IG STATEMENT ON SSA'S MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES

OIG — Office *of the* Inspector General
SOCIAL SECURITY ADMINISTRATION

November 9, 2016

The Honorable Carolyn W. Colvin
Acting Commissioner

Dear Ms. Colvin:

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 review is enclosed. The *Reports Consolidation Act* also requires that the Social Security Administration (SSA) place the final version of this Statement in its annual *Agency Financial Report*.

Management and Performance Challenges

For Fiscal Year (FY) 2016, we identified the following seven management and performance challenges.

- Reduce Disability Backlogs and Improve Decisional Quality

- Reduce Improper Payments and Increase Overpayment Recoveries

- Improve Customer Service

- Modernize Information Technology Infrastructure

- Secure Information Systems and Protect Sensitive Data

- Strengthen the Integrity and Protection of the Social Security Number

- Strengthen Planning, Transparency, and Accountability

When we initially planned our audit work for FY 2016, we had two separate challenges to address our concerns with the disability and hearings processes - *Improve the Timeliness and Quality of the Disability Process* and *Improve the Responsiveness and Oversight of the Hearings Process*. To better reflect SSA's challenges with the overall management of the disability process, we recently decided to combine the challenges into one challenge titled *Reduce Disability Backlogs and Improve Decisional Quality*.

We further discuss the management and performance challenges in the attached document. In the description of each challenge, we define the challenge, outline steps the Agency has taken to address it, and detail actions SSA still needs to take to fully mitigate the issue. We used multiple sources to determine the status of each identified challenge. For example, we used statistics reported by SSA and Office of the Inspector General audits of SSA's operations. We also used the FY 2016 independent auditor's report, which contained the results of SSA's financial statement audit. That audit concluded that SSA had two significant deficiencies in internal control.

The Office of Audit will continue focusing on these issues in FY 2017 and assessing SSA's operations and the environment in which SSA operates to ensure our reviews focus on the most salient issues facing the Agency.

I look forward to working with you to continue improving the Agency's ability to address these challenges and meet its mission efficiently and effectively.

Sincerely,

Gale Stallworth Stone
Acting Inspector General

Enclosure

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

November 2016

REDUCE DISABILITY BACKLOGS AND IMPROVE DECISIONAL QUALITY

CHALLENGE

> **While the number of pending initial disability claims has decreased, the Agency still faces challenges with pending hearings and appeals. Continued focus on decisional quality is essential to ensure the integrity of the process.**

The Social Security Administration's (SSA) Fiscal Year (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 while leveraging technology to improve the disability process. SSA's field offices, regional operations, hearing offices, and Appeals Council as well as State disability determination services (DDS) process these disability workloads.

PENDING DISABILITY CLAIMS

While the number of pending claims has declined in recent years, SSA expects to have approximately 740,000 initial disability claims pending at the end of FY 2017. In FY 2016, SSA received over 2.6 million initial and approximately 648,000 reconsideration claims. Further, at the end of FY 2016, there were almost 568,000 initial disability claims pending.

CONTINUING DISABILITY REVIEW BACKLOG

The high number of initial disability applications in prior years has forced SSA to dedicate DDS resources to processing initial applications rather than conducting medical continuing disability reviews (CDR). As a result, SSA has had a backlog of full medical CDRs since FY 2002. While the backlog has decreased, it remained at 280,000 at the end of FY 2016. As we stated in our August 2014 report on *The Social Security Administration's Completion of Program Integrity Workloads*, SSA had a backlog because it had not completed all full medical CDRs when they became due. As a result, SSA missed potential savings. Had SSA conducted full medical CDRs at historic levels, we estimated it would have identified billions of dollars in additional Federal benefit savings. SSA increased the number of full medical CDRs completed in recent years and expects to eliminate the backlog by the end of FY 2019.

Figure 1: Full Medical CDR Backlog and Completions, FYs 2002 Through 2016
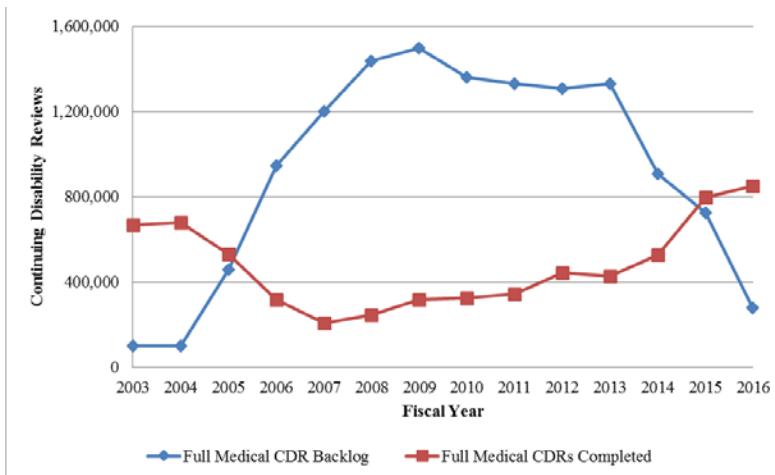
RETURN TO WORK

The *Ticket to Work and Work Incentives Improvement Act of 1999* established the Ticket to Work and Self-Sufficiency Program (Ticket Program). The purpose of the Ticket Program is to assist disabled beneficiaries in returning to work. Under the Ticket Program, SSA provides disabled beneficiaries a Ticket they can present to qualified organizations to obtain vocational rehabilitation or employment services.

Few Ticket-eligible beneficiaries used their Tickets to receive vocational or employment services. For example, in FY 2015, less than 3 percent of Ticket-eligible beneficiaries assigned their Tickets or placed them in-use. Most of the individuals who used their Tickets placed them in-use with a State vocational rehabilitation agency under the cost-reimbursement option, the type of service that was in place before the Ticket Program was implemented. While few beneficiaries used their Tickets, SSA incurred significant costs to operate the Ticket Program. For example, SSA paid contractors over $234 million to help manage the Program since its inception. SSA will incur similar costs to help manage the Program in the future.

While SSA reported significant savings attributed to the suspension or termination of benefit payments for beneficiaries who assigned or placed their Tickets in-use, most of the savings was attributed to beneficiaries who placed their Tickets in-use with a State vocational rehabilitation agency, the type of service available before the Ticket Program was implemented. Also, an independent evaluation failed to provide strong evidence of the Ticket Program's impact on employment and concluded that many successful Program participants might have been equally successful without SSA-financed services or with services provided by State vocational rehabilitation agencies under the payment system that predated the Ticket Program.

PENDING HEARINGS AND APPEALS

The hearings and appeals process has experienced worsening timeliness and growing backlogs. For instance, the average processing time for a hearing increased 27 percent from 426 days at the end of FY 2010 to 543 days at the end of 2016. Moreover, during the same period, the pending hearings backlog grew 59 percent, from 705,367 cases at the end of FY 2010 to 1,122,014 at the end of FY 2016. In addition, the Appeals Council workload had grown 21 percent since FY 2010 to about 129,000 pending appeals at the end of FY 2016, and average processing time during the same period increased about 13 percent from 345 to 389 days.

Figure 2: Pending Hearings, FYs 2010 Through 2016
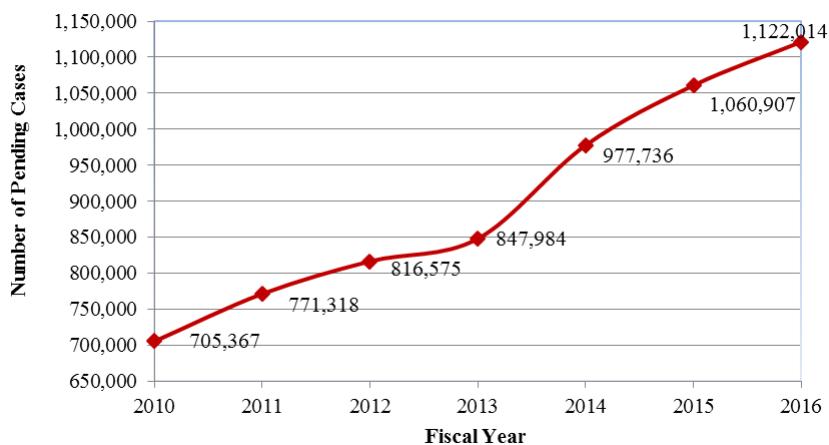
In January 2016, the Office of Disability Adjudication and Review (ODAR) issued the *Compassionate and Responsive Service* (CARES) plan, which outlined 21 initiatives to address the growing number of pending hearings and increasing wait times. According to the CARES plan, ODAR's goal is to reach an average processing time of 270 days for hearings by the end of FY 2020. The CARES plan also includes a goal to process requests for Appeals

Council review in an average of 180 days. Since issuing the plan, ODAR has added six initiatives. These 27 initiatives relate to (1) business process improvements, (2) information technology (IT) innovations, (3) staffing and facilities, and (4) employee engagement activities.

