strong, secure authentication.

Security Settings for Multi-Functional Copiers, Printers, Faxes, and Scanners Connected to the Social Security Administration's Network

The Agency reported in its FY 2010 FISMA report that 208,472 devices were connected to SSA's network. Each of these devices has an Internet Protocol address. If these Internet Protocol addresses are not appropriate, a malicious intruder could affect devices connected to the Agency's network and possibly the network itself. To date, SSA has not had risk models for the printers, faxes, and scanners attached to its network. We will determine whether SSA's security settings on its network printers, fax machines, and scanners comply with Federal guidelines, standards, and industry best practices.

The Social Security Administration's Process for Identifying and Remediating Unknown Hardware Devices Connected to its Computer Network

We will determine whether SSA has a process to timely identify and remediate "unknown" computer hardware connected to its network.

The Social Security Administration's Systems Development Lifecycle—Software Validation Process

SSA conducts systems validation testing at the end of the development cycle to detect discrepancies between the functional specifications defined in the requirements documentation and the system's actual behavior. Software validation takes place within an established software lifecycle methodology/process. OMB requires that developers and analysts responsible for creating the software application not conduct the validation testing. An independent group should (1) prepare the validation test data, (2) prepare the validation test cases, and (3) prepare and execute the test procedures. We will determine whether SSA's software validation process for online Web services and mobile applications complies with Federal laws, regulations, guidance, standards, and best practices.

SSA is responsible for issuing over \$700 billion in benefit payments annually to about 60 million people. Given the amount involved, even the slightest error in the overall payment process can result in millions of dollars in overpayments or underpayments.

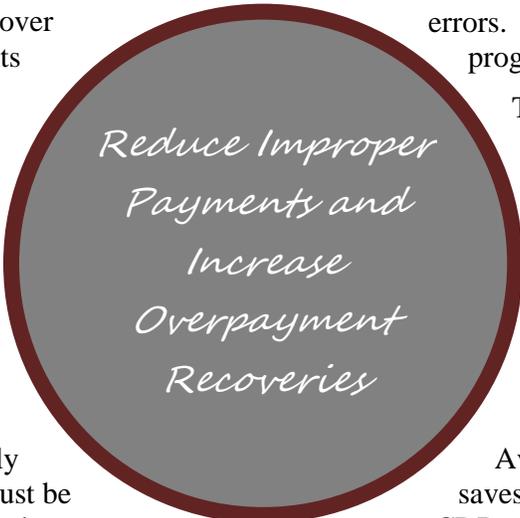
Workers, employers, and taxpayers who fund the SSA and SSI programs deserve to have their tax dollars effectively managed. As a result, SSA must be a responsible steward of the funds entrusted to its care and minimize the risk of making improper payments. SSA strives to balance its service commitments to the public with its stewardship responsibilities. However, given the size and complexity of the programs the Agency administers, some payment errors will occur.

For example, according to SSA, in FY 2010,

- SSI overpayments were \$3.344 billion (6.7 percent of outlays) and underpayments were \$1.227 billion (2.4 percent of outlays).
- Old-Age, Survivors and Disability Insurance (OASDI) overpayments were \$2.7 billion (0.39 percent of outlays) and underpayments were \$1.8 billion (0.25 percent of outlays).

For FYs 2010 to 2012, SSA's goal is to maintain OASDI payment accuracy at 99.8 percent for both over- and underpayments; whereas for SSI, the Agency's goal is to achieve an underpayment accuracy rate of 98.8 percent and an overpayment accuracy rate of 91.6 percent.

In November 2009, the President issued Executive Order 13520 on reducing improper payments; and in March 2010, OMB issued guidance for implementing it. Also, in July 2010, the *Improper Payments Elimination and Recovery Act of 2010* was enacted. OMB issued guidance on implementing this Act in April 2011. As a result, all agencies with high-priority programs—because they have significant improper payments—are required to intensify their efforts to eliminate payment



errors. OMB designated SSA's programs as high-risk.

The reduction of improper payments is one of SSA's key strategic objectives. A powerful tool for reducing improper payments is the CDR. Through completion of CDRs, SSA periodically verifies that individuals are still disabled and entitled to disability payments.

Available data indicate that SSA saves about \$10 for every \$1 spent on CDRs. However, the Agency cut back on this workload over a several year period. Only recently has SSA increased the number of CDRs conducted. From CYs 2005 through 2010, we estimate SSA will make between \$1.3 and \$2.6 billion in disability benefit payments that could potentially have been avoided if full medical CDRs were conducted when they became due. Furthermore, although SSA plans to conduct an increased number of medical CDRs in FY 2011, a backlog of approximately 1.5 million medical CDRs will most likely remain. Therefore, we estimated SSA would pay between \$556 million and \$1.1 billion in CY 2011 that it could have avoided if the Agency had conducted the medical CDRs when they became due.

SSA has identified the major causes of improper payments and has taken steps to address them. For example, one of the major causes of improper payments in the OASDI program is benefit computation errors. SSA has developed automated tools to address the more troublesome computation issues. Another major cause of improper payments in the SSI program is the failure of a recipient or representative payee to provide accurate and timely reports of new or increased wages. In response, SSA developed a monthly wage reporting system incorporating touch-tone and voice recognition telephone technology. SSA also implemented its Access to Financial Institutions (AFI) project to reduce SSI payment errors by identifying undisclosed financial accounts with balances that place recipients over the SSI resource limit.

SSA uses a variety of methods to collect the debt related to overpayments. Collection techniques include internal methods, such as benefit withholding and billing and follow-up. In addition, SSA uses external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (Pub. L. No. 104-134) for OASDI debts and the *Foster Care Independence Act of 1999* (Pub. L. No. 106-169) for SSI debts. These debt collection tools include the Treasury Offset Program, credit bureau reporting, administrative wage garnishment, and Federal Salary Offset. In FY 2010, SSA recovered \$3.14 billion in improper payments at an administrative cost of \$0.07 for every dollar collected.

SSA has also worked to improve its ability to prevent over- and underpayments by implementing our audit recommendations. For example, in April 2011, we issued a report, *Title II Beneficiaries Whose Benefits Have Been Suspended and Who Have A Date of Death On The Numident*, which estimated that 2,976 beneficiaries were improperly paid approximately \$23.8 million. SSA agreed with the recommendations we made to improve this area.

We also issued a report in June 2011, *Supplemental Security Income Recipients with Unreported Real Property*, where we estimated that SSA improperly paid 320,940 recipients over \$2.2 billion because of their unreported real

property. SSA agreed with our recommendations.

