

OIG

Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

Fiscal Year 2016

AUDIT WORK PLAN

October 2015

I am pleased to present the Office of Audit's Fiscal Year 2016 Annual Work Plan (Plan). The reviews described in the Plan are designed 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 Social Security Administration (SSA) management to the Congress, SSA, and other key decisionmakers. For Fiscal Year 2016, the Office of the Inspector General has identified the following management challenges.

- Improve Customer Service
- Invest in Information Technology Infrastructure to Support Current and Future Workloads
- Reduce Improper Payments and Increase Overpayment Recoveries
- Improve the Responsiveness and Oversight of the Hearings Process
- Strengthen Planning, Transparency, and Accountability
- Improve the Timeliness and Quality of the Disability Process
- Strengthen the Integrity and Protection of the Social Security Number
- Secure Information Systems and Protect Sensitive Data
- Assess Disability Insurance Trust Fund Sustainability

The Plan describes reviews we plan to begin in Fiscal Year 2016. In developing these reviews, we worked with Agency management to ensure we provide a coordinated effort.

Our Plan is dynamic, so we encourage continuous feedback and additional study suggestions. This flexibility enables us to meet emerging and critical issues evolving during the upcoming year.



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October 1, 2015

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Acronyms

ACR	Action Control Records
AFI	Access to Financial Institutions
ALJ	Administrative Law Judge
CDR	Continuing Disability Review
CPS	Critical Payment System
CSV	Cash Surrender Value
DCPS	Disability Case Processing System
DDS	Disability Determination Services
DI	Disability Insurance
DMF	Death Master File
ESF	Earnings Suspense File
FISMA	<i>Federal Information Security Management Act of 2002</i>
FY	Fiscal Year
GAO	Government Accountability Office
IPERA	<i>Improper Payments Elimination and Recovery Act of 2010</i>
iSSNRC	Internet-based Social Security Number Replacement Card
IT	Information Technology
MADCAP	Manual Adjustment Credit and Award Process
MBR	Master Beneficiary Record
MEF	Master Earnings File
NCC	National Computer Center
NSC	National Support 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
PFIR	Public Facing Integrity Review
RSI	Retirement and Survivors Insurance
SDM	Single Decisionmaker
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSR	Supplemental Security Record

Executive Summary

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 program objectives are achieved 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 general public. In Fiscal Year (FY) 2015, we issued 89 reports with over \$7.7 billion in monetary findings.

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. Our work is prioritized 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, and Communications and Resource Management.

In preparing this Plan, we solicited suggestions from the Agency. We received a number of suggestions for inclusion in our Plan, 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 complete and reviews we intend to begin in FY 2016 in the following issue areas.

- Improve Customer Service
- Invest in Information Technology Infrastructure to Support Current and Future Workloads
- Reduce Improper Payments and Increase Overpayment Recoveries
- Improve the Responsiveness and Oversight of the Hearings Process
- Strengthen Planning, Transparency, and Accountability
- Improve the Timeliness and Quality of the Disability Process
- Strengthen the Integrity and Protection of the Social Security Number
- Secure Information Systems and Protect Sensitive Data
- Assess Disability Insurance Trust Fund Sustainability

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

Improve Customer Service

This year, the Social Security Administration (SSA) is celebrating its 80th anniversary while it continues providing critical services to the American public. Whether it is after the loss of a loved one, at the onset of a disability, or during the transition from work to retirement, SSA touches the lives of virtually every person in America as well as beneficiaries living abroad. SSA's goal is to provide high quality and timely services while offering customers the convenience of interacting with SSA from anywhere.

In Fiscal Year (FY) 2016, SSA estimates that it will pay nearly \$1 trillion in Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) benefits to over 69 million people. The Agency expects to process over 5.4 million retirement, survivor, and Medicare claims; nearly 2.8 million Social Security and SSI initial disability claims; and nearly 237,000 SSI aged claims. In addition, the Agency must handle other key workloads. For example, in FY 2016, SSA plans to

- complete approximately 719,000 reconsiderations, 829,000 hearings, and 168,000 Appeals Council reviews;
- conduct 2.6 million SSI redeterminations and 908,000 full medical continuing disability reviews (CDR);
- complete requests for about 16 million new and replacement Social Security cards;
- post 258 million earnings items to workers' records; and
- complete more than 100 million post-entitlement actions, including issuing emergency payments, re-computing payments, and completing address and status changes.

In April 2015, SSA released its Vision 2025 publication, which discusses SSA's 10-year plans for its workforce, technology, and customer service. It also identifies challenges including disability and retirement waves, an aging employee base, increased employee turnover, technological advancements, fiscal constraints, and increased customer expectations. For instance,

- the population age 65 and older will grow by more than 18 million from 2015 to 2025 and then by an additional 8 million by 2030;
- rapid advances in technology increase the amount of personally identifiable information that is transmitted online, which has resulted in a heightened cyber-risk environment for identity theft;
- Americans will generate 24 percent more Internet traffic by 2018; and
- SSA's technology infrastructure and legacy systems are decades old and need replacement or repair.

Despite these challenges, the public deserves efficient and responsive customer service today and in the future.

The Government Accountability Office (GAO) continues to recognize strategic human capital management on its list of high-risk Federal programs and operations. In its February 2015 High-Risk Series report, GAO noted that agencies have taken important steps that will better position the Government to close current and emerging critical skills gaps, but agencies will need to implement specific strategies and evaluate their results to demonstrate progress in addressing critical skills gaps. SSA recognizes its employees are a key element of its customer service and states the loss of institutional knowledge is a driver for its Vision 2025. SSA states that 29 percent of its permanent employees will be eligible to retire, and their retirement could result in various mission-critical skill gaps in the Agency by 2020.

The Agency's oversight to ensure representative payees properly manage the Social Security payments of vulnerable beneficiaries and recipients is also a critical customer service. Some individuals are not able to manage or direct the management of their finances because of their age or mental and/or physical impairment. For these individuals, SSA appoints a representative payee who receives and manages the beneficiary's payments. As of September 2014, SSA reported there were approximately 6 million representative payees who managed about \$76.8 billion in annual benefit payments for approximately 8.7 million beneficiaries and recipients.

In its *Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews* for FY 2014, SSA identified various issues during its periodic representative payee reviews and stated they removed representative payees because of misuse of funds and poor performance. In addition, SSA identified problems involving misunderstanding of representative payee duties without any intentional misconduct. GAO has previously noted SSA struggles to "effectively administer" its representative payee program. Our audits also continue to find problems with SSA's administration of the representative payee program. Recent Office of the Inspector General audits, have stated that SSA should

- improve its controls to ensure it does not make payments to representative payees the Agency has terminated or did not select as a representative payee and
- ensure new representative payees were selected when current representative payees died.

Active Representative Payees Who Are Not in the Social Security Administration's Representative Payee System

SSA's Representative Payee System is a nation-wide database that contains information about current, non-selected, and terminated representative payees. The Representative Payee System gives SSA employees immediate access to information about representative payees to assist them in making good representative payee decisions. We will determine whether SSA has adequate controls to ensure it does not make payments to representative payees it has not selected.

Beneficiaries Serving as Representative Payees Who Have a Representative Payee Managing Their Benefits

Beneficiaries whom SSA has determined are incapable of managing their own benefits should not serve as a representative payee for another beneficiary. SSA's Representative Payee System should generate an alert during the representative payee application and selection process when a beneficiary with a representative payee applies to become a representative payee for another beneficiary. We will determine whether SSA has adequate controls to prevent the selection of representative payees who are incapable of managing their own benefits.

Benefits Payable to Child Beneficiaries Who No Longer Need Representative Payees

When circumstances change that suggest a representative payee may no longer be suitable, SSA may suspend benefits and initiate a search for a new representative payee. SSA may also pay beneficiaries directly while it is searching for a new representative payee, unless it would cause the beneficiary substantial harm. In addition, under certain circumstances, child beneficiaries age 15 to 17 can be paid directly. However, SSA cannot make direct payments to child beneficiaries under age 15 unless they have been legally emancipated. Finally, upon attaining age 18, unless direct payment is prohibited for other reasons, beneficiaries are presumed to be legally competent adults and no longer require representative payees solely based on their age. Our review will determine whether SSA has adequate controls to ensure child beneficiaries whose benefits were withheld because they did not have representative payees were paid when they attained age 18.

Controls over the Social Security Administration's National Remittance Process

SSA's field offices receive cash, checks, money orders, and credit card remittances for a variety of reasons, including repayment of overpaid benefits, Medicare premium payments, and fees for certain services. Field offices forward most remittances (after first converting cash into a money order) to SSA's Mid-Atlantic Program Service Center for final processing and deposit. Final processing includes reviewing the information received from field offices for accuracy and transmitting data to the National Records Center. In FY 2014, the Mid-Atlantic Program Service Center processed over 1.4 million checks totaling about \$722.6 million and about 270,000 credit cards totaling about \$64.5 million. SSA is streamlining its remittance process for non-program fees. Our audit will assess controls SSA has in place over its national remittance process.

Customer Waiting Times in the Social Security Administration's Field Offices

In October 2010, we issued a report on *Customer Waiting Times in the Social Security Administration's Field Offices*. The report stated that, although SSA closely monitored field office wait times and had initiatives to reduce customer wait times, a significant number of customers waited more than 1 hour for service. Additionally, many customers left SSA field offices before they received service. We found that customer wait times were improving toward the end of our 21-month audit period, even though the number of annual visitors was increasing. This review will evaluate current field office visitor levels and wait times to determine whether SSA (1) had adequate procedures to monitor how long visitors waited for services at its field offices and, when applicable, (2) took actions to shorten long wait times. We will also evaluate any initiatives SSA undertook to reduce wait times and any improvements SSA made to the Visitor Intake Process since our last review. Additionally, we will look at why customer waiting times increased, including staff losses and training of new employees.

Large Volume Individual Representative Payees for the Social Security Administration

We have identified 47 individual representative payees nationwide who serve 50 or more beneficiaries (these individuals serve about 4,000 beneficiaries). The 47 volume individual representative payees are located in various Regions including Chicago, Philadelphia, Atlanta, San Francisco, Denver, and Kansas City. We will review each of the 47 payees by conducting Philanet, LexisNexis, and Internet searches to identify any issues that would result in a reason for a further review. Based on our review, we will select one payee for an in depth review. We will determine whether SSA's internal controls are adequate to ensure volume individual representative payees used and accounted for Social Security benefits in accordance with SSA's policies and procedures.

Oversight of Individuals Managing Beneficiary Funds

SSA requires that representative payees annually report how they used and saved the benefits they received. SSA reviews the reports and follows up on missing, incomplete, or inappropriate information. However, these reviews are only performed on representative payees who are officially assigned. An individual might be managing funds for incapable individuals without SSA having appointed them as a representative payee. Individuals who control beneficiaries funds without SSA's knowledge could be avoiding oversight and therefore, are not subject to reviews and other monitoring controls. We will determine whether individuals are managing beneficiary funds to avoid SSA's oversight and monitoring.

Representative Payee Criminal Bar Policy

The *Social Security Protection Act of 2004* bars individuals from serving as representative payees, if they have been convicted of an offense resulting in more than 1 year of imprisonment. However, several recent cases of fraud and abuse have exposed flaws in the implementation of this essential safeguard. SSA developed a new representative payee selection policy to identify applicants who should be prevented from serving as payees because they have committed serious violent or financial crimes. In June 2013, SSA introduced PayeeWiz, which relies on a proprietary database called Accurint, a service of LexisNexus. Accurint includes criminal history that field office staff can use during the payee selection process, rather than solely relying on the applicant's self-reporting. During the pilot, the Philadelphia Region prevented the appointment of 285 applicants with serious criminal histories from serving as payees. We will assess SSA's implementation of its representative payee criminal bar policy.

Representative Payees with Current Prisoner Records

An individual who is incarcerated is not in a position to serve as a representative payee and should be replaced. SSA compares verified prisoner information to the Representative Payee System to determine whether anyone who is incarcerated has applied to be, or is acting as, a representative payee. When there is a match, an alert is generated and a case is added to SSA's Prisoner Update Processing System. We will match the Representative Payee System against the Prisoner Update Processing System to identify representative payees who appear to be incarcerated. We will determine whether SSA (1) took appropriate action for generated alerts, (2) continued to pay representative payees who are incarcerated, and (3) generated and developed prisoner alerts timely.

Representative Payees' Use of Personal Care Homes

Our Office of Investigations has identified several representative payees that may be placing SSA beneficiaries in certain personal care homes that are unsafe or do not provide adequate living conditions. We will assess whether representative payees are adequately meeting the needs of SSA beneficiaries.

The Social Security Administration's Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews

The *Social Security Protection Act of 2004* requires that SSA report the results of site reviews of specific types of representative payees and any other reviews of payees conducted during the prior FY. The Agency's site reviews help strengthen its oversight of payees and supplement the annual accounting process. The report provides the results of the reviews of payees who manage the benefits of Social Security, Special Veterans Benefits, and SSI recipients. As SSPA requires, the report describes the problems identified by the reviews and the action SSA took and/or plans to take to correct the problems. We will assess SSA's *Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews*.

U.S. Veteran Disability Cases in Social Security Administration Backlog

Benefits available to military service members through Social Security are different from those available through the Department of Veterans Affairs and require a separate application. SSA can give military service members' disability claims expedited processing if they become disabled while on active military duty on or after October 1, 2001, regardless of where the disability occurs. Military service men and women can receive expedited service whether they apply online or in person. We plan to issue an informational report that will determine (1) the extent that U.S. veterans' disability cases are (or were) included in SSA's disability backlog and (2) whether these military cases should have been expedited.

Invest in Information Technology Infrastructure to Support Current and Future Workloads

Federal agencies must ensure they wisely invest their scarce resources. SSA faces the challenge of how best to use technology to accomplish its mission with increased budget and resource constraints. The Agency will not be able to manage its current and future workloads without the proper information technology (IT) infrastructure.

One of SSA's major IT investments in recent years has been replacing its existing National Computer Center (NCC). The NCC has been in continuous operation as a data center since it opened in 1980 and, while its computing capacity has been expanded over the years, increasing workloads and expanding telecommunication services severely strained its ability to support the Agency's business. SSA received \$500 million from the *American Recovery and Reinvestment Act* to replace the NCC. With construction of the new National Support Center (NSC) completed in 2014, SSA began migrating its IT infrastructure to the new NSC in 2015. The Agency expects to complete the transition to the new NSC in FY 2016.