AGENCY ACTIONS

COOPERATIVE DISABILITY INVESTIGATIONS

The Cooperative Disability Investigations program continues to be one of the Agency's most successful joint initiatives, combining the efforts of the Office of the Inspector General (OIG), SSA, DDSs, and State or local law enforcement personnel. As of the end of September 2016, the Cooperative Disability Investigations program had 38 units covering 33 States; Washington, D.C.; and the Commonwealth of Puerto Rico. The units work to obtain sufficient evidence to identify and resolve questions of fraud and abuse related to disability claims. From inception in FY 1998 through September 2016, Cooperative Disability Investigations program efforts nationwide have resulted in $3.5 billion in projected savings to SSA's Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) disability programs and $2.4 billion to non-SSA programs. In FY 2016, Cooperative Disability Investigations program efforts nationwide resulted in $268.8 million in projected savings to SSA's OASDI and SSI disability programs and $323.1 million to non-SSA programs.

RETURN TO WORK

SSA reported that it focuses its employment support efforts on ensuring people who use those supports not only work, but work at their maximum capacity, reaching self-sufficient earnings whenever possible. SSA is working with other Federal agencies to develop early intervention demonstration proposals that would provide resources and support to workers who have disabilities to help them stay in the labor force as long as possible. For example, it is partnering with the Departments of Education, Labor, and Health and Human Services to implement Promoting Readiness of Minors on SSI. SSA is also working to simplify work incentive policies and improve such programs as the Ticket to Work program, and develop return-to-work demonstration proposals.

HEARINGS AND APPEALS

As part of its CARES plan, the Agency hired 264 new ALJs in FY 2016 to increase the number of available ALJs and replace departing ALJs. As for other initiatives in the CARES plan, the Agency used new technology to identify high-risk cases for review and hearing office support from other Agency components, expanded the use of pre-hearing conferences, and expanded the use of video hearings. In addition, ODAR continues focusing on decision quality through its ongoing review of pre-effectuated adjudicator allowances, monitoring of potential anomalies in ALJ workload performance, and monitoring the quality of ALJ denials and dismissals that were remanded or reversed in subsequent appeals.

WHAT THE AGENCY NEEDS TO DO

To address this challenge, the Agency needs to:

Continue focusing on reducing and eliminating the initial disability claims and CDR backlogs. While the Agency made progress in reducing the backlogs in recent years, it still needs to use its available resources and technology to increase its capacity to ensure it completes initial disability claims and full medical CDRs timely.

Continue simplifying work incentive regulations and creating new opportunities for returning beneficiaries to work.

Implement and monitor the CARES initiatives designed to improve timeliness and reduce the backlog.

Focus resources on capacity issues to better balance processing times and workloads in hearing offices.

KEY RELATED PERFORMANCE MEASURES

Some of the key performance measures from SSA's FY 2016 *Annual Performance Plan* related to this challenge are listed below.

- Complete the budgeted number of full medical CDRs.

- Ensure the quality of decisions by achieving the DDS net accuracy rate for initial disability decisions.

- Complete the budgeted number of initial disability claims.

- Average processing time for initial disability claims.

- Complete the budgeted number of disability reconsideration claims.

- Average processing time for reconsiderations.

- Increase the number of beneficiaries returning to work by achieving the target number of beneficiaries with Tickets assigned and in use who work above a certain level.

- Increase ability to provide timely decisions by reducing the percentage of pending Appeals Council requests for review 365 days or older.

- Complete the budgeted number of hearing requests.

- Average processing time for hearing decisions.

- Improve customer service by reducing the wait time for a hearing decision.

KEY RELATED LINKS

Mathematica Report – Executive Summary of the Seventh Ticket to Work Evaluation Report, July 2013.

OIG Report – The Social Security Administration's Completion of Program Integrity Workloads, (A-07-14-24071), August 2014.

OIG Report – The Social Security Administration's Efforts to Eliminate the Hearings Backlog, (A-12-15-15005), September 2015.

OIG Report – Hearing Office Average Processing Times, (A-05-15-50083), September 2015.

OIG Report – Characteristics of Claimants in the Social Security Administration's Pending Hearings Backlog (A-05-16-50207), September 2016.

OIG Report – Compassionate and Responsive Service Plan to Reduce Pending Hearings, (A-05-16-50167), September 2016.

OIG Report – The Ticket to Work Program (A-02-17-50203), September 2016.

REDUCE IMPROPER PAYMENTS AND INCREASE OVERPAYMENT RECOVERIES

CHALLENGE

> **SSA is responsible for issuing over $900 billion in benefit payments, annually, to about 65 million people. Given the large overall dollar amounts involved in SSA's payments, even the slightest error in the overall process can result in millions of dollars in over- or underpayments.**

SSA is one of several Federal agencies that have a high amount of improper payments. In its FY 2016 *Agency Financial Report*, SSA reported it made about $7.9 billion in over- or underpayments in FY 2015 (the most recent year available) and incurred an administrative cost of $0.07 for every overpayment dollar it collected. SSA also needs to adhere to the requirements in Executive Order 13520, the *Improper Payments Elimination and Recovery Act of 2010* (Pub. L. No. 111-204), and *the Improper Payments Elimination and Recovery Improvement Act of 2012* (Pub. L. No. 112-248).

IMPROPER PAYMENT RATES

Workers, employers, and taxpayers who fund SSA's 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.

According to SSA, in FY 2015 (the most recent year available),

- the OASDI overpayment error was $3.1 billion or 0.36 percent of program outlays, and the underpayment error was $572 million or 0.07 percent of program outlays; and

- the SSI overpayment error was $3.4 billion or 6 percent of program outlays, and the underpayment error was $770 million or 1.36 percent of program outlays.

For FYs 2015 through 2017, SSA's goal was to maintain OASDI payment accuracy at 99.8 percent for both over- and underpayments; and, for SSI, the Agency's goal was to achieve over- and underpayment accuracy rates of 95 and 98.8 percent, respectively.

Table 1 shows that SSA has not met its payment accuracy targets in the last few years.

Table 1: Rates and Targets for Payments Without Overpayments FYs 2012 to 2015

FY	2012		2013		2014		2015	
Program	SSI	OASDI	SSI	OASDI	SSI	OASDI	SSI	OASDI
Rate	93.66	99.78	92.43	99.78	93.05	99.47	93.94	99.64
Target	95.00	99.80	95.00	99.80	95.00	99.80	95.00	99.80
Met	No	No	No	No	No	No	No	No

## COMPLIANCE WITH IMPROPER PAYMENT LEGISLATIVE REQUIREMENTS

In November 2009, the President issued Executive Order 13520 on reducing improper payments. Later, the *Improper Payments Elimination and Recovery Act of 2010* and *Improper Payments Elimination and Recovery Improvement Act of 2012* were enacted in July 2010 and January 2013, respectively, to refine 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. The Office of Management and Budget designated SSA's programs as high-risk.

Both the OIG and Government Accountability Office noted in 2016 reports that SSA was not in compliance with the *Improper Payments Elimination and Recovery Act of 2010* requirements for meeting its targeted payment accuracy rates (which are shown in Table 1). Because of this noncompliance, SSA prepared remediation plans that outlined steps it plans to take to become compliant. For example, SSA's August 2016 *Improper Payments Elimination and Recovery Act Old-Age, Survivors, and Disability Insurance Remediation Plan* and its June 2016 *Improper Payments Elimination and Recover Act Supplemental Security Income Remediation Plan* included steps to identify and prevent overpayments due to wages—one of the leading causes of overpayments in both the OASDI and SSI programs.

OVERPAYMENT RECOVERIES

Once SSA determines an individual has been overpaid, it attempts to recover the overpayment. According to SSA, in FY 2016, it recovered $3.3 billion in overpayments at an administrative cost of $0.07 for every dollar collected and ended the FY with an uncollected overpayment balance of $18.5 billion (see Figure 3).