FY 2012 Planned Reviews

Access to Financial Institutions

Accuracy of Benefits for Beneficiaries Coming out of a Period of Suspense

Accuracy of Representative Fees paid on Supplemental Security Income Claims

Administrative Waivers Granted Under the \$1,000 Tolerance for Disability Insurance Beneficiaries

Auxiliary Payments to Children After Divorce

Beneficiaries Qualifying for Old-Age, Survivors and Disability Insurance Benefits Under Totalization Agreements

Beneficiaries Whose Benefits Have Been Suspended Pending Verification of Death

Beneficiaries with Long Overpayment Payback Periods

Benefits Withheld from Deceased Beneficiaries that Are Payable to Surviving Beneficiaries

Changes to Supplemental Security Income Resource Limit and its Impact on Overpayments

Claimant Representative Fees Paid but Not Withheld from the Beneficiary's Past-due Disability Insurance Benefits

Compliance with the *No Social Security Benefits for Prisoners Act of 2009*

Controls over the Issuance of Supplemental Security Income Installment Payments

Controls over Vocational and Medical Expert Contract Costs

Dallas Region Supplemental Security Income Recipients who Disclaim Self Employment Earnings

Deceased Beneficiaries with Discrepant Dates of Death on the Numident and Master Beneficiary Record

Development of Supplemental Security Income Living Arrangements When there is an Address Change

Disabled Beneficiaries with Earnings and Multiple Social Security Numbers that Are Not Cross-referenced in the Social Security Administration's Systems

Discharging Overpayments Based on Bankruptcy Petitions

Follow-up: Adjustment of Disabled Wage Earners' Benefits at Full Retirement Age

Follow-up: Adjustment to Widows Benefits

Follow-up: Dually Entitled Beneficiaries Subject to Government Pension Offset and the Windfall Elimination Provision

Follow-up: Payments Resulting from Disability Insurance Actions Processed Via the Social Security Administration's Manual Adjustment, Credit, and Award Processes System

Follow-up: Supplemental Security Income Recipients Whose Medicare Benefits Were Terminated Due to Death

Follow-up: Supplemental Security Income Recipients with Excess Income or Resources Based on Bank Data

Martinez Settlement Agreement and the Supplemental Security Income Program

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Supplemental Security Income Recipients with Excess Unstated Income

Supplemental Security Income Recipients with Multiple Non-Cross-Referred Social Security Numbers

Supplemental Security Income Recipients with Multiple Overpayments

Supplemental Security Income Telephone Wage Reporting

The Social Security Administration's Plan to Reduce Improper Payments Under Executive Order 13520 for Fiscal Year 2012

The Social Security Administration's Quarterly Plan for Reporting High-Dollar Overpayments Under Executive Order 13520

Work Continuing Disability Reviews

Access to Financial Institutions

The Agency is implementing the AFI project, which allows SSA to check an applicant or recipient's bank accounts to verify resources and look for undisclosed bank accounts within a geographical area. On June 24, 2011, the AFI project roll-out was completed in all States, the District of Columbia, and the Northern Mariana Islands. SSA expects AFI to yield \$20 in savings for every \$1 spent on the program by 2013. By 2013, SSA projects approximately \$900 million in lifetime program savings for each year the Agency uses AFI. We will assess the AFI project.

Accuracy of Benefits for Beneficiaries Coming Out of a Period of Suspense

In prior audits, we have identified beneficiaries whose benefits were suspended for extended periods, but then SSA resumed their payments. We will determine the effectiveness of SSA's determinations of past and continuing eligibility for SSI recipients whose payments were reinstated after a period of suspense.

Accuracy of Representative Fees Paid on Supplemental Security Income Claims

In a November 2006 review, *Claimant Representative Fees Paid Through SSA's One-Time Payment System*, we found SSA did not always pay the correct amount of representative fees in claims that involved concurrent Social Security and SSI payments. We estimated that 10,306 fees had about \$7.4 million in payment errors from July 1, 2007 to June 30, 2009. Because of the high error rate found in our prior review, we will assess the accuracy of claimant representative fees paid on SSI claims that involve concurrent Social Security claims.

Administrative Waivers Granted Under the \$1,000 Tolerance for Disability Insurance Beneficiaries

In some instances, DI beneficiaries receive benefits to which they are not entitled. SSA attempts to obtain repayment of the overpayment from the individuals liable for the debt. A beneficiary may seek relief from repaying the amount owed by requesting a waiver of recovery. When a person requests a waiver and the total liability is \$1,000 or less, SSA waives recovery of the overpayment because it would impede efficient administration of the *Social Security Act*, unless there is some indication the person may be at fault. We will determine whether SSA adhered to policy when granting waivers under the \$1,000 administrative tolerance to DI beneficiaries.

Auxiliary Payments to Children After Divorce

According to SSA policy, if the marriage between a numberholder and his/her stepchild's parent ended in divorce in or after July 1996, the stepchild's benefits terminate in the month in which the divorce becomes final. If the marriage between a numberholder and their stepchild's parent was annulled in or after September 1996, benefits will terminate as of the month of annulment. If the divorce or annulment occurred before July/September 1996, SSA will not terminate the stepchild's benefits. We will determine whether SSA correctly terminated benefits to children when the marriage between the numberholder and parent ended.

Beneficiaries Qualifying for Old-Age, Survivors and Disability Insurance and Benefits under Totalization Agreements

The *Social Security Act* authorizes the President to enter into bilateral agreements with foreign countries to coordinate SSA programs with the social insurance programs of those countries. These totalization agreements eliminate dual social security coverage and taxation. The United States has totalization agreements with 24 countries. In March 2011, there were over 175,000 beneficiaries receiving benefits under a totalization agreement. We will determine whether beneficiaries who qualify independently for benefits under both a totalization agreement and SSA's OASDI program are receiving benefits under one system (not both) and that foreign pensions received reduce benefits where appropriate.

Beneficiaries Whose Benefits Have Been Suspended Pending Verification of Death

SSA does not automatically terminate benefits when payments are returned indicating the beneficiary is deceased. Instead, SSA employees suspend benefits pending a verification of death and sends a call-in letter to the beneficiary or representative payee. The call-in letter asks the beneficiary or representative payee to contact SSA to determine the reason for the returned payment. We will determine whether SSA has adequate controls to properly resolve cases in which benefits have been suspended pending a verification of death.

Beneficiaries with Long Overpayment Payback Periods

If SSA does not grant an overpaid beneficiary a waiver of recovery for the overpayment, he/she repays the overpayment through a lump sum or monthly installments. If the payback period for an overpayment is lengthy, it is often unlikely that SSA will recover all the overpayment. In fact, the payback period could exceed the beneficiary's life expectancy. For example, a recipient entered into an agreement with SSA to pay \$76 per month. At the agreed rate, it would take 678 months, or over 56 years, for the recipient to repay the entire \$51,000 overpayment. We will determine the probability of overpayment recovery when SSA enters into installment agreements with lengthy payback periods.