SSA relies on a large and complex technology infrastructure to support its operations. The Agency is working to evolve its infrastructure to incorporate modern technologies that align with its business needs. As workloads increase, SSA's systems must keep pace with the demand.

According to SSA, in FY 2014, the Agency saw about 40 million visitors in its field offices and handled over 37 million calls to its National 800-Number. In 2000, to provide additional service options, the Agency introduced the Internet Social Security Benefit Application. Since then, the Agency has developed and implemented over 30 electronic services to the public, business, and other government agencies. With these expanded services, SSA reportedly processed more than 70 million transactions online in FY 2014.

One of the Agency's priority goals is to develop and increase the use of self-service options. To achieve that goal, SSA plans to rapidly expand the services available under its **my Social Security** online portal. For example, the Agency is developing an application to permit certain individuals to request replacement Social Security cards online. SSA also plans to provide direct access to certain information and notices through its online services.

To simplify system support and maintenance, improve the speed and quality of the disability process, and reduce the overall growth rate of infrastructure costs, SSA is developing the Disability Case Processing System (DCPS) to be used by all disability determination services (DDS). However, despite investing more than \$344 million in DCPS over 7 years, SSA has not yet fully developed and implemented the software. The project has faced schedule delays and increasing stakeholder concerns.

Controls over Social Security Internet Benefit Applications

SSA implemented the Internet Claim application to allow claimants to complete and electronically submit an online application for retirement, spousal, disability, or Medicare-only benefits. Third parties may also complete an Internet Claim application on someone else's behalf. The Internet Claim application checks the Numident to determine whether the SSN is valid; the name and date of birth match; and a death, fraud, or domestic violence indicator is present. In a 2011 audit, we identified potential fraud characteristics of Internet Claim applications. Our review will evaluate the effectiveness of SSA's controls over Internet Claim applications.

Costs Incurred for the National Support Center

In FY 2009, the *American Recovery and Reinvestment Act* provided \$500 million to SSA for the NSC and tasked the OIG with overseeing the programs, projects, and activities funded by the Recovery Act. In FY 2015, SSA reported that it spent about \$500 million on the NSC. We will determine whether the NSC's actual costs agree with what SSA has reported.

Development of the Internet Social Security Number Replacement Card Application

To reduce the number of replacement card requests in field offices and Social Security Card Centers, SSA is developing the Internet Social Security Number Card Replacement Card (iSSNRC) application. The iSSNRC will allow adult U.S. citizens who meet certain criteria to request replacement Social Security number (SSN) cards through the *my Social Security* portal by completing an application and providing data from either their State-issued driver's license or identification card. SSA performed an authentication risk assessment for the iSSNRC and developed a risk mitigation strategy that includes verifying information from the applicant and fraud analysis before issuing the SSN cards. OMB's e-authentication guidance (OMB M-04-04) requires that agencies consider the benefit and costs of e-authentication implementation and compare the costs and benefits of proper alternatives when making investment decisions. For our review, we will determine whether (1) SSA's process for testing its iSSNRC application complies with Federal standards and best practices and (2) SSA followed its testing process.

Managing Beneficiary Address Information in the Social Security Administration's System of Records

According to our August 2012 audit, *Using Medicare Claim Data to Identify Deceased Beneficiaries*, SSA overpaid an estimated 890 deceased beneficiaries age 90 or older about \$99 million. The audit also estimated there were about 1,160 beneficiaries purportedly living outside the United States without SSA's knowledge and about 190 beneficiaries whose whereabouts were unknown. Some beneficiaries who were purportedly living outside the United States and whose whereabouts were unknown may have been deceased. Further, about 55 percent of our sample (including those who were deceased, out of the country, or whereabouts were unknown) had an incorrect address on the Master Beneficiary Record (MBR). Having an inaccurate address causes extra work to locate the beneficiaries and could cause payment accuracy issues. While SSA requires that its beneficiaries notify it when an address change occurs, beneficiaries have no incentive to notify SSA, especially if they are receiving benefits via

direct deposit. We will assess the impact of inaccurate beneficiary address information in SSA's system of records and identify ways the Agency may improve its process for locating beneficiary addresses.

The Social Security Administration's National Support Center: Progress Report 2

The Agency plans to complete migration from the Agency's existing NCC to the new NSC by June 2016. In FY 2015, we completed our first progress report on the NSC Migration. While no significant issues came to our attention that threatened the Agency's ability to complete the migration as planned, SSA must continue diligently monitoring migration activities to ensure the project remains on schedule. We will conduct a second progress review to independently determine whether circumstances exist that threaten SSA's ability to fully transition computer center operations to the NSC as planned.

Reduce Improper Payments and Increase Overpayment Recoveries

SSA is responsible for issuing over \$900 billion in benefit payments annually to about 62 million people. Given the amount involved, even the slightest error in the overall payment process can result in millions of dollars in over- 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 2013:

- The OASDI improper overpayment error was \$1.9 billion or 0.2 percent of program outlays, and the underpayment error was \$1.1 billion or 0.1 percent of program outlays.
- The SSI improper overpayments were \$4.2 billion or 7.6 percent of program outlays, and underpayment errors were \$918 million or 1.7 percent of program outlays.

For FYs 2014 through 2016, SSA's goal was to maintain OASDI payment accuracy at 99.8 percent for both over- and underpayments; whereas for SSI, the Agency's goal was to achieve a 98.8-percent underpayment accuracy rate and a 95-percent overpayment accuracy.

SSA has not met its payment accuracy goals often in the last few years. For example, in FYs 2011, 2012, and 2013, the Agency's goal was 95-percent payment accuracy for SSI, but SSA fell short of this goal in each of these years.

SSA is undertaking projects to (1) maximize its use of proven debt collection tools and techniques; (2) implement new tools for debt collection; and (3) develop recommended changes to laws, regulations, and policies to enhance its ability to collect debt.

In November 2009, the President issued Executive Order 13520 on reducing improper payments. In March 2010, OMB issued guidance for implementing the Executive Order. Also, in July 2010, the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) was enacted. Furthermore, in January 2013, the *Improper Payments Elimination and Recovery Improvement Act of 2012* was enacted, which refined steps agencies should take to address improper payments. As a result, all agencies with high-risk programs—those with significant improper payments—are required to intensify their efforts to eliminate payment errors. OMB designated SSA's programs as high-risk.

CDRs and redeterminations are cost-effective program integrity tools. By completing CDRs, SSA periodically verifies that individuals are still disabled and entitled to disability payments; whereas, through redeterminations, SSA verifies that SSI recipients still meet the non-medical factors of eligibility.

Available data indicate that SSA saves about \$10 for every \$1 spent on CDRs, including Medicare and Medicaid program effects. However, because of the lack of funding, the Agency reduced this workload over a several year period. From Calendar Years 2005 through 2010, we

estimated SSA made between \$1.3 and \$2.6 billion in disability benefit payments that could have been avoided had full medical CDRs been conducted when they became due.

SSA has identified, and taken steps to address, the causes of improper payments. 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 a recipient or representative payee's failure 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 verifying bank account balances identified by the applicant or SSI recipient and identifying undisclosed financial accounts with balances that place recipients over the SSI resource limit. However, as of September 2015, SSA was not using AFI on all SSI cases—only those that met a certain tolerance level.

SSA uses a variety of methods to collect 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* for OASDI debts and the *Foster Care Independence Act of 1999* for SSI debts. These debt collection tools include the Treasury Offset Program, credit bureau reporting, administrative wage garnishment, and Federal Salary Offset. In FY 2014, SSA recovered about \$3.32 billion in OASDI and SSI overpayments and ended the FY with an uncollected overpayment balance of \$17.8 billion.

SSA has also worked to improve its ability to prevent over- and underpayments by implementing our audit recommendations. For example, in June 2013, we issued a report on *Payments to Individuals Whose Numident Record Contained a Death Entry* that estimated SSA improperly paid 1,546 beneficiaries approximately \$31 million. SSA agreed with the recommendations we made to improve this area.

Also, in May 2013, we issued a report on the *Adjustment of Disabled Wage Earners' Benefits at Full Retirement Age*. We estimated that SSA improperly paid about \$8.2 million to 652 beneficiaries who previously elected reduced retirement benefits to avoid workers' compensation or public disability benefits offset. We also estimated that SSA improperly paid about \$1.4 million to 1,345 beneficiaries because it did not correctly adjust their disability benefits to account for the months they received reduced retirement benefits before full retirement age. SSA generally agreed with the recommendations we made to improve this area.

Access to Financial Institutions

Under its AFI initiative, SSA verifies bank balances when the claimant or recipient alleges a certain level of cash resources. However, an SSA study found “Little correlation between recipients’ allegations of financial account balances and the verified balance.” AFI’s full potential for identifying and preventing improper payments may not be realized until SSA uses AFI on every SSI claim and redetermination, assumes no tolerance levels, and fully integrates the process with SSA’s systems. We will evaluate SSA’s efforts to more fully implement AFI.

Accuracy of Critical Payment System Payments

SSA created the Critical Payment System (CPS) in February 1987 to issue Title II benefits to beneficiaries in critical cases and special situations that were not addressed by other payment systems. In August 2013, SSA replaced the CPS legacy system with a Web-based application. The new system has similar capabilities and allows staff to issue three types of payments: one-time, monthly continuing, and immediate. CPS requires a two-pin authorization to release payments—the initiator who requests the CPS payment cannot be the same person who approves the transaction. In addition, depending on the type of payment, CPS has a payment amount limitation. We will assess the accuracy of a sample of CPS payments.

Accuracy of Manually Deemed Income Calculations for Supplemental Security Income Recipients

The process of considering another person's income and resources to be an SSI recipient’s is known as deeming. If a child eligible for SSI lives with his/her parents, and at least one parent does not receive SSI payments, SSA looks at the ineligible parent's income and resources to decide whether some of it must be deemed to the child. This deeming is done because it is expected that the parent will use some of his/her income and resources to meet some of the SSI recipient’s needs. SSA considers the income and resources of the ineligible parent to determine whether a child is eligible for SSI payments. In some cases, SSA’s automated system cannot properly calculate the amount to be deemed for children receiving SSI payments. Therefore, the correct amount must be manually calculated and posted. For example, manual deeming may be required in situations when the deemor is undocumented and information is not available in the claims system, there is more than one eligible child involved, or one spouse and a child are both eligible. We will determine whether SSA is correctly computing SSI payments when parental income and resources are involved and the system cannot perform the calculation.

Accuracy of the Social Security Administration’s Manual Billing Process to Collect Medicare Premiums

Beneficiaries who have Medicare Part B coverage usually have their monthly premiums withheld from their Social Security benefits. However, if the beneficiary’s monthly payment amount is less than his/her Medicare premium, SSA must bill the additional amount owed for medical coverage. The billing process requires that staff manually calculate the amount owed after deducting the amount of monthly benefits used toward Medicare premiums. We will determine whether SSA correctly completed manual actions to bill Medicare premiums owed by beneficiaries whose monthly benefit amount is less than the monthly Medicare premium.

Aged Beneficiaries Whose Benefits Have Been Suspended for Address or Whereabouts Unknown Reasons

When SSA cannot locate beneficiaries or their whereabouts are unknown, staff suspend their benefits. SSA is required to attempt to determine the beneficiaries' whereabouts and document any efforts to locate them. When benefits have been suspended for whereabouts unknown for a period of at least 7 continuous years, SSA assumes a beneficiary is deceased and terminates entitlement to benefits effective the date the beneficiary disappeared. In a 2011 audit, we found SSA had not taken appropriate actions for beneficiaries whose benefits it had suspended for address, whereabouts unknown, or miscellaneous reasons. In this follow-up review, we will determine whether SSA has taken appropriate actions to address our prior audit recommendations.

Controls over Supplemental Security Income Applicants/Recipients' Transferring Ownership of Resources

As of December 14, 1999, transferring ownership of a resource for less than fair market value can result in SSI ineligibility for up to 36 months. Therefore, when an individual alleges a resource has been transferred, SSA must develop the transfer to determine the effect on SSI eligibility. When a recipient transfers a resource for less than fair market value, SSA staff inputs a diary code with the date of transfer. Currently, there are more than 35,000 such diaries nationwide. Our review will determine whether SSA accurately develops the effect on SSI eligibility when an applicant/recipient alleges ownership of a resource was transferred for less than fair market value.

Effect of the Modernized Claims System Processing Limitations on Retirement and Survivors Insurance Payment Accuracy

When a claim contains processing limitations and cannot be completely adjudicated through the Modernized Claims System earnings computation process, it is necessary to use the Manual Adjustment Credit and Award Process (MADCAP). MADCAP is more labor-intensive and error-prone, but it remains the processing route for actions that cannot be input to, or have been rejected from, other direct input programs. While the Modernized Claims System contains controls to prevent the release of incorrect payments, there are few systems controls to prevent improper payment computations in MADCAP. As of September 30, 2013, there were 3,434,801 Retirement and Survivors Insurance (RSI) accounts that had payment computation overpayments totaling about \$1.7 million. We will determine the payment accuracy of RSI payments processed through MADCAP and assess the impact that systems updates to eliminate MCS processing limitations would have on the Title II trust fund. While we will limit the scope of this audit to claims initiated through the Modernized Claims System, we plan to conduct a separate MADCAP audit to address the reduction of payment errors for Payment Center workloads that do not originate in the Modernized Claims System.

Federal Employees Receiving Social Security Administration Benefits and/or Have an Overpayment

A previous audit identified an SSA employee who was receiving Title II benefits and who had an overpayment on his record, but SSA was not collecting the overpayment because it could not locate the beneficiary. This review will look at Federal employees who have Title II and/or XVI overpayments to determine whether they have payment errors on their records and whether SSA is taking collection action on these cases.

Follow-up: Administrative Leave Use

Administrative leave refers to an excused absence from duty that is authorized without loss of pay or a charge against the employee's leave balances. In FY 2010, we issued a report on *Administrative Leave Use* that stated SSA's oversight of short periods of administrative leave was generally effective. However, SSA did not establish policies governing leave use in the small number of instances where it granted employees administrative leave for extended periods. Based on our recommendations, SSA agreed to develop and implement policies governing authorization, review, and approval of extended periods of administrative leave; and establish procedures to monitor extended administrative leave use. This review will follow up on findings and recommendations included in our 2010 report.