Figure 3: Overpayments Recovered - FY 2016
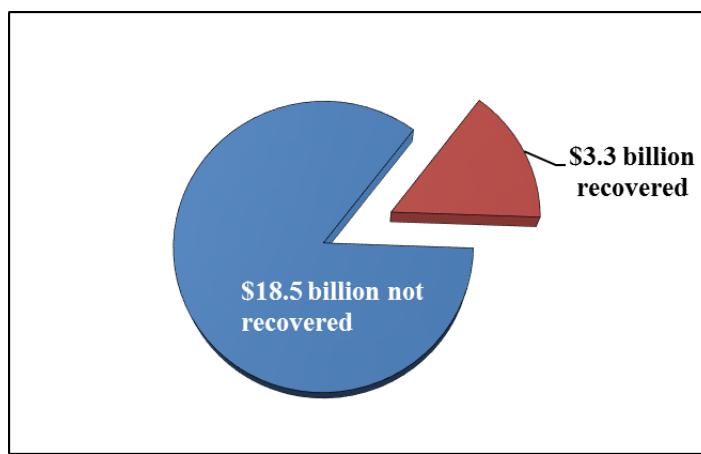
AGENCY ACTIONS

IMPROPER PAYMENT CAUSES

One of the major causes of improper payments in the OASDI program is beneficiaries' failure to timely report earnings or SSA not timely withholding monthly benefit payments from beneficiaries who are engaging in substantial gainful activity. Similarly, a major cause of improper payments in the SSI program is recipients' failure to accurately and timely report new or increased wages.

With the enactment of the *Bipartisan Budget Act of 2015*, SSA was given a new tool to obtain wage data sooner. A provision in this new law allows SSA to enter into information exchanges with payroll data providers to obtain wage data (without the need for independent verification) to efficiently administer OASDI and SSI benefits and prevent improper payments. It also allows the Agency to require that individuals provide authorization to obtain payroll data. SSA plans to publish regulations by November 2016 and implement a system in 2018.

DEBT COLLECTION TOOLS

SSA uses such methods as benefit withholding and billing with follow up to collect debt related to overpayments. In addition, SSA uses external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (Pub. L. No. 104-134) for OASDI debts and the *Foster Care Independence Act of 1999* (Pub. L. No. 106-169) for SSI debts. These debt collection tools include the Treasury Offset Program, credit bureau reporting, administrative wage garnishment, and Federal salary offset. According to SSA, in the future, it will ". . . implement the remaining debt collection tools authorized by the *Debt Collection Improvement Act of 1996*. These tools include charging administrative fees, penalties, and interest, or indexing of debt to reflect current value."

CDRS AND REDETERMINATIONS

The CDR is a tool for reducing improper payments. Through completed CDRs, SSA periodically verifies individuals are still disabled and eligible for disability payments. Available data indicate that SSA saves about $8 for every $1 spent on CDRs, including Medicare and Medicaid program effects.

According to SSA, another important program integrity tool is SSI non-medical redeterminations, which are periodic reviews of such non-medical eligibility factors as income and resources. SSA estimated that non-medical redeterminations will yield a return on investment of about $3 on average over 10 years per $1 budgeted for this workload. However, budgetary constraints determine the number of redeterminations that SSA conducts each year.

WHAT THE AGENCY NEEDS TO DO

Identify and prevent improper payments through automation and data analytics. SSA needs to use available data to better identify changes that affect beneficiaries and recipients' benefit payments. For example, we have previously recommended that SSA use its own data to identify anomalies that suggest a beneficiary may be ineligible.

Expand efforts to collect data from reliable third-party sources that would aid SSA in mitigating discrepancies that can occur when SSI recipients self-report information.

Accurately calculate overpayments and reconcile any data discrepancies between different systems that could lead to payment errors.

KEY RELATED PERFORMANCE MEASURES

The key improper payment related performance measures from SSA's FY 2016 *Annual Performance Plan* are listed below.

- Improve the integrity of the SSI program by ensuring that 95 percent of SSI payments are free of overpayment.
- Maintain a high accuracy rate of payments made through the OASDI program to minimize improper payments.
- Complete the budgeted number of full medical CDRs.
- Complete the budgeted number of SSI non-medical redeterminations.

KEY RELATED LINKS

Federal Payment Accuracy Website.

Office of Management and Budget Memorandum M-15-02, Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments, October 20, 2014.

OIG Report – Old-Age, Survivors and Disability Insurance Benefits Withheld Pending a Windfall Offset Determination (A-09-15-15041), March 2016.

OIG Report – Collecting Title II Overpayments from Contingently Liable Beneficiaries (A-07-16-50089), April 2016.

OIG Report – Underpayments Payable to Widow(er)s Eligible for a Higher Monthly Benefit Amount (A-09-14-34103), April 2016.

OIG Report – Supplemental Security Income Recipients Eligible for, or Receiving, Pensions from China (A-01-16-50011), June 2016.

IMPROVE CUSTOMER SERVICE

CHALLENGE

> **SSA faces several challenges as it pursues its mission to deliver quality services, including rapid advances in technology and an aging population and workforce.**

INCREASE IN DEMAND FOR SERVICES

SSA stated that the population aged 65 and older would grow by about 18 million from FYs 2016 to 2025 and an additional 20.4 million by 2050 thereby dramatically increasing the demand for its services.

Figure 4: Aged 65 and Older Population Projections
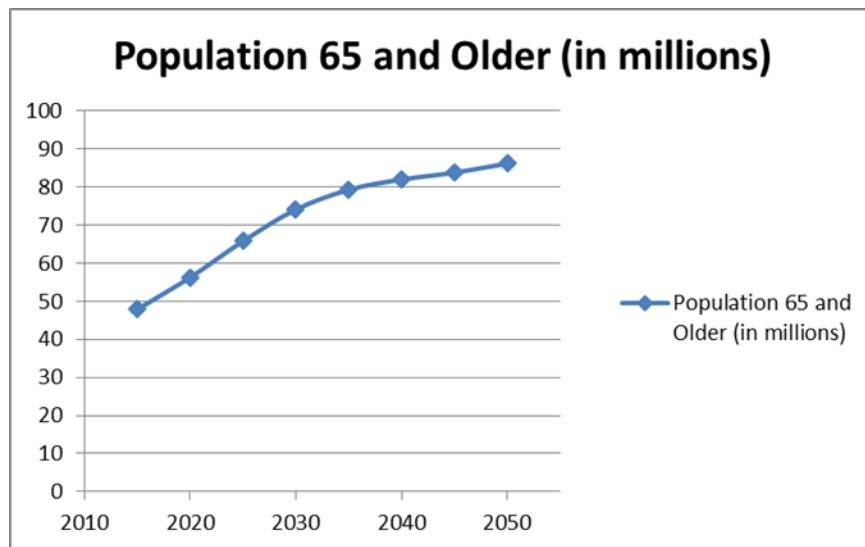
In the FY 2016 Justification of Estimate for Appropriations Committees, SSA reported it would pay monthly Social Security benefits to approximately 69 million beneficiaries and recipients, a 6-percent increase from FY 2015 and 8.9-percent increase from FY 2014.

In addition to paying benefits, the Agency reported it completed the following workloads in FY 2016.

- Processed about 5.1 million retirement, survivors, and Medicare claims, and nearly 2.7 million initial disability claims.
- Completed nearly 667,000 disability reconsiderations and over 652,000 requests for hearings.
- Conducted about 2.5 million SSI non-medical redeterminations and 850,000 full medical CDRs.
- Completed approximately 16 million requests for new and replacement Social Security number (SSN) cards.

AGING WORKFORCE AND LOSS OF INSTITUTIONAL KNOWLEDGE

SSA continues to face significant service delivery challenges due to the aging of the baby boomer population and the expectation that many of its most experienced staff will retire in the near future.

While SSA estimates that the number of retirement and disability beneficiaries will increase from 59 million in 2016 to 75 million in 2025, it projects that more than one-third of its workforce will retire by 2022.

Figure 5: SSA Employees Projected to Retire by 2022
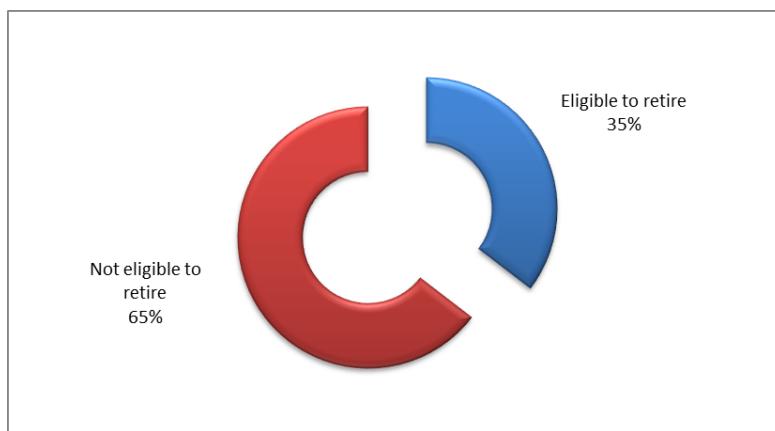
According to the Government Accountability Office's most recent *High-Risk Series* report, Federal agencies need to take additional steps to coordinate their efforts for (1) identifying and addressing mission-critical skills gaps and (2) making better use of workforce analytics that can be used to predict newly emerging skills gaps. The Government Accountability Office further states in its report, *OPM and Agencies Need to Strengthen Efforts to Identify and Close Mission-Critical Skills Gaps* that skills gaps in the Federal workforce can significantly impact agencies' ability to serve the public and achieve their missions.