Benefits Withheld from Deceased Beneficiaries that Are Payable to Surviving Beneficiaries

SSA may suspend benefits when it receives a report that a beneficiary's whereabouts are unknown or if benefit checks are undeliverable. SSA may also temporarily suspend benefits pending its selection of a representative payee. When this occurs, the field offices must take appropriate follow-up actions and reinstate benefits. If a beneficiary dies before SSA reinstates benefits, staff should pay any previously withheld benefits to surviving beneficiaries. We will determine whether SSA is taking appropriate actions to identify and pay surviving beneficiaries the previously withheld payments of deceased beneficiaries.

Changes to the Supplemental Security Income Resource Limit and its Impact on Overpayments

The Social Security Advisory Board's FY 2008 *Statement on the Supplemental Security Income Program* noted that some aspects of the SSI program have not changed since its inception in 1972. For example, the general exclusion amount is \$20 and the earned income exclusion is \$65. If these amounts were adjusted to today's economy, the general exclusion and the earned income exclusion would be approximately \$87 and \$284, respectively. In addition, the Board suggested Congress reexamine the excluded amounts of income and asset limits. In 1989, beneficiaries had a limit of \$2,000 or less in countable resources (\$3,000 for a couple). If these limits were adjusted for inflation, they would be approximately \$3,500 for an individual and \$5,250 for a couple. We will determine whether (1) the lack of changes to the SSI resource limits has contributed to the number of SSI overpayments and (2) changing the SSI resource limits will result in the reduction of improper payments.

Claimant Representative Fees Paid But Not Withheld from the Beneficiary's Past-Due Disability Insurance Benefits

In matters before SSA, claimants may appoint a qualified claimant representative to act on their behalf. SSA must authorize all representative fees. Once authorized, SSA typically withholds the fee from the claimant's past-due benefits and pays the fee directly to the representative. However, we have found situations where SSA did not withhold the fee from the beneficiary's past-due benefits and subsequently paid the entire past-due benefit. We will determine whether SSA withheld payment of representative fees until the Agency completed the DI claim and authorized payment.

Compliance with the No Social Security Benefits for Prisoners Act of 2009

The *No Social Security Benefits for Prisoners Act of 2009* prohibits payment of any past-due Social Security and SSI benefits to prisoners, probation or parole violators, or fugitive felons. We will determine whether SSA is complying with this Act.

Controls over the Issuance of Supplemental Security Income Installment Payments

SSA must pay any SSI underpayment that exceeds three times the Federal benefit rate in installments. The Agency must pay the installments in no more than three payments, with each payment made at 6-month intervals. In a prior audit, *Dedicated Account Underpayments Payable to Children*, we found that SSA needed to improve controls over installment payments owed to children. We estimated that SSA had not paid about 7,775 installment underpayments of \$35 million to children receiving SSI. In this review, we will determine whether SSA has adequate controls to ensure adult SSI recipients are properly paid installment underpayments.

Controls over Vocational and Medical Expert Contract Costs

Over the last 3 FYs, ODAR has paid about \$180 million in expert fees. Vendors are required to sign contracts with the Agency, which discuss services provided and fee schedules. SSA then uses the expert services in rotation order as part of the hearing process. The Agency pays the fees after the ALJs certify that the experts provided the services. In a 2001 audit, we identified approximately \$6 million in vendor payments SSA had not properly approved and \$3 million in vouchers SSA could not locate. We will evaluate the controls over vocational and medical expert contract costs at ODAR.

Dallas Region Supplemental Security Income Recipients who Disclaim Self Employment Earnings

In August 2007, we issued a report, *Overstated Earnings and the Effect on Social Security Administration Programs*, identifying several problems related to SSA's processing of disclaimed earnings for Tax Years 2000 through 2003. The report showed that the highest concentration of overstated earnings occurred in the Dallas Region. The Dallas Regional Commissioner indicated the Region continues to encounter situations where recipients file self-employment tax returns to receive the earned income credit but then disclaim the earnings to avoid SSI benefit suspension or termination. We will determine whether SSI recipients in the Dallas Region are overstating self-employment income on Federal tax returns, and if so, to identify the effect on SSI and other Federal programs.

Deceased Beneficiaries with Discrepant Dates of Death on the Numident and Master Beneficiary Record

To identify and prevent erroneous payments to deceased beneficiaries, SSA's Death Alert Control and Update System matches reports of death received from Federal, State, and local agencies against SSA's payment records. The system also records death information on the Numident, a master file that contains identity information for each individual issued an SSN. We plan to determine whether SSA has adequate controls to resolve discrepant death information on the Numident and Master Beneficiary Record for deceased beneficiaries.

Development of Supplemental Security Income Living Arrangements When There is an Address Change

SSI recipients must report any changes of address within 10 days of the change. When an SSI recipient changes his/her address, the benefits the recipient is due may also change based on the living arrangements at the new residence. We will determine whether SSA has accurately captured new living arrangements that could affect benefit payments for SSI recipients after an address change.

Disabled Beneficiaries with Earnings and Multiple Social Security Numbers that Are Not Cross-Referenced in the Social Security Administration's Systems

In April 2005, we issued a report on *Individuals Receiving Benefits Under Multiple Social Security Numbers at the Same Address*. That review identified approximately \$9.2 million in overpayments made to 220 beneficiaries who inappropriately received benefits under multiple SSNs at the same address. If an individual has multiple SSNs that SSA's records do not show as belonging to the same person, the individual might use one SSN to collect DI benefits and the other SSN to work. The work may make the individual ineligible to receive disability benefits. We will identify instances where individuals used multiple SSNs to collect DI benefits and work at the same time.

Discharging Overpayments Based on Bankruptcy Petitions

To obtain relief from repayment of debts, an individual may petition the bankruptcy court to discharge the debts or schedule a repayment plan. SSA policy is to waive recovery of overpayments in bankruptcy cases with overpayment amounts below specific levels. SSA also has a right to contact the court and defend its collection of the overpayment regardless of the bankruptcy. Our review will evaluate the effectiveness of SSA's procedures for determining whether it should object to the discharge of overpayments when beneficiaries file bankruptcy petitions.

Follow-up: Adjustment of Disabled Wage Earners' Benefits at Full Retirement Age

The *Social Security Act* contains two provisions that affect the reduction of retirement benefits for aged beneficiaries when they attain full retirement age. This occurs when disabled beneficiaries elect reduced retirement benefits to avoid workers compensation offset or retired beneficiaries subsequently became entitled to disability benefits. In a prior audit, we found that SSA underpaid 2,782 disabled beneficiaries who previously elected reduced retirement benefits about \$39.9 million. We also estimated that SSA improperly paid about \$3.2 million to 3,220 beneficiaries because it did not apply the correct reduction factor for retirement benefits before full retirement age. We will determine whether SSA accurately adjusted benefits for disabled wage earners when they reached full retirement age.