Follow-up: Unprocessed Manual Recalculations for Title II Payments

When the Agency learns an earnings record may be incorrect, an SSA employee with authority to make initial determinations regarding wage evidence reviews the evidence. SSA will recalculate benefit amounts when it reopens a previous computation. Benefit recalculations based on new earnings are initiated through SSA's Automatic Earnings Reappraisal Operation system, which screens earnings records that have changes in earnings information and computes the necessary changes. When earnings are removed, the Automatic Earnings Reappraisal Operation generates an alert for the appropriate SSA office to review the beneficiary's records and manually adjust the Primary Insurance Amount and benefit amounts, as needed. We will determine whether SSA (1) adjusted Title II benefits when earnings were removed from beneficiaries' earnings records and (2) calculated and assessed over/underpayments when appropriate.

Improper Payments and Fraud - Multiple Social Security Numbers at Same Address or Different Address

In a 2012 report on *Individuals Receiving Benefits Under Multiple Social Security Numbers at Different Addresses* (A-01-11-11145), we found that SSA assessed \$2.9 million in overpayments to 46 beneficiaries who inappropriately received benefits under multiple SSNs at different addresses. Of these 46 cases, 40 involved possible fraud and 6 involved administrative errors. When we issued the final report, 77 were still under review, and SSA had not assessed overpayments—74 of the 77 cases were being investigated for potential fraud. Additionally, in a 2011 report titled *Follow-up: Individuals Receiving Benefits Inappropriately Under Multiple SSNs at the Same Address* (A-01-10-11008), SSA assessed \$2.5 million in overpayments to 77

beneficiaries who inappropriately received benefits under multiple SSNs at the same address. Of these 77 cases, 52 involved possible fraud and 25 had administrative errors. At the time the final report was issued, 47 were still pending review. We plan to issue an informational report that provides SSA with the amount of improper payments assessed/collected and the status of the fraud investigations for the cases from these two reports.

Improper Payments Made to Incarcerated Juveniles

The *Social Security Act* allows SSA to make incentive payments to State and local correctional facilities that provide inmate data to SSA that leads to the suspension of an inmate's benefits. However, SSA does not have similar agreements or Memorandums of Understanding with youth detention centers or other correctional facilities. Therefore, the Agency may continue paying monthly benefits as it primarily relies on self-reporting. We will look at selected States to determine whether SSA is making improper payments to incarcerated juveniles.

Improper Supplemental Security Income Payments That Cannot Be Prevented Because of Legislation or Court Decisions

Some SSI overpayments cannot be prevented because of current legislation. For example, the law requires that SSI payments be made on the first of the month based on the recipient meeting all eligibility requirements for that particular month. However, changes in the recipient's status can occur during the month, which causes the recipient's eligibility to change. Therefore, SSA cannot prevent the overpayment. Under the *Improper Payments Elimination and Recovery Act of 2010*, Federal agencies are required to develop an annual estimate of improper payments. SSA does not include in its estimate improper payments that cannot be prevented; and OMB approved this reporting methodology. Our audit would quantify improper payments that cannot be prevented due to legislation and which SSA does not include in its improper payment estimate to OMB.

Individuals Not Receiving Widow(er) Benefits

Spouses of individuals insured under the OASDI program can be eligible for auxiliary benefits. When an OASDI recipient dies, a claimant could be entitled to benefits from the deceased beneficiary as a widow(er), surviving divorced spouse, or disabled widow(er). Widow(er) requirements for entitlement to benefits include that the deceased had been fully insured, and the widow(er)s must (1) be age 60 or age 50 (if disabled), (2) be unmarried, (3) have filed an application for widow(er)'s benefits, and (4) not be entitled to retirement insurance benefits that equals or exceeds the deceased numberholder's primary insurance amount. Also, a widow(er) may receive a special \$255 lump-sum death payment if he/she were living in the same household with the worker when he/she died. We will review SSA's automated data for individuals who are receiving retirement benefits who may be entitled to, but are not receiving, widow(er)s benefits.

Ineligible Spouses or Parents with Substantial Income Increases After Reported Separations from Supplemental Security Income Recipients

Income earned by a recipient's spouse or parent may count as income for the recipient when determining SSI eligibility. SSI recipients may falsely report a separation to keep the spouse's income from impacting SSI eligibility. Generally, SSA relies on SSI recipients to voluntarily report any changes in their marital status or living arrangements. When a recipient alleges separation, SSA does not require that they provide a reason for separation or documentation to prove the report. Therefore, the Agency does not have any information that would allow it to differentiate valid and false reports. We will determine whether SSA is effectively determining the accuracy of recipients' reports of separations from spouses or parents who have substantial earnings after the reported separation.

Manual Adjustments to Overpayments Collected Via Cross Program Recovery

SSA is allowed to withhold portions of an OASDI benefit to recover SSI overpayments owed by the beneficiary (cross-program recovery). As amounts are collected from the OASDI payments, SSA systems reduce the overpayment recorded on the Supplemental Security Record (SSR). For various reasons, SSA may stop collecting the SSI overpayment on the OASDI record. SSA policy prohibits SSA personnel from processing manual actions/adjustments to the cross-program recovery debt on the OASDI record because manual adjustments inadvertently cause the deletion of the corresponding overpayment on the SSR. We will determine whether improperly processed transactions to stop cross-program recovery of SSI overpayments inadvertently (and erroneously) deleted overpayments from the SSR.

Multiple Overpayments that Could Result in a Finding of Similar Fault

Beneficiaries are expected to exercise care in preventing an overpayment. Similar fault occurs when a person knowingly makes an incorrect or incomplete statement that is material to the determination or knowingly conceals information that is material to the determination. Unlike fraud, the intent to defraud is not necessary for a finding of similar fault. If SSA finds similar fault, an individual cannot be considered without fault for the overpayment and therefore the Agency cannot waive the overpayment. Additionally, SSA must recover the overpayment by withholding 100 percent of the individual's benefit, and the recovery rate cannot be appealed. We will identify beneficiaries who have multiple overpayments for the same or similar reasons that could indicate similar fault.

Non-Responders to Social Security Administration's Foreign Enforcement Questionnaires

For beneficiaries living outside the United States, SSA uses Foreign Enforcement Questionnaires to contact beneficiaries and representative payees annually or biennially, depending on their age, their country of residence, the benefit type, and the last digits of their Social Security numbers. All representative payees receive Foreign Enforcement Questionnaires annually on behalf of beneficiaries. Some Foreign Enforcement Questionnaires are not returned. About 6 months after the initial questionnaires are sent to representative payees, if non-responders take no action, SSA may suspend payments. If beneficiaries who do not have payees do not respond, their payments are immediately suspended. We will determine whether SSA complied with its policies and procedures when processing Foreign Enforcement Questionnaire non-responders and took appropriate action when issues were identified that affected benefit eligibility.

Numberholders with Death Information on the Numident Who Do Not Appear in the Death Master File

SSA matches death reports from various sources against its payment records and records dates of death on the Numident, an electronic file that contains personally identifiable information for each individual issued an SSN. SSA uses certain death information from the Numident to create a record of death information, known as the Death Master File (DMF). In June 2015, we matched all Numident records that listed the numberholders' dates of death against the full DMF and identified approximately 8.7 million numberholders whose death information on the Numident did not appear in the DMF. We will determine whether 8.7 million numberholders are receiving payments, posting earnings, and/or being verified for work purposes.

Office of Personnel Management Death Data Not on the Social Security Administration's Systems

The Office of Personnel Management does not share its death information with SSA. We obtained the Office of Personnel Management's 1.9 million death records to match against SSA's death data. We will determine whether deceased individuals in the Office of Personnel Management's death file are receiving payments from SSA.

Overpayments Being Collected Through Long-Term Repayment Plans

During our review of *Supplemental Security Income Overpayments Pending Collection Determination*, we identified 40 overpayments that were not collected because the amount withheld was used to recover the recipients' prior overpayments. For these 40 individuals, it would take 2 to 199 years to collect the total overpayment balances. SSA is limited in its ability to collect some of these overpayments sooner because of restrictions outlined in the *Social Security Act*. We will determine the amount of debt that may be uncollectable because SSA enters into repayment agreements with payback periods that exceed the individuals' average life expectancy.

Overpayments to Widows

If a worker chooses to receive benefits before he/she reaches full retirement age, the amount of the benefit payable to the worker's widow(er) is capped by the retirement insurance benefit limitation provision. Under this provision, the benefit to a widow(er) is reduced to the amount the deceased worker would be receiving if alive, or 82.5 percent of the deceased worker's primary insurance amount, whichever is larger. Our review will determine whether SSA overpaid widow(er)s under the retirement insurance benefit limit provision.

Payments to Individuals Whose Numident Record Contains a Death Entry

SSA matches States' death records against its payment records to identify and prevent erroneous payments after death. SSA receives and processes death information, terminates payments when a beneficiary dies, and produces a record of death information known as the DMF. However, in 2009 and 2013 reports, we identified about 9,000 people who received approximately \$93 million in SSA payments although the Numident showed the individuals were deceased. We will determine the appropriateness of benefits paid to individuals whose Numident record contains a date of death.

Payments to Individuals with a Death Entry on Their Veterans Benefits Administration Record

Our June 2006 report on a *Match of Veterans Affairs' Historical Death File Against the Social Security Administration's Benefit Rolls* identified approximately \$11.7 million in improper payments to deceased individuals. For this review, we will obtain updated Veteran Affairs death information and determine whether SSA issued payments to deceased individuals.

Propriety of Non-Resident Alien Dependents and Survivors Receiving Title II Benefits

Certain noncitizen dependents and survivors who were first eligible for benefits after 1984 must have resided in the United States for at least 5 years as the numberholder's spouse, widow(er), child, or parent to receive benefits while outside the United States. This can be a continuous 5-year period or separate periods totaling 5 years. If the 5-year residency requirement is not met, the dependent or survivor must return to the United States periodically to prevent his/her benefits from being suspended. We will determine whether SSA is erroneously paying monthly benefits to non-resident alien dependents and survivors.

Questionable Windfall Elimination Provision Exemptions

The *Social Security Amendments of 1983* (Pub. L. No. 98-21) includes a windfall elimination provision that eliminates “windfall” Social Security benefits for retired and disabled workers who are receiving pensions from employment not covered by Social Security. Under the windfall elimination provision, a modified benefit formula is used to determine the worker’s primary insurance amount. However, this provision is not applicable for beneficiaries who were eligible to receive their non-covered pensions before 1986. Recently, SSA has received evidence implying that some beneficiaries were eligible for the pension before 1986. In many of these cases, further development has indicated that the information supplied was either misleading or incomplete, causing overpayments. We will identify OASDI beneficiaries whose payments were incorrectly exempt from the windfall elimination provision because of a pension eligibility before 1986.

Removal of Self-employment Income and the Impact on Social Security Benefits

SSA is responsible for maintaining accurate individual earnings information and recording wages and self-employment income on the Master Earnings File (MEF). SSA receives self-employment income information from the Internal Revenue Service. If SSA determines the self-employment income does not belong to the numberholder, meaning the numberholder disclaimed the earnings, the Agency deletes them from the MEF or transfers them to the Earnings Suspense File (ESF). When SSA removes earnings from a numberholder’s record, his/her benefits could be affected. Title II beneficiaries could be overpaid, and Title XVI recipients could be made eligible for payments. We will issue an informational report that determines the reasons for the disclaimed or deleted self-employment income and whether these wages were used to become eligible for, or increase, beneficiaries’ payments.

Social Security Administration Payments to Individuals with Multiple Cross-Referred Social Security Numbers

During our audit of *Social Security Administration Payments Mailed to Post Office Boxes*, we identified 47 individuals who received OASDI benefits under 1 SSN and SSI payments under a different SSN. SSA was aware these individuals had obtained two SSNs because the associated Numident records were cross-referred. However, during the review, we determined SSA systems did not accurately offset OASDI payments against the SSI payments, and each of these individuals received excessive SSI payments. Our review will identify instances where SSA issued multiple SSNs to individuals and review earnings and claims activity on these records.

Supplemental Security Income Recipients Who Are Not Appropriately Charged In-Kind Support and Maintenance

SSA considers in-kind support and maintenance when determining SSI eligibility and payment amounts. In-kind support and maintenance is any food or shelter (rent, mortgage payments, electricity, etc.) that is given to an SSI recipient or that an SSI recipient receives because someone else pays for it. The general rule is to charge in-kind support and maintenance to a recipient when he/she receives food or shelter, regardless of who is liable for paying the cost of the food or shelter. However, there are numerous exceptions to the general rule. Some of these exceptions result from statutory exclusions. Other exceptions result from situations in which the food or shelter received does not constitute income in accordance with regulations. We will determine whether SSA is accurately computing SSI payments when in-kind support and maintenance is provided to SSI recipients.

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

Some life insurance policies have a cash surrender value (CSV). A life insurance policy is a resource for SSI purposes if it generates a CSV—the value of the resource being the CSV amount. SSA field offices are responsible for verifying whether a life insurance policy owned by an SSI recipient generates a CSV and its value. If examination of a policy does not reveal the current CSV, staff should obtain that information from the individual's insurance agent or company and document the information. If the insurance agent or company does not provide the requested information, staff should use an estimated CSV. Per policy, SSA staff can use a certain percentage of a policy's face value to compute its estimated CSV. For instance, if a policy is at least 20 years old, SSA assumes the CSV is 60 percent of the total face value. We will determine the accuracy of SSA's determinations of SSI recipients' resources related to life insurance policies with CSVs.

Supplemental Security Income Recipients with Chinese Pension Income

Since the SSI program is intended to be a program of last resort, individuals must first apply for all other benefits for which they are potentially eligible. Generally, individuals are not eligible for SSI if they fail to take all the appropriate steps to apply for all other benefits for which they may be eligible—including pension income. Under the Chinese pension system, a person can still receive their pension when they live in the United States. Once a year, the person must prove they are alive by completing a certificate of survival. This can be done by mail, authorized representative, or consulate. The Chinese pension system was established in 1993, but work done before 1993 can also be covered. The average Chinese pension amount can be between \$250 and \$600 per month. SSA estimates that about 50 percent of Chinese immigrants are receiving a pension from China that would impact their SSI payments. Our review will identify SSI recipients who are ineligible or overpaid because they did not report they had pension income from China.

