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THE SOCIAL SECURITY ADMINISTRATION'S PROVISIONS IN THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

HEARING

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY

OF THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

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THE SOCIAL SECURITY ADMINISTRATION'S PROVISIONS IN THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

TUESDAY, APRIL 28, 2009

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON SOCIAL SECURITY,
Washington, DC.

The Subcommittee met, pursuant to call, at 2:01 p.m., in room B–318, Rayburn House Office Building, the Honorable John Tanner (Chairman of the Subcommittee) presiding.

[The advisory of the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON SOCIAL SECURITY

FOR IMMEDIATE RELEASE
April 21, 2009
SS–2

CONTACT: (202) 225–9263

Congressman Tanner Announces Oversight Hearing on the Social Security Administration's Provisions in the American Recovery and Reinvestment Act of 2009

Congressman John S. Tanner (D–TN), Chairman, Subcommittee on Social Security, announced an oversight hearing on the progress made by the Social Security Administration (SSA) in implementing the *American Recovery and Reinvestment Act of 2009.* **The hearing will take place on Tuesday, April 28, 2009 in room B–318 Rayburn House Office Building, beginning at 2:00 p.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

In February, Congress passed and the President signed the *American Recovery and Reinvestment Act of 2009 (ARRA, Pub. L. 111–5), landmark legislation designed to create jobs, promote economic recovery, assist people most impacted by the recession, and make investments in infrastructure and technology to increase economic efficiency and provide long-term economic benefits.*

The Recovery Act made a significant and strategic investment in SSA, to ensure that the agency is capable of continuing its vital role in helping American families meet their financial needs during retirement, in case of disability, or after the death of a wage earner. A decade of funding below the President's request had left SSA with a decreased ability to meet the requirements of serving an aging society. As a result, the agency was also ill-prepared to deal with a significant increase in retirement and disability benefit claims caused by the current economic downturn. Post-9/11 enhancements to Government requirements for systems continuity in case of a disaster combined with SSA's increasing use of electronic processes also require modernization of its information technology systems, including complete replacement of its nearly obsolete National Computer Center (NCC). Moreover, ARRA's provision of one-time economic recovery payments to Social Security beneficiaries is intended to give some financial help to retired and disabled Americans, who are most likely to be impacted by the economic crisis.

SSA's national computer processing and data storage facility, the NCC, houses 450 million records of Americans' earnings and benefit data for almost 56 million beneficiaries. It performs a billion electronic transactions annually in the administration of benefits and data-matching agreements with other Federal, state and local agencies. As reliance on electronic processing and technology grows—both within SSA and among other Federal, state and local agencies—so does the need to ensure the NCC is able to function effectively. The NCC is nearly thirty years old. It is nearing the end of its useful physical life, its capacity is inadequate to meet anticipated future needs, and deterioration of the facility is posing increasing risks to SSA operations. Questions have been raised concerning why replacement of the NCC be-

came an unforeseen and urgent priority, and whether steps can be taken by SSA to avoid such crises in the future. ARRA provided SSA with $500 million to begin the process of replacing the existing NCC. This amount is expected to cover the cost of building a new facility and part of the cost of equipping it.

In addition, SSA's workload in processing new claims for retirement and disability benefits began to increase significantly in FY 2009 as a result of the economic downturn combined with the aging of the population. SSA estimated that processing the increased number of claims will cost the agency $900 million more in FY 2009–10 than was previously projected. *ARRA provided SSA with $500 million as a downpayment on the cost of processing these recession-driven claims.*

Finally, ARRA provided most Social Security, Railroad Retirement Board, Veterans Administration, and Supplemental Security Income (SSI) beneficiaries with a one-time, additional payment of $250 to help stimulate economic recovery. Direct payments to retirees and people with disabilities have a beneficial impact on the economy, as beneficiaries with modest incomes are more likely to spend the money on immediate needs rather than save it. SSA has notified its beneficiaries of the upcoming payments and anticipates their distribution several weeks ahead of the June statutory deadline.

In announcing the hearing, Chairman John Tanner (D–TN) stated, **"Congress counts on the Social Security Administration to reliably serve America's retirees, people with disabilities and survivors, providing needed benefits in a timely manner. In the Recovery Act, Congress made a significant investment in SSA's capacity to continue to effectively serve our constituents. This hearing will allow the Subcommittee to learn how SSA is managing this investment, to ensure that waste is avoided and all due effort is made to maintain the high level of customer service for which the agency historically has been known."**

FOCUS OF THE HEARING:

The hearing will focus on the progress made by SSA and other involved agencies in using ARRA resources to replace the NCC; SSA's use of ARRA funding to process recession-driven claims; and the agency's plans for distributing the $250 economic recovery payments to over 50 million recipients.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, http://waysandmeans.house.gov, select *"Committee Hearings". Select the hearing for which you would like to submit, and click on the link entitled, "Click here to provide a submission for the record." Once you have followed the online instructions, complete all informational forms and click "submit" on the final page.* ***ATTACH*** your submission as a Word or WordPerfect document, in compliance with the formatting requirements listed below, by close of business **Tuesday, May 12, 2009.** Finally, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225–1721.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word or WordPerfect format and MUST NOT exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. All submissions must include a list of all clients, persons, and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone, and fax numbers of each witness.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available on the World Wide Web at http://waysandmeans.house.gov.

Chairman TANNER [presiding]. If Mr. Brady has arrived, we could come to order.

I thank all of you for being here, particularly our witnesses.

This hearing today is about the implementation of the so-called stimulus bill, the American Recovery and Reinvestment Act, and, basically, there are two or three things that we want to talk about here with our witnesses. One, of course, is the resources that were made available for the backlog and the problems that we have been having with that, and secondly is the somewhat urgent need to move on a new facility for the Social Security Administration.

This came to us late in the day, as one might say, about the urgency of the problems out at the site, the National Computer Center, and, therefore, Congress responded with some moneys in the stimulus package to address this issue. And, finally, we will talk a little about the stimulus bill and the recovery payments and so forth that is contained therein.

Unfortunately, Mr. Johnson, our Ranking Member on the Subcommittee, could not be here today, and so, at this time, I would like to ask Mr. Brady for any comments he may have as the Ranking Member. And thank you.

Mr. BRADY. Great, Chairman. Thanks for having us.

I am pleased to be filling for our Ranking Member, Sam Johnson, who is remaining in Texas for part of the day and will start by reading his opening statement for today's hearing.

This Committee, as the chairman said, has long worked on a bipartisan basis to ensure Social Security has the resources it needs. In the last 2 years, Congress has provided funding at levels higher than the President's request, and the Recovery Act provides an additional $1 billion to build a new computer center and to process increased workloads due to the economic downturn.

Today, we will begin to learn how Social Security is using these funds and whether they are doing so in ways that provide real results to the American people without squandering substantial taxpayer investments.

First, these results must include restoring service delivery and protecting Americans' personal information and in the event of a major failure at the 30-year-old National Computer Center. Second, delays our constituents face when they visit or contact the local Social Security office, call the 800 number, or wait over 16 months for a decision on their disability appeal before administrative law judge must be reversed.

Third, efforts to address program waste, fraud, and abuse, including conducting continuing disability reviews, must be increased in order to save billions in program dollars and build taxpayer confidence. Finally, whether Social Security will achieve these results now and in the future depends on their ability to effectively and strategically modernize its technology infrastructure as it purchases a new National Computer Center and builds the capacity of the second data center in Durham.

As said in a recently released bipartisan Social Security Advisory Board report, "There is much that remains to be done to establish a truly robust and modern IT infrastructure that will truly support service delivery in the 21st century, and time may be running short."

In closing, as we address Social Security service delivery challenges, we cannot just ignore the fiscal challenge Social Security faces. President Obama has expressed his commitment to advance Social Security reform. We all know the sooner we act to protect and strengthen Social Security, the better.

So I hope this Subcommittee can begin work on a bipartisan basis as soon as possible to examine options and find solutions.

Thank you, Chairman.

Chairman TANNER. Thank you, Mr. Brady.

The Chair would ask unanimous consent that his statement and all others on the Committee be inserted into the record. Without objection.

[The statement of Mr. Johnson follows:]

COMMITTEE ON
WAYS & MEANS REPUBLICANS
RANKING MEMBER, DAVE CAMP

OPENING STATEMENT OF RANKING MEMBER SAM JOHNSON
WAYS AND MEANS SUBCOMMITTEE ON SOCIAL SECURITY
HEARING ON THE SOCIAL SECURITY ADMINISTRATION'S PROVISIONS IN THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009
APRIL 28, 2009

(REMARKS AS PREPARED)

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I thank the witnesses for joining us today and presenting their expert testimony.

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Chairman TANNER. In addition, I would like to ask unanimous consent that all of the statements of the witnesses that are going to testify be inserted into the record. Without objection. Thank you.

And now may I call on Ms. Glenn-Croft first for your testimony. You are recognized. And, please, if you could observe the 5-minute rule, we would appreciate it.

STATEMENT OF MS. MARY GLENN-CROFT, DEPUTY COMMISSIONER FOR BUDGET, FINANCE AND MANAGEMENT, SOCIAL SECURITY ADMINISTRATION

Ms. GLENN-CROFT. I will do that.

Chairman Tanner, Ranking Member Brady, and Members of the Subcommittee, good afternoon. I am Mary Glenn-Croft, Social Security senior accountable official for the use of Recovery Act funds.

On behalf of Commissioner Astrue, I appreciate the opportunity to discuss how these funds will help us process our increasing workloads and replace our aging National Computer Center. I will also share our plan to oversee our Recovery Act responsibilities, including issuing one-time $250 economic recovery payments to Social Security and SSI beneficiaries.

Let me begin by thanking you for the significant investment you are making in our agency and for the trust that you have in us to get the job done.

The Recovery Act provides us with $500 million to process what we expect to be the highest levels of disability and retirement claims we have ever seen. This fiscal year, because of the twin forces of the economic downturn and the first baby boomers retiring, we expect to receive over 300,000 more retirement claims, about a 9-percent increase, and 300,000 more disability claims, about a 12-percent increase, over last year. Fiscal year 2009 appropriations and Recovery Act funding will allow us to process most, if not all, of the additional retirement claims, hold 75,000 additional hearings, and process an additional 30,000 disability claims.

We will also hire more than 2,000 people with the Recovery Act funding this fiscal year. About 1,500 of these new hires will provide direct service to help people file claims, adjudicate applications, and answer the public's questions. We will hire 35 additional administrative law judges and 550 support staff in hearing offices, and we will provide funding for 300 new employees in the state disability determination services.

In addition, we will authorize overtime and frontline components to process critical workloads. We have already recruited and hired a highly diverse group of more than 1,400 new employees. New hires will make a real difference in the service we provide to the American public, although it will take some time for us to fully train them. Our combined fiscal year 2009 annual appropriation and the Recovery Act funding will allow us to hire over 7,000 employees by September.

The Recovery Act authorized us to spend part of the $500 million on technology investments, including health information technology. We will spend about $16 million dollars of Recovery Act funding on computers and other equipment our new hires will need. We will also invest in video-conferencing equipment and increased bandwidth to support the hearings process. We intend to spend $24 million to contract with the health care community to provide us with electronic health records to improve the speed and accuracy of our disability determination process.

Congress also acknowledged our long-term information technology needs by providing $500 million to replace and partially equip our national Computer Center. The NCC is the technological heart of the agency, housing critical computer operations and data

essential to provide prompt and accurate benefit payments to millions of Americans. Because the NCC is 30 years old, eventually, it will be unable to support the growing demand of our computer systems and electronic services. This funding will ensure that a new data center will be operational as the NCC nears the end of its functional life.

We are working collaboratively with the General Services Administration to formulate specific requirements for a state-of-the-art data center and to develop criteria for a building site. As of April 1, GSA awarded a contract to a construction management firm, and we are currently providing that firm with information to define building requirements and land specifications.

We strongly support the accountability and transparency standards Congress established for Recovery Act funds. As recommended by OMB, our executive internal control Committee will oversee Recovery Act performance across the agency. We have established oversight workgroups for each of our Recovery Act efforts, and in compliance with reporting requirements, we were one of the first agencies to put up a recovery Web site and submit our weekly reports to OMB. We are also working closely with our inspector general's office as it plans additional oversight of Recovery Act funding.

Finally, the Recovery Act provides for one-time $250 economic recovery payments to Social Security and SSI recipients. Although implementing this legislation required extensive coordination with other Federal agencies, we are on track to issue these payments in May, 3 weeks earlier than the statute requires. These payments to more than 50 million people will inject over $13 billion into the economy.

Again, we greatly appreciate the actions of Congress to provide assistance to the American people in this time of economic hardship, and we thank you for providing us with the funding we need to help in these efforts. We will keep the Committee apprised of our progress, and we look forward to your continued support as we implement the plans I have described above.

I would be happy to answer any of your questions.

Thank you.

[The statement of Ms. Glenn-Croft follows:]

Statement of Mary Glenn-Croft, Deputy Commissioner for Budget, Finance and Management, Social Security Administration

Thank you for the opportunity to describe the important and ambitious projects that we at the Social Security Administration are undertaking with the funds that you appropriated to us through the *American Recovery and Reinvestment Act of 2009 (Recovery Act) I want to thank you on the agency's behalf for the significant investment you are making in us and for the trust that you have in us to get the job done.*

We realize that many of our fellow citizens are suffering because of the current economic downturn. Jobs have become scarcer; homes have been lost, and too many of our neighbors are facing increased difficulty in making ends meet. Undoubtedly, these are challenging times. Nevertheless, we believe that we have a unique opportunity to serve the millions of Americans who rely upon our programs and to continue to provide them with the quality service they deserve.

As the Senior Accountable Official, I am responsible for overseeing how we use the Recovery Act resources. Under the Recovery Act, you afforded us $500 million to tackle our retirement and disability workloads—$40 million of which we may use for health information technology initiatives. You also gave us $90 million to administer economic recovery payments and $500 million to construct and partially equip

a new data center to replace our aging National Computer Center (NCC). This substantial investment will help us address the dramatically increasing service demands caused by the combination of a weakened economy and increased baby boomer retirements.

Today, I will discuss how these Recovery Act resources will help us process our increasing workloads and replace our aging NCC. I will share with you the agency's plan to oversee all of our Recovery Act responsibilities, including paying $250 to millions of Social Security and Supplemental Security Income (SSI) beneficiaries.

PUTTING RECOVERY FUNDS TO WORK—HIRING AND PROCESSING WORKLOADS

The Recovery Act gives us $500 million to process the increased number of disability and retirement claims we are seeing because of the economic downturn and the beginning of the baby boomer retirement wave. If our projections hold true, we will receive and process more claims this year than in any prior year. With the fiscal year (FY) 2009 appropriation and the Recovery Act funding, we plan to process over 300,000 more retirement claims, 30,000 more disability claims, and nearly 75,000 more hearing requests this fiscal year than we did in FY 2008.

We will use a significant portion of this funding to hire and train new employees and to provide additional overtime so that we can process critical workloads. Of more than 7,000 new hires that we are making this fiscal year, the Recovery Act funding will allow us to hire more than 2,000 Federal employees and the States to hire additional disability examiners. Specifically, in the near term:

- Our field operations will hire 1,500 employees in local field offices, teleservice centers, and processing centers;
- Our hearings offices will hire 550 new employees and 35 additional administrative law judges, and
- State disability determination services (DDS) throughout the country will hire 300 additional disability examiners.

In total, by September of this year, with our FY 2009 appropriation and the Recovery Act funding, we will hire over 7,000 employees. We will assign these new employees throughout the agency and across the country to provide a much-needed increase in our staffing level.

Additional employees, of course, require additional space to house them. As Commissioner Astrue said during his appearance before this Subcommittee last month, we will open 10 new hearing offices in the near future.[1] Earlier this month, he also decided to add 3 more offices, bringing the total number of new hearing offices to 13.

New hires will make a real difference in the service we will deliver to the public. With this increased staffing, we will be able to take more claims, whether in person or by telephone, to adjudicate more claims, and to serve callers to our national 800 number.

Recruitment and Training—A Long-Term Investment

Hiring new employees is critical. Accordingly, as the Recovery Act moved through Congress, we instructed personnel offices and managers to be ready to hire as soon as we had an appropriation. To achieve a diverse and high-performing workforce, we will continue to seek employees through announcements on USAJOBS. We also will utilize the full range of hiring flexibilities, such as the excepted service appointment authorities for Veterans Recruitment Appointments and the Federal Career Intern Program. We are also working with the Office of Personnel Management (OPM) to obtain the necessary authority to hire reemployed annuitants for some of our highly technical positions since these individuals already possess the skill sets necessary to do the job.

Realistically, new employees will not have an immediate impact on our current or backlogged workloads, as hiring and fully training new employees is a lengthy and resource-intensive process. The hiring process includes reviewing applications and resumes, conducting interviews, conducting background checks, and offering positions. Often, new employees must relocate to their duty stations or give their employers sufficient notice so that the employer may seek a replacement. Once new employees report to work, they will receive training that because of the complexity of our programs, generally lasts from 13 to 17 weeks. After this initial training, we assign a mentor to most new employees to help them learn the intricacies of proc-

[1] St. Petersburg, FL; Tallahassee, FL; Atlanta South, GA; Topeka, KS; Mt. Pleasant, MI; Livonia, MI; Akron, OH; Toledo, OH; Fayetteville, NC, and Madison, WI. The three additional offices will be in Auburn, WA; Phoenix, AZ, and either Danville or Portage, IN.

essing our work. This on-the-job training typically lasts a full year. By the end of that year, though still not fully proficient in all parts of the job, these employees will begin to contribute significantly to workload processing. The time spent training and mentoring, however, reduces the time our more experienced employees have to process their own work, reducing productivity in the short run.

Whenever we recruit and hire, we remain mindful of our firm commitment to a high-performing, diverse workforce. We are making a concerted effort to hire persons with disabilities by reaching out to Wounded Warrior transitional programs and Ticket to Work beneficiaries who are trying to return to the workforce. For example, on May 28, we will hold our second annual Hiring Heroes Career Fair at our Baltimore headquarters, and we expect over 100 military personnel and veterans with disabilities to attend. With Recovery Act funding, we have already hired a highly-diverse group of more than 1,400 employees.

Fully Funded and Staffed DDSs Are Essential to Meeting Our Commitments

When States are hiring DDS employees, they confront some of the same obstacles that we face when we hire employees. A number of States have introduced an additional challenge to fully staffing their DDSs by furloughing DDS employees in an effort to balance their budgets.[2] Such practices are unnecessary since we fully fund the DDSs and reimburse the States for the salaries and benefits of all DDS employees. This fiscal year over 16,000 DDS employees will process more than 2.6 million disability claims. We will pay about $2 billion to the States to cover all payroll costs as well as the costs to obtain the health records and to perform the medical examinations necessary to adjudicate disability claims.

We empathize with the budget struggles that States face in these difficult economic times, but States do not save any money when they furlough or lay off DDS employees. We estimate that if all States furloughed DDS employees for one day, they would lose $7.8 million in administrative funding that we pay to them. In addition, such furloughs would delay the processing of approximately 15,000 claims and the payment of $4.2 million of monthly benefits to their disabled residents. Furloughs and restrictions on hiring and overtime only delay payments to their disabled citizens who have applied for benefits.

We appreciate your efforts in communicating with State leaders to help them understand the importance of having enough trained, full-time DDS employees on hand to process the influx of disability claims—an influx that we project will grow by more than 12 percent this fiscal year. Without enough fully trained and fully productive DDS employees, we risk limiting the processing gains that we can achieve with Recovery Act funds.

We will need Congress's continued support as we work with Governors, legislators, and other elected officials to ensure that DDSs have the staff needed to adjudicate the increased number of disability claims that we expect to arrive at their doors because of the economic downturn.

Technology Investment Is Critical To Maintain and Expand Our Service to the American People

The Recovery Act also authorizes us to spend part of the $500 million for technology investments including health information technology. We will spend about $16 million of Recovery Act funding on computers for our new employees, as well as video conferencing equipment and increased bandwidth, which will improve our telecommunications network. With this funding, we will be able to continue to reduce the hearings backlog.

While all hearing offices now have at least one video conference connection, we are increasing the availability of video hearings in remote areas in order to reduce travel time for claimants and representatives who would otherwise have to drive long distances to reach a hearing office. The inability of some claimants and their representatives to attend face-to-face hearings can delay the disposition of their claims. Video conferencing addresses this situation by allowing claimants and their representatives to attend hearings remotely.

Indeed, two weeks ago, Commissioner Astrue officially opened our new National Hearing Center (NHC) in Albuquerque, New Mexico. The Albuquerque NHC utilizes video conferencing that enables administrative law judges to hold remote disability hearings providing relief to those hearing offices that are struggling the most. Initially, the Albuquerque NHC will hear disability claims pending in Kansas City, Missouri and Portland, Oregon—two of the most backlogged offices in the country.