Follow-up: Adjustment to Widows Benefits

In May 2007, we issued a report, *Adjustment of Widow's Insurance Benefits at Full Retirement Age*, estimating SSA underpaid 9,751 widow(er)s \$113.7 million through November 2006. In May 2008, we issued another report on *Underpayments to Widows* that estimated SSA underpaid 8,403 beneficiaries \$95 million through February 2008. In addition, if SSA did not take action to correct the benefits paid to these widows, we estimated the Agency would continue to underpay them about \$211 million over the rest of their lives. Because of our work, SSA agreed to review its automated programs and make necessary modifications to ensure it properly adjusts widows' cases. Our current review will determine whether SSA properly adjusted the benefits to widow(er)s when they attained full retirement age.

Follow-up: Dually Entitled Beneficiaries Subject to Government Pension Offset and the Windfall Elimination Provision

The *Social Security Act* includes two provisions that reduce Social Security benefits to individuals who receive a pension based on Federal, State, or local government employment not covered by Social Security: the Government Pension Offset and Windfall Elimination Provision. In a September 2008 audit, *Dually Entitled Beneficiaries who are Subject to Government Pension Offset and the Windfall Elimination Provision*, we estimated SSA overpaid about \$269.8 million in retirement benefits to 8,500 beneficiaries because it did not properly apply windfall offset and overpaid \$184.8 million in spousal benefits to 8,460 beneficiaries because it did not properly impose government pension offset. Our current review will determine whether SSA properly imposed government pension and windfall offsets for dually entitled beneficiaries.

Follow-up: Payments Resulting from Disability Insurance Actions Processed Via the Social Security Administration's Manual Adjustment, Credit, and Award Processes System

When SSA's automated or direct input systems cannot completely process an action, authorized technicians must manually process the actions through the Manual Adjustment, Credit, and Award Processes (MADCAP) system. Our April 2006 review, *Payments Resulting from Disability Insurance Actions Processed via the Social Security Administration's Manual Adjustment, Credit and Award Processes*, found approximately 6,816 MADCAP payments over \$1,000 that SSA issued from July 1 to September 30, 2004 had payment errors totaling about \$19.7 million. Our current review will determine whether SSA implemented the recommendations in our April 2006 report and accurately processed DI payments through MADCAP.

Follow-up: Supplemental Security Income Recipients Whose Medicare Benefits Were Terminated Due to Death

Our November 2006 report, *Supplemental Security Income Recipients Whose Medicare Benefits Were Terminated Due to Death*, noted that about 66 percent of the individuals whose Medicare benefits were terminated for death were actually alive, and their Medicare benefits—and, in some cases, their SSI payments—were incorrectly terminated. SSA agreed to (1) review the cases in our audit population and take appropriate action to terminate the SSI payments for the deceased individuals and remove the erroneous death information for those individuals who are alive and (2) confirm the deaths reported from CMS before terminating payments to SSI recipients. We will determine whether SSA should terminate SSI payments for recipients whose Medicare benefit records indicated they are deceased.

Follow-up: Supplemental Security Income Recipients with Excess Income or Resources Based on Bank Data

In July 2008, we issued a report, *Supplemental Security Income Recipients with Excess Income and/or Resources*, estimating SSA did not detect \$408.9 million in overpayments because about 68,966 recipients did not report their changes in income or resources. Additionally, we estimated SSA would not detect about \$169.2 million paid each year to recipients who have income or resources above the maximum allowable amounts, if the Agency did not take action. We will identify SSI recipients who may not be eligible for payments because they have income or resources that exceed the allowable limits set by the Agency.

Martinez Settlement Agreement and the Supplemental Security Income Program

The *Martinez v. Astrue* class action lawsuit challenged SSA's policy of suspending benefit payments to fugitive felons based solely on the existence of an outstanding felony arrest warrant rather than developing information to ensure that the individual was "fleeing." A settlement was reached in September 2009 in which SSA changed its policy to suspend OASDI benefits and deny SSI payments only if the outstanding felony warrant was for one of three offenses: escape; flight to avoid prosecution, confinement, etc.; and flight-escape. Our February 2011 report on Phase I of the settlement implementation found (a) 27,524 members received appropriate settlement relief; (b) 1,864 received about \$14.3 million more than they should have; and (c) 768 did not receive about \$828,600 due them. This review will assess the implementation of Phase II of the settlement agreement, which covers individuals whose SSI payments were suspended or denied after 2006.

Match of California Death Master File with the Social Security Administration's Records

We received information indicating that some California death data does not appear in SSA's Death Master File. We will determine whether active benefit claims exist for individuals the California death file recorded as deceased.

Non-responders to the Social Security Administration's Foreign Enforcement Questionnaires

U.S. citizens, and noncitizens who meet certain eligibility requirements, can receive OASDI benefits while living abroad. Each year, SSA uses a Foreign Enforcement Questionnaire (FEQ) to contact representative payees for beneficiaries living abroad. SSA sends FEQs to beneficiaries without payees living abroad annually or biennially, depending on their age, country of residence, benefit type, and the last four digits of their SSNs. SSA requests that beneficiaries and representative payees return the FEQ within 60 days. SSA sends a second questionnaire to beneficiaries and representative payees who do not respond. SSA suspends beneficiaries who do not respond to the second FEQ. We will determine whether SSA complied with its policies and procedures when processing FEQ non-responders and took appropriate action when staff identified issues that affected benefit eligibility.

Parole and Probation Violators and the *Clark* Case

On March 18, 2011, the Second Circuit issued a court decision in the *Clark* litigation relating to SSA's fugitive enforcement program. Because of this decision, SSA no longer suspends or denies benefits based solely on a probation or parole violation warrant. Before the decision, SSA excluded only parole and probation violators from referral when the subject resided in the Second Circuit (New York, Vermont, and Connecticut). We will assess SSA's implementation of the *Clark* case.

Payment Recapture Plan Required by the Improper Payments Elimination and Recovery Act

On April 14, 2011, OMB issued guidance for implementing *the Improper Payments Elimination and Recovery Act of 2010*, which states, "Agencies' Inspectors General (IG) and other external agency auditors are encouraged to assess the effectiveness of agencies' payment recapture audit programs as part of their internal control work on existing audits." We will assess the effectiveness of the Agency's payment recapture plan.

Potential Overpayments Due to Incomplete Quarterly Wage Data from the Office of Child Support Enforcement

The *Personal Responsibility and Work Opportunity Reconciliation Act of 1996* authorized the Office of Child Support Enforcement to design and build a National Directory of New Hires. The Directory contains three sets of data: Quarterly Wage, New Hire, and Unemployment Insurance. A number of States provide incomplete name and SSN information on their submissions, which means SSA is unable to match the wage data with its records. These incomplete matches could lead to significant overpayments in SSA's programs. Our review will assess the completeness of quarterly wage data collected by the Office of Child Support Enforcement and the potential overpayments resulting from the absence of this information when determining SSA benefits.