Supplemental Security Income Recipients Who Do Not Report Bank Accounts

About 1.8 million records show the recipient set up direct deposit but answered "no" when asked whether he/she had bank accounts/resources. We looked at 100 cases and found direct deposit on 34 was added before the most recent SSI redetermination. Therefore, the recipient should have said "yes" they had a bank account. Concealing bank accounts could prevent SSA from using its AFI initiative, since SSA only uses AFI if the claimant/recipient alleges he/she has resources. Also, not responding correctly to the bank account question could indicate the recipient is concealing other resources, such as real property, cars, etc. We will identify SSI recipients who say they have no bank accounts even though they have direct deposit for their SSA payment.

Supplemental Security Income Recipients with the Same Telephone Number but Different Addresses

A March 18, 2015 OI Intelligence Bulletin discussed a recent surge in fraudulent Internet Claim retirement applications. The Bulletin discussed 6 allegations in Florida involving 1,522 Internet Claim retirement applications that referenced the same Missouri telephone number. We plan to review SSI recipients in current pay status who have the same telephone number but different addresses. These cases could indicate undisclosed living arrangements that allow the recipients to receive more SSI payments than they are entitled to receive.

Supplemental Security Income Trusts

A trust is a legal arrangement involving property and ownership interests. Property held in trust may or may not be considered a resource for SSI purposes. The income and resource treatment of distributions from a trust is highly dependent on the form of the trust itself, whether the trust is a countable resource or not, the nature and form of the disbursement, and on what the disbursement is ultimately spent.

If an individual (claimant, recipient, or deemor) has legal authority to revoke or terminate the trust and then use the funds to meet his food or shelter needs, or if the individual can direct the use of the trust principal for his or her support and maintenance under the terms of the trust, the trust principal is a resource for SSI purposes. Additionally, if the individual can sell his or her beneficial interest in the trust, that interest is a resource. If the trust principal is not a resource, disbursements from the trust may be income to the SSI recipient, depending on the nature of the disbursements. SSI recipients are required to report withdrawals to SSA so staff can determine the impact of the withdrawals on the recipients' eligibility and/or payment amount.

As trusts are often complex legal arrangements involving State law and legal principles that may require legal counsel, field offices are encouraged to discuss or refer trust related cases to their regional offices. In this audit, we will assess SSA's effectiveness in monitoring trusts held by SSI recipients.

The Social Security Administration's Handling of Title II Overpayment Bankruptcy Waivers

To obtain relief from repaying debts, including those payable to SSA, an individual may petition the bankruptcy court to discharge the debts or schedule a repayment plan. Beneficiary bankruptcies generally relate to filings under Chapters 7 and 13 of the U.S. Bankruptcy Code. Upon notification of this action, SSA must stop all collection activities immediately. In responding to a bankruptcy action, SSA may decide to (1) waive collection of the overpayment, (2) file a Proof of Claim to receive partial payment, and/or (3) contact the court to defend its full collection of the overpayment if it believes it has a valid reason, such as debtor fraud or the debtor's false representation to the Agency. In our planned review, we will assess the Agency's efforts to prevent the discharge of debt that results from the claimant's failure to report, or attempt to conceal, work activity, income, and resources while collecting disability benefits. As part of this work, we will issue an informational report that identifies best practices that could be expanded upon to improve the overall process.

The Social Security Administration's Reporting of Improper Payments in the Fiscal Year 2015 Agency Financial Report

On July 22, 2010, the President signed IPERA into law. According to OMB guidance, each fiscal year, each Inspector General should determine whether the agency is complying with the *Improper Payments Information Act of 2002*, as amended by IPERA. To determine compliance with the *Improper Payments Information Act of 2002*, the IG should review the agency's financial report for the most recent FY. We will determine whether the figures presented in the FY 2015 *Annual Financial Report* are reasonable and the Agency complied with all requirements of the *Improper Payments Information Act of 2002*, as amended by IPERA, and the *Improper Payments Elimination and Recovery Improvement Act of 2012*.

The Social Security Administration's Reporting of High-Dollar Overpayments Under Executive Order 13520 in Fiscal Year 2016

On November 20, 2009, the President implemented Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*. The purpose of this Executive Order is to reduce improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in major programs while continuing to ensure Federal programs serve and provide access to their intended beneficiaries. As part of the requirements, each agency identified by OMB shall provide the agency's Inspector General a quarterly report on the "high-dollar" overpayments. An overpayment is considered high-dollar if it exceeds 50 percent of the correct amount of the intended payment under certain circumstances. We will review the Accountable Official's Quarterly High-dollar Overpayment Report to the OIG for the quarters ended December 2015 and March, June, and September 2016. We will also determine whether the (1) method used to identify high-dollar overpayments detected overpayments that met the Executive Order criteria and (2) Agency complied with all requirements of the Executive Order.

The Social Security Administration's Use of Administrative Sanctions as a Deterrent to Fraud and Abuse

The *Foster Care Independence Act of 1999* amended the *Social Security Act* to authorize SSA, under certain circumstances, to impose administrative sanctions against any person who knowingly makes, or causes to be made, fraudulent or misleading statements or omissions of material fact for use in determining benefit eligibility or amount with a knowing disregard for the truth. Further, the *Social Security Protection Act of 2004* broadened the range of actions that result in an administrative sanction to include failure to report an event that is material to eligibility or the benefit amount if the person knows or should know that failure to report is misleading.

In September 2008, we reviewed SSA's use of administrative sanctions in the OASDI program and found SSA imposed only 275 administrative sanctions from October 2000 through March 2008. In September 2013, SSA established additional criteria that only allows administrative sanctions in cases that have all the following criteria: (1) OIG accepts the case for investigation; (2) the Department of Justice declines to prosecute; (3) OIG does not impose a civil monetary penalty; and (4) the case contains very specific language from OIG. We will identify concerns with SSA's administrative sanctions process.

Title XVI Underpayments Resulting from Unprocessed Earnings Diaries

SSI recipients are responsible for reporting any changes that may affect their eligibility or change their payment amount. However, they do not always timely report necessary information. Therefore, SSA has established interfaces that compare earnings recorded to the SSR with data in both the MEF and Office of Child Support Enforcement database. When a recipient's previously reported earnings exceed the amount identified in the MEF or Office of Child Support Enforcement database, an alert is created to ensure recipients are not underpaid because of earnings discrepancies. Our review will determine the extent to which SSI recipients are underpaid because of SSA's failure to promptly process over-reported earnings alerts.

Improve the Responsiveness and Oversight of the Hearings Process

SSA's FY 2014-2018 *Agency Strategic Plan* has a goal to "Serve the public through a stronger, more responsive disability program," which includes the objective of improving the quality, consistency, and timeliness of disability decisions. One part of that disability program, the hearings process, has experienced worsening timeliness and growing backlogs. For instance, the average processing time for a hearing increased from 415 days in June 2010 to 498 days in June 2015, while the pending hearing backlog grew from about 694,000 cases at the end of June 2010 to approximately 1 million at the end of June 2015.

The Agency continues to focus on the timeliness of the hearings process by:

- increasing adjudicatory capacity through additional hiring of administrative law judges (ALJ);
- targeting and reducing the volume of aged cases; and
- expanding the use of video hearings to reduce ALJ and claimant travel for hearings while also balancing workloads across the nation.

The Agency has also announced new initiatives to address the timeliness issue, including conducting pre-hearing conferences using senior attorney adjudicators to ensure claimants are ready for hearings, establishing judge-only video hearing sites to provide greater flexibility in processing workloads, and reconsidering an earlier regulation stipulating that evidence must be provided 5 days before a hearing to ensure timely and complete hearings.

SSA also continues to focus on decision quality through its ongoing review of pre-effectuated adjudicator allowances, monitoring of potential anomalies in ALJ workload performance, and expansion of hearing office workload quality measures, such as the "agreement rate" associated with the percent of ALJ cases remanded or reversed in subsequent appeals. In addition, the Agency is testing new software to more readily identify potential problems in ALJ decisions so limited resources can be directed to the more error-prone cases.

In the past year, our audit work has addressed some of these backlog and quality issues. For example, in a November 2014 report to the U.S. House Committee on Oversight and Government Reform, we addressed concerns regarding ALJs who had both high dispositions and high allowance rates on their cases. We reviewed 275 sample cases associated with the 44 ALJs who met our criteria and estimated that 38 of the sample cases would have been denied or dismissed had they been part of a pre-effectuation review. Extrapolating these results to all the allowances by the 44 outlier ALJs over a 7-year period, we estimate they improperly allowed disability benefits on approximately 24,900 cases, resulting in questionable costs of about \$2 billion. We recommended the Agency (1) incorporate these findings into its existing monitoring and quality review priorities and (2) ensure full medical continuing disability reviews have been conducted on claimants associated with the higher risk disability cases in our sample and expedite such reviews if not already performed to ensure the claimants are eligible for any ongoing disability benefits. The Agency concurred with these recommendations.

Ongoing and planned work will focus our audit resources on Agency efforts to improve hearing timeliness and decisional quality, address long-term mission challenges, monitor hearing office workload performance, and enhance workload processes to ensure reliable decisional outcomes and reduced overall costs.

Agency Actions on Administrative Law Judges with Low Agreement Rates

The Office of Disability Adjudication and Review's (ODAR) Appeals Council has the authority to review appealed ALJ denials and dismissals. The Appeals Council can affirm the ALJ's decision, disagree with it, or remand it back to the ALJ for a new decision. From this information, ODAR calculates an agreement rate for each ALJ. The agreement rate represents the percentage of appeals affirmed by the Appeals Council divided by the number of cases it reviewed for that ALJ. The agreement rate is based on the Appeals Council's conclusion that the ALJ's decisions were supported by substantial evidence and contain no error of law or abuse of discretion in justifying a remand or reversal. The Chief ALJ has noted that the agreement rate is an important factor in monitoring the decision quality. ODAR's goal is to have an agreement rate of 85 percent or higher for denied cases and 65 percent or higher for dismissed cases. We plan to issue an informational report that will determine what actions the Agency has taken to improve the performance of ALJs with low agreement rates in cases reviewed by the Appeals Council.

Agency Hearings Related to Deceased Claimants

SSA allows family members to pursue an appealed claim even if the beneficiary on the claim has died. Per Agency policy, "If there is another claimant or person who may be adversely affected by the ALJ's decision, and that individual wishes to proceed with the hearing, and there is no other reason to dismiss the request for hearing, the ALJ must hold a hearing and issue a decision." We will assess the number, decisional outcomes, processing, and other characteristics of this workload. We plan to issue an informational report on the results of this review.

Continuing Disability Reviews on Cases Decided by Outlier Administrative Law Judges

In November 2014, we issued a report on *Administrative Law Judges with Both High Disposition and High Allowance Rates* estimating improperly allowed disability benefits on approximately 24,900 cases, resulting in questionable costs of about \$2 billion. This review will determine whether SSA conducted CDRs on the outlier ALJ cases and assess the outcome of those CDRs.

Disabled Beneficiaries Who Worked After Their Disability Onset Dates and Before Favorable Hearing Decisions

Under the *Social Security Act*, SSA established a five-step sequential evaluation process to determine whether an individual is disabled. The five steps determine whether the applicant is working; medical condition is severe; condition is a listed impairment under SSA regulation; applicant can perform past work; and applicant can perform other work. At step one, SSA must determine whether the applicant is engaged in substantial gainful activity. In 2015, the level of earnings that constituted substantial gainful activity was \$1,090 per month for sighted individuals and \$1,820 for blind individuals. We identified Disability Insurance (DI) beneficiaries in current pay status who had earnings after their established disability onset date but before a favorable decision at the hearing level. We will determine whether ALJs considered work activity after the alleged disability onset before providing a favorable hearing decision.

Expansion of the Office of Disability Adjudication and Review's Pre-Effectuation Reviews

ALJs and senior attorney adjudicators issued about 681,000 dispositions in FY 2014. ODAR's Office of Appellate Operations conducts pre-effectuation reviews on a sample of at least 3,500 ALJ allowances annually to identify potential shortcomings in ALJ decisionmaking. Between FYs 2011 and 2014, the Office of Appellate Operations conducted about 22,000 of these pre-effectuation reviews. The Office of Appellate Operations is considering options for modifying the types of cases reviewed beyond a simple random sample. In addition, published information about this process has not highlighted the potential cost savings related to the pre-effectuation reviews as well as the costs for conducting those reviews. We will assess the costs and benefits of expanding the pre-effectuation reviews as well as possible alternative approaches for future reviews.

Options to Reduce the Pending Hearings Backlog

SSA's hearings backlog has exceeded 1 million cases, and the average processing time on cases was about 470 days at the end of FY 2015. The Agency recently announced a new set of backlog initiatives that are designed to reduce the hearings backlog and improve the underlying process. We will assess past and potential actions that can assist the Agency with its growing hearings backlog and worsening timeliness associated with that backlog.

Outcome of the Office of Disability Adjudication and Review's Pre-effectuation Reviews

Since FY 2011, ODAR's Office of Appellate Operations has been conducting pre-effectuation own-motion reviews, which allows ODAR to remand, and in some cases reverse, the ALJ's decision before any payments are made to the claimant. Our preliminary review of a sample of FY 2011 remanded cases identified cases where field offices did not stop payments to claimants after ALJs denied/dismissed the cases. We also found long processing times for some remanded cases. Since claimants can receive interim benefits while awaiting a remand decision, and these interim benefits are not repayable to SSA, processing delays can lead to extra costs for the Agency. In our planned review, we will determine the timeliness of remand processing and related field office actions for denied and dismissed cases.

Software that Identifies Anomalies in the Social Security Administration's Disability Program

ODAR uses software packages that use Natural Language Processing, a type of technology that allows staff to extract and compare information on various opinion and medical forms to identify key phrases, gaps, and anomalies. For example, SSA used this software to identify about 3,100 ALJ opinions where "inability to sustain work" appeared to be misused in the decision. In a similar manner, this software may be useful to identify ALJs for focused reviews as well as ALJ opinions that should undergo a pre-effectuation review. We will determine whether new technology, such as Natural Language Processing, can be expanded to other SSA programs to identify fraudulent claims and possible overpayments.

Subsequent Events on Claimants Denied at the Hearing Level Related to Specific Medical Impairments

SSA's Office of Retirement and Disability Policy recently conducted a study of *Employment, Earnings, and Primary Impairments Among Beneficiaries of Social Security Disability Programs*. The study found beneficiaries who had an intellectual disability, visual impairment, hearing impairment, neoplasms, and HIV/AIDS were more likely to be employed. Conversely, beneficiaries who had schizoaffective disorders, anxiety disorders, back disorders, and endocrine/nutritional/metabolic diseases were less likely to earn at least \$1,000 in 2011. We will review the subsequent events related to denied disabled claimants with specific diagnosis codes to determine whether the claimants appealed, filed a new application with the DDS, returned to work, requested disability benefits from another government or private sector program, and/or took other actions. We plan to issue an informational report on the results of this review.