ONLINE AND MOBILE SERVICE DELIVERY

Over the past few decades, advances in technology have revolutionized the business world, changing the pace of SSA's business processes. Because of these changes, the public expects to complete more business online. According to the Pew Research Center, the percentage of American adults who use the Internet increased from 52 percent in 2000 to 84 percent in 2015.

In addition, the rapid spread of mobile devices, ease of use, and growth in service provision via these devices will fuel expectations for mobile access to government services. Smart phones and other mobile devices may provide an opportunity to deliver online services to SSA customers who lack traditional Internet access in their homes.

REPRESENTATIVE PAYMENT PROGRAM

SSA appoints representative payees to manage the benefits of beneficiaries and recipients who are incapable of managing their own because of their age or mental or physical impairment. In January 2016, SSA reported that approximately 6.2 million representative payees were managing about $70 billion in annual benefit payments for about 8 million beneficiaries and recipients.

In March 2016, the Social Security Advisory Board released *Representative Payees: A Call to Action*, which outlines some of the issues facing the Representative Payment Program. It lays out the reasons for concern regarding the Program's administration and encourages further research. For example, according to the Social Security Advisory Board, one of the most worrisome aspects of the payee program is the absence of serious monitoring of the performance of payees. The Social Security Advisory Board reported that SSA conducted reviews for a small fraction of the universe of over 6 million payees during its FY 2015 onsite reviews.

In addition, our audits continue to identify problems with SSA's administration of the payee program. Most recently, we found

- representative payees continued serving as payees after determinations of benefit misuse without proper documentation as to why they continued to serve,

- some organizational payees did not have effective controls over the disbursement of underpayments received,

- SSA needed to improve its controls to prevent the selection of representative payees who were incapable of managing their own benefits, and

- high-volume representative payees collected unallowable and/or excessive fees.

Further, our investigations identified various types of representative payee fraud. For example, we found

- a former representative payee received benefits for children who had been removed from his care;

- a representative payee used several recipients' SSI payments to pay her credit card, cellular telephone, and utility bills; and

- a representative payee concealed a beneficiary's 10-year incarceration and continued receiving and spending his monthly benefit.

SSA acknowledges that representative payees play a significant role in many beneficiaries' lives, and it consistently explores ways to better identify, screen, and appoint representative payees.

AGENCY ACTIONS

SSA is implementing its long-term vision by incorporating several strategic goals to meet the public's changing needs. In addition, it continues to expand the use of online services that take advantage of technology and personalize the customer service experience. Finally, the Agency continues monitoring payees in the Representative Payment Program.

AGENCY'S EFFORTS TO IMPLEMENT VISION 2025

SSA developed *Vision 2025* to plan how it will serve customers in the future. One of the three priorities in Vision 2025 is superior customer service. SSA's *Annual Performance Plan for Fiscal Year 2017, Revised Performance Plan for 2016, and Annual Performance Report for Fiscal Year 2015* detailed the specific actions underway to transform the Agency to meet its future demands. The actions in that document align with the three vision priorities established in *Vision 2025*. However, one of our reviews found that, with this approach, SSA is using short-term strategic planning documents to support a broadly stated "aspirational vision."

INCREASING THE WORKFORCE

SSA recognizes that an aging employee base and increased employee turnover is a challenge for the future. In its *FY 2015-2017 Annual Performance Report*, the Agency reported that it had implemented such modernized recruitment strategies as social networking tools and promotion of workplace flexibilities like telework, hired a recruitment manager to support Agency recruitment efforts, and used Pathways Programs such as the Internship, Recent Graduates, and Presidential Management Fellows programs for recruitment. These programs enhance SSA's ability to attract and hire a talented and diverse workforce that reflects the public it serves.

ONLINE SERVICE DELIVERY

One of SSA's goals is to provide high quality and timely services while offering customers the convenience of interacting with it from anywhere. To provide a superior customer experience, SSA has developed the strategic objective to develop and increase the use of self-service options. SSA reported it

- launched the online Social Security Benefit Statement (i1099) that reduced mail requests by more than 60 percent,

- streamlined the online disability application by removing 25 duplicate data fields,

- released the online Social Security Number Replacement Card in selected states, and

- added new services to the *my* Social Security portal, including enhancements to Click-to-Callback and a new secure Message Center.

REPRESENTATIVE PAYMENT PROGRAM

SSA continues to identify representative payees that misuse funds. In its January 2016 report to Congress, SSA stated it conducted 2,852 payee reviews through face-to-face interviews. Based on its reviews, SSA identified 25 representative payees who misused beneficiaries' funds, removed 8 payees because the Agency found misuse occurred, and removed 19 payees because of poor performance.

In a May 2016 report, we stated that SSA needed to improve controls to ensure it does not make direct payments to concurrently entitled beneficiaries (that is, beneficiaries receiving payments under both the OASDI and SSI programs) who have a representative payee. We recommended that SSA conduct timely Master Beneficiary and Supplemental Security Records matches to identify and correct discrepant payment information. In response to our recommendation, SSA stated, as of June 2016, it was completing a data match to (1) identify concurrent beneficiaries who were receiving benefits through a payee for one benefit payment and direct payment for another benefit, (2) correct these discrepancies, and (3) avoid making direct payments to concurrently entitled beneficiaries who have a payee. According to the Agency, it plans to evaluate the results of the data match to determine the need and frequency of conducting future data matches.

WHAT THE AGENCY NEEDS TO DO

Develop and implement strategies that will provide quality services to the public now and in the future, while overcoming challenges related to an aging population, loss of institutional knowledge, and evolving technology trends.

Explore ways to strengthen its controls for administering the Representative Payment Program, including selection of payees. Also, research and improve on monitoring the performance of representative payees and prevent benefit misuse.

KEY RELATED PERFORMANCE MEASURES

Some of the key performance measures from SSA's FY 2016 *Annual Performance Plan* related to this challenge are listed below.

- Improve customer service and convenience by increasing online transactions by 25 million each year.

- Increase customer satisfaction with SSA services.

- Achieve the target speed in answering National 800-Number calls.

- Assess field and hearing office lease expirations and increase colocation of field and hearing offices to reduce SSA's physical footprint.

- Improve customer service by using IT to provide new online services to users of *my* Social Security.

- Enhance IT infrastructure by implementing innovative systems accessibility and performance capabilities.

KEY RELATED LINKS

SSA's Vision 2025.

SSA's Agency Strategic Plan Fiscal Years 2014-2018.

SSA's Annual Performance Plan for Fiscal Year 2017, Revised Performance Plan for Fiscal Year 2016, and Annual Performance Report for FY 2015.

SSA's Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews, Fiscal Year 2015.

SSA's FY 2017 Budget Overview.

National Academy of Public Administration - Anticipating the Future: Developing a Vision and Strategic Plan for the Social Security Administration for 2025 – 2030, July 2014.

Government Accountability Office Report – Report to Congressional Committees, High-Risk Series (An Update) (GAO-15-290), February 2015.

Pew Research Center - American's Internet Access: 2000 – 2015, June 2015.

The Board of Trustees - The 2015 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, July 2015.

OIG Report – Volume Individual Representative Payees (A-15-16-50034), January 2016.

OIG Report – Agency Actions Concerning Misuse of Benefits by Organizational and Volume Individual Representative Payees (A-13-12-21247), February 2016.

OIG Report – Congressional Response Report: The Social Security Administration's Vision 2025 Plan (A-02-16-50125), March 2016.

Social Security Advisory Board Issue Brief – Representative Payees: A Call to Action, March 2016.

OIG Report – Concurrently Entitled Beneficiaries Receiving Representative Payee and Direct Payments (A-09-16-50093), May 2016.

OIG Report – Accounting for Large Underpayments Released to Organizational Representative Payees (A-02-15-13056), May 2016.

OIG Report – Beneficiaries Serving as Representative Payees Who Have a Representative Payee (A-09-16-50109), August 2016.

MODERNIZE INFORMATION TECHNOLOGY INFRASTRUCTURE

CHALLENGE

SSA must modernize its IT to accomplish its mission despite budget and resource constraints.

Few Federal agencies touch as many people as SSA. IT plays a critical role in the Agency's day-to-day operations. However, SSA's aging IT infrastructure is increasingly difficult and expensive to maintain. The Agency continues relying on outdated applications and technologies to process its core workloads (for example, retirement and disability claims). Many of SSA's legacy applications were programmed with Common Business Oriented Language. SSA maintains more than 60 million lines of Common Business Oriented Language, along with millions more lines of other legacy programming languages. According to the Agency's Chief Information Officer, these legacy systems are not sustainable.