Processing Internal Revenue Service Alerts

SSA needs to be aware of any changes in recipients' income or resources as such changes may affect SSI payment amounts. The *Tax Reform Act of 1984* provides for SSA to receive financial information from the IRS to help detect unreported nonwage information, such as pensions, interest, and dividends. In many situations, IRS data will reflect a payment made in connection with an underlying resource (for example, interest on a bank account). While the interest payment may constitute income for SSI purposes, the ownership of the resource may be a more significant issue. We will determine whether SSA is properly processing IRS 1099 data and adjusting benefit amounts appropriately.

Profiling Overpayment Recoveries

In FY 2010, SSI overpayments were \$3.3 billion and OASDI overpayments were \$2.7 billion. SSA uses a variety of methods to collect the debt related to overpayments. Collection techniques include internal methods, such as benefit withholding and billing and follow-up. In addition, SSA uses external collection techniques for SSI debts. These debt collection tools include the Treasury Offset Program, credit bureau reporting, administrative wage garnishment, and Federal Salary Offset. In FY 2010, SSA recovered \$3.14 billion in improper payments at an administrative cost of \$0.07 for every dollar collected. We will profile overpayment recoveries to determine whether SSA can take additional action to recover overpaid funds.

Reporting of Improper Payments in the Fiscal Year 2011 Performance and Accountability Report

On April 14, 2011, OMB issued guidance requiring that IGs determine whether their agencies

- conducted a program specific risk assessment for each program or activity that conforms with section 3321 of Title 31 U.S.C.;
- published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment;
- published programmatic corrective action plans;
- published, and have met, annual reduction targets for each program assessed to be at risk and measured for improper payments;
- reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published; and
- reported information on efforts to recapture improper payments.

Similar Fault Decisions with Waived Supplemental Security Income Overpayments

Under administrative finality, SSA staff generally determines that an improper payment made within the last 2 years is a collectable overpayment. To collect an overpayment made more than 2 years past the point of discovery, SSA staff can determine that (1) the SSI recipient knowingly completed an incorrect or incomplete report, concealed events or changes, or neglected to report events or changes that he/she knew, or should have known, would affect payments; (2) the event is clearly attributable to the SSI recipient; and (3) the case does not involve fraud. We will determine the appropriateness of waivers granted for overpayments determined to be collectable after a finding of similar fault.

Special Disability Workload Payments Involving Substantial Gainful Activity

The Agency classified SSI disability recipients who appeared insured for, but were not receiving, DI benefits as the Special Disability Workload (SDW). As of September 30, 2010, SSA reported an estimated SDW liability due to the public totaling \$173 million with 17,000 cases remaining for SSA staff to review. Many of the SDW claimant cases involve SGA. The Agency defines SGA as work activity that involves significant physical or mental activities performed for pay or profit. SSA has criteria for determining when services performed or earnings derived from services demonstrate an individual's ability to engage in SGA. The Agency considers earnings over \$1,000 a month to be SGA. We will determine whether beneficiaries included in SSA's SDW received DI payments while working at the SGA level.

Special Disability Workload Payments Made to Incarcerated Beneficiaries

Although SSA paid retroactive DI payments to SDW claimants, Social Security payments generally are not payable for months that beneficiaries are in jail, prison, or certain other public institutions for committing a crime. In addition, beneficiaries are not automatically eligible for Social Security payments when released from these institutions. We will determine whether beneficiaries included in SSA's SDW received DI payments for periods when they were in penal institutions.

Supplemental Security Income High Error Profile Redeterminations

While SSI redeterminations are required by law, their frequency is not specified. In addition, SSA's Commissioner has discretion in the types and number of SSI redeterminations conducted each year, depending on available resources. SSA assigns redeterminations a profile code. Based on the profile code, the Agency categorizes redeterminations as high-, middle-, or low-error profiles. SSA gives a profile code of C to cases categorized as high error profile based on an error score. Type C high error profile redeterminations should receive the highest priority for processing. During prior work, we found that SSA did not conduct all type C high error profile redeterminations selected each year even though staff completed other, lower priority redeterminations. We will determine the impact of SSA not conducting all SSI type C high error profile redeterminations.

Supplemental Security Income Recipients Who Have Life Insurance Policies with Unverified Cash Surrender Values

Life insurance owned by an SSI recipient with a cash surrender value (CSV) is a countable resource, unless SSA excludes it because the total face value is not more than \$1,500 or the beneficiary set aside the CSV for burial. SSA's systems do not have alerts to notify staff to review the CSV of life insurance policies, which may increase over the life of the insurance. We will determine the effectiveness of SSA's development of cases with life insurance policies that have a cash surrender value.

Supplemental Security Income Recipients Who Have Not Cashed Their Social Security Checks in 1 Year

Social Security benefit checks are valid for up to 12 months. After 12 months, checks are non-negotiable and banks should no longer accept them. If the Department of the Treasury records shows that a check is not cashed within 12 months, it will return the funds to SSA. When this occurs, SSA will mail a notice to the beneficiary, and if appropriate, reissue the check. We will determine whether SSA takes appropriate action when SSI recipients have not cashed their Social Security checks within 1 year.

Supplemental Security Income Recipients with Excess Unstated Income

To receive SSI payments, an individual's countable income must be less than the Federal benefit rate. Expenses such as mortgage payments could indicate an individual has unstated income not reported to SSA. We will identify SSI recipients who may be receiving improper SSI payments due to unstated income.

Supplemental Security Income Recipients with Multiple Non-Cross-Referred Social Security Numbers

Our objective is to determine whether individuals who obtained multiple (non-cross-referred) SSNs receive SSI payments under one SSN and have reported wages under another SSN.

Supplemental Security Income Recipients with Multiple Overpayments

SSI payments free of overpayments have declined since 1999. Many SSI recipients who received overpayments did so because they did not know the program rules or reporting was difficult. Since FY 2003, SSA has seen an increase in overpayments. Between FYs 2005 and 2009, annual overpayments in the SSI program ranged between \$2.5 and \$4.6 billion. We will analyze overpayments to SSI recipients who have received multiple overpayments related to wages.

Supplemental Security Income Telephone Wage Reporting

Incorrect wage information is a major cause of SSI improper payments. To streamline the wage reporting process and make it easier for recipients, SSA created an automated process for collecting wage information, the SSI Automated Telephone Wage Reporting (SSITWR) system. SSA reports that wages reported via SSITWR have a 92-percent accuracy rate. We will determine whether the SSITWR process is effective in receiving and processing accurate wage reports, reducing improper payments, and recruiting and promoting new participation.

The Social Security Administration's Plan to Reduce Improper Payments Under Executive Order 13520 for Fiscal Year 2012

On November 20, 2009, the President issued Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*. When the Government makes payments to individuals and businesses, it must make every effort to confirm that the right recipient is receiving the correct payment. The purpose of this Executive Order is to reduce improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in the major Federal programs while continuing to ensure that Federal programs serve and provide access to their intended beneficiaries. We will determine whether the amounts presented in SSA's annual report are reasonable and whether SSA complied with all requirements of the Executive Order.