The Office of Disability Adjudication and Review's Efforts to Improve Customer Service to Unrepresented Claimants and Streamline the Hearing Process

ODAR has two initiatives to streamline the hearing process for unrepresented claimants: "rocket docket" and the Pre-Hearing Conference Pilot. ALJs use the "rocket docket" when multiple unrepresented claimants are scheduled in the same block of time. This allows ALJs to serve more people by scheduling more than their regular calendar of cases when multiple unrepresented claimants are available. The Pre-Hearing Conference Pilot allows senior attorneys to conduct Pre-Hearing Conferences with unrepresented claimants to develop the record, explain the hearing process to the claimant, and advise the claimant of their right to representation. We will review ODAR's efforts to improve customer service to unrepresented claimants and streamline the hearing process.

Strengthen Planning, Transparency, and Accountability

Planning, transparency, and accountability are critical factors in effective management and the level of trust and confidence the American public has in SSA's ability to meet its expectations and fulfill its mission. 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 in Government operations, can erode trust in SSA's ability to tackle the challenges it faces. Failure to plan properly to meet those challenges will lessen the Agency's ability to provide its services efficiently and effectively now and in the future.

At a time when SSA needs to plan to do more with less, SSA has lacked long-term strategic plans. For example, in past years, we have noted that SSA needed a comprehensive Agency information infrastructure plan to meet potential processing needs for the next 20 years and a long-term customer service delivery plan. While the Agency has developed 5-year strategic plans as required by the *Government Performance and Results Act of 1993*, SSA's descriptions in its strategic plans have generally been broad-based roadmaps. SSA has produced other strategic plans, like the Information Resources Management Strategic Plan and the Office of Human Resources' Strategic Plan, but these cover periods of only a few years. While planning for the next few years is important, SSA needs a longer term vision to ensure the Agency has the programs, processes, staff, and infrastructure required to provide needed services 10 to 20 years from now and beyond.

In response to these concerns, SSA released its *Vision 2025* in FY 2015. Per SSA, its *Vision 2025* describes the type of Agency it needs to be to meet its customers' expectations in the next 10 years and beyond.

Effective performance measurement will help ensure SSA implements its plans in an accountable and transparent manner. Similarly, sound financial reporting supports efficient use of the resources needed to meet SSA's challenges and mission. Per the *Chief Financial Officers Act of 1990*, the OIG oversees an audit of SSA's financial statements each year to ensure the Agency provides clear and accurate financial information to the Administration, Congress, and public.

In FYs 2013 and 2014, OIG's contracted independent public accountants reported two significant deficiencies: (1) information systems controls and (2) calculation, recording and preventing overpayments. The independent public accountants noted deficiencies that contributed to the information systems control significant deficiency in the areas of threat and vulnerability management, IT oversight and governance, change management, mainframe security, and access controls. For the overpayments significant deficiency, the independent public accountants noted deficiencies in overpayment calculations and records, tracking, and prevention.

Effective internal control helps ensure SSA is accountable to its mission. SSA management is responsible for establishing and maintaining internal controls to achieve 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.

As part of its efforts to be accountable, SSA must ensure 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 2014, SSA spent about \$1.7 billion on contracts and grants that provided many services, supplies, and a variety of computer hardware, software, and services.

Characteristics of the Highest Paid Claimant Representatives

A claimant may appoint a qualified individual to act on his/her behalf in matters before SSA. An appointed representative can request that the Agency pay the authorized fee directly out of a claimant's past-due benefits if he/she is an attorney or a non-attorney who has met certain prerequisites. SSA will withhold 25 percent of the claimant's past-due benefits if the appointed claimant representative properly notifies SSA that direct payment will be requested. In a prior review, we identified the top paid individuals and affiliated firms in Tax Year 2013, reporting that the top 10 firms received about \$200 million in income. Our review will assess the characteristics of claimant representative firms with the highest earnings from SSA in Tax Year 2014, including allowance rates, hearing practices, claimant characteristics, and use of the Agency's electronic services.

Collecting Overpayments that Occurred when the Beneficiary was Under Age 18

Generally, minor children are presumed not capable of managing or directing someone else to manage their Social Security funds. For these beneficiaries, SSA appoints a representative payee. The representative payee has the responsibility to use the benefits received to provide for the beneficiary's current and reasonably foreseeable needs. However, when SSA discovers an overpayment, it will seek to recover the overpaid benefits. If the debt becomes delinquent, SSA can refer the debtor to the Department of the Treasury for a possible tax refund offset to recover overpaid benefits. During our prior review of *The Social Security Administration's Use of the Treasury Offset Program*, we identified individuals who were children when the overpayment occurred. Because SSA did not discover and establish the debt until the individual was at least age 18, approximately 5,900 debtors were identified for the Treasury Offset Program even though the overpayment began when they were minor children. In April 2014, SSA halted further referrals of debt to Treasury and is exploring policy or legislative changes to limit the Treasury Offset Program for child beneficiaries. Our report will convey information related to SSA's policy on payments to child beneficiaries and the liable party for overpayments. For certain beneficiaries with a recently established overpayment, we will determine whether the overpayment contains periods of overpaid benefits that occurred when the child beneficiary was under age 18. We plan to issue an informational report conveying the results of our review.

Controls over the Homeland Security Presidential Directive Credentials for Separated Employees and Contractor

The purpose of the Homeland Security Presidential Directive 12 Personal Identity Verification card is to enhance security, increase Government efficiency, reduce identity fraud, and protect personal privacy. Credentials should be deactivated within 18 hours of the cardholder's separation, card's loss, or card's expiration. The cards are to be destroyed by crosscut shredding no later than 90 days after deactivation. We will assess SSA's controls over HSPD-12 credentials for employees and contractors who have separated from the Agency.

Fiscal Year 2016 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. The audit work to support this opinion of SSA's financial statement will be performed by a contractor. To fulfill our responsibilities under this Act and related legislation for ensuring the quality of the audit work performed, we will monitor the contractor's audit of SSA's financial statements.

Fiscal Year 2016 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges

The *Reports Consolidation Act of 2000* (Pub. L. No. 106-531) requires that Inspectors General summarize and assess the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. This assessment will be included in SSA's FY 2016 Agency Financial Report. The major management challenges for FY 2016 are listed below. We will reassess these issues before, and during, FY 2016 and make adjustments should they be warranted.

- Improve Customer Service
- Invest in Information Technology Infrastructure to Support Current and Future Workloads
- Reduce Improper Payments and Increase Overpayment Recoveries
- Improve the Responsiveness and Oversight of the Hearings Process
- Strengthen Planning, Transparency, and Accountability
- Improve the Timeliness and Quality of the Disability Process
- Strengthen the Integrity and Protection of the Social Security Number
- Secure Information Systems and Protect Sensitive Data
- Assess Disability Insurance Trust Fund Sustainability

Fiscal Year 2016 Risk Assessment of the Social Security Administration's Charge Card Programs

On October 5, 2012, the President signed into law the *Government Charge Card Abuse Prevention Act of 2012* (Pub. L. No. 112-194), which requires that all Executive Branch agencies implement additional internal controls for purchase cards, travel cards, integrated cards, and centrally billed accounts. It also establishes reporting and audit requirements. Under the law, Inspectors General are tasked to conduct periodic risk assessments of their agencies' charge card programs to analyze the risks of illegal, improper, or erroneous purchases.

Lump-sum Death Benefit Process

In 1981, the *Social Security Act* was amended to limit the lump-sum death benefit to a spouse who was living with the worker at the time of their death or to a spouse/child who, in the month of death, was eligible for a Social Security benefit based on the worker's record. The law changed to ensure the death benefit was only given to people who were presumably the worker's dependent. Before the change, SSA paid almost half of these benefits when there was neither a surviving spouse nor a surviving dependent child. The intended change was to reduce Social Security program costs and improve the program's financial position. According to a July 2014 Congressional Research Service report, total spending on lump-sum death benefits is about \$200 million paid on behalf of 770,000 individuals. We plan to issue an informational report on the current status of the lump-sum death payment process.

Oversight of Claimant Representatives

All attorney and non-attorney representatives of claimants who practice before SSA must comply with the Rules of Conduct and Standards of Responsibility for Representatives found at 20 C.F.R. § 404.1740 and 416.1540. The rules specify affirmative obligations and prohibited conduct. If a representative violates the Rules of Conduct, is not qualified to be an attorney or non-attorney representative under 20 C.F.R. § 404.1705 and 416.1505, or has been convicted of a violation under section 206 of the *Social Security Act*, SSA may file charges and initiate proceedings to suspend or disqualify that representative from acting as a representative before SSA. We will assess SSA's initial and follow-up screening of claimant representatives providing services to claimants.

Reimbursable Work Authorization

The *Federal Property and Administrative Services Act of 1949* made the General Services Administration responsible for managing the Government's real property. The General Services Administration's Public Building Service is responsible for providing repairs and alterations of Government-owned or leased space on a reimbursable basis. The Reimbursable Work Authorization program stems from this function. Reimbursable Work Authorizations are procurement documents between the General Services Administration and SSA to alter, repair, or renovate buildings SSA occupies. In FY 2014, SSA obligated over \$126 million for Reimbursable Work Authorizations. We will ensure SSA is appropriately using Reimbursable Work Authorizations according to Agency policies and regulations.

Social Security Administration Guard Service Contract with MVM, Inc., for Headquarters

SSA awarded the main Headquarters guard service contract to MVM, Inc., on February 12, 2014. The contract contained 1 base year and 4 option years. The base period for this contract is February 12, 2014 to February 11, 2015. This guard service contract is one of the critical components of SSA's overall physical security program. We will determine whether (1) the contractor complied with the contract terms and applicable regulations and (2) SSA personnel were properly monitoring the contract.

Stand-alone Diaries

Staff members who work in SSA's program service centers use action control records (ACR) to track the cases they process. An ACR should be kept open until all actions are taken to complete each case. The time between when an ACR is created and when it is completed helps SSA determine how much time it takes to process cases. However, the time an ACR is in hold status is not counted in the workload processing time. An ACR is placed on hold when staff must wait for more information before further processing; for example, when SSA requests information from a beneficiary. If an existing ACR cannot be fully processed without development, the ACR should remain pending until a "related to" diary reply is received. Once a related-to diary has matured, SSA's paperless system removes the ACR from hold and the time from that point forward is measured as processing time. Staff can use stand-alone diaries in lieu of related-to diaries on incomplete ACRs. When stand-alone diaries mature, SSA's paperless system creates a new ACR. So, a case that should have one long ACR may be divided into two shorter ACRs. The use of stand-alone diaries in this manner likely lowers processing times for ACRs. We will determine whether SSA staff used the appropriate diaries per SSA procedure and whether using stand-alone diaries when related-to diaries were appropriate impacted the processing times of program service center workloads.

The Social Security Administration's Compliance with the *Digital Accountability and Transparency Act of 2014*

The purposes of the *Digital Accountability and Transparency Act of 2014* are to

1. disclose direct Federal expenditures and link Federal contract, loan, and grant spending information to programs of Federal agencies;
2. establish Government-wide data standards for financial data and provide consistent, reliable, and searchable Government-wide spending data that is displayed on USASpending.gov;
3. streamline reporting requirements and reduce compliance costs while improving transparency;
4. hold Federal agencies accountable for the completeness and accuracy of the data submitted; and
5. apply approaches developed by the Recovery Accountability and Transparency Board to spending across the Government.

We will review the spending data SSA submitted under this Act and assess the completeness, timeliness, quality, and accuracy of the data and the implementation and SSA's use of data standards.

Third-party Data Used for Suitability of Representative Payees

State agencies are usually responsible for monitoring group, personal care, or nursing homes who often serve as organizational representative payees for SSA beneficiaries. State agencies ensure such facilities are properly licensed and meet health and safety laws. If a facility does not comply with the applicable laws, a State agency can issue violations, assess penalties, revoke or not renew licenses, or ban new admissions to the facility. These types of actions could result in a facility being unsuitable as a representative payee. Many states maintain the results of these inspections and licensure on a website so the information is available to the public. Our review will determine whether third-party information from States could be useful in determining representative payees' suitability.

Time-limited Disability Benefits

In 1997, the Congressional Budget Office issued a paper stating that time-limited benefits for those age 18 to 50 could save SSA at least \$1.6 billion over a 5-year period. In 2002, SSA's Disability Policy Steering Group developed its own draft report on various issues and options for changing SSA's disability programs, including a provision to provide time-limited benefits. The paper noted there were a variety of concerns as well as complexities in designing a new temporary benefits program. The paper also suggested that SSA design, pilot, and evaluate a temporary program. Since then, numerous papers have suggested similar reforms to the Agency's disability program. This review will assess Agency efforts to research and pilot a time-limited disability benefit program. We also will review legislative proposals and time-limited programs in other countries. We plan to issue an informational report conveying the results of our review.

Title XVI Applications Filed More than 1 Year Ago but Not Processed by the Social Security Administration

In a June 2015 audit on *Overpayments in the Social Security Administration's Disability Programs*, we identified a case where an individual filed for benefits, but the application was not processed for about 3.5 years. We will review SSA's records to identify SSI applications filed but not yet processed.