[2] DDS employees in California, Maryland, Massachusetts, Ohio, and Oregon are currently subject to furloughs.

Moreover, we are a leader in the Federal Government in health information technology. We intend to spend $24 million of our Recovery Act funding to contract with a diverse group of health care providers and networks to provide us with electronic health records to improve the speed and accuracy of the disability determination process. As Commissioner Astrue told this subcommittee last month, we conducted a pilot project in Boston that allowed us to receive health records electronically in seconds and minutes, rather than the usual weeks and months that it takes to gather paper records. To improve the speed and quality of our disability determinations, we will use this funding to expand the number and kinds of health care records that providers can, with the claimant's consent, send to us electronically. This funding will also be used to implement any new requirements that may be issued under the HITECH Act. Providers will be required to transmit to us structured electronic medical data based on standards established for use by the Nationwide Health Information Network.

Significant Headway in Workload Processing

Use of Recovery Act funds for hiring and technology will help us process our increasing workloads; however, improvements to processing times and claims pending will not happen overnight. Our current hearings backlog developed over time, and it will take time and sustained funding for us to reduce that workload to acceptable levels. In the near term, initial disability receipts will outpace our capacity to process them, and the initial disability claims backlog will rise. Just as we did with the hearings backlog, we are currently developing a multi-year plan to deal with the future increases of pending initial disability claims.

The substantial investment you made to increase our staffing levels will allow us to make significant headway in workload processing over the next several years. The additional employees we hire and train this fiscal year will enable us to increase our capacity to process critical workloads in FY 2010.

INCREASING OUR COMPUTER PROCESSING CAPABILITIES

Of course, these hiring and technological gains are only a part of the solution. To move forward in this environment of increasing workloads, we must continue to be innovative and find additional efficiencies. We must use every tool at our disposal to meet the standard of service the public has come to expect from us.

National Computer Center (NCC)—Limitations of the Existing Facility

Congress acknowledged our long-term information technology needs in the Recovery Act by allocating $500 million to replace and partially equip our NCC. The NCC houses critical data and computer operations essential for promptly and accurately paying benefits to millions of Americans. Because it plays such an important role in our data processing operations and automation initiatives, I especially appreciate this opportunity to describe our prior efforts to maintain the NCC and the analysis that led us to realize that a new facility was essential.

The NCC was designed over 30 years ago. Technology has changed radically since then, and we must upgrade the building's cooling, electrical, and fire suppression systems to accommodate these new technologies. As a result, the NCC's infrastructure systems will not be capable of accommodating the information technology necessary to handle our increasing volumes of work, our new and expanded responsibilities, and our new ways of doing business. Our transition to full electronic processing of our core workloads and the growth of electronic service delivery over the last decade resulted in a dramatic increase in our needs for data storage and network capacity. While we have modernized our hardware, we are facing finite limitations on our ability to distribute electrical power to our servers and mainframes.

Updated servers and mainframes have significant electrical requirements. Until recently, each server required only one power supply to operate; now, a server requires two to four power supplies to function, which the NCC can accommodate at this time. The current electrical panels will not be able to accommodate the more than four power supplies that we will need to run servers in the future.

As the NCC has aged, we have continuously upgraded and repaired structural, electrical, and data processing capabilities. Incrementally upgrading a facility of this kind is a best industry practice for maintaining facilities beyond their life cycle. We must incrementally repair these infrastructure systems because we cannot totally replace them in the existing NCC. To replace them, we would have to shut down

the building completely for an extended period of weeks or months.[3] Such a shutdown would result in an unacceptably long interruption of service to the public.

We also considered the possibility of renovating the existing building; however, renovations of this magnitude would require us to vacate the building and design and lease a facility to temporarily house the data and employees. The expense of doing this would be almost as costly as simply building a new, up-to-date data center and would create a risk of a major interruption in service.

Even if we could overcome the obstacles to repair and upgrade the NCC and its infrastructure, we would still have a building designed around a 1970s' mainframe environment. In the seventies, redundant electrical, heating, and cooling systems were not state-of-the-art requirements for data centers. In addition, fire suppression systems were not designed to cover an entire floor.

In short, the current facility will not be able to meet the industry standards for data centers in the future.

In February 2008, we received a report from Lockheed Martin, whom we had asked to independently analyze the condition of the NCC's infrastructure and recommend ways to upgrade it, if necessary. The Lockheed Martin consultants identified no chronic structural defects and verified that over the years, we have maintained the building well. Lockheed Martin also confirmed the NCC's structural limitations and recommended we build a new facility.

The New Data Center

We thank you for your support of funding to construct a new facility, which we are calling the National Support Center, and appreciate your acknowledging that in an environment of evolving cyberthreats, we must continue to protect beneficiary records with unmatched vigilance.

I am pleased to report that the facility that will replace the NCC will not only be a state-of-the-art data center, but it will also incorporate green building technology. Compared to the existing facility, the new center will be substantially more energy efficient.

We have started working with our colleagues at the General Services Administration (GSA) on all aspects of this project. GSA will manage the design and construction activities for the project, as only GSA has the authority to own or lease Federal facilities for us. However, we are working very closely with GSA in designing and constructing the new facility. We have a history of working very successfully on construction projects with GSA, both at the national and regional levels. For this project, GSA assigned some of its most highly qualified project managers, as have we, to ensure the work is completed on time without cost overruns and in full compliance with our requirements. We look forward to this important collaboration, and I would like to thank GSA for its vital support of this particular project, as well as our other building and space needs.

We have started the formal planning process with GSA. Initial activities include:

(1) formulating specific requirements for constructing a state-of-the-art data center;
(2) developing the criteria for selecting a site; and
(3) developing a detailed construction project plan. GSA will execute these steps, and we will provide input and oversight to ensure the facility's design fully meets our needs and requirements. Additionally, GSA has awarded a contract to a construction management firm. The firm, Jacobs, will work with GSA and us to develop a detailed Program of Requirements, also known as a "scope of work." We are currently providing Jacobs with necessary background information on the objectives of the project that it will use to define building requirements and land specifications.

In addition to replacing the NCC, we have proactively addressed our increased data processing demands and enhanced our disaster recovery strategy by bringing up a Secondary Support Center. We have begun to install equipment at that site, and we are ahead of schedule for bringing up the facility. Within approximately 6 months, we will be able to process about half of our production workloads at this facility, thus providing necessary backup to the NCC. The Secondary Support Center will eventually be able to provide full backup and recovery for our data and daily processing needs.

[3] Presently, we have only a single 30-hour window each year to perform all maintenance on the NCC.

SUPPORTING ACCOUNTABILITY AND TRANSPARENCY FOR RECOVERY ACT RESOURCES

We strongly support the accountability and transparency standards for Recovery Act resources established by Congress. To emphasize the importance of these standards, we are holding executives and staff accountable for monitoring and achieving the goals of all of the Recovery Act initiatives for which we are responsible. Because the Recovery Act invests in our core mission work, our existing internal controls will help us effectively account for our use of Recovery Act funding. However, we will also add any internal controls that we may need to assess our implementation of the Recovery Act.

As recommended by the Office of Management and Budget (OMB), we are using existing entities to review, assess, and manage Recovery Act risk. We have designated our Executive Internal Control Committee (EIC) to serve as our Senior Management Council, overseeing Recovery Act performance across the agency, including risk management. The Deputy Commissioner of Social Security chairs the EIC, and the Inspector General and I serve on the committee. The EIC oversees the results of our internal controls that, among other things, test our financial reporting processes, systems development, and validation processes. The EIC also helps ensure our compliance with administrative, security, and management policies.

As the Senior Accountable Official, I oversee all aspects of Recovery Act planning, implementation, reporting, and performance. I report progress, total obligations, and disbursements through a weekly update report, which we post to our website and submit to recovery.gov. As an indication of our readiness and ability to meet our responsibilities, we were one of the first agencies to place these reports on our website. We will be working with OMB to finalize our Recovery Act implementation plans by early May.

We have formed intra-agency workgroups at both the executive and staff levels to manage the implementation of our three key Recovery Act responsibilities. These groups meet on an ongoing basis to ensure progress, resolve issues, and as needed, take corrective actions.

Finally, we are working with the Office of the Inspector General (OIG) on seven of its audits that are directly related to the Recovery Act and four audits related to information technology processing. At this time, the Recovery Act audits focus on the adequacy of our planning processes. We understand that later OIG will perform additional audits on program results.

ISSUING ECONOMIC RECOVERY PAYMENTS—AHEAD OF SCHEDULE

Among the projects that we are monitoring very closely is, of course, the disbursement of economic recovery payments. The Recovery Act provides for immediate and direct assistance by issuing one-time $250 economic recovery payments to Social Security, Railroad Retirement, Veterans, and SSI recipients. We serve as the clearinghouse for the Railroad Retirement Board and Veterans Affairs to match the lists of eligible beneficiaries on our various systems to avoid duplicate payments.

We have already notified beneficiaries that they need not take any action to receive their payments. We are also informing the public about the recovery payments through a recorded message on our national 800 number, a prominent link about these payments on our website (www.socialsecurity.gov), and an informational leaflet available at all field offices and Wal-Mart stores across the country. We also have knowledgeable employees in our field offices across the country ready to answer what we anticipate will be millions of questions about these payments.

Our extensive planning with the Department of the Treasury, the Railroad Retirement Board, and the Department of Veterans Affairs will allow us to issue these payments to the more than 50 million eligible individuals during the month of May—3 to 6 weeks before the statutory deadline. We will automatically mail the payments to them or deposit the payments into their bank accounts.

The Social Security and SSI Recovery Act payments will inject more than $13 billion into the economy, helping beneficiaries put extra meals on the table and pay increasingly high utility bills. We appreciate the support of Congress in our administration of the economic recovery payments.

GOING FORWARD

Thank you for the opportunity to describe the very real and tangible opportunities the Recovery Act provides to us to improve our service to the public, as well as assist in the Nation's economic recovery. Despite the many challenges we face, Social Security is a can-do agency. We have made a commitment to the American public to work down our backlogs, and we will continue to do so. The Recovery Act provides us with resources to tackle the increase in the work we expect this year and to collaborate with GSA to build a new data center that will meet our future needs. With

the cooperation of colleagues at the Department of the Treasury, the Department of Veterans Affairs, and the Railroad Retirement Board, we have mapped out a plan to deliver $250 recovery payments to millions of Americans.

For more than 70 years, we have served as a cornerstone of American economic security. We are proud of this role and see our Recovery Act responsibilities as a continuance of our mission. Going forward, we will maintain the highest level of oversight over all of our responsibilities funded in full or in part by Recovery Act resources. We will do our part to implement Recovery Act initiatives efficiently and effectively to help the American people as quickly as possible. However, the higher workloads the agency is experiencing require ongoing attention. We will need your continued support and timely action on the President's FY 2010 budget in order to maintain our momentum and obtain the full benefit from Recovery Act funding for dealing with our workloads. We will keep this Subcommittee apprised of our progress and look forward to your continued support as we implement the plans I have described today.

We appreciate the actions of Congress to provide assistance to the American people in this time of economic hardship, and we thank you for providing us with the resources we need to help in these efforts.

Chairman TANNER. Thank you very much, Ms. Glenn-Croft.

With the permission of the panel, may we go ahead with all of the testimony before we go to questions?

Mr. Hewell, you are recognized, sir.

STATEMENT OF MR. ROBERT HEWELL, ACTING DEPUTY COMMISSIONER, PUBLIC BUILDINGS SERVICE, UNITED STATES GENERAL SERVICES ADMINISTRATION

Mr. HEWELL. Thank you. Excuse me. Thank you, Chairman Tanner and Ranking Member Brady and Members of the Subcommittee.

My name is Rob Hewell. I am the Acting Deputy Commissioner of the General Services Administration's Public Buildings Service. Thank you for the opportunity to be here today to discuss GSA's delivery of a new Social Security Administration National Support Center.

As you know, as part of the Recovery Act of 2009, SSA received $500 million to replace their existing National Computer Center in Woodlawn, Maryland. SSA turned to GSA for help in locating, designing, and building a new data center to meet their long-term needs. Today, I will highlight our approach to this project.

We are working closing with the SSA in defining their requirements for site, building infrastructure, and workspace. We are planning for a facility that will increase data, office, and warehouse space. It will meet Tier 3 standards established by the Uptime Institute, sustainable design goals, and the Interagency Security Council Level 4 security requirements.

To deliver this new data center, we are using our design excellence and construction excellence program processes, time proven to provide outstanding cost-effective Federal facilities. We are also using a multiphased approach to concurrently develop criteria for both site acquisition and design. Concurrent development streamlines the processes and ensures consistency between site elements and design elements.

In fiscal year 2008, prior to the enactment of the ARRA, we received funding from SSA to develop a program of requirements for the National Support Center. On April 1, GSA awarded a contract

to Jacobs Facilities to assist in all aspects of developing this project. In addition, Jacobs will conduct an energy optimization study to help us achieve our energy goals.

Selecting a site for the National Support Center is of great importance to SSA, GSA, and local communities. We are committed to provide our customers with well-located, high quality sites. We will use established processes to research, evaluate, and select a site that can best serve the interests of the Federal Government, the end users, and the community.

There are many factors associated with selecting and acquiring a site, and this kind of facility creates additional challenges. For example, the data center demands high-capacity utility services, as well as redundant power, communications, and other utility infrastructure services. Proximity to SSA headquarters in Woodlawn, Maryland, is also required to facilitate the transition to a new data center and for employee access in the event of a local or national emergency. These are all factors both GSA and SSA will use to identify the area of consideration.

We intend to negotiate and award a contract for land acquisition in the second quarter of 2010, less than a year from now.

Concurrent with site selection, we will be working with SSA and technical experts to develop SSA's program of requirements for the data center. Once the site is acquired, we can begin developing the site's specific design requirements associated with the solicitation for a design-build contract. We anticipate contract award for design and construction of the National Support Center in the second quarter of fiscal year 2011 with construction completed scheduled for October 2013. SSA will then begin their information technology migration.

Projects of this size and scope present challenges, such as potential contractor protests, environmental impacts identified during the process of environmental studies and the changing nature of the fast-paced and ever-changing IT world. There are a number of steps we intend to take to minimize these risks, including establishing a detailed source selection plan for the design-build contract, screening possible sites for potential environmental impacts early in the process, and designing a flexible facility capable of accommodating expansion, mission-related changes, and advancements in technology.

As leaders in sustainably designed buildings, we will build a facility that incorporates the Guiding Principles for Federal Leadership in High Performance and Sustainable Buildings. We will use industry experts in data center technology and energy experts from the Lawrence Berkeley National Laboratory. And we have staffed this project with our most seasoned technical experts and project managers.

GSA is well prepared to meet SSA's data center requirements on schedule, within budget, and with careful consideration to our responsibilities to the American taxpayers. We have a long partnership and an excellent working relationship with SSA, and we are eager to work with them and Members of this Subcommittee in the successful delivery of the National Support Center as part of this nation's economic recovery.

Chairman Tanner, Ranking Member Brady, and Members of this Subcommittee, this concludes my statement. I will be pleased to support my colleagues from SSA in answering any questions you have.

[The statement of Mr. Hewell follows:]

STATEMENT OF

ROBERT HEWELL
ACTING DEPUTY COMMISIONER
PUBLIC BUIILDINGS SERVICE

U.S. GENERAL SERVICES ADMINISTRATION

BEFORE THE

COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON SOCIAL SECURITY

U.S. HOUSE OF REPRESENTATIVES

TUESDAY, APRIL 28, 2009

Good morning Chairman Tanner, Ranking Member Johnson and Members of this subcommittee. My name is Rob Hewell and I am the Acting Deputy Commissioner of the General Services Administration (GSA), Public Buildings Service. I am pleased to have the opportunity today to discuss GSA's role, on behalf of the Social Security Administration (SSA), in the delivery of a new Social Security Administration National Support Center. We are happy to assist SSA in this very important project and we are happy to offer innovative workplace solutions in support of future SSA operations.

As part of the American Recovery and Reinvestment Act of 2009 (ARRA), SSA received a $500 million appropriation for a new National Support Center, to replace the existing National Computer Center in Woodlawn, Maryland. SSA turned to GSA for assistance in locating, designing and building this new data center which will meet the agency's redundancy and expansion needs for the long-term.

We are excited to be a part of our nation's economic recovery in the creation of new jobs and we are working closely with the SSA in defining their site, building infrastructure and space requirements. We are planning for a facility of approximately 300,000 gross square feet to include data, office, and warehouse space that meets Uptime Tier 3 standards, sustainable design goals, and Interagency Security Council Level 4 security requirements.

We are using our Design Excellence and Construction Excellence program processes in the delivery of this new data center. These time-proven processes are intended to provide taxpayers with outstanding and cost-effective federal facilities. We will use a multi-phased approach to the construction of the facility, ensuring that site and design criteria development are concurrent and interrelated.

Site Selection

Because of its lasting impact on the environment as well as future community planning, site selection is of great importance not only to SSA and GSA, but also to local communities. Excellence in site selection is both a commitment and a process. It is a commitment to provide GSA clients with well-located, high quality sites for superior workplaces, public spaces,

buildings, and landscapes. It is also a process of researching, evaluating, and selecting a site that can best serve the interests of the federal government, the end users, and the community.

There are many factors associated with selecting and acquiring a site and a data center creates added challenges. For example, the large power demands of the data center require not only adequate utility capacity, but also redundant power, communications, and other utility infrastructure services. Proximity to SSA Headquarters in Woodlawn, Maryland is required to facilitate the transition to a new data center and for employee access in the event of a local or national emergency. As we prepare for this site selection, SSA and GSA will consider all of these factors in our development of the area of consideration.

Project Schedule

In FY2008, prior to enactment of the ARRA, GSA received funding from SSA to develop a Program of Requirements for the National Support Center. On April 1, 2009, GSA awarded a contract to Jacobs Facilities to assist in developing technical requirements for the new data center, facilitating site evaluations, and developing the solicitation for offers. As part this contract, Jacobs will be conducting an energy optimization study focusing on building equipment, distribution, and system controls to help us achieve our agency's energy goals. Jacobs will also provide project management support to our project team as we mobilize for design and construction activities.

Site and design activities will concurrently include developing the Program of Requirements (POR) for the data center and initiating site selection. The initial site selection process consists of finalizing technical site criteria and conducting site research and evaluation. We intend to negotiate and award a contract for acquisition of the land in the 2nd quarter of FY2010.

Once we acquire the site, we will begin developing the solicitation for a design-build contract based on the finalized POR. At the same time, we will continue developing the design criteria specific to that site. Once these 2 components are completed, we will procure a contractor to both design and build the facility utilizing "best value" source selection procedures. We anticipate contract award for design and construction of the new National Support Center in the 2nd quarter of FY2011. Construction completion is scheduled for the 1st quarter of FY2014, at which time the building will be turned over to SSA for Information Technology (IT) migration.

In summary:

- Site Acquisition: 2nd quarter FY2010
- Design-build contract awarded: 2nd quarter FY2011
- Construction completion: 1st quarter FY2014

We are working closely with SSA and our industry partners to review procurement options with the intent to expedite this process as much as reasonably possible without compromising quality, our procurement responsibilities, or accepting undue risks or added costs. In addition, we are using various project management tools to ensure that design and construction of this project continues forward on schedule and within budget.

Managing Risk

Projects of this size and scope do present challenges. They can be subject to potential contractor protests, impacts identified during the process of environmental analysis, and challenges related to the nature of the fast-paced and ever-changing IT world.

There are a number of steps we intend to take to minimize these risks. We will establish a detailed Source Selection Plan for the design-build contract. We will conduct environmental screening on possible sites to identify potential impacts early in the process. We will provide a flexible facility design capable of accommodating expansion, mission related changes, and advancements in technology. We will build a facility that incorporates the *Guiding Principles for Federal Leadership in High Performance and Sustainable Buildings*. We are engaging industry experts in data center technology, including experts in energy efficiency in data center design and operations from the Lawrence Berkeley National Laboratory, during the project development stages of this project, and have staffed this project with our most seasoned technical experts and project managers. Along with SSA, we are happy to provide quarterly briefings to this subcommittee as the project proceeds

GSA has the experience and technical expertise to successfully deliver the new SSA National Support Center. GSA owns and leases over 354 million square feet of space in 8,600 buildings in more than 2,200 communities nationwide. Prior to the passing of the American Recovery and

Reinvestment Act of 2009, GSA has routinely managed an ongoing $11 billion real property capital program, including approximately 200 active construction projects with over 51 million rentable square feet.

GSA is well-prepared to move swiftly to meet SSA's data center requirements on schedule, within budget, and with careful consideration given to our responsibility and accountability to American taxpayers. We look forward to this challenge, we are committed to our partnership with SSA, and we are eager to work with members of this subcommittee in the successful delivery of the National Support Center as part of the Recovery Act program.