In FY 2016, SSA spent $1.5 billion on IT. According to SSA, budget constraints have forced it to use much of its IT funding to operate and maintain existing systems. To ensure SSA can keep pace with increasing workloads, the Agency must maintain its legacy systems while developing their modern replacements.

IT PHYSICAL INFRASTRUCTURE

One of SSA's recent major IT investments has been replacing its existing National Computer Center (NCC). The NCC had 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 have 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 a new National Support Center.

DEVELOPMENT AND IMPLEMENTATION OF ELECTRONIC SERVICES

Since SSA launched *my* Social Security in 2012, over 26 million customers have created accounts. According to SSA, in FY 2015, more than half of all Social Security retirement and disability applications were filed online, and customers completed over 87 million transactions using the Agency's Website. Still, the Agency saw over 40 million visitors in its field offices and handled about 37 million calls to its National 800-Number.

To reduce unnecessary field office visits, SSA plans to enhance its online services to provide the public a secure and convenient self-service option. To support its increasing workloads, SSA has developed and implemented over 30 electronic services for the public, businesses, and other government agencies.

One of the Agency's priorities is to develop, and increase the use of, self-service options. To achieve that goal, SSA plans to rapidly expand the services available through its *my* Social Security online portal. For example, SSA plans to provide direct access to certain information and notices through its online services. In addition, the Agency is expanding the availability of an application to permit certain individuals to request replacement SSN cards online. In 2015, we evaluated SSA's Authentication Risk Assessment for the Internet Social Security Number Replacement Card Project and identified some concerns with the mitigating controls SSA plans to use for the application.

IMPLEMENTATION OF MAJOR IT PROJECTS

SSA faces challenges in executing and implementing major IT projects and delivering expected functions on-schedule and within budget.

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 plans to develop the Disability Case Processing System (DCPS), which, once implemented, will be used by all DDSs. However, the project has faced schedule delays and increasing stakeholder concerns.

In response to a request from the Chairman of the House Subcommittee on Social Security, Committee on Ways and Means, we completed two reviews of the DCPS project in FY 2016. In the first, we concluded SSA did not sufficiently evaluate all alternatives for DCPS, such as phasing an existing system into all DDSs or procuring and modernizing one of the vendor-supported legacy systems. Without a comprehensive analysis of alternatives, the Agency could not be assured the chosen path was the best path to simplify system support and maintenance and reduce infrastructure costs—key objectives for the DCPS project. Furthermore, because SSA based some of its conclusions on high-level assessments and did not prepare detailed documentation, we were unable to independently evaluate the reasonableness of the Agency's cost and implementation estimates. As a result, we could not conclude that SSA's chosen path forward is most likely to result in the timely delivery of a cost-effective solution that meets users' needs.

In another review, we concluded that SSA's reported costs of $356 million for the DCPS project for the 8-year period ended September 30, 2015 were reasonably accurate. However, we noted issues with SSA's processes for capturing and reporting contractor and labor costs. While we did not consider these issues to be sufficiently significant to materially affect the overall DCPS cost figure, we believe they warranted SSA's attention.

AGENCY ACTIONS

IT MODERNIZATION PLAN

For several years, SSA has worked incrementally to modernize its IT infrastructure. However, the Agency's Chief Information Officer has acknowledged that the Agency must now undertake a larger, multi-year effort.

In FY 2016, SSA began reorganizing its data into a modern architecture and developing a framework to allow real-time updates (in contrast to legacy systems that batch transactions). According to SSA, it is also moving to modernize its software engineering tools and skills. However, SSA needs a sustained, long-term investment to make the changes needed to develop a fully modern IT infrastructure capable of supporting the Agency's vast and complex operations.

IT PHYSICAL INFRASTRUCTURE

Construction of the new National Support Center was complete in September 2014, and SSA began migrating systems to the new facility. In 2015, and again in 2016, our evaluations of SSA's efforts to transition its NCC operations to the new National Support Center did not identify any significant issues that threatened the project. SSA reported it completed migration in August 2016 on time and within budget.

DEVELOPMENT AND IMPLEMENTATION OF ELECTRONIC SERVICES

In FY 2016, SSA took steps to enhance its online services so they are more compatible with mobile devices. SSA also developed new customer engagement tools including Click-to-Callback and a Message Center for relaying informational messages to *my* Social Security users.

IMPLEMENTATION OF MAJOR IT PROJECTS

SSA has taken steps to get the DCPS project on track. In FY 2016, SSA continued developing a new DCPS product using an Agile framework, which promotes iterative development and close collaboration between users and software developers. In December 2016, the Agency plans to provide a pre-release of the software to three DDSs that will enable them to process a limited number of cases.

IT INVESTMENT PROCESS

SSA developed a new IT Investment Process that it expects will improve how it manages and invests in IT. The IT Investment Process will focus on up-front project planning with outcomes tied to specific Agency goals. An enterprise-wide executive IT investment board will meet throughout the year to make funding decisions on projects that provide the greatest benefit to the Agency. As a result, SSA believes it will be better able to deliver the right project on time and within budget.

WHAT THE AGENCY NEEDS TO DO

Prioritize and adequately fund IT modernization activities.

Ensure the Agency's IT planning and investment control processes are effective.

KEY RELATED PERFORMANCE MEASURES

The key related performance measures from SSA's FY 2016 *Annual Performance Plan* are listed below.

- Improve customer service and convenience by increasing online transactions by 25 percent.

- Increase customer satisfaction with SSA's services.

- Improve customer service by using information technology to provide new online services to users of *my Social Security*.

- Enhance IT infrastructure by implementing innovative systems accessibility and performance capabilities.

- Provide uninterrupted access to SSA systems during scheduled times of operation.

- Provide secure and effective services to the public by improving cyber security performance.

KEY RELATED LINKS

OIG Report - Congressional Response Report: The Social Security Administration's Analysis of Alternatives for the Disability Case Processing System (A-14-16-50078), May 2016.

OIG Report - The Social Security Administration's National Support Center: Progress Report as of April 2016 (Limited Distribution) (A-14-16-50101), July 2016.

OIG Report - Access to the Social Security Administration's my Social Security Online Services (Limited Distribution) (A-14-15-15010), September 2016.

OIG Report - Congressional Response Report: Costs Incurred to Develop the Disability Case Processing System (A-14-16-50099), September 2016

SECURE INFORMATION SYSTEMS AND PROTECT SENSITIVE DATA

CHALLENGE

SSA must ensure its information systems are secure and sensitive data are protected.

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 highly sensitive nature of the personal information in its systems, it is imperative that SSA have a robust information security program.

INFORMATION SECURITY PROGRAM

Our prior audit and investigative work has revealed a number of concerns with the security of SSA's information systems. Since FY 2012, auditors have identified weaknesses that, when aggregated, created a significant deficiency in SSA's overall information systems security program that compromised the security of the Agency's information and information systems. Additionally, other recent audits and evaluations have identified serious concerns with SSA's information security program.

In our most recent report on SSA's compliance with the *Federal Information Security Modernization Act* (FISMA), we determined that SSA had established an information security program and practices that were generally consistent with FISMA requirements. However, we identified a number of deficiencies that may limit the Agency's ability to protect the confidentiality, integrity, and availability of SSA's information systems and data. The deficiencies identified in several FISMA reporting metrics—configuration management, identity and access management, risk management, and security training—are consistent with those that we have cited in prior reports on SSA's FISMA compliance.

SECURING ONLINE SERVICES

As part of the Administration's *Cybersecurity National Action Plan*, agencies must take steps to safeguard personal data in online transactions between citizens and the Government, including adopting and using effective identity proofing and strong multi-factor authentication methods.

One of the Agency's priorities is to develop and increase the use of self-service options. To achieve that goal, SSA plans to expand the services available under its *my* Social Security online portal. For example, SSA plans to provide direct access to certain information and notices through its online services.

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. For example, despite controls to prevent unauthorized access to *my* Social Security, we continue to receive fraud allegations related to *my* Social Security accounts.

We recognize that online services are an important component of SSA's strategy to deliver services to the public during a period of increasing workloads and constrained resources. Still, we believe SSA's primary responsibility must be to safeguard the sensitive information the American public has entrusted to the Agency. To ensure citizens' sensitive information is adequately protected, we believe it is imperative that SSA take steps to strengthen controls over access to *my* Social Security as soon as possible.

AGENCY ACTIONS

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

INFORMATION SECURITY PROGRAM

In FY 2016, SSA continued addressing the underlying issues of the significant deficiency in information security. For example, SSA implemented additional policies and procedures including, but not limited to, strengthening access controls and management of privileged accounts, prioritizing critical data inventory, and expanding penetration testing. In 2017, SSA plans to enforce that all employees and contractors log into its internal network using two-factor authentication (for example, using a physical badge and password). Two-factor authentication methods make it harder for unauthorized individuals to access SSA's network and systems and better protect sensitive data.