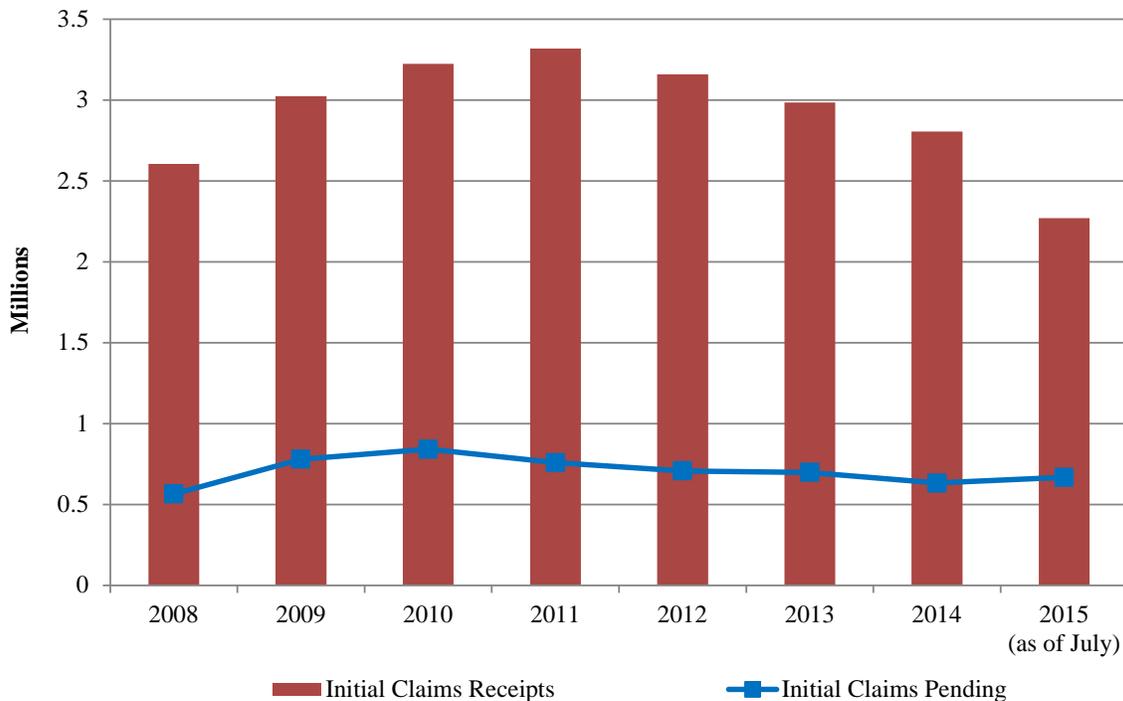
Various Incurred Cost Audits

Federal Acquisition Regulation states that "...a single agency shall be responsible for establishing final indirect cost rates for each business unit. These rates shall be binding on all agencies and their contracting offices, unless otherwise specifically prohibited by statute...The contractor shall submit an adequate final indirect cost rate proposal to the contracting officer (or cognizant Federal agency official) and auditor..." SSA's Office of Acquisition and Grants requests our office perform the incurred cost audits for various contractors. We will evaluate the indirect cost rates as reported in the various indirect cost-rate proposals. Specifically, we will determine whether the costs used to develop these rates were reasonable, allowable, and allocable in accordance with the contract terms and applicable Government acquisition regulations.

Improve the Timeliness and Quality of the Disability Process

In FY 2014, SSA received over 2.8 million initial disability and almost 762,000 reconsideration claims (see Figure 1). As of July 2015, SSA had received almost 2.3 million initial and almost 580,000 reconsideration claims. The high number of claims received is matched by a high number of claims pending completion. Specifically, as of July 2015, there were about 668,000 initial claims pending. This represents an 18-percent increase over the FY 2008 year-end pending level of about 565,000 initial claims.

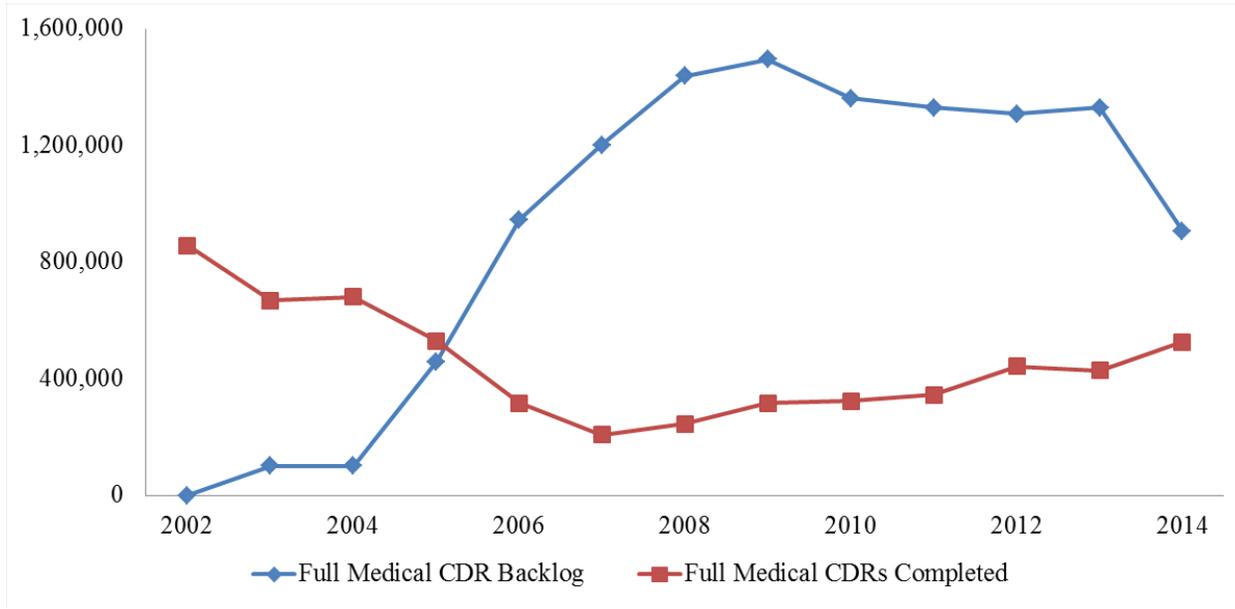
Figure 1: Initial Claims Receipts and Pending, FYs 2008 Through July 2015



Despite an increase in the initial disability claims pending level, DDSs have not always been able to replace staff losses. As a result, DDS staffing is only about 8 percent higher than it was in FY 2008. Specifically, in FY 2008, DDSs had approximately 15,100 total staff while, as of July 2015, DDSs had more than 16,300 total staff.

The high number of initial disability applications also forces the dedication of DDS resources to processing initial applications rather than conducting medical CDRs. As a result, SSA has had a backlog of full medical CDRs since FY 2002. While the backlog has decreased recently, it remained at more than 900,000 at the end of FY 2014 (see Figure 2).

Figure 2: Full Medical CDR Backlog and Completions, FYs 2002 Through 2014



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, and this effort includes the Cooperative Disability Investigations program in many locations. The program’s mission is to obtain evidence that can resolve questions of fraud in SSA’s disability claims. The Cooperative Disability Investigations program combines the efforts of the OIG, DDSs, and State or local law enforcement personnel.

Congressional Response Report: Fraud

In June 2015, the Chairman, Social Security Subcommittee, requested that SSA conduct a study to determine the amount of fraud and abuse in its disability programs. The chairman also requested that the Inspector General (a) provide recommendations to the Acting Commissioner to develop a methodology for the study, and (b) review the final report for accuracy, comprehensiveness, and completeness.

Connecticut Disability Determination Services

DDSs in each State or other responsible jurisdiction perform disability determinations for SSA. Each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations. SSA reimburses the DDS for 100 percent of allowable reported expenditures up to its approved funding authorization. The Connecticut DDS has over \$21 million in personnel, medical, indirect, and other costs. SSA's Boston Regional Commissioner requested we audit the Connecticut DDS' costs.

Determination of Workers' Compensation Offset During Disability Insurance Claims Processing

Workers' compensation programs are designed and administered by the States. The programs provide benefits to workers who are injured on the job or have a work-related illness. Benefits include medical treatment for work-related conditions and cash payments that partially replace lost wages. The 1965 Social Security Amendments required that DI benefits be offset (reduced) when the worker is also eligible for periodic or lump-sum workers' compensation payments. Improper payments, especially overpayments, can occur because of incorrect determination of DI benefits payable after workers' compensation offset. When processing a DI claim, SSA staff must correctly determine whether workers' compensation is involved, verify the workers' compensation claim status and payment amounts, and accurately record workers' compensation information, especially payment information, into SSA's systems. If SSA staff do not collect and properly record this information, SSA will not be able to accurately determine the workers' compensation effect on DI benefits. We will determine whether SSA accurately applied workers' compensation offset when processing DI claims.

Disability Beneficiaries Returning to the Rolls Following a Continuing Disability Review Cessation

After SSA determines an individual is disabled, it conducts periodic CDRs to determine whether the individual continues to be disabled. In its FY 2012 CDR Report to Congress, SSA estimated \$7 billion in lifetime savings from CDRs and a 67-percent final cessation/termination rate after all appeals. We plan to issue an informational report that will identify disability beneficiaries who received CDR cessation determinations from Calendar Years 2009 through 2013 and have since returned to the rolls.

Follow-up: Statutory Benefit Continuation During the Appeals Process for Medical Cessations

When a CDR indicates a beneficiary no longer meets the medical requirements for disability benefits, SSA discontinues benefits. However, beneficiaries are legally allowed to continue receiving benefits (statutory benefit continuation) through the levels of appeal. If the final cessation decision is upheld, the payments the individual received during the appeals process are considered overpayments the individual owes SSA. In a 2006 review of those who appealed a medical cessation decision and continued to receive payments, we found beneficiaries were overpaid approximately \$190 million. These overpayments were incurred because of SSA's lengthy appeals process (at the time, about 21 months). However, only 33 percent of those overpayments had been, or were being, collected at the time of our review. We recommended that SSA enhance the business process to allow more timely decisions on medical cessation appeals. In 2014, statutory benefit continuation overpayments were still a concern because processing times remained high at an average of approximately 16 months. Of the more than 136,000 initial cessation decisions made in FY 2014, we estimate almost 82,500 will be appealed. Of those, approximately 49,000 will be reversed, and over 33,500 will be upheld after appeal. For this review, we will evaluate the financial impact of payments made during the appeals process and follow up on the status of actions taken to address recommendations from our prior reports.

Follow-up: W-2 Earnings for Individuals Related to Disabled Workers

In 2007, we identified individuals who were receiving DI benefits and who may have worked, earned wages, and concealed those wages by using a relative's SSN. Our review identified 36 instances of possible fraud that were referred for investigation. After investigators confirmed fraud, SSA established overpayments totaling \$418,881 on three cases. For this review, we will again identify individuals receiving DI benefits who may have worked, earned wages, and concealed those wages by using a relative's SSN.

Managerial Controls in the Plan to Achieve Self-Support Program

The objective of the Plan to Achieve Self-Support program is to help disabled individuals find employment that reduces or eliminates their Social Security or SSI payments. However, prior audit work indicates that Plan to Achieve Self-Support participants have limited success in attaining self-sufficiency. In May 2010, we issued a report that stated the costs of the program outweighed the savings by more than a 2:1 ratio. To address this finding, we recommended that SSA make changes to ensure Plan to Achieve Self-Support goals are feasible and realistic and consider the likelihood of savings to SSA programs. While SSA agreed with the recommendation, it disagreed with our cost-benefit analysis of the program. As such, we will determine whether SSA has managerial controls in place to monitor the efficiency and effectiveness of the Plan to Achieve Self-Support program.

Medical Improvement Review Standard Exceptions

In CY 2012, SSA conducted initial medical CDRs for 272,244 adults and ceased benefits to 39,660. Of these cessations, the DDSs indicated they used Medical Improvement Review Standard exceptions for 9,517 individuals. We reviewed a sample of cases from each type of Medical Improvement Review Standard exception as part of our May 2014 audit. Although the cessation determinations were correct, we found issues with the reason coded for cessation for some types of exceptions. For example, none of the cases identified with the “Advances in Medical or Vocational Therapy or Technology” exception codes were correct because the DDS actually ceased these cases as “Medical Improvement Related to the Ability to Work.” Conversely, DDS staff identified other Medical Improvement Review Standard exception cases correctly. SSA informed us it previously reviewed CY 2012 CDR data and found similar results regarding how often staff used the Medical Improvement Review Standard exceptions and coded them in its systems. The Agency could not determine why the data for these cases were incorrect but planned to evaluate the use of the Medical Improvement Review Standard exceptions nationwide. We plan to follow up on our prior work by evaluating SSA’s use of exceptions.

New York Disability Determination Services Indirect Costs

In New York State, the Disability Determination Division oversees four DDS processing centers. SSA reimburses DDSs for 100 percent of allowable expenditures up to their approved funding authorization. At the end of each quarter, each DDS submits a *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) to account for program disbursements and unliquidated obligations. State parent agency costs are allocated as indirect costs to the program components they support. We will determine whether indirect costs claimed by the Disability Determination Division were allowable and properly allocated.

Single Decisionmaker - Status of the Social Security Administration’s Making a Decision on the Pilot

The single decisionmaker (SDM) pilot authorizes disability examiners to make certain initial determinations without requiring a medical or psychological consultant’s signature. In addition, the SDM model allows disability examiners to decide when to involve medical consultants in complex claims. For some claims, such as mental impairment denials, policy requires a medical consultant’s signature. SSA intended for the SDM model to allow adjudicating components to use disability examiner and medical consultant resources more effectively and provide faster determinations. The Agency started the SDM pilot at 10 DDS sites and subsequently expanded it to an additional 10 DDS sites—referred to as SDM II. For over 10 years, SSA has extended the SDM pilot several times. The Agency collected limited management information to assess the pilot’s effectiveness, such as tracking SDM authority usage rates based on the DDS’ coding of disability determination forms. Also, in March 2010, the Office of Quality Performance reported the SDM pilot resulted in a small increase in initial allowance rates and a small decrease in DDS processing time. We will assess SSA’s progress in deciding whether to expand or stop the SDM pilot.

Status of Former Childhood Supplemental Security Income Recipients

Generally, when children who receive SSI disability benefits turn 18, SSA must reevaluate them as adults. According to the FY 2012 *Annual Report on Continuing Disability Reviews*, approximately 82,000 age 18 redeterminations were processed in 2012. However, only 34,000 (41 percent) will result in a final termination of benefits after all levels of appeal. Children diagnosed with mental impairments other than "intellectual disabilities or schizophrenia" and "psychoses and other neuroses" are among those most likely to receive an initial cessation and the least likely to appeal or return to the program. Roughly 10 percent of children whose eligibility ceases at age 18 successfully reapply for SSI as an adult within 4 years of cessation. We estimate SSA has made SSI payments to 5.4 million individuals from 1974 to 2013 who are now adults but were first entitled to SSI as children. We will determine the payment status of SSI recipients who began receiving payments as children and the reasons payments were continued or terminated. We plan to issue an informational report to convey the results of our review.