Conclusion

Chairman Tanner, Ranking Member Johnson and members of this subcommittee, this concludes my statement. I will be pleased to support my colleagues from SSA in answering any questions you may have.

Chairman TANNER. Thank you very much, Mr. Hewell. We will probably have some questions about your timeline later on.

Mr. O'Carroll, you are certainly recognized. Thank you, sir.

STATEMENT OF MR. PATRICK P. O'CARROLL, JR., INSPECTOR GENERAL, SOCIAL SECURITY ADMINISTRATION

Mr. O'CARROLL. Good afternoon, Mr. Chairman, Mr. Brady, and Members of the Subcommittee.

I am pleased to be here today to discuss the initial work of the Social Security Administration's Office of the Inspector General under the American Recovery and Reinvestment Act, and I thank you for inviting me.

As you know, my office was provided with $2 million in funding for the oversight of programs, projects, and activities funded by the Act.

The Act stresses the need for transparency in our oversight efforts, and we take this responsibility very seriously. As you can from our chart over there, our Internet home page already displays a prominent link to Recovery Act reporting as well as a means of reporting Recovery Act fraud.

Under the Act, all inspector generals are charged with receiving and investigating whistleblower claims from employees of private firms and state and local Governments receiving recovery funds. My office has taken on a central role in this regard, coordinating the efforts of the entire inspector general community to ensure consistency in the application of the Act's whistleblower provisions across the Federal Government.

The OIG's primary responsibility under the Act, however, remains the oversight of SSA's expenditure of the $1,090,000,000 provided to the agency for three specific purposes: $500 million for the replacement of the National Computer Center, $90 million to be used to issue about $13 billion in one-time economic recovery payments of $250 each to beneficiaries, and $500 million for the processing of disability and retirement workloads.

Our efforts in this oversight role are already well underway. In particular, the replacement of SSA's National Computer Center is a critical matter for the American people. The NCC is the repository for the applications and data that support all of SSA's functions, but it is at the very end of its lifespan. As early as 1997, we issued an audit with some 29 recommendations for the protection of the NCC, and, in 2004, we provided information on alternate facility options in the event of a catastrophic event at the NCC. SSA considered our comments in planning their second data center.

We are now conducting a review of the plan, status, and data processing capacity of the second data center as well as a review of SSA's plans to address its data processing needs 5 to 20 years into the future. These reviews stem in part from a recent OIG report that concluded that the agency needed to focus its efforts on detailed plans to acquire, construct, and operate a new data center; to estimate costs for the use or disposal of the NCC; and for IT requirements for the next 5, 10, and 20 years. Further, we urged SSA to identify the underlying factors that allowed the current NCC crisis to occur and implement controls to prevent it from reoccurring.

To round out our initial work in this area, we are in the process of acquiring a vendor to evaluate SSA's process for selecting the replacement strategy for the NCC and to independently evaluate SSA's efforts toward implementing that strategy.

The $90 provided to SSA for issuing one-time recovery payments is also the subject of OIG oversight with two evaluations already underway. One will assess the agency's controls and procedures for administering the one-time payments, and another will evaluate the processes put in place by SSA to identify and report costs incurred in the administration of these payments.

The agency also received $500 million toward the processing of retirement and disability workloads. In a series of evaluations, we will examine SSA's hiring, training, and placement of employees with the Recovery Act funds. Of the $500 million provided for processing disability and retirement workloads, $40 million was earmarked for health information technology.

One of our planned evaluations will examine the use of $24 million which SSA plans to direct toward contract-based demonstration projects and pilot tests focused on electronic medical record retrieval. These efforts are only the first of many by SSA OIG to comply not only with the letter of the Recovery Act, but with its spirit of transparency, oversight, and accountability.

I thank you again for the invitation to speak with you today, and I will be happy to answer any questions.

[The statement of Mr. O'Carroll follows:]

Statement of The Honorable Patrick O'Carroll,
Inspector General, Social Security Administration

Good afternoon, Mr. Chairman, Ranking Member Johnson, and Members of the Subcommittee. It's a pleasure to be here today to present our initial efforts under the *American Recovery and Reinvestment Act of 2009 (ARRA), as well as our future plans geared toward transparency and accountability. Thank you for the invitation to testify.*

The ARRA provided the Social Security Administration (SSA) with $1.09 billion, to be used as follows:

- $500 million for necessary expenses for the replacement of the National Computer Center (NCC) and associated information technology costs. This funding is available until expended.
- $90 million to be used to issue approximately $13 billion in one-time Social Security and Supplemental Security Income payments of $250 each.
- $500 million for the processing of disability and retirement workloads, including information technology acquisition and research in support of such activities.

The ARRA also provided the Office of the Inspector General (OIG) with $2 million for salaries and expenses necessary for the oversight and audit of programs, projects, and activities funded by the ARRA. This funding is available through September 30, 2012.

While the majority of substantive SSA-related activities mandated by the ARRA are to be carried out by SSA itself, the OIG is bound by two types of requirements: those which the ARRA imposes on all Inspectors General, and those related to this OIG's specific SSA-related oversight activities.

To briefly address the former, the ARRA requires all Inspectors General to review, as appropriate, any concerns raised by the public about specific investments using Recovery Act funds. Any findings of such reviews, if not related to an ongoing criminal proceeding, must be relayed immediately to the head of the Agency; in this case, the Commissioner of Social Security. Additionally, the ultimate findings of such reviews, along with any audits conducted by any Inspector General of the use of Recovery Act funds, must be posted on the individual Inspector General's website and hyperlinked to Recovery.gov.

To accomplish this, Inspectors General are authorized by the ARRA (in addition to their existing authorities) to examine any records of any contractor, subcontractor, grantee, or subgrantee, and to interview any officer or employee of any contractor, grantee, subgrantee, or agency, if the matter pertains to Recovery Act funds.

Finally, the ARRA also places significant responsibilities on all Inspectors General, who will now play a central role in expanded whistleblower protections. Employees of private employers or State or local Governments that receive Recovery funds may not be retaliated against for making allegations concerning such funds to certain sources, including Inspectors General. Inspectors General have 180 days to investigate and make appropriate reports, and the whistleblower has, with certain exceptions, access to the investigative file during that time.

The SSA OIG has taken on a key role in the Inspector General community in this regard, responding to a call from the Chair of the Council of Inspectors General for Integrity and Efficiency (CIGIE). In light of the increased responsibilities of the Inspector General community with respect to whistleblower allegations, it was felt that the community would be best served, and the ARRA best observed, by creating consistency and reliability across the community. As such, the SSA OIG has taken on the task of developing this cross-cutting issue on behalf of the community, beginning with a survey and study of approaches, interpretations, and best practices.

The CIGIE has also formed a working group to support the Recovery Accountability and Transparency Board in its statutory function, and my office is a participant and proponent of that group.

The Office of Management and Budget has issued implementing guidance on the ARRA, and the SSA OIG is compliant with that guidance—we are fully prepared to receive and investigate all ARRA-related whistleblower claims. The SSA OIG's website is not only compliant with ARRA requirements, but goes a step beyond—our internet home page, www.socialsecurity.gov/oig, already displays a prominent link to our Recovery Act reporting, as well as a means of reporting Recovery Act fraud.

The SSA OIG's specific responsibilities, however, rest in its oversight of the Agency's use of Recovery Act funds for the purposes enumerated in the Act: the replacement of the NCC, the processing of retirement and disability workloads, and the issuance of one-time stimulus payments. My office has already completed work in these areas, has additional audits underway, and has still more audits planned.

Replacement of the NCC

The NCC is the repository for the applications and data that support all of SSA's functions, as well as other Government functions that rely on SSA data. It was constructed in 1979 and, with current trends, it is estimated that the NCC will reach its maximum data capacity within three to five years. In addition, the NCC's infrastructure, including heating, ventilation, and air conditioning, as well as its electrical components, are at the end of their useful lives. Failure of any large component of the uninterruptible power supply (UPS) cannot be repaired, and the UPS manufacturer will discontinue maintenance of the outdated model at the end of 2015.

As early as 1997, only two years into the OIG's existence, we issued an audit entitled *Review of Physical Security at the Social Security Administration's National Computer Center. In that audit, we made some 29 recommendations for the protection of the NCC, most of which SSA agreed with. In 2004, the OIG issued a memorandum, SSA's Alternate Facility Options for the NCC, in which we provided information on alternate facility options in the event of a catastrophic event—such as a terrorist attack—at the NCC. SSA considered our comments in its planning of the Second Data Center, also referred to as the Second Support Center.*

In 2008, Lockheed Martin completed an NCC Feasibility Study of the facility that identified infrastructure and data processing capacity issues that pose a significant risk to SSA's continuity of operations. That study recommended that SSA undertake 17 projects to sustain existing information technology operations through Calendar Year 2014.

Under the ARRA, we recently issued a report entitled *Quick Response Evaluation: The Social Security Administration's Ability to Address Future Processing Requirements. In this limited distribution report, we sought to assess SSA's efforts to address future processing needs and infrastructure issues at the NCC. Specifically, we assessed SSA's actions in addressing the significant issues identified in the Lockheed Martin study. We noted the importance of ensuring the continued operation of the NCC. SSA estimates that it would cost the taxpayers $25 million for each day that the NCC was not operational. Moreover, during such outages, the Agency would be unable to process tens of thousands of retirement, survivors, and disability claims, as well as Social Security number verifications. This type of service interruption*

would likely hamper people's ability to obtain employment, driver's licenses, even loans and mortgages.

We found that SSA had already taken or planned some corrective action on 13 of the 17 recommended projects. (Lockheed Martin had recommended that 3 of the 17 be deferred due to changes in the NCC's functional role.) Lockheed Martin concluded that there were four options for resolving the Agency's long-term data processing needs: a new, on-campus data center; a new, off-campus data center; lease of an existing off-campus data center; or renovation of the existing NCC.

SSA is progressing on both immediate and long-term solutions. However, until the significant issues identified by Lockheed Martin are fully addressed, and a long-term data center solution is implemented, the Agency's operations remain vulnerable.

In our report, we concluded that, going forward, the Agency needs to focus its efforts on detailed plans:

1. to acquire, construct, and operate a new Data Center;
2. to estimate costs for the use and/or disposal of the NCC should a new primary Data Center be built; and
3. for IT requirements for the next 5, 10, and 20 years.

Further, we urged SSA to identify the underlying factors that allowed the current NCC crisis to occur, and implement the necessary controls to prevent it from reoccurring.

In another ARRA project focused on the NCC, we are in the process of acquiring a vendor with the necessary highly technical skill sets to evaluate SSA's process for selecting the replacement strategy for the NCC, and to independently evaluate SSA's efforts toward implementing that strategy. While a contract award of this type would normally take almost 180 days from the date that funding was made available, SSA's Office of Acquisition and Grants has expedited the process on our behalf. We anticipate that the contract will be awarded mid-June—approximately 90 days from the date that OMB apportioned the funds to us.

On February 19, the OIG began an ongoing study, *Congressional Response Report: The Social Security Administration's Information Technology Strategic Planning. In that report, we will review SSA's plan to address its data processing requirements 5 to 20 years into the future, and examine what actions SSA has taken to meet those requirements.*

Another ongoing audit, *The Social Security Administration's Second Data Center, is reviewing the plan, status, and data processing capacity of SSA's Second Data Center. SSA's Information Technology Operations Assurance (ITOA) initiative is designed to mitigate the risks of having a single point of failure associated with having a single, national computing facility. The ITOA project seeks to alleviate these risks by establishing a second, fully functional, co-processing data center.*

This Second Data Center will be designed to process a portion of SSA's workloads, and this new center and SSA's main data center will back up each other, so that in the event of a catastrophe, operations can continue. SSA estimates that the Second Data Center will be fully functional in 2013; we will recommend that they accelerate that process to bring the Second Data Center fully online by 2010. I recently toured both the NCC and the Second Data Center, and while I was struck by the condition of the NCC, I was impressed in equal measure by the state-of-the-art facility at the new location, and the foresight evident in its planning and execution. This contrast between the NCC and the Second Data Center only highlights the importance of accelerating the completion of the new Center.

As SSA continues to plan and implement changes to ensure its continued data processing operations, the OIG will undertake additional audits and reviews to assess and evaluate the Agency's progress.

One-Time Economic Recovery Payments

We've undertaken two evaluations associated with the distribution of approximately $13 billion to Social Security and Supplemental Security Income (SSI) beneficiaries in the form of $250 individual payments. The ARRA provides SSA with $90 million to ensure these payments can be made efficiently and accurately.

Our first evaluation, *Quick Response Evaluation: Economic Recovery Payments for Social Security and SSI Beneficiaries, is assessing the Agency's controls and procedures for administering the ARRA-mandated payments. Under the ARRA, individuals who receive Social Security or SSI benefits, as well as either Railroad Retirement Board or Veterans' Affairs benefits, will receive only one $250 payment. Our review will determine whether SSA has adequate controls in place for the accurate distribution of ARRA funds.*

Our second review, *Quick Response Evaluation: Administrative Expenses Incurred to Provide Economic Recovery Payments, will evaluate the processes put in place by SSA to identify and report costs incurred in the administration of the one-time ARRA payments.*

Retirement and Disability Workload Processing

The ARRA also provided SSA with $500 million to process retirement and disability workloads, of which $40 million may be set aside for Health Information Technology development. The OIG is already at work overseeing the use of these ARRA funds.

A series of reports already underway will evaluate hiring practices. One of these reports, *Quick Response Evaluation: ODAR Hiring Under the Recovery Act, began earlier this month, and will examine SSA's Office of Disability Adjudication and Review staffing plans associated with ARRA funds. Similar reports have also been initiated to examine hiring strategies for State Disability Determination Services, and for SSA's Office of Operations, which includes all SSA field offices.*

Another planned evaluation, *Quick Response Evaluation: Funding for Health Information Technology, will evaluate SSA's plans for the $40 million earmarked for this purpose. In March of this year, SSA informed us that it will invest the $40 million as follows:*

- $16 million in direct support of IT needs to reduce the backlogs, including video conference equipment for hearings and workstations; and
- $24 million specifically for Health Information Technology, including contracts for "proof of concept" demonstration projects and pilot tests focused on electronic medical record retrieval.

Our audit will focus on the planned use of the $24 million designated specifically for Health Information Technology, whereas the $16 million will be reviewed as part of a separate audit that is already underway.

These completed, ongoing, and planned efforts are only the first of many by the SSA OIG to comply not only with the letter of the ARRA, but with its spirit of transparency, oversight, and accountability. We will continue to report to the Subcommittee, post the results of our work on our own website and on Recovery.gov, and ensure that the funding provided both to SSA and to the OIG is spent well and wisely.

I thank you again for the invitation to speak with you today, and I'd be happy to answer any questions.

Chairman TANNER. Thank you very much.

Ms. Melvin, you have the floor.

STATEMENT OF MS. VALERIE C. MELVIN, DIRECTOR OF INFORMATION MANAGEMENT AND HUMAN CAPITAL ISSUES, UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE

Ms. MELVIN. Thank you, Chairman Tanner, Ranking Member Brady, and Members of the Subcommittee.

I am pleased to be here today to comment on SSA's use of resources provided by the American Recovery and Reinvestment Act to replace its National Computer Center. While GAO has not reviewed the agency's plans for this initiative, by all indications, it represents a significant undertaking, and its success will depend on how effectively it is carried out from inception through completion.

As our work has noted, investments in information technology can improve organizational performance, but, if not well planned and managed, they can become costly and unproductive, yielding disappointing results. Our research into IT management best practices and our reviews of agency performance have identified essential management disciplines that agencies can use to help ensure that investments achieve their potential benefits. For all IT investments, including SSA's new data center initiative, it is important

to follow effective practices in key management areas. At your request, I will summarize several of these areas.

First, effective strategic planning helps an agency set priorities and decide how best to coordinate activities to achieve its goals. In this regard, an agency should describe its goals, the strategies it will use to achieve them, and performance measures that allow it to determine how well it is doing.

For example, when a strategic plan identifies interdependencies among project activities, the agency is better able to understand and manage them so that projects and their results are effectively integrated. Given the new data center is to form the backbone of SSA's automated operations, it is important that the agency identify goals and resources and dependencies in the context of its strategic vision.

Further, an agency's enterprise architecture is important to help avoid developing operations and systems that are ineffective in supporting mission goals. It is a blueprint for organizational change describing how an organization operates now, how it intends to operate in the future, and how it plans to transition from present to future. Thus, it should be closely aligned with the IT strategic plan. An enterprise architecture can help ensure that those planning and implementing SSA's data center take full account of the business and technology environment in which the center and its systems are to operate.

Also, an agency should follow a portfolio-based approach in which investments are selected, controlled, and monitored from an agency-wide perspective. Such an approach helps ensure that resources are allocated effectively. Thus, robust investment management processes can help agencies like SSA meet the accountability requirements of the Recovery Act and align with its goal.

Projects funded under the Act are to avoid unnecessary delays and cost overruns and achieve specific program outcomes. Investment management is aimed at precisely such goals. As one important aspect, accurate cost estimates provide a sound basis for establishing a baseline so that agencies can effectively formulate budgets and measure program performance.

Finally, information security is essential to any organization that depends on information systems and networks to carry out its mission. This is especially true for Government agencies like SSA where maintaining the public's trust is essential. As such, security should be considered throughout the planning, development, and implementation of the data center.

A vital part of information security management is contingency and continuity of operations planning. Data centers are vulnerable to a variety of service disruptions, including accidental file deletions, network failures, and disasters. Accordingly, defining plans that govern how information will be processed, retrieved, and protected in the event of minor interruptions or a full-blown disaster is essential.

Thus, overall, these capabilities will be important in helping SSA ensure that it accomplishes its objectives consistent with Recovery Act requirements. With a solid grasp of its current IT environment, a clear vision of what capabilities a new data center is to provide,

and an informed and sound approach to getting there, SSA will be better positioned for success.

Mr. Chairman, this completes my prepared statement. I would be pleased to respond to any questions that you or other Members of the Subcommittee may have.

[The statement of Ms. Melvin follows:]

United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on Social Security, Committee on Ways and Means, House of Representatives

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SOCIAL SECURITY ADMINISTRATION

Effective Information Technology Management Essential for Data Center Initiative

Statement of Valerie C. Melvin, Director
Information Management and Human Capital Issues

GAO
Accountability * Integrity * Reliability

GAO-09-662T

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Accountability Integrity Reliability

Highlights

Highlights of GAO-09-602T, a testimony before the Subcommittee on Social Security, Committee on Ways and Means, House of Representatives

April 28, 2009

SOCIAL SECURITY ADMINISTRATION

Effective Information Technology Management Essential for Data Center Initiative

Why GAO Did This Study

The American Recovery and Reinvestment Act of 2009 (Recovery Act) provides resources to the Social Security Administration (SSA) to help replace its National Computer Center. This data center, which is 30 years old, houses the backbone of the agency's automated operations, which are critical to providing benefits to nearly 50 million people, issuing Social Security cards, and maintaining earnings records. The act makes $500 million available to SSA for the replacement of its National Computer Center and associated information technology (IT) costs.

In this testimony, GAO was asked to comment on key IT management capabilities that will be important to the success of SSA's data center initiative.

To do so, GAO relied on previously published products, including frameworks that it has developed for analyzing IT management areas. GAO has not performed a detailed examination of SSA's plans for this initiative, so it is not commenting on the agency's progress or making recommendations.

View GAO-09-602T or key components. For more information, contact Valerie Melvin at (202) 512-6304 or melvinv@gao.gov.

What GAO Found

For an effort as central to SSA's mission as its planned new data center, effective practices in key IT management areas are essential. For example:

- Effective *strategic planning* helps an agency set priorities and decide how best to coordinate activities to achieve its goals. For example, a strategic plan identifying interdependencies among modernization project activities helps ensure that these are understood and managed, so that projects—and thus system solutions—are effectively integrated. Given that the new data center is to form the backbone of SSA's automated operations, it is important that the agency identify goals, resources, and dependencies in the context of its strategic vision.
- An agency's *enterprise architecture* describes both its operations and the technology used to carry them out. A blueprint for organizational change, an architecture is defined in models that describe (in business and technology terms) an entity's current operation and planned future operation, as well as a plan for transitioning from one to the other. An enterprise architecture can help optimize SSA's data center initiative by ensuring that its planning and implementation take full account of the business and technology environment.
- For *IT investment management*, an agency should follow a portfolio-based approach in which investments are selected, controlled, and monitored from an agencywide perspective. By helping to allocate resources effectively, robust investment management processes can help SSA meet the accountability requirements and align with the goals of the Recovery Act. For example, projects funded under the act are to avoid unnecessary delays and cost overruns and are to achieve specific program outcomes. Investment management is aimed at precisely such goals: for example, accurate cost estimating (an important aspect of investment management) provides a sound basis for establishing a baseline to formulate budgets and measure program performance. Further, the act emphasizes energy efficiency—also a major concern for data centers, which have high power and cooling requirements. Investment management tools are important for evaluating the most cost-effective approaches to energy efficiency.
- Finally, *information security* should be considered throughout the planning, development, and implementation of the data center. Security is vital for any organization that depends on information systems and networks to carry out its mission—especially for government agencies like SSA, where maintaining the public's trust is essential. One part of information security management is contingency and continuity of operations planning—vital for a data center that is to be the backbone of SSA's operations and service delivery. Data centers are vulnerable to a variety of service disruptions, including accidental file deletions, network failures, systems malfunctions, and disasters. Accordingly, it is necessary to define plans governing how information will be processed, retrieved, and protected in the event of minor interruptions or a full-blown disaster.