SECURING ONLINE SERVICES

On July 30 2016, SSA began requiring that individuals use multi-factor authentication to access its *my* Social Security portal. Customers were required to provide their cellular telephone numbers to which SSA would send a temporary code during the online registration process and each time the customer attempted to sign into his/her online account. However, SSA found that this requirement inconvenienced or restricted access to some of its customers. As a result, the Agency reversed course and again made multi-factor authentication for *my* Social Security optional, as it was before July 2016.

In FY 2016, SSA's new risk assessment for *my* Social Security determined that a higher degree of confidence is needed to ensure that users are who they claim to be. Now, SSA must identify and implement appropriate authentication and identity proofing technology to strengthen the security of *my* Social Security.

WHAT THE AGENCY NEEDS TO DO

Address the deficiencies identified by the independent auditor that, when aggregated, are considered to be a significant deficiency in SSA's information security program.

Ensure the electronic services the Agency provides are secure.

KEY RELATED PERFORMANCE MEASURES

The key related performance measures from SSA's FY 2016 *Annual Performance Plan* are listed below.

- Improve customer service and convenience by increasing online transactions by 25 percent.
- Increase customer satisfaction with SSA services.
- Improve customer service by using information technology to provide new online services to users of *my* Social Security.

- Enhance IT infrastructure by implementing innovative systems accessibility and performance capabilities.

- Provide uninterrupted access to SSA systems during scheduled times of operation.

- Provide secure and effective services to the public by improving cyber security performance.

KEY RELATED LINKS

OIG Report - The Social Security Administration's Compliance with the Federal Information Security Modernization Act of 2014 for Fiscal Year 2015 (A-14-16-50037), November 2015.

OIG Report - The Social Security Administration's Management of Electronic Message Records (A-14-15-25025), February 2016.

OIG Report – Congressional Response Report: The Security of Systems that Provide Access to Personally Identifiable Information (Limited Distribution) (A-14-16-50173), August 2016.

OIG Report - Access to the Social Security Administration's **my Social Security** Online Services (Limited Distribution) (A-14-15-15010), September 2016

STRENGTHEN THE INTEGRITY AND PROTECTION OF THE SOCIAL SECURITY NUMBER

CHALLENGE

Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full benefits they are due.

As shown in Figure 6, SSA issued over 16 million original and replacement SSN cards in FY 2016. In addition, for Tax Year (TY) 2015, the Agency received and processed about 266 million wage items, totaling approximately $6.3 trillion in earnings. 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.

Figure 6: Original and Replacement SSN Cards Issued
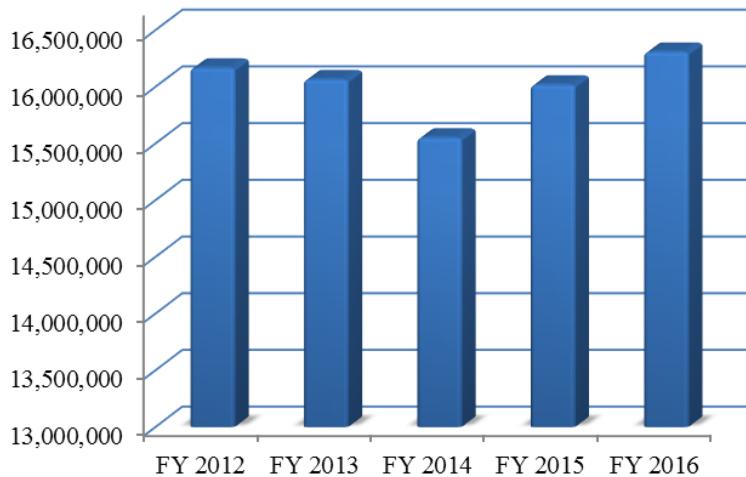
SSN USE

The SSN is relied on as an identifier in U.S. society and is valuable as an illegal commodity. Additionally, the SSN is critical in accurately recording workers' earnings on which future benefit payments are based. 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.

SSN MISUSE

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 how other entities collect, use, and protect it. For example, some educational institutions unnecessarily collect and use SSNs as a primary student identifier. Yet, our audit and investigative work have shown that the more SSNs are unnecessarily used, the higher the probability individuals could use them to commit crimes.

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 Federal Trade Commission has estimated that as many as 9 million Americans' identities are stolen each year.

EARNINGS

SSA's programs depend on earnings information to determine whether an individual is eligible for benefits and to calculate the amount of benefit payments. 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 spends scarce resources correcting earnings data when employers report incorrect information. The Earnings Suspense File (ESF) is the Agency's repository of wage reports on which wage earners' names and SSNs fail to match SSA's records. Per the latest available data, the ESF had accumulated over $1.3 trillion in wages and 346 million wage items for TYs 1937 through 2014. As shown in Figure 7, in TY 2014 alone, SSA posted about 7 million wage items, representing $77 billion in wages, to the ESF. From TYs 2005 to 2014, the ESF grew by approximately $696 billion in wages and 85 million wage items, representing about half of the total wages in the ESF and one-quarter of the total wage items.

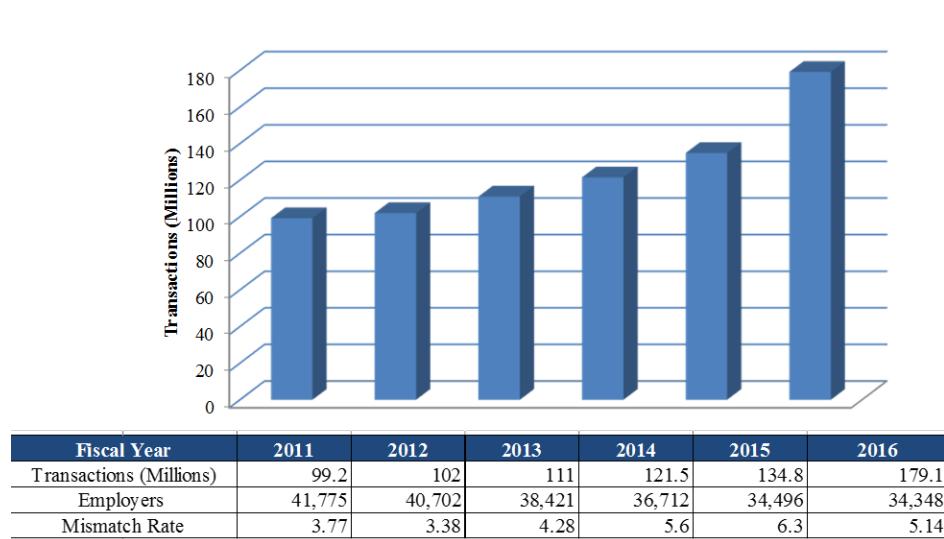**Figure 7: ESF Suspended Wage Items (1937 to 2014)**
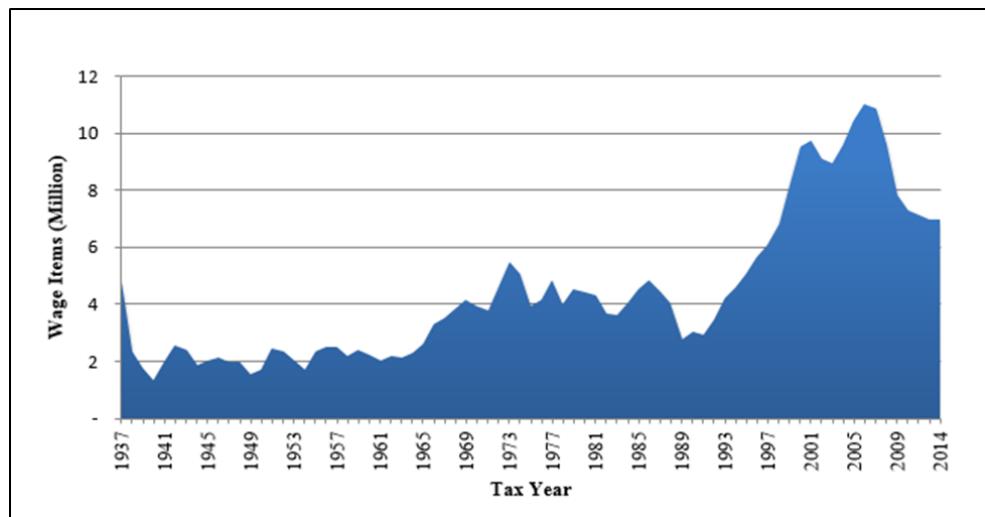
AGENCY ACTIONS

SSA has taken steps to streamline its enumeration process. For example, SSA released the Internet-based Social Security Number Replacement Card application in November 2015. This will allow SSA to reduce the number of replacement card requests in field offices and Social Security Card Centers. In FY 2016, SSA processed over 96,000 replacement card applications via Internet-based Social Security Number Replacement Card application. While we believe this initiative may enhance customer service, SSA must ensure it takes all necessary steps to minimize the risk of individuals fraudulently obtaining an SSN replacement card.