The Social Security Administration's Quarterly Plan for Reporting High-Dollar Overpayments Under Executive Order 13520

Under Executive Order 13520, each agency identified by OMB shall provide the agency's Inspector General a quarterly report on the "high-dollar" overpayments. We will determine whether (1) the amounts presented in the Accountable Official's Report on High-Dollar Overpayments to OIG are reasonable and (2) the Agency complied with all requirements of the Executive Order.

Work Continuing Disability Review Process

We will determine whether SSA could streamline its CDR process to allow for timelier cessation of benefits when a beneficiary returns to work.

At the forefront of congressional and Agency concerns is the timeliness and accuracy of SSA's disability decisions at the hearing adjudicative level. SSA has made progress with its plan to eliminate the hearings backlog and reach an average monthly processing time of 270 days by September 2013. As of August 2011, SSA's hearings backlog was approximately 767,000 cases—about 66,000 cases higher than the backlog at the same time in FY 2010. However, the situation with timeliness shows clearer improvement, with the cumulative average processing time dropping to 361 days in August 2011 compared to 429 days in August 2010.

The Agency continues to implement the Commissioner's plan to eliminate the backlog through a variety of initiatives including

- expanding the list of diseases and conditions covered under compassionate allowances;
- increasing adjudicatory capacity through additional hiring, new hearing offices, and the use of senior attorney adjudicators;
- reducing the volume of aged cases in the hearings pipeline, and
- improving hearing efficiency with automation and improved business processes, such as the expansion of video hearings.

For example, in FY 2011, SSA planned to hire approximately 130 new ALJs, add 8 new hearing offices, and adjudicate approximately 50,000 cases using the senior attorney adjudication program. However, as we noted in a June 2011 Congressional Response Report, *The Office of Disability Adjudication and Review's Hearings Backlog and Processing Times*, SSA is facing significant budgetary challenges in meeting the 2013 goal. Based on our 2012 budget backlog projections, SSA will miss its goal to eliminate its pending hearing backlog by 2013 if ALJ

availability, projected hearing receipts, or ALJ productivity vary by a little as 1 percent.

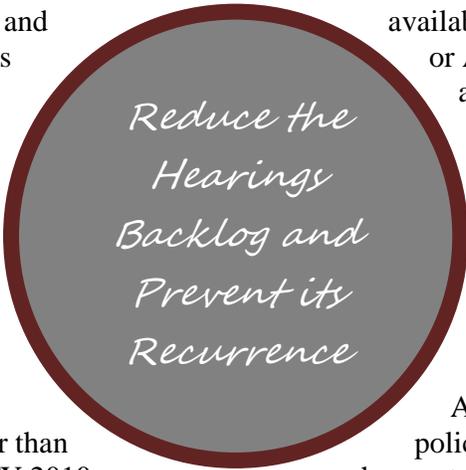
SSA is also facing increased scrutiny concerning the hearing process itself.

Specifically, during hearings and as part of requests for OIG reviews, members of Congress have expressed concerns about ALJ adherence to the Agency's policies and procedures while also

demonstrating good stewardship of taxpayer dollars. Moreover, specific questions concerning ALJ workloads, variances in ALJ decisional outcomes, management controls over the hearing process, and quality reviews of ALJ decisions have come to the forefront. As a result, we will conduct a number of reviews in FY 2012 to address these questions.

Throughout these reviews, we plan to work closely with SSA management to identify any weaknesses in the current process, recommend strengthened controls, where appropriate, and ensure the continuing integrity of the hearing process.

We will also continue to focus our audit resources on other hearing-related areas to ensure Agency processes are working as intended, including payments to claimant representatives, complaints from the public, and availability of electronic services. The hearing process is an important component of SSA's disability programs and it is essential that the public receives timely hearings and believes the underlying process treats them fairly.



*Reduce the
Hearings
Backlog and
Prevent its
Recurrence*

FY 2012 Planned Reviews

Administrative Law Judge Use of Computers at Off-Site Locations

Claimant Representative Satisfaction with Electronic Services

Factors that Result in Office of Disability Adjudication and Review Allowances

Follow-up: Digital Recording Equipment at Hearing Offices

Identifying Relationships Between Administrative Law Judges, Claimant Representatives, and Medical Consultants

National Review of Hearing Office Performance

On-the-Record Decisions by Administrative Law Judges

Pilot Review of Hearing Office Performance

Role of Remote Hearing Sites at the Office of Disability Adjudication and Review

The Office of Disability Adjudication and Review's use of the Electronic Claims Analysis Tool

Training of Hearing Office Managers and Staff

Use of iAppeals in the Disability Process

Administrative Law Judge Use of Computers at Off-Site Locations

Staff from the House Subcommittee on Social Security recently requested information on how many ALJs work away from Agency offices, how ALJs account for this work, and how many use laptops. OIG's June 2010 report, *Controls over the Flexiplace Program and Personally Identifiable Information at Hearing Offices*, assessed controls over the Flexiplace program at hearing offices. However, this audit did not entail a review of ALJ use of computers and any related monitoring. We will determine whether ALJs working offsite have sufficient access to computer equipment and relevant electronic files to conduct their assignments. Our review will also assess whether management is adequately monitoring off-site work.

Claimant Representative Satisfaction with Electronic Services

In August 2011, we issued a report, *Electronic Services for Claimant Representatives*, addressing the status of SSA's initiatives to (1) provide claimant representatives on-line access to electronic folders; (2) provide on-line notices and other information to claimant representatives; (3) reduce compact disc use for the transfer of claimant information; and (4) allow on-line appeal filing. This review will follow-up on our earlier work and assess claimant representative satisfaction with ODAR's electronic services.

Factors that Result in Office of Disability Adjudication and Review Allowances

In FY 2010, DDSs processed over 3 million initial disability claims, of which they denied 63 percent. However, of almost 738,000 dispositions issued at the hearing level in FY 2010, almost 61 percent was allowances. During our review, *Disability Impairments on Cases Most Frequently Denied by DDSs and Subsequently Allowed by Administrative Law Judges*, we identified four impairments for cases most frequently denied by DDSs, appealed to ODAR, and allowed at the hearing level. We analyzed all cases with these four impairments based on information that was readily available in SSA's systems, such as the age of the claimant. This review will identify factors that occur after DDS' denial on initial disability claims that result in allowances at the hearing level.

Follow-up: Digital Recording Equipment at Hearing Offices

In an August 2006 report, we noted that the Digital Recording Acquisition Project equipment improved hearing recordings and processes. However, SSA needed stronger controls over the equipment and associated data. We made four recommendations to SSA to improve its use and security of Digital Recording Acquisition Project equipment. This review will determine whether ODAR has improved the controls over safeguarding the equipment and sensitive data.