Subsequent Events Related to Claimants Denied at the Disability Determination Services Level

Claimants who are denied disability benefits at the State DDS can appeal their decisions to ODAR for a review of the evidence by an ALJ. A claimant who disagrees with the ALJ's decision may ask for a review by ODAR's Appeals Council and, if not successful at that level, file a civil suit in Federal District Court and eventually appeal to the U.S. Supreme court. In addition to filing an appeal, a claimant may re-apply with the DDS, return to work, seek disability benefits from another government or private sector program, and/or take other actions. Moreover, the claimant may no longer be in a position to request benefits due to death, imprisonment, or some other event. SSA's records may capture some of these subsequent events, such as a new application and earnings, whereas other events may not be part of the Agency's records. We will review the subsequent events of a random sample of beneficiaries of a specific age group and/or diagnosis denied by the DDSs in FY 2012 and determine how many (1) returned to SSA's rolls, (2) returned to work, or (3) had another event occur.

The Cost-Effectiveness of Vocational Rehabilitation Services

Social Security pays State Vocational Rehabilitation Agencies for the cost of the service they provide to people receiving DI benefits or SSI payments based on disability or blindness if certain conditions are met. The services must result in the individual's return to work for at least 9 continuous months at a substantial earnings level, which is referred to as substantial gainful activity. While some beneficiaries return to substantial employment after vocational rehabilitation services, many do not. Many beneficiaries work just enough to trigger a payment from SSA to SVRAs but not enough to incur significant savings from a decrease or suspension of benefit payments. Even though SSA does not gain the benefit of savings in these cases, it still incurs the costs for the services provided by the State Vocational Rehabilitation Agencies. We will determine (1) whether the overall costs of vocational rehabilitation services were offset by the overall savings attributed to beneficiaries returning to work and exiting the disability programs after receiving services; (2) whether vocational rehabilitation was cost-effective at the

participant level; and (3) similarities and differences in disabled beneficiaries who remain gainfully employed after State Vocational Rehabilitation Agencies services, those who did not remain employed after State Vocational Rehabilitation Agencies services, and those who become and remain gainfully employed without receiving State Vocational Rehabilitation Agencies services.

The Social Security Administration's Efforts to Replace the Dictionary of Occupational Titles in its Disability Adjudication Process

We issued a report on *Job Information Used in the Social Security Administration's Disability Claims Adjudication Process* in November 2010. This report focused on SSA's initial strategy to replace the Dictionary of Occupational Titles. Since then, SSA has changed its strategy and is working with the Department of Labor to modify the Occupational Information Network to meet SSA's needs. We plan to issue an informational report that discusses our assessment of SSA's efforts to work with the Department of Labor to develop an Occupational Information System.

The Social Security Administration's Progress in Implementing Systems Enhancements to Ensure Timely Termination of Benefits Following a Continuing Disability Review Cessation

SSA conducts CDRs to determine whether DI beneficiaries and SSI recipients remain medically eligible for disability payments. A decision to discontinue benefits is made when a CDR reveals an individual no longer meets the medical requirements for disability benefits, referred to as a medical cessation determination. Once SSA decides an individual is no longer eligible for disability benefits, it should inform the individual of its decision and discontinue payments. In November 2012, we found that 30 percent of DI and 16 percent of SSI recipients we reviewed improperly received payments after their medical cessation determinations because benefits were not terminated within 2 months after the cessation determination. We estimated this caused \$48.9 million in DI overpayments and \$34.7 million in SSI overpayments. Based on our recommendation, in September 2014, SSA was to release a systems update to ODAR's Hearing Office and Appeals Council case processing systems. However, this update does not address SSI only, SSI disabled children, or DI benefits for disabled children or widow(er)s. Our current review will determine whether SSA's systems enhancements are ensuring the timely termination of benefits following a CDR cessation determination.

The Social Security Administration's Reversal of Denial or Cessation Determinations That Had Cooperative Disability Investigations

DDSs refer suspicious cases to Cooperative Disability Investigation Units for investigation, as appropriate. When the Cooperative Disability Investigation Unit completes the investigation, it sends a report detailing the investigation to the DDS. DDS staff ultimately determines whether a person is eligible to receive a monthly disability benefit payment or the person's benefits should be continued or terminated. Through July 2015, Cooperative Disability Investigation efforts had resulted in \$3.2 billion in projected savings to SSA's disability programs and \$2.1 billion in projected savings to non-SSA programs. Our review will identify the extent to which individuals were allowed or continued at either the reconsideration or hearing levels of appeal after an investigation conducted by a Cooperative Disability Investigation Unit may have contributed to a denial or cessation determination.

Title II Beneficiaries Who Continue to Receive Benefits After a Successful Trial Work Period

The trial work period provision gives a DI beneficiary the chance to test his/her ability to work and hold a job without the threat of losing benefits. During this period, the beneficiary may perform services for remuneration or gain and still be considered disabled. SSA defines services as any activity in employment or self-employment that is performed, or normally performed, for pay or profit. SSA cannot cease disability benefits during the trial work period based on a beneficiary's work activity. The trial work period consists of 9 months during which a beneficiary works and earns above an established limit for substantial gainful activity. A trial work period is complete only when a beneficiary completes 9 months of service in a 60-consecutive-month rolling period. The months need not be consecutive as long as the first and last service months occur within 60 months of each other. Our review will determine the amount of incorrect payments issued to disabled beneficiaries who continue working after they complete a trial work period.

Variations in Indirect Costs Claimed by State Disability Determination Services

Indirect costs arise at DDSs from activities that benefit multiple State and Federal agencies but are not readily identifiable to the DDS. Examples of indirect costs include budgeting and payroll, which benefit all State agencies. In accordance with OMB Circular A-87, States can allocate indirect costs to the Government based on the terms of an indirect cost rate and/or a cost allocation plan. The cognizant Federal agency reviews, negotiates, and approves the State-developed rate or cost allocation plan. Upon the cognizant agency's approval, the rate or cost allocation plan is to be used by all Federal agencies that provide funds to the State agency(ies) covered by the rate or cost allocation plan, unless prohibited by statute. Our review will identify State DDSs that claimed indirect costs at rates outside the typical range.

Strengthen the Integrity and Protection of the Social Security Number

In FY 2014, SSA issued approximately 5.6 million original and 10.4 million replacement SSN cards and received approximately \$751 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.

While SSA has improved its enumeration process, given the preponderance of SSN misuse and identity theft in U.S. society, we continue to believe protection of this critical number is a considerable challenge for SSA, as well as its millions of stakeholders. Unfortunately, once SSA assigns an SSN, it has no authority to control the collection, use, and protection of these numbers by other entities. Our audit and investigative work have shown that the more SSNs are unnecessarily used, the higher the probability that individuals could use the number to commit crimes throughout society. For example, many educational institutions unnecessarily collect and use SSNs as a primary student identifier. The Federal Trade Commission estimated that as many as 9 million Americans have their identities stolen each year.

We remain concerned about SSN misuse by noncitizens who are not authorized to work in the United States. We are also concerned that some individuals misuse SSNs for identity theft purposes. The public release of the DMF also raises concerns because the SSNs of deceased individuals are vulnerable to misuse. In addition, recent audit work determined that over 6 million numberholders age 112 or older had no death information on their Numident record. Accuracy and completeness of death information is critical because Federal benefit paying entities, the Department of Homeland Security, the Internal Revenue Service, State and local governments, and private industry customers rely on the DMF to detect unreported deaths and prevent fraud.

To help SSA improve the integrity of its records, our planned work will focus on the effectiveness of SSA's controls to ensure key information, such as dates of birth or death, is accurately recorded in its systems. We will also focus on SSA's controls for its planned iSSNRC application to ensure the application's data is complete, accurate, and valid.

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. SSA shares incorrect names/SSNs with employers when they submit their wage file to the agency. In addition, SSA's programs depend on earnings information to determine whether an individual is eligible for benefits and to calculate the amount of benefits. SSA spends scarce resources correcting earnings data when employers report incorrect information. The ESF is the Agency's record of wage reports on which wage earners' names and SSNs fail to match SSA's

records. As of November 2014, the ESF had accumulated about \$1.2 trillion in wages and 333 million wage items for Tax Years 1937 through 2012. In Tax Year 2012 alone, SSA added 7 million wage items representing \$71 billion in wages to the ESF.

SSA has taken steps to reduce the size and growth of the ESF. In FY 2014, over \$1.1 billion was moved from the ESF to the MEF. The Agency offers employers the ability to verify names and SSNs of their employees using the Agency's SSN Verification Service, an online verification program, before reporting wages to SSA. In FY 2014, approximately 37,000 registered employers submitted about 121 million verifications. SSA also supports the Department of Homeland Security's administration of its E-Verify program, which assists employers in verifying the employment eligibility of newly hired employees. As of FY 2014, about 550,000 employers had enrolled to use E-Verify at over 1.4 million worksites. During this period, employers submitted approximately 26 million queries.

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 SSN Verification Service, and enhancing SSN verification feedback to provide employers with sufficient information on potential employee issues.

Beneficiaries with Incorrect Social Security Numbers on the Master Beneficiary Record or Supplemental Security Record

In our November 2003 report on the *Impact on SSA's Programs When Auxiliary Beneficiaries Have Incorrect SSNs*, we identified \$1.2 million in improper payments because of invalid auxiliary SSNs on the MBR. In response to that report, SSA informed us that it was designing a new system to automatically obtain the correct auxiliary beneficiaries' SSNs through improved database matches. Also, the Agency has acknowledged that it has SSN mismatches between its SSN record (the Numident) and its payment records. We will determine the impact on SSA's programs when beneficiaries have incorrect SSNs on their MBR or SSR.

Controls over Void Social Security Numbers

SSA assigns an SSN when an individual submits a Form SS-5, *Application for a Social Security Card*. SSA does not delete, destroy, rescind, deactivate, or cancel SSNs after they are issued. However, under some circumstances, SSA voids SSNs. For example, when SSA issues an individual multiple SSNs, it voids one SSN. In addition, if SSA improperly voided an SSN it must re-establish it before the SSN may be used to collect benefits or record earnings. We will determine whether SSA has adequate controls to ensure voided SSNs are not used to collect benefits or record earnings.

Deferred Action for Childhood Arrivals' Social Security Numbers Issued and Benefits Paid

On March 12, 2015, U.S. Senators Ben Sasse and Jeff Sessions wrote Acting Commissioner Carolyn Colvin requesting information about SSNs assigned to individuals to whom the Department of Homeland Security granted Deferred Action for Childhood Arrivals status. The Senators also requested information on the number of these individuals who applied for and received benefits. As of March 31, 2015, the Department of Homeland Security reported that 664,607 individuals were approved for initial Deferred Action for Childhood Arrivals status and were eligible for work authorization. As of September 30, 2014, SSA reported it had issued approximately 541,000 original SSNs to Deferred Action for Childhood Arrivals work-authorized individuals since 2012. We plan to issue an informational report that identifies SSNs issued and benefits paid to individuals enumerated based on Deferred Action for Childhood Arrivals status.

Effectiveness of the Internet Social Security Number Replacement Card Project

In FY 2014, SSA issued over 10 million SSN replacement cards. To reduce the number of replacement card requests in field offices and Social Security Card Centers, SSA is developing an iSSNRC application. The iSSNRC will allow adult U.S. citizens who meet certain criteria to request replacement SSN cards online. SSA will not issue replacement SSN cards online to individuals who want to change their name, date of birth, or citizenship status. SSA plans to implement iSSNRC in the first quarter of FY 2016. We will determine whether the iSSNRC is functioning as intended.

Follow-up: Analysis of Undeliverable Social Security Number Cards

Our July 2005 review *Analysis of Undeliverable Social Security Number Cards* found SSA staff did not accurately enter SSN application data into the system and identified several vulnerabilities in the internal controls over the security of undeliverable SSN cards. In FY 2011, SSA replaced the Modernized Enumeration System with a new SSN application system nationwide. The new system enforces enumeration policy and collateral verification requirements by expanding data collection capabilities. This program supports Agency policy guidelines, strengthens the Agency's overall enumeration processes, and improves service to the public. We will determine whether changes to the SSN card application process decreased the number of returned SSN cards and improved the controls in place for undeliverable cards.

Improper Use of Elderly Individuals' Social Security Numbers for Work Purposes

The elderly are among the most vulnerable in our society today and prime targets for identity thieves. Therefore, it is important to ensure SSA is taking precautions to properly safeguard the elderly's personally identifiable information and protect them against potential SSN misuse. SSA is a member of the Elder Justice Coordinating Council, which was created by the Affordable Care Act. SSA is 1 of 10 agencies on the Council that includes the Federal Trade Commission, Department of Justice, and Department of Health and Human Services. The Council makes recommendations to coordinate the activities of relevant Federal, State, local, and private agencies and entities, relating to elder abuse, neglect, and exploitation and other crimes against elders. For this review, we will focus on individuals age 85 and older who had wages posted to their earnings record for Tax Years 2009 to 2014. We will assess whether the wages were earned by the numberholder or someone else and the potential impact on Social Security benefits. In addition, we will determine whether SSA has controls in place to protect elderly individuals' SSNs from misuse for work purposes.

Posting of Earnings Before Enumeration

SSA provides OASDI benefits to individuals based on their lifetime earnings reported under a valid SSN. These earnings determine whether an individual has enough quarters of coverage, or work credits, to potentially qualify for benefits. SSA issues an SSN card displaying the worker's name and SSN. The legend on the SSN card is based on evidence of employment authorization. The *Social Security Protection Act of 2004* requires that alien workers meet the following requirements to become fully insured and entitled to benefits: (1) issued an SSN for work purposes at any time on or after January 1, 2004, or (2) admitted to the United States at any time as a nonimmigrant visitor for business or as an alien crewman. We plan to issue an informational report that assesses the impact of numberholders who have wages posted to their earnings records before they were issued a valid work SSN.

Social Security Numbers Issued and Benefits Paid to Asylees

Generally, any alien present in the United States or arriving at a port of entry may seek asylum regardless of his/her immigration status. Aliens may obtain asylum in one of three ways: through a U.S. Citizenship and Immigration Services' asylum officer, in removal proceedings before an immigration judge of the Executive Office for Immigration Review of the Department of Justice, or as the spouse or child of an asylee. To obtain asylum, an alien must apply within 1 year from the date of last arrival or establish that an exception applies based on changed or extraordinary circumstances. An alien applies for asylum in the United States by filing Form I-589, *Application for Asylum and for Withholding of Removal*. We plan to issue an informational report that identifies SSNs issued, and benefits paid, to asylees.