In addition, SSA has strengthened its policy for processing requests for the SSN printout and no longer provides SSN printouts to the public except in certain disaster situations. If an individual needs proof of his/her SSN and does not have an SSN card, he/she must request a replacement by completing an *Application for a Social Security Card* (Form SS-5) and providing the required documentation.

SOCIAL SECURITY NUMBER VERIFICATION SERVICE

SSA has taken steps to reduce the size and growth of the ESF. The Agency has offered employers the ability to verify the names and SSNs of their employees using the Agency's Social Security Number Verification Service, which is an online verification program, before reporting wages to SSA. In FY 2016, approximately 34,000 registered employers had submitted about 179.1 million verifications, see Figure 8.

**Figure 8: Social Security Number Verification Service Verifications
FYs 2011 Through 2016**

Fiscal Year	2011	2012	2013	2014	2015	2016
Transactions (Millions)	99.2	102	111	121.5	134.8	179.1
Employers	41,775	40,702	38,421	36,712	34,496	34,348
Mismatch Rate	3.77	3.38	4.28	5.6	6.3	5.14

E-VERIFY

SSA also supports the Department of Homeland Security in administering the E-Verify program, which assists employers in verifying the employment eligibility of newly hired employees. According to the Department of Homeland Security, over 680,000 employers have enrolled to use E-Verify, and since its inception in 2001, E-Verify's enrollment has steadily increased as shown in Figure 9. In FY 2016, more than 34.7 million queries were submitted.

Figure 9: Enrollment in E-Verify

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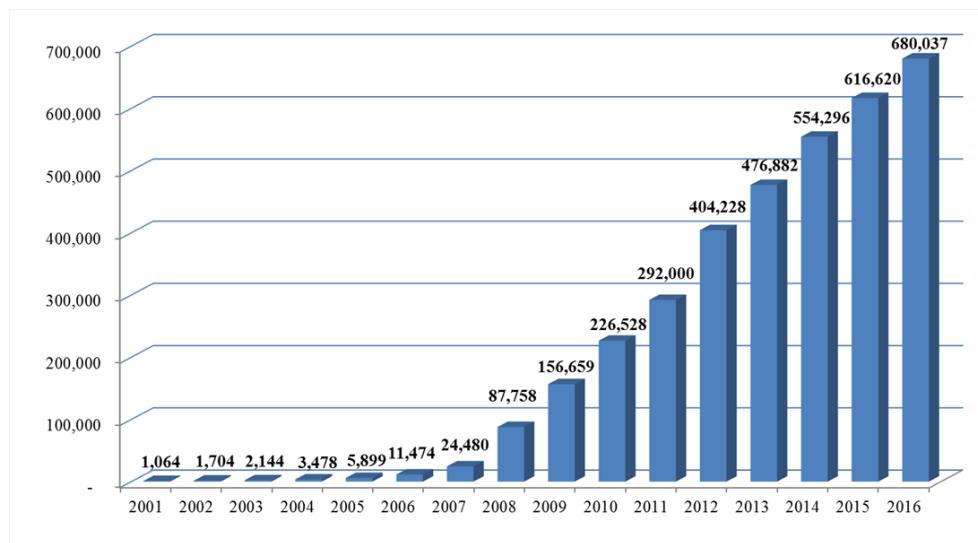
WHAT THE AGENCY NEEDS TO DO

Continue to be vigilant in the protection of SSNs. We remain concerned about SSN misuse by noncitizens who are not authorized to work in the United States as well as the misuse of SSNs for identity theft purposes.

Ensure that any electronic applications related to SSN card issuance offered through *my* Social Security include an effective authentication process.

Improve wage reporting by informing employers about potential SSN misuse cases, identifying and resolving employer reporting problems, re-examining the validity and integrity checks used to prevent suspicious W-2s from being posted, and encouraging greater use of the Agency's employee verification programs. SSA can also improve coordination with other Federal agencies with separate, yet related, mandates. For example, the Agency needs to work with the Internal Revenue Service to achieve more accurate wage reporting.

</div>

KEY RELATED PERFORMANCE MEASURES

The key SSN-related performance measure from SSA's FY 2016 *Annual Performance Plan* is listed below.

- Improve the accuracy and timeliness of the earnings data used to calculate benefits.

KEY RELATED LINKS

OIG Report – Kindergarten Through 12th Grade Schools' Collection and Use of Social Security Numbers (A-08-10-11057), July 2010.

OIG Report – Controls for Issuing Social Security Number Printouts (A-04-11-11105), December 2011.

Inspector General Testimony – Hearing on Social Security's Death Records, February 2012.

OIG Report – Noncitizens Issued Multiple Social Security Numbers (A-06-10-20155), December 2012.

OIG Report – Potential Misuse of Foster Children's Social Security Numbers (A-08-12-11253), September 2013.

OIG Report – Improper Use of Children's Social Security Numbers (A-03-12-21269), March 2014.

OIG Report – Access Controls over the Business Services Online (Limited Distribution), (A-03-13-13015), June 2014.

OIG Report – Internet Social Security Number Replacement Card Project (Limited Distribution) (A-08-14-24096), July 2014.

OIG Report – Numberholders Age 112 or Older Who Did Not Have a Death Entry on the Numident (A-06-14-34030), March 2015.

OIG Report – The Social Security Administration's Authentication Risk Assessment for the Internet Social Security Number Replacement Card Project (Limited Distribution) (A-14-14-24130), May 2015.

OIG Report – Status of the Social Security Administration's Earnings Suspense File (A-03-15-50058), September 2015.

OIG Report – Social Security Numbers Assigned to Diversity Visa Immigrants (A-08-15-15021), November 2015.

OIG Report – Social Security Administration Correspondence Containing Full Social Security Numbers (A-04-15-50070), April 2016.

STRENGTHEN PLANNING, TRANSPARENCY, AND ACCOUNTABILITY

CHALLENGE

> **Planning, transparency, and accountability are critical factors in effective management. Failure to plan properly to meet its mission and challenges will lessen the Agency's ability to provide its services efficiently and effectively now and in the future. Similarly, mismanagement and waste as well as a lack of transparency for citizens in Government operations, can erode trust in SSA's ability to tackle the challenges it faces.**

PLANNING

The Agency has long developed annual performance and multiple-year strategic plans, which include descriptions of the programs, processes, and resources needed to meet its mission and strategic objectives. We have previously noted that, while planning for the next few years is important, a longer-term vision is critical to ensuring the Agency has the programs, processes, staff, and infrastructure required to provide needed services 10 to 20 years from now and beyond.

SSA contracted with the National Academy of Public Administration (NAPA) to develop a vision and high-level strategic plan aimed at helping the Agency address the continuing service delivery challenges it may face. SSA used the Academy's report and additional stakeholder input to develop its *Vision 2025*, which it released in FY 2015. Per SSA, *Vision 2025* was a critical first step in planning how it will serve the public in the future. It presents three priorities: superior customer experience, exceptional employees, and innovative organization. These priorities will guide the development of goals, plans, and performance measures, which SSA will outline in its strategic plans and annual performance reports.

Vision 2025 does not include specific, measurable goals or outline the strategy needed to implement SSA's proposed vision. We believe SSA's long-term strategic vision should include specific, measurable goals that clearly outline the service delivery model SSA envisions in year 2025 and beyond, which would allow SSA to use its shorter term planning documents to outline the steps needed to achieve larger and clearly defined objectives. Also, while *Vision 2025* describes its future environmental drivers, it does not explain how they will affect SSA's ability to provide services in the future. Additionally, *Vision 2025* addresses many of the issues outlined in NAPA's plan for SSA, but NAPA's plan is more specific than *Vision 2025*. Most importantly, NAPA concludes that SSA needs to develop a more cost-effective service delivery system that is primarily virtual. *Vision 2025* does not choose one primary service delivery method and promises a service delivery system that will meet each customer's desire.

TRANSPARENCY

The Agency has a mixture of outcome and output performance measures on which it publicly reports. Some outcomes measure customer satisfaction, the timeliness of service or claims processing, or the accuracy of payments. Other performance measures appear to measure outcomes but really measure outputs. In these cases, SSA included a desired outcome in the wording of the performance measures, but it does not actually measure those outcomes. For example, one of SSA's performance measures is to "Improve the disability determination process by increasing the percentage of initial disability claims using electronically transmitted health records and medical evidence (Health IT)." While an increased number of claims using Health IT may improve the disability determination process, it may not. A better performance measure would measure whether claims using Health IT had better outcomes, like more accurate or timely disability determinations when compared to claims processed

without Health IT. Without an understanding of the outcomes associated with the use of Health IT, one cannot determine whether any investment in the increased use of Health IT is an effective use of SSA's resources.