These capabilities will be important in helping to ensure that SSA's data center effort is successful and effectively uses Recovery Act funds.

United States Government Accountability Office

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to comment on the efforts of the Social Security Administration (SSA) to use resources provided by the American Recovery and Reinvestment Act of 2009 (Recovery Act) to replace its National Computer Center. Among its provisions, the act makes $500 million available to SSA for the replacement of the center and associated information technology (IT) costs. This data center, which is 30 years old, houses the backbone of the agency's automated operations, which are critical to providing benefits to nearly 55 million people, issuing Social Security cards, and maintaining earnings records.

SSA has stated that it needs to replace the facility to provide more current processing capabilities and support the current and growing requirements of a 24-hour a day, 7-day a week electronic service delivery operation. The agency has decided that building a new facility will allow it to address limitations in the current facility, such as power supply and grid problems, as well as the presence of aging water pipes running in the same area as the equipment wiring. At the same time, the agency plans to move to more modern database technology to replace current systems, which still contain about 36 million lines of COBOL code – a programming language that is generally viewed as obsolete by the computer industry.

To date, we have not performed a detailed examination of SSA's plans for this initiative; however, by all indications, this effort is expected to be a significant undertaking. Accordingly, its success will depend on how effectively the agency plans and manages the initiative—from inception through delivery. Although IT investments can improve organizational performance, they can also become risky, costly, unproductive ventures that do not yield intended results. As we have described in numerous reports and testimonies,

federal IT projects too frequently incur cost overruns and schedule slippages.[1]

Our research into IT management best practices and our evaluations of agency IT management performance have identified essential and complementary management disciplines that agencies can use to guide their efforts on major IT endeavors. These are related to key issues specific to data centers—identified by other research—that can affect efforts to construct or modernize these facilities. At your request, my testimony today summarizes selected key management capabilities that will be important to the success of SSA's data center initiative, and ties these capabilities to issues associated specifically with data centers, as well as to meeting the requirements of the Recovery Act.

In developing this testimony, we relied on previously published products, including frameworks that we have developed for analyzing IT management areas.[2] We also consulted published literature on data center construction issues and considerations. We conducted our work in support of this testimony in April 2009.

Background

SSA projects that its current data center will not be adequate to support the demands of its growing workload. In fiscal year 2008, SSA's benefit programs provided a combined total of approximately

[1] For example, GAO, *Information Technology: Agencies Need to Establish Comprehensive Policies to Address Changes to Projects' Cost, Schedule, and Performance Goals*, GAO-09-325 (Washington, D.C.: July 31, 2008); *DOD Business Systems Modernization: Progress in Establishing Corporate Management Controls Needs to Be Replicated Within Military Departments*, GAO-08-705 (Washington, D.C.: May 15, 2008); and *Environmental Satellites: Polar-Orbiting Satellite Acquisition Faces Delays, Decisions Needed on Whether and How to Ensure Climate Data Continuity*, GAO-08-518 (Washington, D.C.: May 16, 2008).

[2] GAO, *Information Technology Investment Management: A Framework for Assessing and Improving Process Maturity (Version 1.1)*, GAO-04-394G (Washington, D.C.: March 2004); and *Information Technology: A Framework for Assessing and Improving Enterprise Architecture Management (Version 1.1)*, GAO-03-584G (Washington, D.C.: Apr. 1, 2003).

$650 billion to nearly 55 million beneficiaries.[1] According to the agency, the number of beneficiaries is estimated to increase substantially over the next decade. In addition, SSA's systems contain large volumes of medical information, which is used in processing disability claims. About 15 million people are receiving federal disability payments, and SSA has been contending with backlogs in processing disability claims.

According to SSA officials, the agency plans to use a large portion of the $1 billion in funding that it was allocated by the Recovery Act primarily to help build a large-scale data center and to develop new software to reduce the backlog of disability claims. The act provides $500 million from the stimulus package for data center expenses,[2] of which $350 million is slated for the building infrastructure and part of the remaining funding for IT-related upgrades. This is not the entire projected cost: SSA has indicated that it needs a total of about $800 million to fund a new IT infrastructure, including the new data center—the physical building, power and cooling infrastructure, IT hardware, and systems applications.[3]

The Recovery Act's goals, among other things, include creating or saving more than 3.5 million jobs over the next two years and encouraging renewable energy and energy conservation. According to the Office of Management and Budget (OMB), the act's requirements include unprecedented levels of transparency, oversight, and accountability for various aspects of Recovery Act planning and implementation. These requirements are intended to ensure, among other things, that

[1] SSA provides financial assistance to eligible individuals though three major benefits programs: Old Age and Survivors Insurance provides benefits to retired workers and their families and to survivors of deceased workers. Disability Insurance provides benefits to eligible workers who have qualifying disabilities, and their eligible family members. Supplemental Security Income provides income for aged, blind, or disabled individuals with limited income and resources.

[2] The remaining $500 million is to be used for processing disability and retirement workloads, including IT acquisitions.

[3] The new data center is in addition to an estimated $72 million backup facility that is being constructed in Durham, North Carolina.

- funds are awarded and distributed in a prompt, fair, and reasonable manner;
- the recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner;
- funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated;
- projects funded under the act avoid unnecessary delays and cost overruns; and
- program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

Attention to Key IT Management Areas Will Help SSA in Its Data Center Initiative

An effort as central to SSA's ability to carry out its mission as its planned new data center requires effective IT management. As our research and experience at federal agencies has shown, institutionalizing a set of interrelated IT management capabilities is key to an agency's success in modernizing its IT systems. These capabilities include, but are not limited to

- strategic planning to describe an organization's goals, the strategies it will use to achieve desired results, and performance measures;
- developing and using an agencywide enterprise architecture, or modernization blueprint, to guide and constrain IT investments;
- establishing and following a portfolio-based approach to investment management; and
- implementing information security management that ensures the integrity and availability of information.

The Congress has recognized in legislation the importance of these and other IT management controls,[6] and OMB has issued guidance.[7] We have observed that without these types of capabilities, organizations increase the risk that system modernization projects will (1) experience cost, schedule, and performance shortfalls and (2) lead to systems that are redundant and overlap. They also risk not achieving such aims as increased interoperability and effective information sharing. As a result, technology may not effectively and efficiently support agency mission performance and help realize strategic mission outcomes and goals.

All these management capabilities have particular relevance to the data center initiative.

- *IT strategic planning.* A foundation for effective modernization, strategic planning is vital to create an agency's IT vision or roadmap and help align its information resources with its business strategies and investment decisions. An IT strategic plan, which might include the mission of the agency, key business processes, IT challenges, and guiding principles, is important to enable an agency to consider the resources, including human, infrastructure, and funding, that are needed to manage, support, and pay for projects. For example, a strategic plan that identifies interdependencies within and across modernization projects helps ensure that these are understood and managed, so that projects—and thus system solutions—are effectively integrated. Given that the new data center is to form the backbone of SSA's automated operations, it is important that the agency identify goals, resources, and dependencies in the context of its strategic vision.

[6] The Clinger-Cohen Act of 1996 (40 U.S.C. §§1101–1703) for example, provides a framework for effective IT management that includes systems integration planning, human capital management, and investment management. In addition, the Paperwork Reduction Act (44 U.S.C. §§3501–3521, Pub. L. 104-13, May 22, 1995) requires that agencies have strategic plans for their information resource management. Software Engineering Institute, *CMMI for Acquisition*, Version 1.2, CMU/SEI-2007-TR-017 (Pittsburgh, PA: November 2007).

[7] For guidance on integrated IT modernization planning and investment management, see OMB, *Management of Federal Information Resources*, Circular A-130 (Washington, D.C., Nov. 28, 2000) and *Planning, Budgeting, Acquisition, and Management of Capital Assets*, Circular A-11, Part 7 (Washington, D.C., July 2003).

- *Enterprise architecture*. An enterprise architecture consists of models that describe (in both business and technology terms) how an entity operates today and how it intends to operate in the future; it also includes a plan for transitioning to this future state. More specifically, it describes the enterprise in logical terms (such as interrelated business processes and business rules, information needs and flows, and work locations and users) as well as in technical terms (such as hardware, software, data, communications, and security attributes and performance standards). It provides these perspectives both for the enterprise's current environment and for its target environment, as well as a transition plan for moving from one to the other. In short, it is a blueprint for organizational change. Using an enterprise architecture is important to help avoid developing operations and systems that are duplicative, not well integrated, unnecessarily costly to maintain and interface, and ineffective in supporting mission goals.

  Like an IT strategic plan (with which an enterprise architecture should be closely aligned), an enterprise architecture is an important tool to help SSA ensure that its data center initiative is successful. Using an enterprise architecture will help the agency ensure that the planning and implementation of the initiative take full account of the business and technology environment in which the data center and its systems are to operate.

- *IT investment management*. An agency should establish and follow a portfolio-based approach to investment management in which IT investments are selected, controlled, and monitored from an agencywide perspective. In this way, investment decisions are linked to an organization's strategic objectives and business plans. Such an approach helps ensure that agencies allocate their resources effectively.[7]

  In 2008, we evaluated SSA's investment management approach and found that it was largely consistent with leading investment

[7] GAO-04-394G

management practices.[9] SSA had established most practices needed to manage its projects as investments; however it had not applied its process to all of its investments. For example, SSA had not applied its investment management process to a major portion of its IT budget. We recommended that for full accountability, SSA should manage its full IT development and acquisitions budget through its investment management board. We also made several recommendations for improving the evaluation of completed projects, including the use of quantitative measures of project success.

Going forward, ensuring that best practices in investment management are applied to the data center initiative will help the agency effectively use funds appropriated under the Recovery Act. For example, projects funded under the act are to avoid unnecessary delays and cost overruns and are to achieve specific program outcomes and improved results on broader economic indicators. Robust investment management controls are important tools for achieving these goals. For example, developing accurate cost estimates—an important aspect of investment management—helps an agency evaluate resource requirements and increases the probability of program success. We have issued a cost estimating guide[10] that provides best practices that agencies can use for developing and managing program cost estimates that are comprehensive, well-documented, accurate, and credible, and that provide management with a sound basis for establishing a baseline to formulate budgets and measure program performance. The guide also covers the use of earned value management (EVM), a technique for comparing the value of work accomplished in a given period with the value of the work expected.[11] EVM metrics can alert

[9] GAO, *Information Technology: SSA Has Taken Key Steps for Managing Its Investments, but Needs to Strengthen Oversight and Fully Define Policies and Procedures*, GAO-08-1020 (Washington, D.C.: Sept. 12, 2008).

[10] GAO, *GAO Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*, GAO-09-3SP (Washington, D.C.: March 2009).

[11] OMB requires agencies to use EVM in their performance-based management systems for the parts of an investment in which development effort is required or system improvements are under way.

program managers to potential problems sooner than tracking expenditures alone.

Finally, the Recovery Act emphasizes the importance of energy efficiency and green building projects. Applying rigorous investment management controls to the planning and implementation of the data center design will help SSA determine the optimal approach to aligning its initiative with these goals. Because of the large power requirements and the heat generated by the equipment housed in data centers, efficient power and cooling are major concerns, particularly in light of evolving technology and increasing demand for information. To optimize their power and cooling requirements, agencies need to quantify cooling requirements and model these into data center designs. Such considerations affect the choice of locations for a new data center, facility requirements, and even floor space designs. Ways to improve energy efficiencies in data center facilities could include such cost-effective practices as reducing the need for artificial light by maximizing the use of natural light and insulating buildings more efficiently. For example, installing green (planted) roofs can insulate facilities and at the same time absorb carbon dioxide.

- *Information security.* For any organization that depends on information systems and computer networks to carry out its mission or business, information security is a critical consideration. It is especially important for government agencies like SSA, where maintaining the public's trust is essential. Information security covers a wide range of controls, including general controls that apply across information systems (such as access controls and contingency planning) and business process application-specific controls to ensure the completeness, accuracy, validity, confidentiality, and availability of data.[11]

  For the data center initiative, security planning and management will be important from the earliest stages of the project through the whole life cycle. In today's environment, in which security threats

[11] GAO, *Federal Information Systems Controls Audit Manual (FISCAM)*, GAO-09-232G (Washington, D.C.: February 2009)

are both domestic and international, operational and physical security is required to sustain the safety and reliability of the data center's services on a day-to-day basis. An agency needs to have well-established security polices and practices in place and provide periodic assessments to ensure that the information and the facility are protected. Organizations must design and implement controls to detect and prevent unauthorized access to computer resources (e.g., data, programs, equipment, and facilities), thereby protecting them from unauthorized disclosure, modification, and loss. Specific access controls could include means to verify personnel identification and authorization.

Further, because a data center is the backbone of an organization's operations and service delivery, continuity of operations is a key concern. Data centers need to be designed with the ability to efficiently provide consistent processing of operations. Even slight disruptions in power can adversely affect service delivery. Data centers are vulnerable to a variety of service disruptions, including accidental file deletions, network failures, systems malfunctions, and disasters. In the design of a data center, continuity of operations needs to be addressed at every level—including applications, systems, and businesses. An agency needs to articulate, in a well defined plan, how it will process, retrieve, and protect electronically maintained information in the event of minor interruptions or a full-blown disaster. Disaster recovery plans should address all aspects of the recovery, including where to move personnel and how to maintain the business operations. Agency leaders need to prioritize business recovery procedures and to highlight the potential issues in such areas as application availability, data retention, speed of recovery, and network availability.

In summary, given the projected increase in beneficiaries and the exceptional volume of medical data processed, these IT management capabilities will be imperative for SSA to follow as it pursues the complex data center initiative.

Mr. Chairman, this completes my prepared statement. I would be pleased to respond to any questions you or other Members of the Subcommittee may have.

GAO Contact and Staff Acknowledgments

If you should have any questions about this statement, please contact me at (202) 512-6304 or by e-mail at melvinw@gao.gov. Other individuals who made key contributions to this statement are Barbara Collier, Christie Motley, and Melissa Schermerhorn.

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Chairman TANNER. Thank you very much.

Mr. Schieber, thank you for being here today. You are recognized, sir.

STATEMENT OF MR. SYLVESTER J. SCHIEBER, CHAIRMAN, SOCIAL SECURITY ADVISORY BOARD

Mr. SCHIEBER. Thank you, Chairman Tanner, Mr. Brady, Members of the Subcommittee. I am pleased to have this opportunity to appear before you on behalf of the Social Security Advisory Board.

Over its history, the agency has been a diligent steward of the public's trust, overseeing the programs that so many individuals and families depend on. Because of chronic underfunding and the ever-increasing growth in new claims applications, SSA's ability to fulfill its mission has been under constant pressure in recent years.

Today, the economic downturn is creating a dramatic spike in workloads, and just down the road, the baby boomers will be in their peak disability-prone years just ahead of their retirement applications. The infusion of resources provided by the Recovery Act should allow SSA to meet current backlogs and to manage increased workloads going forward. It should help in addressing the data system and processing issues under consideration today.

Recent workload pressures have been compounded because the agency has not widely undertaken business process reviews and reengineering common in other business and Government settings, has relied too long, in our opinion, on outmoded technology that has reached its processing capacity. The agency has recently begun to move to address these problems, but the bounds of what these new process and planning tools can do are narrow without a robust and flexible IT foundation.

In the intermediate term, Social Security's data processing operations are at serious risk because of inadequate backup capabilities if some sort of breakdown should beset the National Computing Center at Baltimore headquarters. This problem is being addressed with the construction of a second data center in North Carolina. Backup capability between the two sites is scheduled to be fully operational in 2013, and the agency executives are working to accelerate that schedule because of the problems with the National Computer Center.

In the meantime, the agency's disaster recovery plans are of grave concern. Today, we are talking about the critical need to replace SSA's National Computer Center. Its capacity is inadequate to meet future processing needs and assure the security of data. We have been told that in just three more years, by 2012, the NCC will not be able to meet Social Security's workloads. We have also been told that, in the best-case scenario, it will take 4 or 5 years to plan, develop, and build a new data center and another 2 to 3 years to complete its setup and integration. In short, the new NCC will not be fully operational until 2016, possibly 4 years too late. Frankly, this is a bit like a slow-motion wreck playing out in front of our eyes that might be entertaining if it were not such an important matter.

Through the services it provides, the Social Security Administration touches the lives of nearly 60 million beneficiaries every month and gathers earning data on some 145 million workers necessary to run the program. The backlogs that have pestered the disability insurance program in recent years are going to look like a cakewalk compared to the issues that you will be getting constituent calls about if the SSA computer systems break down.

I do not think the timelines we have heard on building and bringing a new computer center online are acceptable. In my prepared remarks, I tell how the Pentagon went from first concept to occupation in 18 months at the beginning of World War II. The building was completed in 18 months from the time it was initially

conceived. It was done on an extraordinary schedule because of the importance of our responding to a daunting challenge that we were facing.

I am convinced that the American public believes that where there is a will, there is a way to get things done in a timely fashion, even by our modern-day Government. If we were able to take a building as complex and large as the Pentagon from nothing to occupancy in 18 months, we should be able to build and furnish a new Social Security computer center in something less than 5 to 8 years when the current one will be inadequate for the task in half that time. The urgency of our response in this case has to match the urgency of the task before us.

Rather than guess as to how this situation arose, it is more productive to consider how to ensure that the problem does not happen again. The Board has come to question the governance of the agency's IT investments. The current process is decentralized, and IT oversight is split among a number of senior executives. Originally intended to ensure transparency and foster shared responsibility, the result has diluted ownership and management of the overall IT process. We believe that there needs to be a realignment of responsibility and accountability and a new governance structure established.

Finally, I would offer that without a map the road ahead is not always clear. In recent years, SSA's strategic plans have often reflected narrow, short-term goals that address immediate issues. They are tactical plans. They are not strategic plans. Perhaps a longer planning horizon that was broader in scope would have identified earlier the need to replace the NCC. We continue to urge Social Security to focus on longer range service delivery needs and develop the infrastructure that will carry them well into the 21st century.

Mr. Chairman, I hope these comments are helpful, and I will be happy to answer any questions you might have.

[The statement of Mr. Schieber follows:]

Statement of Sylvester J. Schieber, Chairman, Social Security Advisory Board

Chairman Tanner, Mr. Johnson, Members of the Subcommittee. I am pleased to have this opportunity to appear on behalf of the Social Security Advisory Board to present the Board's view on the progress made by the Social Security Administration in implementing the *American Recovery and Reinvestment Act of 2009 (ARRA). The investment that the Congress has made in the Social Security Administration will ensure that the agency is able to fulfill its vital role in helping American families when they need it most.*

Through the services it provides, the Social Security Administration (SSA) touches the lives of nearly 60 million beneficiaries, 145 million workers and nearly every American. One out of every six individuals receives monthly cash benefits from Social Security or Supplemental Security Income (SSI), the major programs that SSA administers. This fact alone should be an indicator of the importance of continuous, smooth operations of this agency.

The role of Social Security in our society is not only pervasive; it is an extremely important economic lifeline for millions of vulnerable citizens. The beneficiaries and recipients of Social Security's monthly check include aged individuals and persons with disabilities, their spouses, other dependents, and survivors. In fiscal year 2008, 41.2 million people were receiving retirement and survivor benefits and another 15.1 million were receiving disability benefits. SSA processed nearly 4.1 million retirement and survivor claims, 2.3 million initial disability claims, and 559,000 disability hearings during that same fiscal year. The agency provided services to the public in general by processing over 19 million requests for new or replacement Social Se-

curity cards, posting 273 million earnings items to individual earnings records, answering 63 million calls to its 800-number and handling over 42 million visitors to local field offices.

Over the past 74 years, the agency has been a diligent steward of the public's trust, overseeing the benefit programs that so many individuals and families depend on. In recent years, however, SSA's ability to fulfill its mission has been severely strained. Chronic underfunding despite growing workloads exacerbated the situation. The expansion of electronic disability case processing coupled with the need to request and store millions of images of electronic medical records has sorely tested the agency's processing and storage capacity. Moreover, they have continued, far too long in our opinion, to operate with outmoded information technology and database structures that could not support new and more efficient business rules and processes.