Identifying Relationships Between Administrative Law Judges, Claimant Representatives, and Medical Consultants

We will determine whether medical consultants are providing opinions and evidence to both ALJs and claimant representatives associated with the same workload.

National Review of Hearing Office Performance

This is a continuation of the pilot review of hearing office performance, but it will incorporate any lessons learned while expanding into additional hearing offices. Under this review, we will assess individual hearing office performance after identifying relevant offices based on risk factors developed in earlier reviews.

On-the-Record Decisions by Administrative Law Judges

On-the-record decisions occur when the claimant has waived the right to a hearing or when the ALJ or senior attorney has reviewed the claim file and determined that SSA can issue a decision without the need for a hearing. We will assess trends and management oversight related to the use of on-the-record decisions.

Pilot Review of Hearing Office Performance

As a follow-up to our earlier review on management controls, we will visit offices exhibiting specific risk factors. These pilot reviews will involve further analysis of workload trends; interviews with ALJs, staff, and management; and a review of procedures associated with a sample of cases. We will assess individual hearing office performance while testing the reliability of risk factors developed in an earlier review.

Role of Remote Hearing Sites at the Office of Disability Adjudication and Review

ODAR has used a variety of sites to hold hearings, including temporary space in courthouses, schools, and conference centers. Other remote sites are more permanent and may be located with SSA field offices. In 2011, the Agency started to close remote sites located in temporary facilities. Our earlier physical security reviews found that co-located offices allowed for the sharing of joint services, such as security personnel, that could reduce operational costs. More permanent facilities also allow for the installation of video equipment and offer greater protection over sensitive data. We will assess the role and location of remote hearing sites in ODAR in terms of service to remote populations, video hearing capacity, security of personnel and data, and potential co-location with Agency field offices.

The Office of Disability Adjudication and Review's Use of the Electronic Claims Analysis Tool

The electronic claims analysis tool (eCAT) is a Web-based application designed to document a disability adjudicator's analysis and ensure consideration of all relevant Agency policies during the disability adjudication process. SSA began implementing eCAT at DDSs in 2009, and as of May 2011, every DDS except Texas had eCAT. We plan to conduct an additional study of eCAT once sufficient time has elapsed for users in ODAR to integrate the tool fully into their business processes.

Training of Hearing Office Managers and Staff

ODAR's Division of Training and Human Resources is responsible for identifying employee training needs and administering training programs timely. Staff in ODAR's Office of the Chief ALJ develop the training courses. ODAR has developed formal classroom training, video-on-demand courses, and on-the-job training, including participation in a mentoring program. We will determine whether newly hired hearing office managers and staff received adequate and timely training to perform their duties.

Use of iAppeals in the Disability Process

SSA implemented processes to allow most claimants appealing their disability decisions to complete and submit on-line forms, such as Forms SSA-561 - *Request for Reconsideration* and SSA-501 - *Request for Hearing by Administrative Law Judge*. We will assess the effectiveness of the iAppeals process in expediting appeals at the hearing office level as well as reducing overall Agency processing costs.

In FY 2010, SSA processed approximately 6 million original and 12 million replacement SSN cards and received approximately \$650 billion in employment taxes related to earnings under assigned SSNs. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring SSN integrity and that eligible individuals receive the full benefits due them.

The SSN is relied on heavily as an identifier and is valuable as an illegal commodity. Accuracy in recording workers' earnings is critical because SSA calculates future benefit payments based on the earnings an individual accumulates over his/her lifetime. As such, properly assigning SSNs only to those individuals authorized to obtain them, protecting SSN information once the Agency assigns the numbers, and accurately posting the earnings reported under SSNs are critical SSA missions.

To its credit, SSA has implemented numerous improvements in its SSN assignment, or enumeration process. With these new procedures and requirements, the enumeration workload has increased in complexity for SSA personnel. Some of SSA's more notable enumeration improvements include the following.

- Establishing Enumeration Centers in many States that focus exclusively on assigning SSNs and issuing SSN cards.
- Requiring that field office personnel who process SSN applications use a Web-based, Intranet application known as the Social Security Number Application Process.
- Removing SSNs from the Social Security Statement.
- Implementing a new SSN assignment methodology called SSN Randomization.



*Strengthen the
Integrity and
Protection of the
Social Security
Number*

We applaud the Agency for these efforts. Nevertheless, we continue to have concerns regarding SSN assignment and protection. For example, the Agency cannot prohibit the collection and use of SSNs. Our audit and investigative work have taught us that the more SSNs are unnecessarily used, the higher the probability that they could be used to commit crimes

throughout society. We are also concerned about the practice of assigning SSNs to certain categories of noncitizens who will be in the United States temporarily but are allowed to obtain SSNs that are *valid for life*. Further, we believe controls over the issuance of SSN Verification Printouts are insufficient to prevent improper acquisition of these sensitive documents and disclosure of PII. Finally, we are concerned with the growth in the demand for SSN Verification Printouts because the level of proof of identity required to obtain these is less than for SSN replacement cards.

Properly posting earnings ensures eligible individuals receive the full retirement, survivors, and/or disability benefits due them. If employers report earnings information incorrectly or not at all, SSA cannot ensure all individuals entitled to benefits are receiving the correct payment amounts. In addition, SSA's programs depend on earnings information to determine whether an individual is eligible for benefits and to calculate the amount of benefit payments.

SSA spends scarce resources correcting earnings data when employers report incorrect information. The Earnings Suspense File (ESF) is the Agency's record of wage reports on which wage earners' names and SSNs fail to match SSA's records. As of October 2010, the ESF had accumulated about \$921 billion in wages and 305 million wage items for Tax Years 1937 through 2008. In Tax Year 2008 alone, the ESF grew by \$86 billion in wages and 9.4 million wage items.

*Strengthen the Integrity and Protection
of the SSN*

SSA has taken steps to reduce the size and growth of the ESF. The Agency offers employers the ability to verify names and SSNs of their employees using the Agency's Social Security Number Verification Service (SSNVS), which is an on-line verification program, before reporting wages to SSA. In FY 2010, employers submitted about 104.1 million verifications. SSA also supports the Department of Homeland Security in administering the E-Verify program, which assists employers in verifying the employment eligibility of newly hired employees. As of FY 2010, about 227,000 employers, representing about 802,000 locations, had enrolled to use E-Verify and these employers had submitted approximately 16.9 million queries during this period.

While SSA cannot control all the factors associated with erroneous wage reports, it can improve wage reporting by informing employers about potential SSN misuse cases, identifying and resolving employer reporting problems, encouraging greater use of the Agency's employee verification programs, and enhancing the employee verification feedback to provide employers with sufficient information on potential employee issues. SSA can also improve coordination with other Federal agencies with separate, yet related, mandates. For example, the Agency needs to work with the IRS to achieve more accurate wage reporting.