SSA also has a number of output performance measures, such as budgeted workloads, including the completion of the budgeted number of full medical CDRs, SSI non-medical redeterminations, disability claims, and hearings requests. While measuring these workloads may be helpful for budgeting purposes, the performance measures do not inform a reader whether the completion of the workloads has positive outcomes. More useful performance measures would measure the outcomes of the workloads, like the dollars saved by identifying beneficiaries who were no longer disabled and, therefore, ineligible for benefits through the completion of CDRs. Measuring outputs, or steps in a process, does not inform the public whether SSA is achieving the outcomes it needs to efficiently and effectively provide its services and meet its mission.

ACCOUNTABILITY

SSA'S ANTI-FRAUD PROGRAMS

In FY 2014, we hired a contractor to complete a fraud risk assessment of SSA's anti-fraud activities and found that SSA did not track all instances of fraud or use a risk-based approach for combatting fraud. The contractor also concluded that the Agency could be more proactive in addressing and mitigating new fraud schemes and improving the design and operating effectiveness of anti-fraud measures.

Additionally, SSA needs to prepare for new risk management requirements that will become effective in FY 2017. In July 2016, OMB issued Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control.* It states that management has overall responsibility for establishing internal controls to manage fraud risk. This includes reporting to the Agency's governance structure the actions the Agency has taken to manage fraud risks and the status of the Agency's Risk Profile. The Agency's Risk Profile must include an evaluation of fraud risks and use a risk-based approach to design and implement financial and administrative control activities to mitigate identified material fraud risks.

INDEPENDENT AUDITOR'S REPORT

The FY 2016 *Independent Auditor's Report* contained two significant deficiencies in internal control (refer to SSA's FY 2016 *Agency Financial Report* for the full text of the report).

The auditor identified four deficiencies in internal control that, when aggregated, were considered to be a significant deficiency in internal controls related to accounts receivable and overpayments.

- The auditor found that SSA's subsidiary ledgers did not agree with its general ledger balances, and SSA had a lack of internal controls over the routine reconciliation of subsidiary ledgers with the general ledger. In addition, the auditor identified control deficiencies related to the periodic testing of IT system programs to ensure accounts receivable information was accurate and complete.

- The auditor found errors in 30 percent, and missing documentation in 25 percent, of the overpayment sample items it selected for review.

- The auditor identified instances where employees did not fully comply with SSA polices, including retaining sufficient evidence to support a claim for overpayment.

- The auditor determined that, because of an SSA identified system's limitation, SSA is not tracking receivable overpayment installment payments that extend past the year 2049.

In addition, the auditor identified information system control deficiencies in four areas that, when aggregated, were considered to be a significant deficiency over information systems controls. The areas included the following.

- Threat and Vulnerability Management.

- IT Oversight and Governance.

- Change and Configuration Management.

- Access Controls.

AGENCY ACTIONS

PLANNING

SSA created an addendum to its *Agency Strategic Plan* for FYs 2014-2018 to show how the *Vision 2025* priorities aligned with the Plan's strategic objectives. The addendum also showed how the *Vision 2025* priorities aligned with SSA's major management priorities for FYs 2015-2016 (see Table 2). Per the addendum, the major management priorities were the Agency's first step in focusing and prioritizing the resources to realize *Vision 2025* and served as the first phase of the implementation of *Vision 2025*. The Agency reported it completed 90 percent of the activities to which it committed with the first eight critical management priorities and established new critical priorities for 2016-2017.

Table 2: Alignment of Vision 2025 Priorities to Major Management Priorities

Vision Priority	Major Management Priorities 2015 Through 2016	Major Management Priorities 2016 Through 2017
Superior Customer Experience	I. Enhance Online Customer Service II. Reduce Hearings Backlog III. Educate the Public About Social Security Programs	I. Advance Customer Engagement II. Advance Service Delivery in Our Disability Programs III. Enhance Knowledge of Social Security Retirement and Disability Programs IV. Enhance Quality and Payment Accuracy for our Customers
Exceptional Employees	IV. Improve Succession Management V. Promote Employee Development and Engagement	V. Invest in Our Employees
Innovative Organization	VI. Transform the IT Investment Process VII. Establish Program Management Model/Office VIII. Accelerate the Use of Data-Driven Decision-Making	VI. Upgrade Our Foundational Infrastructure VII. Modernize Our IT and Accelerate Data Driven Decisions

SSA also worked with a contractor to develop an execution strategy and roadmap to cover the 10-year period addressed by *Vision 2025*. The roadmap includes a more specific description of a future SSA, but the contractor's reports do not discuss how SSA's budget uncertainty and other environmental factors could affect the envisioned roadmap. The value of the contractor's work will be measured by whether SSA uses the guidance the contractor provided as it makes the changes needed to meet its mission and successfully serve its customers in the future.

TRANSPARENCY

In FY 2016, SSA provided its strategy and performance teams with performance-measure development training. Additionally, it implemented a new process for developing performance measures, with the goal of identifying the best indicators where data are available to measure progress in achieving the desired outcome of strategic objectives.

Per SSA, it will continue working toward developing more outcome-based performance measures as it moves forward with developing its next Agency Strategic Plan.

ACCOUNTABILITY

SSA has taken a number of steps to increase its anti-fraud activities. In November 2014, it established the Office of Anti-Fraud Programs to monitor the Agency's anti-fraud initiatives. The Office of Anti-Fraud Programs is developing the Anti-Fraud Enterprise Solution to identify high fraud risk areas that have the most significant impact to the Agency. Specifically, the Anti-Fraud Enterprise Solution will employ advanced data analytics to identify patterns that indicate fraud, improve functionality for data-driven fraud triggers, conduct real-time analysis, and integrate technology into SSA's anti-fraud business process. Once SSA completes its risk management work and establishes a risk tolerance(s), it can use the results of that work to build risk-scoring capabilities into the Anti-Fraud Enterprise Solution.

Once operational, the system will be the platform used by the Office of Anti-Fraud Programs to centralize agency level anti-fraud activities. According to SSA, the software and hardware system will use existing and emerging methods to prevent and detect fraud through data modeling and analytics. SSA also plans to apply a risk-based approach by using predictive modeling to prioritize program integrity and stewardship workloads. SSA expects the use of predictive modeling to help it identify and work cases with the greatest potential for improper payments.

Finally, the Acting Commissioner has made addressing the internal control significant deficiencies a priority.

WHAT THE AGENCY NEEDS TO DO

SSA should make public the roadmap guiding implementation of its *Vision 2025*. Also, the Agency should develop performance measures that address its long-term outcomes, so SSA and the public can track implementation of the roadmap.

SSA needs to be more proactive in addressing and mitigating new fraud schemes and improving the design and operating effectiveness of anti-fraud measures.

The Agency needs to address its two internal control significant deficiencies.

KEY RELATED AGENCY PERFORMANCE MEASURES

The key planning, transparency, and accountability related measures from SSA's FY 2016 *Annual Performance Plan* are listed below.

- Assess field and hearing office lease expirations and increase colocation of SSA field and hearing offices to reduce SSA's physical footprint.
- Enhance security features and business processes to prevent and detect fraud.
- Strengthen workforce diversity by maintaining the representation of employees with targeted disabilities.
- Strengthen workforce competence by improving SSA's talent management index score.
- Become one of the Top 5 Best Places to Work among large agencies in the Government.
- Increase employee engagement as measured by the employee engagement index score.
- Lay the foundation for building a 21st century workforce by meeting or exceeding targeted Human Resources measures.

KEY RELATED LINKS

OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, July 2016.

SSA's Agency Strategic Plan, Fiscal Years 2014-2018.

SSA's Agency Strategic Plan, Fiscal Years 2014-2018, Update Addendum: Vision 2025 Alignment.

SSA's Annual Performance Report 2015 – 2017 (Annual Performance Plan for FY 2017, Revised Performance Plan for FY 2016, and Annual Performance Report for FY 2015).

SSA's Vision 2025.

National Academy of Public Administration Report – Anticipating the Future: Developing a Vision and Strategic Plan for the Social Security Administration for 2025-2030, July 2014.

OIG Report – Fraud Risk Performance Audit of the Social Security Administration's Disability Programs (Limited Distribution) (A-15-15-25002), April 2015.

OIG Report - The Social Security Administration's Financial Report for Fiscal Year 2015 (A-15-16-50025), November 2015.

OIG Report – Congressional Response Report: The Social Security Administration's Vision 2025 Plan (A-02-16-50125), March 2016.

OIG Report – The Social Security Administration's Financial Report for Fiscal Year 2016 (A-15-17-50155), November 2016.