Last April I had the opportunity to testify before the Committee on Ways and Means. The issue under discussion was whether SSA had the resources to substantially reduce the growing disability claims backlog. At that time over 756,000 people were waiting nearly 500 days for disability decisions from administrative law judges. The increased productivity in the hearings offices this year has aided the growing momentum in reducing the backlog. These backlogs were-and still are-alarming in their own right, but become even more so when they are juxtaposed with the anticipated rise in claims over the next 10 years. SSA's workload will increase dramatically. Retirement claims will jump by over 40 percent and disability claims will rise by nearly 10 percent. The 2008 OASDI Trustees Report estimated that by 2015 there will be 50 million retirees, widows and widowers, and dependents receiving benefits and they will be expecting efficient and modern service from the Social Security Administration.

But the anticipated growth in claims does not stop there. The baby boomers are entering their disability prone years and the number of initial disability claims is projected to rise steadily from the 2.5 million claims received in 2008. A year ago SSA's actuaries estimated in Fiscal Year 2009 SSA could expect to receive over 2.6 million new disability claims.

The economic downturn that became apparent at the end of last year is having a significant impact on SSA's workloads in the current year and is expected to continue to affect workloads over the next couple of years. DDSs have already received over 11 percent more claims this year than at this same point in time last year. Over 664,000 new initial claims are pending in the DDS. This is over 100,000 more than they had at the start of the fiscal year in October 2008. It is highly likely that SSA will receive approximately 2.9 million disability claims this year: 300,000 more than anticipated. About 75 percent of those who are denied benefits at the DDS level eventually find their way to the hearings level and this will lead to another 50,000 claims in the hearings backlog. All of this puts immense stress on the agency's ability to provide timely, accurate, and efficient service.

SSA's Approach to Managing the Increased Workload

SSA has experienced extraordinary spikes in its workload before and has always stepped up to meet the challenge. These prior surges in workload were, for the most part, fairly well defined and eventually leveled off. But this time it is different. Now there are burgeoning workloads that are not likely to decline for several years. Significant numbers of experienced staff are leaving through retirement and the agency's ability to replace them has been uncertain. The additional funding provided by an increased FY 2009 appropriation and the *American Recovery and Reinvestment Act has allowed SSA to hire a significant number of new staff to fill the critical vacancies in the field offices, DDSs, and hearings offices. While this new staff will not bring relief in the short run, they are essential for the agency's future.*

Business Process Modeling and Performance Management

Throughout the Board's existence, we have spent the vast majority of our time studying the disability program and how well it serves the public. In our 1999 report on how SSA can improve service to the public, we noted that more sophisticated performance management tools were needed. This is an agency that collects a wealth of data on case characteristics, decisional outcomes, timeliness, productivity, quality, and cost. The data are tallied and put into charts and called "management information."

We have commented in the past that the Office of Disability Adjudication and Review's (ODAR) Case Processing Management System (CPMS) technology makes it possible to create and retrieve information and yet historically there has been little innovative analysis occurring. The only way to understand and improve performance

is by identifying and targeting the root cause of bottlenecks and vulnerable processes and then implementing measures that track outcomes.

The Board was recently briefed on several new initiatives underway in ODAR and it appears to us that there is a growing emphasis on data analysis and process management. They have developed an electronic business process model that simulates how work currently is processed, and for the first time, will be able to systematically identify steps in the process that create bottlenecks or do not add value to the process. While this initiative is very new and still in the validation stage, it does hold promise for improving workload management throughout the hearings process.

We have been assured by senior management that the modeling capabilities being developed to help identify problems in the hearings process will be able to isolate variance in performance from office-to-office and determine the root cause for that variance. If this approach proves effective, through process modeling, ODAR will be able to plan proactively for changes in receipts and how to redistribute workload, anticipate the need for changes in staffing mix, and determine what legitimately can be mitigated by improved management practices. The current use is focused on assuring the success of the agency's plan to reduce the backlog and going forward it will give them the capability to manage proactively, not just reactively. It is a new direction for ODAR and we are encouraged by this initiative.

Overall workload management can be dramatically improved through sophisticated forecasting and modeling tools. SSAB continues to urge the agency to use its research capacity more broadly and tap those resources in order to take a more systematic long range look at growth in workload, where it is happening and the underlying causes, and then develop simulation models that demonstrate the effects of different variables on all parts of the adjudication process. ODAR is in the early stages of analyzing the characteristics of the hearings population and this will better inform the agency leadership about managing cases at that level; but we believe that there is much that SSA can learn about the characteristics of potential filers at the initial claim level as well.

Current State of Data Center Operations

SSA's main computer operations center, the National Computer Center or NCC, is a thirty year old facility located on SSA's main campus in Baltimore. While originally designed to house the agency's large mainframe processing units and associated peripheral equipment, the NCC has been retooled and modernized over the years in an attempt to keep pace with SSA's ever-growing computer needs. But growing workloads, expanding telecommunications, storage requirements for huge volumes of electronic images, the electronic disability folder process, and ever tighter security measures have pushed the NCC's capacity to the limit. We were recently told that the storage capacity at the NCC has been expanded from 12 terabytes in 2000 to 483 terabytes in 2009 and the agency is estimating that storage requirements could increase by four times that amount in the next five years.

Coupled with these processing capacity issues, we learned in late 2008 that the NCC also has significant structural problems. Electrical supplies into the building are rapidly becoming inadequate; the backup power supplies are so old that it is virtually impossible to get replacement parts; and the fire suppression system needs upgrading. In addition, the General Services Administration (GSA) has advised the agency that in order to keep the NCC functioning, SSA would have to significantly increase the number of times it shuts down the data center on an annual basis to do routine maintenance, potentially curtailing the agency's ongoing operations to a considerable degree. To identify options for shoring up the NCC operation the agency consulted with external experts and learned that by the end of 2012 the NCC would no longer be viable and replacing it could not wait until the second data center was fully up and running.

We have been told by agency executives that, in the best case scenario, a new NCC will take 4 to 5 years to plan, develop, and build; another 2 to 3 years would be needed to complete all systems set-up and integration activities. The agency has estimated that the replacement facility would be fully operational by January 2016; however, given the typically long lead time to build and outfit such a governmental facility, there is some risk that it could take longer to complete. In fact, we recently learned that the process for acquiring the land may not be complete until March 2010. The $500 million the agency received in the economic stimulus package for the NCC is a sizeable and necessary investment and speaks to the urgency of this project. Making this project a reality is the shared responsibility of SSA and the General Services Administration. In our view, pursuing this building project in a "business as usual" process is unacceptable and I would guess that much of the American public would find the timelines I have outlined here laughable if they

were not so appalling. Due diligence is essential, but areas where red tape can be cut or timeframes shortened should be pursued.

You might wonder why I would suggest that many in the American public would find taking five years or more to build a new computer center and another two to three years to get the operating equipment in place as laughable. I do not believe that most people would consider the five-to-eight-year time frame involved would reflect the urgency this project deserves given the national dependence on this agency. I do not believe that most people would accept that we could not do this on a more timely basis if we were truly committed to the task.

By way of contrast, I would like to offer a little lesson from history. Early in World War II, the Government was pressed for office space for the growing military effort associated with our joining the war. On Thursday July 17, 1941, Brigadier General Brehon B. Somervell summoned two of his subordinates and told them that by the following Monday morning he wanted basic plans and an architectural perspective for an air-conditioned office building to house 40,000 workers in four million square feet of space, not more than four stories high and with no elevators. After what Lt. Col. Hugh Casey called a busy weekend, he and his staff completed the basic layout of a five-sided building by the following Monday. The building's basic concept was approved that Monday by General Somervell and by the Secretary of War the next day who then informed President Roosevelt of his plans. At the same time President Roosevelt was being briefed, General Somervell was presenting the plan to Congress. Congress and the President moved quickly to approve the supplemental appropriation bill to fund the project. Construction commenced on Sept. 11, 1941. One section was completed by the end of April 1942 and the first tenants moved in. The basic shell and roof were finished in one year, and the building was completed by Jan. 15, 1943.[1] Since then, we have known that building just across the Potomac River as the Pentagon which today still is the central administration facility for the U.S. Defense Department.

I believe that the American public believes that where there is a will, there is a way to get things done in a timely fashion even by our Government. If we were able to take a building as complex and large as the Pentagon from nothing to complete in 18 months while we were in the middle of one of the most daunting military conflicts in world history, then assuming we cannot do something better than five to eight years in building a new Social Security computer center is, well, laughable.

Second Data Center and Plans for Disaster Recovery

In researching our recent report on SSA's information technology infrastructure, we learned that the agency began planning a second data center more than five years ago as part of a new strategy for comprehensive data backup and recovery. In response to September 11, 2001, the Department of Homeland Security issued a directive in 2003 requiring all Federal agencies to develop plans that identify, prioritize and protect critical infrastructure. At that time, SSA had not updated its disaster recovery plans in over ten years and, therefore, had not taken into account the impact of the electronic disability processing system or the disability electronic folder. Agency executive recognized that their contingency plans were not nearly sufficient. In the event of a disaster, plans called for the use of private backup and recovery facilities at an offsite commercial hot site. However, the arrangements only allow for the recovery of 25 to 30 percent of the agency's production capability and recovery would take seven to nine days. In addition, SSA would have to queue up with other businesses or governmental agencies for access to the facility. This is, in fact, the disaster recovery plan still in effect today; the plan that will remain in effect until the two data center strategy is fully operational.

The vision for a second data center is that it would function in tandem with the primary NCC as "a fully functional, co-processing facility." The plans call for about 50 percent of the work currently processed in the NCC to be transferred to the second center. Functionally, the two facilities would "mirror" each other and provide backup capability. In the event of a disaster, the second center would have the capacity to process virtually all of SSA's priority workloads almost immediately. The new site would also have sufficient space available so that additional equipment and staff could be brought in to handle 100 percent of the agency's computing needs in the event the NCC was non-operational. SSA took occupancy of the new facility in Durham, North Carolina in January 2009. Over the next 12 months, the agency will be installing the data processing and storage infrastructure. Backup capability between the NCC and the second center is scheduled to be operational by the end of the second year with full functionality in place by 2013. However, in discussions

[1] Summary derived from http://pentagon.afis.osd.mil/history.html as read at 3:10 p.m., 23 April 2009.

with the agency's executives, we have learned that they are trying to accelerate the schedule because of the problems with the NCC.

Continued Risk

Where does all this leave the agency in terms of operational capacity and its ability to backup data and recover operations as the transition between data centers takes place? Sometime within the next two years the second data center should have sufficient capacity to process some workloads on an ongoing basis as well as provide additional backup and recovery for other critical workloads. This will certainly improve the situation for a period of time. However, by late 2012 when the NCC is at the end of its projected life-cycle, the second data center will most likely need to serve as the agency's primary computing center with disaster recovery once again reliant on commercial hot sites. To date, we are unaware of any efforts the agency has taken to actively pursue alternative recovery scenarios such as contracting for the use of other governmental or commercial hot sites in the event the NCC becomes non-operational.

The National Research Council referred to the data stored by SSA as the "crown jewels." The current two data center strategy affords some assurance that the data are secure and recoverable. The agency recently appointed a highly talented Future Systems Technical Advisory Panel to advise them on emerging technologies and infrastructure needs. We suggest that this panel be enlisted to perform a quick analysis of the situation and provide recommendations to the Commissioner within 30 days.

In the interim, over the next seven years until the new NCC and the second data center are fully operational, there is a risk that at some point benefit checks could be significantly delayed or not delivered and important data could be lost. Given the economic role that Social Security plays in the lives of a large segment of the American population, I find this situation deeply disturbing.

How did SSA get in this situation?

As I mentioned previously, the Board has just finished a two-year study that focused on how SSA's public service can be improved through technology. During that time we met with several agency executives on a host of issues, including systems development, strategic planning, infrastructure needs, and resource allocation. Discussions relative to the NCC revolved around its limited capacity to meet future workload demands and how the second data center in Durham would fulfill the need to expand processing and backup capacity. In fact, the Board first learned of the critical nature of the NCC's physical plant from the Commissioner in the fall of 2008 and I believe he informed the Board virtually immediately upon becoming aware of the problems himself.

I can only hazard a guess as to why this issue has only come before our viewfinder in the last several months and I doubt that my guessing about root causes would add much of value. Instead, I believe that it will be more productive to ensure that this potential for great risk to SSA's infrastructure does not happen again. The Board strongly urges SSA to undertake a self-assessment that would identify the underlying factors that allowed the current NCC situation to occur. While this particular story is about the development and maintenance of systems operations at Social Security, the root of the problems associated with it are about the role of senior career managers in the agency, their sense of fiduciary responsibility in their roles and how they handle these roles when the agency leadership is not open to the messages being delivered.

SSA needs to develop a governance structure of *shared ownership and accountability that is committed to diligently identifying and managing all risk factors and strengthening its strategic and tactical planning processes.*

Governance of the Information Technology (IT) Investments

Given the recent developments with regard to the National Computer Center, there is clearly reason to question the governance of the agency's IT investments. With different planning and oversight of the IT process, perhaps the critical situation the agency finds itself in could have been avoided. As the Board looked at the IT planning and management process at SSA, there is evidence that the current process could be more effective.

Governance of IT investments at the agency is a decentralized process. While the Chief Information Officer (CIO) and the Deputy Commissioner for Systems (DCS) are the principle players, IT oversight is split among a number of senior executives. The CIO has responsibility for such functions as IT capital planning and investment management, overall enterprise architecture, strategic planning for IT, and e-Government initiatives. The DCS has responsibility for systems acquisition, development, and integration. All of these disparate functions are supposed to be brought

together and managed under the auspices of the Information Technology Advisory Board (ITAB). The ITAB has the overall responsibility for shaping the agency's IT strategy and for approving and allocating resources for the hundreds of projects that are proposed each year. While originally designed as a way to ensure transparency and foster shared responsibility for IT investment, the result has been more of a dilution of ownership and management of the agency's overall IT process.

During our research, we talked with a number of organizations, both public and private, and found some major differences in the way IT governance is handled. For most of these organizations, the responsibility for governance is a centralized process with ultimate accountability invested with the CIO. The CIO is responsible for comprehensive planning, development, and implementation of new IT projects as well as for the ongoing maintenance of current systems. It is the CIO's responsibility to ensure IT investments are aligned with the organization's strategic plan and that they are properly evaluated to measure their success or failure. I believe that this is the type of oversight that the Congress intended when it passed the 1996 Clinger-Cohen Act. This Act requires agencies to designate a CIO to help control risk, better manage technology spending, and achieve real, measurable improvements in agency performance through the use of technology.

The Board has recommended that the agency restructure its governance process and that it centralize overall responsibility for all IT processes. I believe that the current structure has left the agency open to the type of risk we are talking about here. While some may argue that capital planning and the management of the overall enterprise architecture are separate and distinct functions from the more tactical responsibilities for systems acquisition, development and implementation, this bifurcated process, for whatever reason, simply has not worked at SSA. The agency's ability to deliver public service will increasingly depend on technology and governance of the IT process must have strong leadership who is empowered to make critical decisions and is held accountable for those decisions.

Further, the more theoretical process of assessing emerging technologies and new IT-related strategies has for too long been divorced from the practical development of processing systems. The result has been that an agency once considered a pioneer in systems automation is now struggling to provide service with an outdated technology infrastructure. The recently appointed Future Systems Technical Advisory Panel will be instrumental in helping the agency create a system for the future. However, I believe it will take strong leadership to ensure that the agency breaks out of its insular view of technology and embraces what it can bring to the delivery of quality public service.

Strategic Planning

SSA's original endeavors in strategic planning described a comprehensive and ambitious vision for the future of the agency. While high-level in nature, these early plans described in broad terms the necessary steps that would be needed to carry out that vision. In recent years SSA's strategic plans have been primarily narrowly focused shorter range tactical plans designed to address a more immediate issue. While it is only conjecture, it is possible that the failure of SSA to anticipate and adequately plan for a replacement national computer center when the current building came to the end of its lifecycle is partly the result of inadequate enterprise-wide long-range planning. The more immediate need to support the agency's computing capacity with a second data center may have overshadowed the need to develop a longer-range plan for replacing and transitioning out of the current NCC facility.

The Board believes SSA needs to return to longer-range planning that envisions how the agency will deliver service and what the supporting infrastructure must be to make this plan a reality. We urge SSA to begin the planning process for the next decade and develop a "to be" 2020 vision. The process must include a broad scan of environmental factors that will arise within the next decade, a thorough assessment of future technologies, a comprehensive review of all major business processes, and in-depth analyses of service delivery channels and opportunities for change or improvement. Short-term planning and implementation strategies are not sufficient for the type of technological changes SSA will need to make if it is to meet future challenges.

The Advisory for this hearing rightly noted that Congress has made a significant investment in SSA's capacity to continue to effectively serve the American public. We firmly believe that your confidence has not been misplaced and that this investment will yield significant dividends. In our role as an Advisory Board that serves the President, the Congress, and the Social Security Administration, we are committed to ensuring SSA's ability to fulfill its mission.

Mr. Chairman, I hope these comments are helpful to the Subcommittee. I would be happy to provide any additional assistance you may want, and I would be happy to answer any questions you may have.

Chairman TANNER. Thank you very much, Mr. Schieber.

And I want to thank all of you all for your time and for your expertise, for your devotion to duty, and for being here today with respect to this. Actually, a critical part of America's dependence on its social safety net as represented here today, and we wanted to take time to look and see where we are with respect to the recovery funds that have been made available to accomplish a purpose that we all foresee.

I guess, Ms. Glenn-Croft, Mr. Hewell, is there a way, without, of course, sacrificing quality or any sort of capability, to speed this process up some because if you have a glitch and we have a life expectancy out there at the computer center of 2013. If we do not have something to take its place, as Mr. Schieber said, we have a monumental problem here.

Ms. GLENN-CROFT. Well, I certainly appreciate that question, and I certainly expected you to ask that question, Chairman.

Let me provide a little bit of background here. In addition to being responsible for Recovery Act funds for Social Security, I am also the deputy commissioner for budget, finance, and management. So facilities are part of my responsibility.

I have been in this role now a little over a year, and, obviously, I have looked at this very question that you raised, and this is a little bit of context here. The NCC is headed toward its 30th birthday. We have taken good care of that building. We have maintained it at high levels of high standards, but, as you know, the infrastructure in that building is getting old.

I would like to say, though, that we are very confident that we are going to be able to keep that building operational until the point in time that we finish the new data center and we actually transition from the NCC to the new data center, and I certainly can provide either verbal comments on or information for the record as to how we believe that we can do that. But we are very confident that we can keep that building going well past the 2012 date that you have heard, okay.

What I would also like to tell you, as part of this good news story—and I know the commissioner mentioned this when he was here at the hearing last month—is that we have moved into the Durham site, and we are moving rapidly with that Durham site, and part of the situation that we are very happy to tell you about is that probably by late calendar year or early 2010, we will have enough equipment, hardware, and software in the Durham site that should the NCC have a catastrophic event occur, which, obviously, we hope will not happen, but should that occur, we will be able to use that site to bring up our critical production workloads, okay. That is a new situation that I am not sure that the committee is aware of.

The reason I go through these two points about being able to keep the NCC operational and the enhanced capacity that we will have in Durham is that that does take off some of the pressure and

the timeframes that you were talking about in terms of getting the new data site up and operational.

Obviously, we will work with GSA. We will do everything that we can to get the new data center up and operating as quickly as possible. We are going to do that to keep us moving forward on time and within costs, but this is a very difficult build. There is a lot of logistics. This is not like building an office building. This is a huge project. We have to do it right. We have to do it to avoid protests and disputes.

There is a lot of environmental factors and issues and studies that have to occur, and working with GSA, we will do everything we can to get that building done as rapidly as possible, but, again, while this is happening, we believe we can keep the NCC going, and we will have much more capability and backup potential in Durham as that build occurs.

Chairman TANNER. Thank you.

Mr. Hewell, do you have anything to add to that with respect to—that addressed partially my question. My question is: Is there any way to accelerate this schedule without sacrificing competency or capability of the installation?

Mr. HEWELL. Yes, Mr. Chairman. We think there may be.

We have compared our schedule to what we are told are normal private-industry schedules for similar facilities, and it is pretty much right in line with that. What some private-sector companies have done to get data centers done more quickly is double or even double and a half the timing of work schedules and things like that, by going to what is called—this was a new term to me—a 6/20 week. Excuse me. We will certainly be looking at that.

We also think right now that probably the most promising area that we could achieve some savings in is the period between site purchase and award of the design-build contract by doing as much of the development of the requirements for the facility at the same time that we are acquiring the site. If that goes well, we may be able to cut as much as 6 months off of the year in between those two.

So we are looking at ways to make the schedule shorter.

Chairman TANNER. Well, I do not know why that could not happen. I get a little nervous when I realize the steps to the House side of the Capitol took longer to replace than it did to build a new football stadium out in Maryland. So you get a little nervous about these timeframes if you are looking at them.

Mr. O'Carroll, we appreciate what you do because, as stewards of the money, we are trying to get money into the economy quickly, but, in doing so, we do not want to sacrifice anything with respect to transparency, oversight, auditing, and so on. Do you have any comments about speeding up and what your office might encounter were that to be done?