FY 2012 Planned Reviews

Access Controls for the Social Security Number Verification Service

Accuracy of Tax Identification Numbers Reported on the Social Security Benefit Statements

Effectiveness of the Web Comprehensive Integrity Review Process

Follow-up: Accuracy of the Social Security Administrations Numident File

Follow-up: Controls over the Social Security Administration's Celebrity File

New Earnings Suspense File Edits and Changes in Benefits

Policies and Procedures Related to Beneficiaries or Recipients who Have Problems with Their Benefits Because of Identity Theft

Social Security Number Misuse Among Individuals Assigned Numbers in Puerto Rico

Social Security Numbers on Notices Maintained in the On-Line Retrieval System

Usefulness of the Social Security Number Verification Service in Ensuring Accurate Wage Reporting

Access Controls for the Social Security Number Verification Service

To assist employers with accurate wage reporting, SSA implemented several free verification programs that allow employers to match the names and SSNs of employees with SSA's records. Such employer verification programs include the Employee Verification Service and the SSNVS. Companies that need to verify SSNs for non-employment purposes must obtain valid consent from numberholders and pay a fee to SSA. However, some companies may try to avoid such costs by using SSA's free services. To deter employers from improperly using its free services, SSA implemented the Master Earnings File check for SSNVS, which verifies whether the employee names and SSNs submitted for verification relate to wages recorded in SSA's Master Earnings File. We will determine the effectiveness of SSA's controls to detect companies improperly using SSA's employer verification programs for non-employment purposes.

Accuracy of Tax Identification Numbers Reported on the Social Security Benefit Statements

In accordance with Public Law 98-21, SSA began issuing Social Security Benefit Statements in 1985. Each January, SSA uses Benefit Statements to notify recipients and the IRS that SSA benefits received from the previous year may be taxable. SSA requires recipients' SSNs be recorded on these statements to ensure the related payments that may be taxable are properly reported to the IRS. We will determine whether SSA captures accurate SSNs when processing payments through its payment systems. We will also determine whether SSA shared the required information with the IRS.

Effectiveness of the Web Comprehensive Integrity Review Process

Implemented in FY 2008, the WebCIRP is an electronic application that provides SSA management information on sensitive data staff accessed in SSA's systems. Specifically, WebCIRP provides information resulting from automated integrity reviews of transactions involving enumeration; SSI; and Social Security benefits. Access to WebCIRP is restricted to authorized managers. We will determine whether WebCIRP integrity criteria are sufficient to identify employee actions that may indicate potential enumeration fraud.

Follow-up: Accuracy of the Social Security Administration's Numident File

As of November 2010, SSA had assigned about 465 million SSNs. When SSA assigns an SSN to an individual, it creates a master record in its Numident file containing relevant information about the numberholder. This information includes the numberholder's name, date of birth, place of birth, parents' names, citizenship status, date of death (if applicable), and the office where the SSN application was processed and approved. Additionally, the Numident record for each numberholder identifies (1) any changes to the original information provided by the numberholder (for example, name changes and revisions to citizenship status) and (2) an account of all replacement SSN cards issued. SSA has a number of verification programs and services that allow employers to match employees' names and SSNs with SSA's records. Additionally, E-Verify, a Department of Homeland Security program supported by SSA, provides employers a tool for determining whether newly hired employees reported the correct name, SSN, and date of birth, and are authorized to work in the United States. We will assess the accuracy of the Numident fields relied on by E-Verify.

Follow-up: Controls over the Social Security Administration's Celebrity File

SSA maintains information on individuals of national prominence and other public figures. SSA generally refers to this sensitive information as the Celebrity File and classifies such individuals in two categories. Category I, as designated by SSA's Commissioner, includes individuals of "extraordinary national prominence," such as the President, Vice President, and other selected individuals with a high level of public interest. Category II, as designated by SSA's Regional Centers for Security and Integrity, includes public figures of "exceptional prominence," such as entertainers, politicians, and sports personalities. We will determine the status of corrective actions SSA has taken to address findings in our September 2008 report, *Controls over the Social Security Administration's Celebrity File*.

New Earnings Suspense File Edits and Changes in Benefits

SSA is modifying its edits to locate the owners of suspended wages. The processes will use employment history and earnings patterns to help identify the numberholder. SSA also noted that the new processes should resolve millions of wage items reported with a "zero" SSN. The Agency estimated it would remove at least 30 million items from the ESF and credit them to individual workers. In addition, reinstatement of wages held in the suspense file could increase benefit payments. We will determine whether SSA properly credited earnings reinstated by the new ESF edits, especially if they affect benefits.

Policies and Procedures Related to Beneficiaries or Recipients Who have Problems with their Benefits Because of Identity Theft

At a March 2011 Compassionate Allowance hearing, a disabled beneficiary stated she was having problems with her benefits because someone had stolen her identity. Because of the identity theft, SSA had stopped her benefits three times over the past few years and had recently assessed a \$25,000 overpayment. We will assess SSA's policies and procedures to ensure beneficiaries are not unduly harmed when someone else uses their identity.

Social Security Number Misuse among Individuals Assigned Numbers in Puerto Rico

In June 2009, 11 individuals were indicted in a massive scheme to file fraudulent tax returns using stolen Puerto Rican identities. We will assess the impact on SSA's programs of SSN misuse among individuals born in Puerto Rico.

Social Security Numbers on Notices Maintained in the On-Line Retrieval System

SSA's On-line Retrieval System archives, retrieves, and reprints notices SSA sends to the public each year. It captures the print image of SSA-related program notices and other documents. By doing this, the On-line Retrieval System provides SSA employees who deal directly with the public the ability to view customers' notices without asking them to read the notice over the telephone. A recent breach at the New York DDS required that SSA send notices to SSA beneficiaries notifying them that their PII was exposed. Senior regional staff noted that the beneficiaries' SSNs were included on these notices because the SSNs were necessary to retrieve the notices in the On-line Retrieval System. Including SSNs on notices informing beneficiaries of a breach of their PII could lead to concerns about further exposure of this sensitive data. We will assess the necessity of including SSNs in notices maintained in SSA's On-line Retrieval System.

Usefulness of the Social Security Number Verification Service in Ensuring Accurate Wage Reporting

SSNVS is a free online program available to employers and third-party submitters to verify employees' names and SSNs. SSNVS ensures employees' names and SSNs match SSA's records before employers submit their wage reports to SSA. If employers submit wage reports that have names and SSNs that do not match SSA's records, the wage report will post to the ESF. Our review of ESF data compared to the total wages in TY 2000 found the ESF represented about 3.8 percent of total reported wage items. This grew to 4.3 percent by TY 2007—after SSA implemented SSNVS. We will assess the effectiveness of SSNVS in ensuring accurate wage reporting.