Wages Reported for Individuals with Fraud Indicators

SSA pays benefits to qualified retired and disabled workers and their dependents as well as to survivors of insured workers under Title II of the *Social Security Act*. As part of administering this program, SSA is responsible for maintaining accurate individual earnings records in the MEF. Those earnings records are used to determine eligibility for benefits and calculate benefit amounts. To ensure the accuracy of earnings data, SSA has developed fraud indicator codes to identify suspicious individuals, submitters, and employers. These codes are recorded on the Annual Wage Reporting, Business Services Online, and Numident systems. Our June 2014 audit of controls over the Business Services Online identified 6 individuals who used Business Services Online to submit 119 W-2s totaling about \$188 million in fictitious wages. SSA was aware that 71 of the 119 W-2s, totaling \$185 million, were questionable and placed fraud indicators on the wage reports. However, \$66 million of these questionable wages was still posted to the MEF. This review will determine whether individuals are submitting fictitious wages to obtain Social Security benefits.

Secure Information Systems and Protect Sensitive Data

Federal information systems—and the information they hold—are increasingly becoming targets of cyber-attacks. Recent breaches at several Federal agencies have underscored the importance of securing Federal systems and protecting sensitive information. The information SSA houses on nearly every U.S. citizen is invaluable to would-be hackers and potential identity thieves. Consequently, the Agency's information systems may be at particular risk of attack. Given the sensitive nature of the personal information in its systems, it is imperative that SSA have a robust information security program.

Our prior audit and investigative work has revealed concerns with the security of SSA's information systems. Since FY 2012, auditors have concluded that the risk and severity of SSA's information security weaknesses they identified were significant enough to constitute a significant deficiency under the *Federal Information Security Management Act* (FISMA). Those security deficiencies, when aggregated, created a weakness in SSA's overall information systems security program that the auditors concluded significantly compromised the security of the Agency's information and information systems. Additionally, other recent audits and evaluations have identified concerns with SSA's information security program.

While expanding its inventory of electronic services, the Agency needs to ensure those services are secure. Prior investigative and audit work have identified multiple incidents of fraud committed through SSA's electronic services. Despite controls to prevent unauthorized access to [my Social Security](#), from February 1, 2013 through FY 2014, we received nearly 40,000 fraud allegations related to [my Social Security](#) accounts.

To address ever-increasing security challenges, it is crucial that SSA implement a well-designed continuous monitoring strategy to monitor and assess security controls. SSA has issued its *Continuous Monitoring Strategy* but is still implementing it. OMB and the National Institute of Standards and Technology require near real-time, continuous monitoring for risk management and risk-based decisionmaking.

SSA acknowledges it must be ever-mindful of potential cyber-threats and remain committed to protect privacy and security. One of the Agency's goals is to ensure its information technology services are reliable, secure, and efficient. As part of that effort, SSA plans to strengthen its cyber-security program.

Cyber-Security: the Social Security Administration's Public-Facing Integrity Review Application

In August 2013, SSA implemented Release 1.0 of the Public Facing Integrity Review (PFIR) application to identify unusual and potentially fraudulent activity from the public using SSA's Internet applications. PFIR tracks potentially fraudulent activity across the public-facing applications in the *my Social Security* portal. PFIR Release 1.0 dealt with one predetermined scenario involving direct deposit change requests. In September 2014, SSA implemented PFIR Release 2.0 to identify additional suspicious patterns of abuse involving a beneficiary's electronic account as well as additional scenarios that include direct deposit transactions. In addition, PFIR Release 2.0 was to provide a Web-based case review "front end" for the Office of Information Security. The Web application displays case transaction details, case remarks, transaction relationships, and the case certification status, and records decisions regarding likely fraudulent activity. We will evaluate the development of SSA's PFIR application and the program's effectiveness.

Fiscal Year 2016 *Federal Information Security Management Act* Oversight

FISMA provides the framework for securing the Government's information and information systems. All agencies must implement FISMA's requirements and report annually to OMB and Congress on the adequacy and effectiveness of their security programs. FISMA requires that each agency develop, document, and implement an agency-wide information security program. OMB uses information reported pursuant to FISMA 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. FISMA directs that each agency's Inspector General or independent external auditor perform an annual, independent evaluation of the effectiveness of the agency's information security program and practices. We will provide oversight of the contractor's audit of SSA's compliance with FISMA for FY 2016.

Systems Access Profiles for Claims Representatives

SSA uses profiles to control employee and contractor access to its applications and data. There are two main types of profiles for most users: positional and functional. All users have a positional profile that allows access to the Intranet and email. Functional profiles are generally application-specific and are used to augment certain users' accessibility without modifying their positional profiles. This allows SSA to create one profile for each position type instead of a customized profile for every user. The Agency has created 16 positional profiles for use at the field offices. Each profile allows access to thousands of resources. Of the 16 positional profiles used in the field offices, claims representatives usually receive 1 of 3: Title II, Title XVI, or Generalist. Our review will determine whether SSA's profiles for claims representatives only provide the access they require to perform their duties.

The Social Security Administration’s Comprehensive Integrity Review Process

The Comprehensive Integrity Review Process automatically selects potentially fraudulent cases based on pre-defined criteria, which are subject to change to address program integrity issues. SSA has developed 41 tests dealing with certain risk scenarios in its Enumeration, Title II, Title XVI, and Earnings functions. In addition to those transactions, the Comprehensive Integrity Review Process uses six tests to monitor the queries of its sensitive files. Managers are required to review and certify case selections based on guidance contained in the Integrity Review Handbook and their knowledge of program systems. Managers certify that the employee’s actions were for legitimate business—not for personal or potentially fraudulent reasons. We will determine whether CIRP identifies and alerts potentially improper transactions performed by Agency personnel.

The Social Security Administration’s Network Vulnerability Management and Intrusion Detection Program

The ability to detect and stop an attack while it is in progress is critical. Stronger security controls on internal networks, such as deploying correctly configured intrusion detection software, could detect computer security weaknesses or threats within the network. Routine analysis of computer security logs is beneficial for identifying these weaknesses or security incidents, such as policy violations, fraudulent activity, and operational problems. According to the National Institute of Standards and Technology, ensuring administrators regularly analyze log data is a fundamental problem because administrators often treat log management as a lower priority task. Our review will determine whether SSA's security controls are adequate to detect and stop cyber-attacks in a timely manner.

Assess Disability Insurance Trust Fund Sustainability

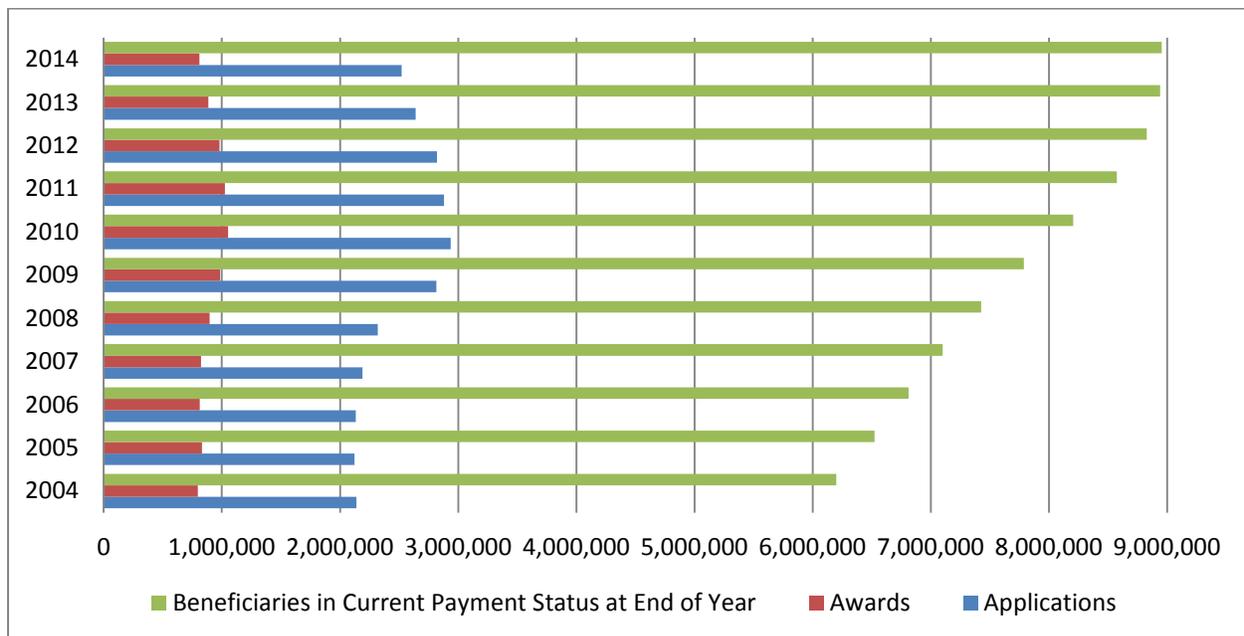
The Board of Trustees in the Social Security Trust Funds' latest Annual Report projected that the DI Trust Fund reserves, which have been declining since 2009, will continue declining until they are depleted in the fourth quarter of Calendar Year 2016. When the reserves are depleted, continuing income to the DI Trust Fund will only be sufficient to pay 81 percent of scheduled DI benefits.

Table 1: DI Trust Fund 2010 Through 2014 (in millions)

Calendar Year	Total Receipts	Total Expenditures	Net Increase During Year	Assets at End of Year
2010	104,017	127,660	-23,643	179,907
2011	106,276	132,332	-26,056	153,850
2012	109,115	140,299	-31,184	122,666
2013	111,228	143,450	-32,221	90,445
2014	114,858	145,060	-30,201	60,244

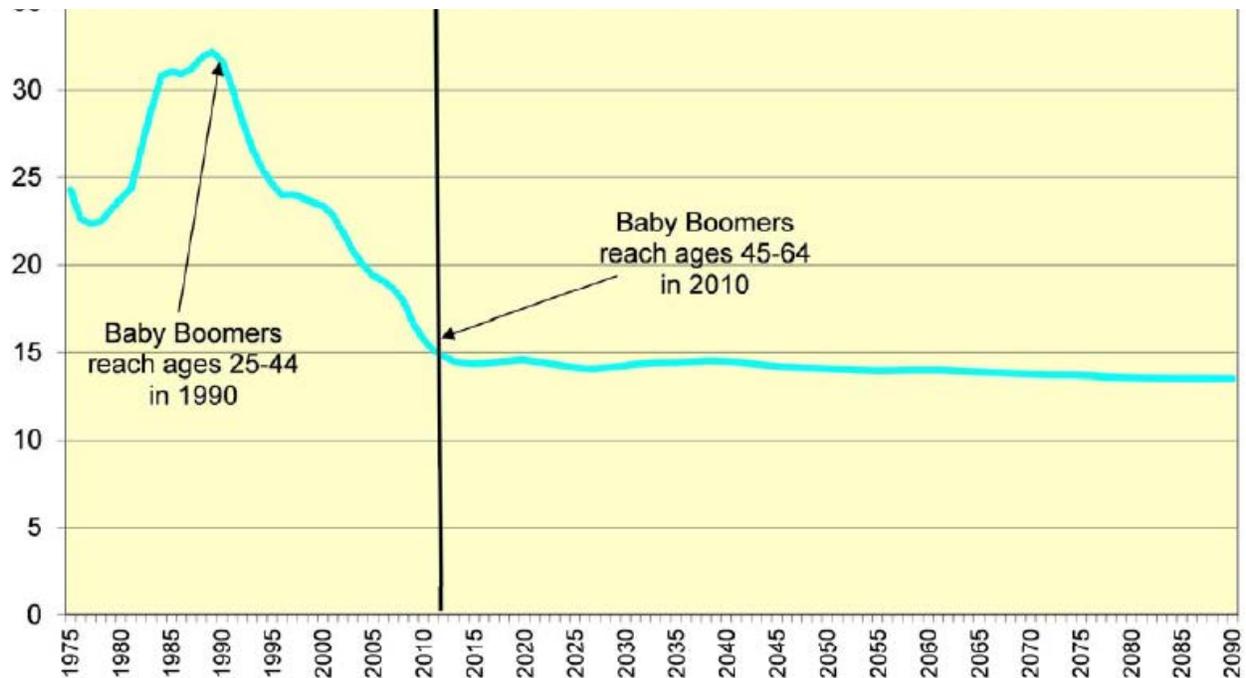
Over the last 20 years, the baby boomer generation has moved from less disability prone ages (25 to 44) to more disability prone ages (45 to 64). This is reflected in the increased DI applications, awards, and insured beneficiaries over the last decade.

Figure 3: DI Trust Fund Statistics 2004 Through 2014



As more baby boomers seek disability benefits, raising costs to the Trust Fund, there are fewer workers paying into the DI Trust Fund to support current beneficiaries.

Figure 4: Workers per Disability Insurance Beneficiary



The Trustees recommended that lawmakers address the projected Trust Fund shortfalls in a timely way to phase in necessary changes and give workers and beneficiaries time to adjust to them. Implementing changes soon would allow more generations to share in the needed revenue increases or reductions in scheduled benefits.

We share the Trustees' concerns. Absent an act of Congress, the *Social Security Act* does not permit further funding or allow SSA to make benefit payments from funds other than the Trust Funds. Consequently, if the Social Security Trust Funds become insolvent, current law would effectively prohibit SSA from paying full Social Security benefits. The Agency would then have to decide on the best course of action for paying disabled beneficiaries. SSA needs to plan for this contingency, and it needs to share its plan with Congress and the American public. SSA needs to lead a dialogue on this critical issue to help determine how SSA will pay DI benefits in 2016 and beyond.

The Social Security Administration's Plan for Providing Services to the Public if the Disability Insurance Trust Fund is Depleted in 2016 (2 Reviews)

The Board of Trustees of the Social Security Trust Funds' latest Annual Report projected that the DI Trust Fund reserves, which have been declining since 2009, will continue declining until they are depleted in 2016. When reserves are depleted, continuing income to the DI Trust Fund will only be sufficient to pay 81 percent of scheduled DI benefits. Legislative action is needed as soon as possible to address the DI program's financial imbalance. SSA needs to plan for this contingency, and it needs to share its plan with Congress and the American public. SSA needs to lead a dialogue on this critical issue to help determine how SSA will pay DI benefits in 2016 and beyond and how it will address any impacts on the public. We will conduct three reviews in this area to assess the Agency's plan for providing services to the public in case of an inability to pay full DI benefits in Calendar Year 2016.