Mr. O'CARROLL. Yes, Mr. Chairman. One of the things that we are looking at now is hiring a vendor that is technically competent and knows the state of the art in terms of being able to evaluate the plans, be able to take a look at the location, the timelines, et cetera, on it, to make sure that, you know, all the i's are dotted and t's are crossed in relation to this.

And another one that—you know, although you did not ask, but just to say one of our concerns on this thing is that we were very encouraged by the 2010 with the secondary site being able to take on some of the redundancy of a lot of the operations that are going on, but, again, our biggest concern is up until 2010 where we are still using an offsite vendor in a different state and competing with other entities, you know, recoup in, you know, a catastrophic instance, you know, at the NCC.

So we are watching very carefully that, and we are going to, you know, be encouraging everyone to go as fast as they can, but being as cautious along the way.

Chairman TANNER. We want to avoid haste makes waste if we can, and I know you all do as well.

Did either of you have a comment? Mr. Schieber.

Mr. SCHIEBER. Redundancy is redundancy. What we are facing if we have a catastrophe may be still a precarious situation. We first discovered or were told about the problems with the National Computer Center in November. The commissioner came and met with us, and that was the first time it was brought to our attention.

We immediately became concerned and started asking questions about bringing the North Carolina facility online and were given timelines and capacity loads that it would be able to carry. I believe right now the recovery provisions supposedly will allow them to recover their critical production workloads in a period of a week, so they would be back up on what they call their critical production work. But that is only about 30 percent of their operating capacity. If they did that, at that juncture, they would have no Internet, they would have no intranet, they would have probably no phone system.

So I think we need to make sure when we say that we are going to cover certain things, we understand what that means, and it is not that they are not working hard at trying to get this. In some regards, my sense is that, for senior management, this has been as much a surprise to them as it has been to us.

So I think there is an urgency here that we all need to keep our eyes on, and we need to make sure exactly what bases we are covering when we say we can cover certain bases.

Ms. MELVIN. I would add, speaking from the standpoint of not having reviewed exactly what they are doing, but recognizing the urgency of what they are doing, I think it is also important to advocate for caution from the standpoint of them proceeding in a disciplined approach so it is kind of moving quickly, but, at the same, making sure that they have plans that really identify what it is that they need to put in place, that they have a strategy identified for doing that, and that they have a means of measuring their progress and their performance along the way.

Again, it goes back to a point I made in my oral statement earlier about the—just many times money is invested in projects, but if you do not have a disciplined approach to managing that, you can still waste that, even in the sight of urgency and even recognizing the importance of what you are trying to do.

Chairman TANNER. Mr. Brady.

Mr. BRADY. Well, thank you, Chairman. I share your concerns. I would take Ms. Glenn-Croft up on her offer to outline for the committee some of the things that can be done to extend the life of the current computer center, and I do urge you, Mr. Hewell, and others to find ways to accelerate this. So rarely do things stay on budget and on time, but we could have a major gap for capacity in Social Security, and that is a concern to both parties on this Committee.

Two questions really—well, Ms. Glenn-Croft, obviously, Social Security is receiving $1 billion in stimulus, some to pay for the computer center, others to deal with the new workload and to improve service delivery. What real benefits will our taxpayers see as far as, you know, will they wait less long to get their disability reviews and appeals heard? Will they spend less time waiting in the Social Security office or getting a busy signal when they call SSA for services? When will we see—when is a fair timetable to see improvements in service delivery as a result of the extra money?

Ms. GLENN-CROFT. As you know, we are expecting 300,000 additional retirement claims this year and 300,000 additional initial disability claims this year as well as 50,000 additional hearings. We are very pleased and thankful for the Recovery Act funding that we received, and upon receipt of that money, we immediately—immediately—very aggressively started hiring. We expect with Recovery Act funding to hire over 2,000 people. As of today, coming in to this hearing, we have already in 1 month hired 1,400.

Before we received the Recovery Act funding, we had already started going out and doing recruitment efforts, broad-based recruitment efforts, so that we would be ready to go if we did get the funding. And, again, we are thankful for that. So we are bringing in quite a number of new people into our front-line components, our field offices, our teleservice centers, our hearing offices.

When you bring new folks in, you do not see immediate productivity from new staff. Our programs, as you know, are very complex. Training lasts anywhere from 10 to 15 weeks, and when they come out, then we put them under a mentoring program.

Mr. BRADY. Sure. That is exactly right. You cannot change things overnight, and those additional resources will help. But that was my question. Where is the fair timetable where we will see improvement?

Ms. GLENN-CROFT. Well, I was just going to get to that. That was just a little bit of context. We expect that we will really see productivity from our new hires starting in fiscal year 2010.

Mr. BRADY. What kind of measurements can you produce for the Committee as we go forward so we can measure those wait times, the quality of service?

Ms. GLENN-CROFT. We have a number of performance measures that we have included in our Recovery Act plans that we have submitted in draft to the Office of Management and Budget, and we have included performance measures, such as the number of retirement claims we will process, the number of initial disability claims processed, hearings processed. We will also obviously have processing time data. So we will be able to provide you with performance measures along those lines.

Mr. BRADY. Okay. Great.

If I may, I think every Member of this Subcommittee is on here because we want to see Social Security preserved for every generation, and Social Security is not immune to the economic downturn. We have some charts, I think, that in the March update, CBO now projects Social Security surpluses will be very low over the next 4 years, as low as $3 billion in 2010, which is very nearly breakeven. There you can see the dramatic change just in a year as a result of the recession. That is almost breakeven next year there. It disappears by 2017.

CBO has lowered its Social Security surplus projections pretty dramatically over the past year, and what that chart does not show is the disability program is already experiencing cash flow deficits. CBO projects that the insurance trust fund balance will reach zero in 2019, and, under current law, program revenues will be unable to pay the full benefit schedule.

For years, the Social Security board of trustees has warned of the financing challenges we face in Social Security. I think there is a general belief the sooner we act to protect and strengthen Social Security, the better. A 2009 annual Trustees' Report is expected as soon as next week, and I am hopeful Chairman Tanner will schedule a hearing of the Subcommittee to closely examine the report.

So my question to you, Mr. Schieber—and then to Ms. Glenn-Croft is knowing the bipartisan advisory group has done so much on this issue, is it better that we act sooner rather than later on this issue?

And then to Ms. Glenn-Croft, are you sharing your expertise with the administration about what these challenges are and how we move forward on that?

Mr. Schieber.

Mr. SCHIEBER. The Board over the years of my tenure on it has issued three separate reports. We like the title we put on the first one so much, we have used the title on all three reports saying that action sooner rather than later is preferable. We probably should have issued a repeat of that report under my tenure as chairman, but, once you have said something three times, saying it a fourth sometimes does not seem maybe so valuable. Maybe it is. My wife oftentimes tells me twice is enough to hear me say something.

So we also have issued a couple of other reports. One we titled "The Unfolding of a Predictable Surprise" about the general state of our retirement system. This was before the recent collapse in the financial markets. And in the last couple of months, we have issued a report on the value of encouraging people to work longer. These all have ramifications for the financing of Social Security.

At this juncture, I guess I would say that it is extremely important. This program is a vital foundation of retirement security for the overwhelming majority of Americans. Even people at middle-income levels rely to some substantial extent on Social Security, and having this program defined not only in a way that they understand what the benefits are going to be is extremely important to them, but there is another side as well. We have to have a program that our children and their children can afford.

I have done some work recently that suggests if we continue to allow health costs to increase the way they have over my working career and we let Social Security costs go up the way the Social Se-

curity actuaries project they will under current law if we try to deliver current law benefits and people try to save on their own that, for the middle-income worker and down, any additional disposable income that they may earn because of increased productivity is going to be eaten up by what they are paying for their own health insurance, for Medicare and Medicaid to provide to the elderly, and for retirement benefits.

Now do we want this to be the end of growing prosperity from generation to generation in America? And I am not talking about something in 2042 or 2050. I am talking about my son and his wife who are 30 years old, trying to start a family, trying to buy a house. They may have reached the pinnacle of their standard of living if we let this play out.

It is time we look at these programs on a serious basis, including how we are going to control health costs, and start a conversation with the American people about how we are going to address these issues. It is of critical importance, and it is of critical importance to at least three-fourths of the American population. The people who are well-off, I assume, will continue to do fairly well, but many of the rest are going to struggle if we do not address these problems, and we ought to do it now.

Mr. BRADY. I thank you.

And I am over my time, so the chairman can decide if Ms. Glenn-Croft gets to answer or not, but I do think—we all may have different ideas on how we strengthen it, that is fair, but I think every Member on this Subcommittee thinks sooner rather than later would be helpful, as difficult as it can get.

Mr. SCHIEBER. If you want the board to begin exploration here, you know, a request of some sort would be helpful. Our Members—we are political appointees also, and we are reluctant to weigh very much further into these issues on our own without some sense that maybe somebody has something that we could help with. We have spoken out. I would be willing—my tenure as Chair is going to be relatively short here. I would be willing to try and get the board started in a discussion if it would be helpful to the committee and to moving this discussion along.

Mr. BRADY. Thank you, Chairman.

Chairman TANNER. Thank you, Mr. Brady.

Thank you, Mr. Schieber. We will be back in touch with you on that point.

Ms. Schwartz, you are recognized.

Ms. SCHWARTZ. Thank you, Mr. Chairman, and I appreciate some of your comments, and, of course, as you well know, the broader issue of health care and health care reform is one that is very much on the agenda of this President, and should we be successful in voting the budget this afternoon and in the Senate this week, we will certainly have it on the agenda.

So, more broadly speaking, it is not unrelated because, of course, if we do a better job of containing costs in both the public and the private sector that will help and help Americans be healthier, maybe you would have fewer claims for disability. Wouldn't that be a good thing? The goal is to have Americans be healthier.

But what I wanted to ask was a bit about the health care, particularly the disability, and one of the aspects of the extra money

that was provided to Social Security Administration was for health information technology, and there have been some comments about the difficulties of information technology, but I understand that using some demonstration projects that have been quite successful—the idea was—as we are again more broadly in the health care sector, certainly under Medicare—different jurisdiction, Ways and Means, but nonetheless jurisdiction.

We have invested quite a bit in health information technology as a way to improve quality and monitor what we are doing, but I understand that these demonstration programs have been very successful having—I will just be clear. I understand it to be able to have your staff be able to review claims and get medical records online. And that one of those difficulties in time delays in processing the claims is the many calls back and forth for medical records that can be quite dispersed. And getting all that information, getting it accurately, getting it in a timely way is dramatically changed, I understand, to the point of seconds rather than days, that that information can be available to the reviewer.

So my question really is severalfold. One is: Can you tell me—I think I am directing this maybe most appropriately toward Ms. Glenn-Croft. I think you would be the one to answer it. Ms. Melvin, if you have some add-on, you can as well. But what I want to know is how far does that $40 million that we have provided from recovery funds to be able to move the electronic medical records and the ability to get this information in a timely fashion—given what you just said about how long it takes to train personnel, 8 to 10 months, which is somewhat staggering, you said it is—that is what you said. You started training them, but until they are fully operational, it is 8 to 10 months. That may be a different question someone else wants to ask about whether we could speed that up.

But they are training in the use of the information technology, medical records. How quickly can we see a shortening of the number of days? That is one of the major complaints we certainly hear from people who have applied, think they are eligible, you think they are eligible, but you do not have all the documentation, and it literally takes months and months and months for them to be approved, and these are people who are in critical situations sometimes certainly. So these are not people who have months and months necessarily to wait.

So can you speak to how quickly, how broadly this is going to impact the literally tens of thousands, hundreds of thousands claimants that we hear from all the time and how much this will help move that forward?

Ms. GLENN-CROFT. Health information technology really is a thing of beauty for this agency. We have been a leader in this area. As you know, we have done several pilots, one in Boston and one now in Virginia, and just to add some context, we process new—request medical evidence or health records about 15 million times a year from about 900,000 sources, so making movement forward with HIT is absolutely critical to us in terms of adjudicating cases on a much more timely basis because now it takes us, oftentimes, weeks to get records when we get them in hard copies through them mail, okay.

What we are going to do with money received under the Recovery Act is we are going to use $24 million of the Recovery Act money. The commissioner has just identified a new executive to lead this effort, is getting high visibility in the agency. In the July timeframe, we are going to go out and solicit for interest. We will be picking on—we will be contracting with a limited number of medical sources as a proof of concept, pilot-type scenario, so that we can get it more experience in requesting medical evidence from them electronically and then having them send it back to us electronically. Every hospital and every doctor's office has its own type of automation——

Ms. SCHWARTZ. Right.

Ms. GLENN-CROFT [continuing]. How they keep their records, the format of their records, how they code their records, and we need to get experience, broader experience, on how we can share that information electronically, watch the format the medical evidence and information should be in, how coding should work, and we are going to experience.

Again, we will solicit for offers in the July timeframe. We believe we will start to let the contracts probably in the December timeframe.

Ms. SCHWARTZ. Two questions on that—of course, you are well aware that in the ultimate Recovery and Reinvestment Act, we did put in quite a bit of dollars for HHS, and one of the——

Ms. GLENN-CROFT. Yes.

Ms. SCHWARTZ [continuing]. The responsibilities for HHS going forward is to establish Federal guidelines for interoperable secure medical records that should help in the sense of what kind of formatting you will see——

Ms. GLENN-CROFT. That is correct. And we need that.

Ms. SCHWARTZ [continuing]. Different hospitals and doctors, but how—so what are you going to do with the rest of the money? That is $40 million. You are putting out $24 million.

Ms. GLENN-CROFT. We could spend up to $40 million. We have chosen at this point in time to spend $24 million. The remainder of that $40 million—we are spending $16 million of it, the balance of that $40 million, to buy supplies—not supplies, but equipment, computers, those types of——

Ms. SCHWARTZ. So you can receive the information.

Ms. GLENN-CROFT. Yes. And that equipment will be used, obviously, to review the electronic medical records. We will also use some of that money just to provide systems support on the Social Security end so that we can work with the hospitals to modify their systems so that we can talk to each other.

Ms. SCHWARTZ. Do you have any idea yet how many claims that will affect and how many people it will affect?

Ms. GLENN-CROFT. No, I do not. At this point in time, I cannot give you that scope. I certainly can go back and check that out and provide it for the record if we have it. But, no, I do not know that.

Ms. SCHWARTZ. I think it would be helpful, particularly—Mr. O'Carroll might want to know what your plans are, what you expect to be able to accomplish, how many people you expect to—the timeframe——

Ms. GLENN-CROFT. Again, this is——

Ms. SCHWARTZ [continuing]. What your goals are so that at least you can measure your own success against them.

Ms. GLENN-CROFT. Yes. And we will be doing that, but, again, this is a proof of concept. It is so that we can learn what we need to do, what needs to be changed. There will be a lot of lessons learned that will come out of this, but, obviously, we will have measures to measure our success as we go forward.

Ms. SCHWARTZ. Again, I think all of us would say, you know, move in a way that actually does not have you moving too fast and you are doing the wrong thing, to learn from the initial experiences, but we also have a sense that this is something that done right, done well, do not take too long if it actually could, in fact, change literally the lives of so many of the people who are applicants.

Ms. GLENN-CROFT. We are moving aggressively on this, and I have to tell you, from the standpoint of an employee who receives evidence via this method, it is very exciting when you can process a claim in a matter of hours versus a matter of months.

Ms. SCHWARTZ. I think we would all appreciate it quite personally as well as, of course, the people we represent.

Thank you, Mr. Chairman. I yield back.

Chairman TANNER. In keeping with who was here when the gavel went down, we have Mr. Becerra and then Ms. Brown-Waite.

Mr. Becerra, you are recognized.

Mr. BECERRA. Thank you, Mr. Chairman.

And thank you all for your testimony today.

I would like to begin by asking both the Social Security Administration and the GSA if they have a high level of confidence that they will adhere to their current timeline for completing the replacement of the National Computing Center project.

Actually, Ms. Glenn-Croft, why don't you go first in terms of whether SSA has a high degree of confidence that—my understanding is by 2014, you expect to complete the building and, within another 18 months, equip and migrate data and processing from the existing building.

Ms. GLENN-CROFT. I have a very high degree of confidence that we will do this. There is a strong partnership with GSA. SSA has put their strongest technicians on this project. We have an executive that is——

Mr. BECERRA. That is good. Good.

Ms. GLENN-CROFT. And I believe that GSA would say the same.

Mr. BECERRA. Okay.

Mr. HEWELL. Yes? Okay.

And you are prepared to notify this Committee and any other oversight bodies if you fall behind in that process?

Ms. GLENN-CROFT. Yes, we will. As a matter of fact, we will be providing monthly reports to this Committee on our progress with all aspects of the Recovery Act funding.

Mr. BECERRA. Can I ask, Ms. Glenn-Croft, why was it that SSA waited so long to tell us of the urgent need to replace the existing NCC building in the first place?

Ms. GLENN-CROFT. Well, what happened——

Mr. BECERRA. And just a brief answer. I do not want to get in too much detail.

Ms. GLENN-CROFT. All right. Well, basically, what happened is, in the 2005–2006 timeframe—and, again, this is based upon my going back and looking at the situation when I came into this role—the way we did business at Social Security dramatically changed. We became basically an electronic business process agency. We moved from paper to electronics. Our disability process is totally electronic now, and, as a result of that, our need for servers to store electronic data dramatically changed, and——

Mr. BECERRA. Okay. So you became aware of the fact that now with this new electronic world you actually would need to have a better facility and——

Ms. GLENN-CROFT. Well, what really pushed it over the edge, sir, was the fact that with the need for servers in this ever-changing technological world, servers now come with two plugs versus one plug because of the need for redundancy. Previously, for the years past, they came with one plug. You get a server, you plug it into the wall. Now, when you get a server, you have to plug it with two plugs.

And what happened is—I know this seems simplistic, but what we realized is we were running out of electrical distribution capacity. Basically, we are adding 25 servers a month, and we realized that with that increased server capacity that by 2012, 2013, we were going to run out of ability to plug servers in, and when that happened, we realized that we needed to go to look at what our options were for the NCC, and that is when we went out and we got a neutral vendor, Lockheed Martin, to come in——

Mr. BECERRA. Let me ask——

Ms. GLENN-CROFT [continuing]. And do a study.

Mr. BECERRA. Let me ask a couple other questions. And I appreciate your response there. And I know the chairman has asked if there is any chance to accelerate the completion because of the concern that if there are any delays, it could jeopardize a lot of that data and what we do with the data, if, indeed, you slip on the deadline. So I hope that you are able to give some response, if you believe and GSA believes that there is any chance to accelerate the completion.

I also hope that you will give us some additional information on what you are doing to work with the Office of Management and Budget to try to get the additional moneys. I understand you need about another quarter of a million dollars to complete the project, and what you are doing to try to make sure you get the money both in the President's budget and, obviously, finally from the Congress to make sure you do not fall behind. Because the last thing we need is to find that you fall behind because of money concerns, and we or White House or the OMB are responsible for delaying SSA. I think too many of us have seen what happens when SSA does not get the money it needs, and ultimately our constituents, our beneficiaries are the ones that pay the price. So I hope you will keep us abreast of that.

Can I also finally ask—I am concerned—and, Mr. O'Carroll, maybe I should ask this of you. Why would we allow an agency to cannibalize its resources that are meant for IT at a time when we

have just heard that we are shifting over so much toward a world of IT to try to deal with the millions—I should say billions—of bits of information that are needed to transact all the affairs of people who paid into a system to now be able to get their disability benefits or their retirement benefits?

Doesn't it seem disconcerting that—and I know part of the problem is Congress and OMB, that we have not given them money? But how can we enable SSA to ask for the money it needs to gear itself up to deal with this technology and information requirements?

Mr. O'CARROLL. Well, let me go backward first, I guess it would be, on the reason things have happened the way they have in terms of, you know, the robbing Peter to pay Paul with the agency on it. I have to say—and it is partially our issue as the inspector general on it, is that we were more interested in terms of continuity of operations and making sure that the new processes that were being put in place for the disability programs and different things like that.

We were spending most of our time looking at that and not really looking at the building and looking at, you know, the structures that were, you know, falling into disrepair, and I have to tell you this. You know, I even go to my employees that walk down the hall every day past, you know, wires sticking out of walls and stuff and say, "Why didn't somebody tell us that this place is falling apart?"

So, on that regard, you have my assurance that we are looking very hard on at least the hardware side of things and the building of it, and one of the answers before that you were asking on is monitoring SSA. We are going to start—we are taking a look at their plans for the future. We are looking at how their funding is being done.

We are going to come out with a report in June on sort of an overview of what will be going forward on it, to make sure that the funds are coming from the right places, it is not taking it from the other programs. And then we are also going to be planning on doing quarterly reports just to update what is near the Committee and any of the other oversight entities, in terms of where the SSA is going with it and whether they are staying on their time with their one—so I guess the best I can assure you is it is kind of, you know, as the agency has said, is we are all kind of, you know, looking very hard at this thing and making sure that the right resources will be, you know, put to use.

Mr. BECERRA. Thank you.

Thank you, Mr. Chairman.

Chairman TANNER. Thank you.

Mr. Yarmuth, you are recognized for——

Mr. YARMUTH. Thank you, Mr. Chairman.

I just want to get some clarification on some of the funding that is going to be spent from the Recovery Act out of the $500 million for processing of claims. Ms Schwartz talked about the $40 million for IT. Is the other $460 million dedicated primarily to salaries of the employees, or could you break that down for us, how you intend to use that?

Ms. GLENN-CROFT. Yes, I can. The remaining portion of that $500 million will be primarily spent for salaries and benefits for

employees that we are hiring, the new employees that we are hiring, for the remainder of this year and over next year, and it will also allow us to provide significant amounts of overtime to our frontline components so that they can process critical workloads, better handle the 800 number calls that are coming in, and handle visitors to the field offices. So that is basically how the remainder of that money, really the bulk of that money, is being spent.

Mr. YARMUTH. Okay. So that is for essentially 2,000 new employees over the 2-year period, however much it is——

Ms. GLENN-CROFT. Basically, the remaining 6 months of this fiscal year and then all of next fiscal year.

Mr. YARMUTH. So 2 months plus overtime? That is——

Ms. GLENN-CROFT. Yes, that is correct.

Mr. YARMUTH. That is all I wanted to ask, Mr. Chairman. I yield back. Thank you.

Chairman TANNER. Thank you, Mr. Yarmuth.

Ms. Brown-Waite.

Ms. BROWN-WAITE. Thank you. Thank you very much, Mr. Chairman.

Commissioner Glenn-Croft, in your testimony, you stated that there are going to be about 10 additional field hearing offices, and I know when Commissioner Astrue was in Florida, he stated that there were going to be two additional ones in Florida. Other than in the near future, as in your testimony, do you have an estimate of when you anticipate that these offices will be up and running, even the two in Florida, and what are the obstacles if there is going to be a delay? What obstacles do we need to overcome?

Ms. GLENN-CROFT. Well, the two new—there are 13 new hearing offices that are planned. I believe the commissioner mentioned that when he was here a month ago, and I think he may have mentioned it to you when he was recently with you on a Florida visit.

Ms. BROWN-WAITE. He did.

Ms. GLENN-CROFT. And the two new hearing offices in Florida, I believe, are going to be in Tallahassee and St. Petersburg. I believe? Is that correct?

Ms. BROWN-WAITE. I believe that is accurate.

Ms. GLENN-CROFT. Those are the two locations. We have facilities staff that are working very hard, working with GSA, the counterparts of GSA, in Region 4, and we are very comfortable that those sites will be up sometime—and I can give you exact dates, but I know it is sometime during fiscal year 2010 that those sites will be up. We are working with GSA to expedite getting those sites and building those sites out.

We have a great need for those sites in those 13 locations across the country, so we are doing everything that we can to eliminate any roadblocks and make sure that they are up and operational and staffed as quickly as feasible. Usually, it is a, you know, 18-month process, roughly. I am looking at my GSA colleague for him to shake his head on that. You know, 18 months or so is usually the time for the entire process, but I can give you more specific dates for the record.

Ms. BROWN-WAITE. If you could back to the chairman——

Ms. GLENN-CROFT. I will be glad to do that.

Ms. BROWN-WAITE [continuing]. With the dates, not just for Florida, for all of the——

Ms. GLENN-CROFT. I certainly can do that for you——

Ms. BROWN-WAITE [continuing]. Anticipated offices.

Ms. GLENN-CROFT [continuing]. For all 13.

Ms. BROWN-WAITE. I apologize. I thought you said 10.

Ms. GLENN-CROFT. The commissioner did say 10 originally, and he has recently added three additional. So now the number is 13.

Ms. BROWN-WAITE. Oh, okay. Okay.

Now the other question that I have—and I asked staff this a moment ago—I got a call from a constituent this past weekend who never hesitates to call me at home because my number is listed, and she was upset that she got a mailing from Social Security telling her that she was going to receive a $250 check as a result of the recovery plan, and she said, "I do not need that money." Now my first instinct was, "Send it to me" or "Donate it to a wonderful charity" in my district."

She asked me two questions. One was, "How much did that mailing cost?" And, second of all, "Did the agency really believe it was necessary with all of the information that was out there? " If she did want to send that check back, her comment was, "I do not want it just to go to the General Treasury where it is going to be blanked away." She wanted it to go directly into Social Security. If that check is sent back to Social Security, does it go directly into Social Security?

Ms. GLENN-CROFT. All right. You asked two questions, and let me take them one at a time.

Ms. BROWN-WAITE. Okay.

Ms. GLENN-CROFT. In terms of sending the $250 check back, I just heard this week that that was a question that had arisen. I am sure—and multiple times that we had gotten that question, and we are in the process of trying to figure out policy-wise what we will do if someone walks into a field office and wants to return that check.

Since this is an administrative payment, if they return the $250, it will not go back into the trust fund. So, if that is the question of your constituent, will it go back into the trust fund, no, it will not. I assume it will go back into general revenue, but, again, that is my belief at this point in time.

Ms. BROWN-WAITE. That was what I told her I believed, but I just wanted to check because——

Ms. GLENN-CROFT. That is correct. That is correct.

Ms. BROWN-WAITE [continuing]. She said, "If that is the case, I am not sending it back."

Ms. GLENN-CROFT. But she can——

Ms. BROWN-WAITE. But——

Ms. GLENN-CROFT. She can certainly come in, and, obviously, by the time checks are received in the month of May, we will have procedures for that. It is not a new concept. We have had individuals walk in and return Social Security checks in the past, regular monthly benefit checks, so we do have a current process in place, but we need to make sure that it is applicable for these $250 checks. But, again, they will not go to the trust fund.

Ms. BROWN-WAITE. Okay. And when you have that policy in place, if you would——

Ms. GLENN-CROFT. We can share that.

Ms. BROWN-WAITE. That would be wonderful. And how much did it cost to send this notice out?

Ms. GLENN-CROFT. We sent out about 52 million notices. The notices will all be out by the end of this week. I am giving you rough numbers here, but it probably cost between $20 million and $24 million in total to print and to mail those. I am going to say it was under 50 cents a notice.

But the reason we do notices like this is because, if we do not, our field offices and 800 number will be besieged with calls and inquiries about these checks. So our history has shown that it is a more effective and actually a more economic approach to send out a notice when checks of this nature are issued.

Ms. BROWN-WAITE. And this had been done in the past?

Ms. GLENN-CROFT. We have done similar notices. We did similar notices when Part D first started. I have been with the agency now 30 years, started out on the frontline. We have been doing these kind of notices for special type of situations like this for years, and they are very effective. We have proven that this is a more economic and business-wise process to use.

Ms. BROWN-WAITE. Mr. Chairman, would you indulge one other question?

While you are putting together the new building and buying additional computers, software, hardware, will those computers work in concert with the Medicare computers at CMS because once Part—when the Medicare Advantage plans started saying, "Okay. We will pay your Part B or we will reimburse you for your Part B," as you all know, it was a nightmare for your agency as well as for CMS because the computers did not talk to each other. Are we going to overcome this?

Ms. GLENN-CROFT. Well, it was really a matter of exchanging data and the format of data and the completeness of data as we were trying to exchange data that CMS was sending us for this Part D activity. So, yes, we are going to continue to work with CMS so that we can share data more easily than our experience with Part D was, okay. Our computers talk together. It was just the format of the data that CMS was trying to share with us that, I understand, was the issue.

Ms. BROWN-WAITE. So are you saying CMS was the problem because quite honestly——

Ms. GLENN-CROFT. I never like to say any other agency is the problem, but we had difficulty meshing their data with ours, and so it was a data exchange issue, but we worked it through. It was not an easy problem, and I would suggest that maybe I could provide more clarity for that for the record for you.

Ms. BROWN-WAITE. Well, you are very kind in your description. It was a nightmare because——

Ms. GLENN-CROFT. Yes, it was. It was a difficult situation. Yes, it was, but we had difficulty with the CMS data.

Ms. BROWN-WAITE. Okay. Thank you.

Mr. Chairman, I yield back.

Chairman TANNER. Thank you.

Mr. Kind, you are recognized.

Mr. KIND. Great. Thank you, Mr. Chairman.

I want to thank all our witnesses for your testimony today. It is always very helpful and very illuminating.

But, Ms. Glenn-Croft, let me get back to the previous line of questioning about the mailing of the notices. You said about $20 million to $24 million to notify roughly 53 million recipients or so. Is that right?

Ms. GLENN-CROFT. Yes. And I might be a little high on that dollar amount, but it is, I would say, at least $20 million.

Mr. KIND. Has the department gone through any other options of how best to notify people who have inquires? Because it is a little bit of a pet peeve of mine because last year, when we had the stimulus and rebate checks sent out, IRS sent out not one but two notices at a cost of almost $100 million, basically telling people that you do not have to file anything, you do not have to take any affirmative action, in fact, you do not have to do a thing, and you are still going to get those rebate checks, which is the same situation here with the Social Security or SSI recipients, is they do not have to take any affirmation action and they are still going to get economic recovery payments that will be going out.

I would think that setting up some type of automated voice mail for people to punch 4 if you have a question about the economic recovery payments that will be going out and just have a standard response. And, if there is any further inquiries, you can direct them to the Web site where I am sure there is a more detailed explanation, they could get in touch with our congressional offices, and we would be happy to field some of these questions as well.

You are shaking your head, so, apparently, you have thought through all this and——

Ms. GLENN-CROFT. Yes. And you know what? We have basically done everything that you suggested. So we are thinking alike here.

In addition to sending out the informational notices, Congressman, we have Frequently Asked Questions on our Web site in a very prominent location. If someone would go into SSA.gov, you would find prominently Q's and A's that the public could look at if they had questions.

We have put a scripted message on the 800 number. So, if you call our 800 number, you can get all the information you could potentially need from listening to that script.

We have created a pamphlet which we are putting in our field offices. When people visit the field offices, they can pick up the pamphlet. And not only is the pamphlet in field offices, it is in Wal-Mart stores all across the country.

And in addition, we have specially trained our employees on the frontlines to answer any questions that they might get.

So we are trying to use every means of communication so that the public will get answers, should they have questions on——

Mr. KIND. And you still fear that without the official notice being mailed out, you would be overwhelmed, the system would be overwhelmed——

Ms. GLENN-CROFT. Yes, we would, and we have also——

Mr. KIND [continuing]. With inquiries and——

Ms. GLENN-CROFT. Yes. And we found that it will cut down dramatically on field office visits, 800 number visits, and the one thing I have to say with great pride about Social Security, when Social Security sends a letter to the members of the public, they open it up and they read it. We are a trusted agency, and they read our notices——

Mr. KIND. That is funny how that works.

Ms. GLENN-CROFT [continuing]. And so it is a very effective approach for us.

Mr. KIND. Mr. O'Carroll, let me ask you has the inspector general's office looked at this at all as far as how we can streamline or find some savings on notification issues like this as it relates to the Social Security Administration.

Mr. O'CARROLL. Congressman, no, we have not. But what we are looking at is, in terms of the money that SSA was given for issuing these checks, that that money is being used correctly, and probably what a lot of people do not realize is there is a lot of behind-the-scenes work going into it in terms of the Railroad Retirement Board and the Veterans Administration are both sending out the same checks at the same time. And what we are making sure of is that SSA is working with the other agencies so only one check goes out. So that is most of our background work on it.

Mr. KIND. Okay. All right.

Well, Ms. Glenn-Croft, we have a June statutory deadline as far as the payments. Are we going to be able to meet that, or how is that looking?

Ms. GLENN-CROFT. We definitely are. Actually, all checks will be issued in the month of May. The first checks should start to arrive around May 4. We have phased them out throughout the money. Last checks should probably be received no later than May 26, and we will finish processing these checks at least 3 weeks ahead of the statutory deadline.

Mr. KIND. Are there any fraud or crime issues that we should be sensitive about with the mailing of these payments?

Ms. GLENN-CROFT. At this point in time, I am not aware of any, but, obviously, should these issues arise, we will work with our colleagues in the IG to address them.

Mr. KIND. Yeah, because I know last year—I think when the rebate checks were sent out, a lot of the Social Security recipients who normally do not file taxes found that someone else was doing it for them in order to qualify for the rebate checks, and that became a bit of a problem. So, hopefully, we have some overseers keeping an eye on any possible fraud that might occur. Great.

Ms. GLENN-CROFT. And, again, we are working closely with our colleagues and the IG.

Mr. O'CARROLL. Congressman, if I could just add to that, one, of course, you know, as we could see from the Web site, we have our antenna up. We are trying to ask anybody to report fraud, if there is anything along those lines. Hopefully, we will find out about it. The other thing that we are a little bit concerned with is that representative payees, when those checks are going out to them, how they are going to account for the $250 getting to the person that they represent, so——

Mr. KIND. Sure.

Mr. O'CARROLL [continuing]. We are kind of making sure that that will not be a vehicle for fraud. The other one that was a concern, too, is deceased payees in terms of that, by the time the checks come out, if the person dies and then the check is delivered to him, what is the process for reclaiming that money.

Mr. KIND. So you are already looking into this, as far as——

Mr. O'CARROLL. Yeah, we are looking into those, too.

Mr. KIND [continuing]. Safeguards that can be implemented?

Mr. O'CARROLL. Yes, sir.

Mr. KIND. Yeah, because I think we found last year, Mr. Chairman, if I am not correct, that there were over $60 million of farm payments that went out to already deceased farmers under the USDA program. So that could be a major issue, especially when we are talking about Social Security recipients out there.

Great. Well, thank you. That is all the questions I had. Thank you, again, for being here.

Thank you, Mr. Chairman.

Chairman TANNER. Thank you, Mr. Kind.

Mr. Tiberi.

Mr. TIBERI. Thank you, Mr. Chairman.

Ms. Glenn-Croft——

Ms. GLENN-CROFT. Yes.

Mr. TIBERI [continuing]. In your written testimony, you mentioned various obstacles that you all have when facing—well, that you face when you are hiring employees. You also mentioned a number of states have made it even more difficult by furloughing DDS employees. Ohio is one of those seven states furloughing those federally paid employees, 550 in the Columbus office that I represent, which has one of the worst backlogs in terms of processing times in the country. We all know there are extensive backlogs throughout our nation.

I have three questions if you could answer the three. Can you please discuss the effects that the furloughs are going to have on the backlogs? If states are not drawing down that Federal money for those employees while they are on furlough, what is happening to that Federal money? And, finally, can you discuss what you all at Social Security are doing to work with states and local offices to resolve the furlough issue? In Ohio, they have been notified that they are going to be furloughed in July.

Ms. GLENN-CROFT. Yes, I certainly can address those issues, and, obviously, that is of grave concern to us. It is my understanding that in Ohio—and I may have this wrong—I think that they are proposing 10 furlough days over——

Mr. TIBERI. Correct.

Ms. GLENN-CROFT [continuing]. A 2-year period.

Mr. TIBERI. Oh, I did not know it was the 2 years.

Ms. GLENN-CROFT. That is my understanding at this point in time, although the circumstances for each of the states continues to change.

Mr. TIBERI. Well, those furloughs will begin in July.

Ms. GLENN-CROFT. Yes, I think that is correct.

Right now, there are seven states that have hiring freezes and five that have furlough plans, and, obviously, the commissioner has aggressively taken steps to work with the Governors of these states

to try to get the Governors and the state Governments to exempt DDS employees from these furloughs.

Furloughing or freezing hires really does not make any sense, we believe, from the state's perspective. We understand that oftentimes the state does make these decisions because they want to be equitable, to treat all state employees the same.

Mr. TIBERI. But it does not save them any money.

Ms. GLENN-CROFT. But it does not save them any money. If anything, they lose money by doing this. They do not get administrative funding, which we provide, for every day that they have furloughs or, you know, freezes, whatever the case may be. Fifteen thousand cases a day nationwide do not get processed and are not paid that would be allowances. Millions of dollars that would be paid in benefits are delayed. So this is really a lose-lose——

Mr. TIBERI. What happens to the money that they are not drawing down? It just sits in the account?

Ms. GLENN-CROFT. Well, it comes back, you know, into SSA's budget.

Mr. TIBERI. It gets sent to Texas probably.

Ms. GLENN-CROFT. No. No, it does not get sent to Texas.

But we are working very hard with each of the involved states to try to get that exemption. Really this is a lose-lose. The state employees lose. Your constituents in your state lose. Benefits are delayed. And we are paying the bills and we have the money and we want to keep the state employees working because it is just going to increase the backlog of cases that are out there.

Mr. TIBERI. Can you touch on Ohio at all in terms of are you making any progress with the state to rescind the order?

Ms. GLENN-CROFT. I know that we have had contacts with the governor. I know that we have had contacts, obviously, with the parent agent and the head of the DDS. I do not have any last-minute details on that. No, I do not.

Mr. TIBERI. Can we follow up with your office on that?

Ms. GLENN-CROFT. I certainly can follow up on that and get back to you. Obviously, we would ask your help in any way that you could to——

Mr. TIBERI. You bet.

Ms. GLENN-CROFT [continuing]. Help us move that issue along. It is really a lose-lose situation for everybody involved.

Mr. TIBERI. Well, particularly, when we are so far behind the national average anyway—and this has to put us, I would think, further behind.

Ms. GLENN-CROFT. Absolutely. Your area is so far behind, especially in the hearing area, that this is just going to make everything worse.

Mr. TIBERI. Mr. O'Carroll, I understand that you issued a report in March about the concerning effects of furloughing DDS employees. In your report somewhere, you mentioned the impact these actions will have on disability claims and the economy in these states. Can you expand on that?

Mr. O'CARROLL. Yes, Congressman. One of the things we have been trying to do is get what we call quick response evaluations out, and as we saw the furloughs were coming up, we knew the backlogs that SSA was facing, we decided to try to size the issue,

and what we found at the time in March was that five states were looking at furloughs. Since then, events have overtaken us. In a sense, New Jersey, I think, and Ohio now are. So it is seven.

The biggest one that we looked at the hardest was California, and we were finding that by having the furloughs—and I think they were doing 2 furlough days per month—so what we were sizing that with is that it would be about a 10 percent reduction in terms of people getting on to disability benefits, and then when we size that, we are taking a look at about $648,000 a month in disability benefits are not being paid because of the furloughs.

So, again, if you are taking a look at Ohio on it, you could probably, you know, be using sort of that 10 percent number that we were doing or that we used on this one. You could see it is probably going to be in—I would say, about $100,000 a month.

Mr. TIBERI. Is that available, that report?

Mr. O'CARROLL. Yeah. I can get you that information on it, and I will get you the working papers where we calculated it for California, and I am pretty sure you can substitute Ohio numbers for that, but what my staff was saying—when we were just kind of talking about the different states and the impacts on it, we were talking, I think, about $100,000 to $120,000 a month would be the effect on Ohio.

Ms. GLENN-CROFT. Actually, I think I have a little bit of a different figure. I think it is about $345,000 a month in administrative money that is not—a month would be lost with furloughs.

Mr. TIBERI. Wow. Thank you.

Thank you, Mr. Chairman, for your indulgence.

Chairman TANNER. Mr. Pomeroy, you are recognized.

Mr. POMEROY. Thank you, Mr. Chairman.

I apologize for being in and out of this meeting. It seemed like I had about 14 things scheduled during this time. But I very much wanted to attend the hearing. I appreciate you convening it.

For a start, I wanted to thank you, Mr. Chairman, for making sure the funds that we have been talking about in the stimulus package got into the stimulus package in the first place. I think the matter of year-in and year-out tied appropriations spikes relative to SSA infrastructure, critical, though it is, for the operation of the Social Security program, this funding increase to address the growing computer crisis as well as the crisis in backlog was absolutely central and it would not have happened without at the table. I was able to watch some of that and really admire your leadership as a brand-spanking-new chairman when those discussions were coming together.

Chairman TANNER. The gentleman is recognized for 5 more minutes!

[Laughter.]

Mr. POMEROY. That is good.

It has been my pleasure to know and work with Mr. Schieber for some time, and I have come to respect significantly his expertise on many retirement income security matters.

My questions would relate, first of all, to the interaction between the advisory Committee for Social Security and the administration of the program itself. My reference point is the IRS advisory Committee, which I am not sure if you are familiar with. They have a

fairly, I think, robust level of interaction and have been extremely helpful to the oversight Committee in terms of watching IRS governance. Would you—is your relationship with SSA similar to the IRS and their advisory Committee, or is it dialog less well developed?

Mr. SCHIEBER. Well, I certainly do not know the inner workings of the IRS relationship.

Mr. POMEROY. Yes, understood.

Mr. SCHIEBER. In our case, we meet on a regular basis with the commissioner and with many other senior managers from Social Security as we look into various aspects of these issues. We hope we are helping. I am sure that from time to time when we issue reports, they wish we had been focusing on the moon program or something else. But we have had very cordial relations with most of the people that we have interacted with, and we have tried to be as supportive and directive as we can, understanding that we are an advisory board and, you know, we are not a management oversight Committee in any way, shape, or form.

Mr. POMEROY. I think the role of an advisory Committee can be incredibly helpful. We, obviously, have the tremendous resources and expertise within SSA, but a third-party look, bringing expertise to that look, is helpful. We tend to be quite generalist in our backgrounds, even though I have been on this Subcommittee for several years.

Mr. SCHIEBER. And have a much broader set of issues to deal with than our narrowly focused group.

Mr. POMEROY. And especially when it comes to operation as opposed to philosophical design of the program.

Mr. SCHIEBER. Right, right, right.

Mr. POMEROY. In other words, how is it working? What do we need? So, in that regard still, I mean, I think your testimony today is as close to a witness setting his hair on fire in front of us as you are going to find, and you better not do that. You cannot afford——

Mr. SCHIEBER. No, I do not have that much to—it would not be a big fire.

[Laughter.]

Mr. POMEROY. But there is urgency on this computer issue.

Mr. SCHIEBER. I believe there is.

Mr. POMEROY. For the last several years, I have been obsessing on ALJs. I believe that failure to address it in a timely way——

Mr. SCHIEBER. I agree.

Mr. POMEROY [continuing]. Led to a horrible diminishment of——

Mr. SCHIEBER. I saw your hair close to being on fire when they——

Mr. POMEROY. Yes. I so miss Stephanie Tubbs-Jones because, by golly, no one has set their hair on fire better than her. But I believe that she would be highly energized by what you told us today. I am as well.

I think we need to get this across not just the panel, which I am sure shares your concerns, but we need to somehow—if there is some role that this Committee can play in cranking up the urgency, and you offered at the end of your testimony to have a more vigorous level of interaction, advisory Committee and SSA manage-

ment. You know, I applaud the director of SSA, the administrator, for essentially being the first to really call this to our attention.

Mr. SCHIEBER. Absolutely.

Mr. POMEROY. It was in much worse shape than I had any idea, again having long been a Member of this Subcommittee.

Mr. SCHIEBER. We were totally shocked when he brought it to our attention last November.

Mr. POMEROY. So it is a shared concern. This is not you——

Mr. SCHIEBER. Correct.

Mr. POMEROY [continuing]. Telling him everything is horrible and they are saying everything is great. It is a shared concern. But maybe we can pool resources to really identify this as the highest priority and getting it up and running. I applaud the——

Mr. SCHIEBER. One——

Mr. POMEROY. Yeah. Go ahead, Syl.

Mr. SCHIEBER. One of the things that—you go back and you look at the original act that created Social Security as an independent agency back in 1994. It required that the commissioner put together an annual budget that reflected the resources that would be needed for the commissioner and the agency to do the work that they have unfolding on their plate.

That budget is regularly prepared, and it is submitted to OMB, and there are discussions between OMB and the commissioner on that budget, and it enlightens the process of developing the President's budget that is ultimately submitted to the Congress, but, by the time that budget gets to Capitol Hill, it is a singular number embedded in the President's budget.

Now my guess is that singular number in all those pages of documents is not very informative. We have not had great detail on all of the matters that are actually embedded in the commissioner's budget from year to year and my guess is you have not either. If we want to begin to understand the resources they really need, then somewhere there needs to be a viewing of that budget on the part of some of the other players involved.

Mr. POMEROY. That is absolutely correct.

Ms. Glenn-Croft, could you speak to that?

Ms. GLENN-CROFT. I would be glad to. I would have to say under this commissioner that this commissioner is a very collaborative commissioner. He is a very transparent commissioner, and I would say since he came in the spring of 2007 that we have spent more time working with Hill staff, communicating with Hill staff on our budget needs than I believe has ever historically been done.

Mr. POMEROY. I think that is good, but I remember, you know, like on an oversight Subcommittee, I would have the advisory Committee budget and some text of what they had recommended. You know, I have never seen any of that from the advisory Committee. I am not suggesting that is anybody's fault. I just think more information from the advisory Committee analysis——

Ms. GLENN-CROFT. I——

Mr. SCHIEBER. We——

Mr. POMEROY [continuing]. And comment and review of the budget would be helpful.

Mr. SCHIEBER. We have not had the kind of detail that would allow us to prepare that sort of document. This is not in any way,

shape, or form an implication that the current commissioner is not forthcoming. He has been remarkably forthcoming and, I think, is doing a tremendous job. Anything I said here today should not be considered——

Mr. POMEROY. I understood it that way. I think he is doing a good job, too.

I see in a PowerPoint—and I know my time is up, so I need to hurry—prepared by SSA for a staff briefing in October of 2008 talking about 3 to 5 years out of electrical capacity on the data center floor. I mean, we are talking about the thing literally maxing out.

Now I know that you have shifted functions into new facilities to some extent, rewired some other things, but I am telling you this sounds a little bit piecemeal for the Social Security system of the United States of America. I mean, it really does seem as though we are up against it in terms of an appalling deficiency in terms of state-of-the-art infrastructure to administer a program so critically important to the financial security of so many millions of Americans.

Ms. GLENN-CROFT. And we take that responsibility very seriously, but, really, if I could have just a minute, I really would like to leave this hearing with making clear just really where we stand with this situation.

It is true that we probably are going to run out of electrical capacity to be able to plug in those servers, let's say, sometime in 2012 or 2013. And we could extend and put in more electrical capacity in the NCC, but we are not going to need to do that. We have Durham that is coming up. Durham will be able to take on additional work by that point in time.

So the issue of the electrical capacity, because of Durham coming up, is really becoming less and less of an issue all the time. Again, I want to reiterate we believe that we can keep the NCC going an indefinite period of time through preventative maintenance, regular maintenance. We believe that we can keep it up until the computer center is built.

Mr. POMEROY. Well, I appreciate that, but, I mean, I looked at some pictures of some of the wiring coming into that building, and I know that that—I have not toured the facility, so, I mean, you cannot draw too much from that. But I believe the will of Congress is reflected in the $500 million dedicated to this project, put into the stimulus by the chairman with the support of the membership.

I do not think making do, getting by, Scotch tape, and bailing wire is the way we need to treat the electronic infrastructure for the Social Security program of this country, and I think that Congress has made a decisive commitment of resources to get on with it. I mean, I would look for a robust level of interaction, advisory Committee, Social Security Administration, and this Committee in terms of making sure we keep this on task as the highest priority.

I hope, Mr. Chairman, we will be meeting regularly on this. I have something more than ALJs to obsess about now.

[Laughter.]

Ms. GLENN-CROFT. Okay.

Mr. POMEROY. Thank you very much.

Ms. GLENN-CROFT. We will do that.

Chairman TANNER. Thank you, Mr. Pomeroy.

I want to again thank all the witnesses for this and to tell you that we may well have another hearing sooner rather than later to see how we are coming along because of all the concerns that all of the Members have expressed with regard to this situation.

Let me ask one other question, if I could, Mr. Hewell. As the Administration tries to acquire space for more hearings to address the backlog, we are running into some problems from GSA being able to acquire some of this space in a timely fashion, sometimes as much as 2 years. Could you look into that for us? I mean, I know most of us rent from GSA back in our districts, and I might say if their rent is like mine, it is not a matter of you not having the resources to——

[Laughter.]

Chairman TANNER. No, I am kidding. But, seriously, it is taking an extraordinarily long period of time to acquire some of this space, so we are told.

Mr. HEWELL. We will get you——

Chairman TANNER. Up to 2 years.

Mr. HEWELL [continuing]. Information on that.

Chairman TANNER. Yes.

Mr. HEWELL. I do not have it with me, and I would not want to get the facts wrong

Chairman TANNER. Well, if you could respond to facilitate this, because that is exactly what the recovery bill was intended to do, is try to address some of these problems that are real. When people are dying before they can get a hearing because of the backlog, sometimes over a year, that is a pretty sad commentary on our ability to function as an efficient Government.

So, anyway, thank all of you. We may be back in touch, and if there are any questions we may submit, we may ask that you entertain those in a timely fashion.

If not, the meeting is adjourned. Thank you.

[Whereupon, at 3:40 p.m., the Subcommittee was adjourned.]

[Questions for the Record follow:]

SOCIAL SECURITY

The Commissioner

June 30, 2009

The Honorable Sam Johnson
Ranking Member, Subcommittee on Social Security
Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Dear Mr. Johnson:

Thank you for your May 20, 2009, letter requesting additional information to complete the record for the hearing on "SSA's provisions in the Recovery Act," held on April 28, 2009. Enclosed you will find the answers to your questions.

I hope this information is helpful. If I may be of further assistance, please do not hesitate to contact me, or your staff may contact Angela Arnett, our Acting Deputy Commissioner for Legislative and Regulatory Affairs, at (202) 358-6030.

Sincerely,

Michael J. Astrue

Enclosure

Questions for the Record Subsequent to the April 28, 2009, Hearing Before the House Committee on Ways and Means Subcommittee on Social Security

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1. **We are interested in knowing more about the marked differences that constituents can expect to see in the field offices based on the funds provided in the America Recovery and Reinvestment Act. With the hiring of front line staff can constituents expect reduced wait times? Answered phones? Increased availability for claim appointments? We recognize the training takes some time before new employees will have a noticeable impact, but once they are fully trained, what specific service improvements can be expected and what performance measures will be used with respect to these improvements? Please provide a timeline for improvements and metrics by which progress can be judged.**

New hires funded by both ARRA and our regular full year appropriation will make a real difference in the service we provide to the American public. We will deploy the majority of these hires to our front-line operations throughout the country, with approximately 3,500 hires for our field offices, teleservice centers, and processing centers; 1,500 hires for our hearing offices; and 1,900 hires for the State DDSs. We appreciate the funding that has permitted us to carry out this hiring.

We are moving quickly to hire additional employees using the ARRA funding. Between March, when we received ARRA funding, and June 19, 2009, we have hired all 1,530 field office and teleservice center employees and 445 of the 585 hearing office employees made possible by ARRA funds. During this same period, the State DDSs have hired 273 of the 300 additional employees they will bring on board with ARRA funding.

The $500 million provided by the ARRA will help us address our rising workloads caused by the economic downturn and the leading edge of the baby boom retirement wave. In addition to hiring more staff, we are using the ARRA funds to provide for more overtime. These efforts will allow us to process 50,000 more initial disability claims, 243,000 additional retirement claims, and 37,000 additional requests for hearing this fiscal year.

As you acknowledge, it will take time for our new employees to become fully productive. We considered this learning curve and improved productivity when developing our Key Performance Targets and Annual Performance Plan measures for FY 2010. These targets include processing significantly more disability claims and continuing to process more retirement claims.

As part of the FY 2010 measures, we will also improve our National 800 number response time. We closely monitor key indicators such as telephone busy rates and

waiting times and make the necessary adjustments on a day-to-day basis in order to optimize our service. Our new hires will be instrumental in helping us reduce both busy rates and waiting times for callers, and helping us improve service to field office visitors.

2. **In her oral testimony, Ms. Glenn-Croft stated that the National Computer Center (NCC) would not reach its maximum electrical capacity before the Secondary Data Center in Durham would be able to handle the NCC's workload. However, the Lockheed Martin feasibility study indicates that the NCC could reach its maximum electrical capacity as early as 2011, and the Inspector General's written testimony indicates that the Secondary Data Center in Durham will not be fully operational until 2013. Please provide a timeline that includes all relevant dates regarding data, electrical, and production capacity at the NCC, the Secondary Data Center in Durham, and the new National Support Center (NSC). Please be as explicit as possible in the descriptions for this timeline in order to remove any ambiguity in phrases such as "critical workloads", which were used in written testimony.**

We are confident that we will be able to provide sufficient electrical distribution to the NCC operational workloads until we transition from the NCC to our new National Support Center (NSC). Based on recommendations contained in Lockheed Martin's June 2008 report, we initiated several improvements to the NCC building infrastructure and systems, extending our ability to distribute electrical power to the IT equipment until the NSC is fully operational. We plan to complete these improvements by calendar year 2010. Additionally, by early calendar year 2010, we will have enough hardware and software in the Secondary Data Center (SDC) in Durham that, should there be a catastrophic event in the NCC, we would be able to bring up in Durham all agency claims and data processing systems used to serve retirees, disabled persons, dependents, survivors, and aged individuals.

We are taking a number of proactive steps to ensure that we continue to have sufficient computing capacity. From an IT perspective, we are maximizing the number of workloads that we can run on the mainframe computer platform. This allows us to consolidate our software onto fewer mainframe computing systems. To accomplish this, we have tripled our mainframe processing capacity over the past few years, while maintaining the same space and power requirements. In addition, for workloads that run on other server platforms, we will employ shared use technologies that allow us to use one server to process multiple workloads. Shared processing technology will reduce our need for more stand-alone servers, thus optimizing the NCC's remaining electrical distribution capacity.

We have included a placeholder in our budget for renovation projects. Accordingly, if the data center in the NCC reaches electrical distribution capacity, we will have the funds needed to move staff out of the building and add more IT equipment to other floors.

In addition, we are continuing our preventive maintenance schedule to ensure that the NCC infrastructure systems remain fully operational and that we identify any potential problems early.

Timeline of NCC Updates and Development of Durham and NSC:

In order to ensure that the NCC will keep running through calendar year 2015 when the new NSC will be ready, we have taken, and plan to take, the following actions:

- In 2008, we expanded the NCC 3rd floor data center by approximately 4,000 square feet. This expansion freed up several additional circuits to provide power for approximately 80 server cabinets.

- In May 2009, we moved our medical evidence repository to Durham. By the end of calendar year 2009, we will have moved additional functions to Durham and removed approximately six tape silos from the NCC. We are removing the old silo equipment in order to install newer storage systems with a much smaller footprint. We will split these new silos between the NCC and Durham. Replacing the silos will provide an additional 4,000+ square feet in the NCC and free up additional circuitry for more server racks.

- In fiscal year 2009, we plan to submit a reimbursable work authorization to GSA to install in the NCC 3rd floor data center two new 480 volt uninterruptible power supply risers for computer equipment and two 480 volt general house power risers for additional cooling equipment. This project should be completed in calendar year 2010 and will provide additional electrical capacity to the 3rd floor data center. This power will be available for additional power distribution units, which will provide several hundred additional circuits to 110/208 volt equipment.

- In fiscal year 2010, we will replace the riser panels, which will increase the electrical circuits on all floors of the NCC, including an additional 256 circuits to the 3rd floor data center. We will also have the option of installing up to 20 additional Remote Distribution Centers to provide several additional circuits. The project will take place over the following 3-day weekends: Columbus Day weekend (10/2009); Presidents' Day weekend (2/2010); Memorial Day weekend (5/2010); and Independence Day weekend (7/2010) (contingency if needed).

- By October 31, 2010, we will have converted employee space into data center space at the SDC in Durham.

- Site selection and design/construction of the new NSC is on schedule. Major milestones are:
    - purchase land by March 2010;
    - award a design/build construction contract by March 2011;
    - complete construction by October 2013.

3. **Please provide comprehensive timelines indicating when each of the NCC's functions will be brought back online if a failure were to occur today; in 6 months when the Secondary Data Center will be able to process about half of the SSA's production workloads, as indicated in written testimony; and on the date that the Secondary Data Center is able to provide full backup and recovery for the SSA's data and daily processing needs.**

   In our disaster recovery exercise this year, we were able to restore all of our essential computing functions within 7 days, using existing systems.

   We have expedited the activities necessary to recover our operational workloads at the SDC if the NCC were to experience a disaster. Based on our current estimates, once we have completed the accelerated disaster recovery environment in the SDC, we will reduce our recovery time to approximately 5 days. By early calendar year 2010, the SDC will be equipped to handle our current disaster recovery needs, with enough capacity to process half of the agency's production workloads. In addition, the accelerated disaster recovery initiative will provide us with a guaranteed recovery facility at the time of a disaster and will provide a single location for complete recovery and transition back to normal operations. Although we are working aggressively to realize this goal, the timeline for completion is contingent upon our ability to procure and deploy all needed equipment.

   Our longer-term goal is to recover all essential functions and systems associated with our primary mission in either data center within one day and to lose no more than one hour's worth of data in a disaster. We plan to have this capability in place by 2012.

4. **In oral testimony, Ms. Glenn-Croft assured the Subcommittee that the NCC will continue to operate through 2015. Yet, Lockheed Martin reported that the manufacturer of the Uninterruptible Power Supply (UPS) indicated that the failure of any large component could not be repaired and that UPS maintenance contract support will end in 2012. What will happen if there is a failure of a large component?**

   As recommended in the Lockheed Martin study, we have procured the spare parts needed to maintain and repair the UPS system. We have a contract in place with our current vendor through fiscal year 2012 for any necessary repairs to the UPS. When the current contract expires, because we have the spare parts, we will be able to execute a new maintenance contract through fiscal year 2015.

5. **How has the Information Technology Advisory Board (ITAB) functioned in the absence of the Chair? What meetings have been held and what issues have been addressed? Please describe how information technology (IT) projects and**

expenditures are prioritized for review by the ITAB. Is there any written Agency policy or criteria that are applied to ranking IT budget priorities prior to the recommendations submitted to the ITAB?

The Deputy Commissioner of Social Security and the Chief of Staff co-chair the ITAB. The Deputy Commissioner for Systems provides all administrative support.

Meetings are generally held quarterly, with additional meetings called when necessary. Every regular meeting includes an update on the progress of major investments and the health of projects underway. During these meetings, the ITAB provides guidance on the investment of IT resources in support of strategic priorities and makes decisions related to the allocation of resources to specific projects.

The ITAB organizes IT investments into portfolios aligned with our strategic objectives. Each portfolio is led by an executive sponsor, the Deputy Commissioner of the component responsible for the same strategic objective in the Agency Strategic Plan. A portfolio manager and staff provide necessary support to each Deputy Commissioner sponsor. Before submitting a project to the ITAB, portfolio managers, pursuant to written guidelines, assess projects based on quantitative value (return on investment), qualitative value (benefit value score), and the degree to which a project meets a critical agency need.

6. **Who from the SSA is on the team working with the General Services Administration (GSA) on building the new NSC? Who is in charge from the SSA? What role will the ITAB play regarding the new NSC?**

   The Deputy Commissioner for Budget, Finance and Management and the Deputy Commissioner for Systems are in charge of the NSC initiative. They are supported by a project executive, project manager, and technical support staff.

   The Deputy Commissioner for Budget, Finance and Management provides executive leadership for the building phase of the NSC. Once the building is ready, the Deputy Commissioner for Systems will provide executive leadership during installation of equipment and systems.

   We have allocated a very limited number of resources for the development of the requirements for the NSC and will brief the ITAB on the status of the project status in advance of any request for IT resources.

7. **What role has the Future Systems Technology Panel (FSTP) played in analyzing the problems that exist at the NCC? What role is the FSTP playing regarding the new NSC?**

We analyzed the NCC problems prior to the establishment of the Future Systems Technology Advisory Panel, so the panel was not involved with the initial determination that a new data center would be needed.

The charter of the advisory panel states that the panel will "provide the Commissioner of Social Security independent advice and recommendations on the current status of SSA's systems technology and a road map to assist the Agency in determining what future systems technologies may be developed to assist SSA in carrying out its statutory mission."

The members of the panel have recently formed subcommittees to address various agency issues. One subcommittee will address data center migration and the planning and flexibilities needed for a new data center. The panel may provide advice or recommendations regarding the capabilities of the new data center. At present, the panel has just begun its efforts, and we have not yet received advice or recommendations regarding the new data center.

8. **Who is in charge of the Secondary Data Center in Durham? To whom do they report?**

Our Deputy Commissioner for Systems is in charge of the Secondary Data Center. He reports directly to the Commissioner of Social Security.

9. **When the NSC is fully operational, what will happen to the former NCC building? Will it still be used? For what purposes?**

We expect to use the NCC building for office space for agency staff, but have not yet determined the specific purposes the building will support. We will work with GSA to schedule renovations for the NCC along with the other aging buildings on our campus, through the Federal prospectus request process to obtain funding from the Federal Building Fund.

10. **The FY 2009 appropriation included funding (a base appropriation of $264 million and an adjustment for an additional $240 million) to conduct continuing disability reviews. Please provide a specific plan of what CDRs will be conducted, by which component, and the status of all actions relative to the completion of this work.**

The FY 2009 appropriation provided us with a total of $504 million for two important program integrity workloads – CDRs and Supplemental Security Income (SSI) non-medical, i.e., resource and income reviews among others, redeterminations of eligibility. We plan to use these funds to conduct 329,000 full medical CDRs and 750,000 mailer CDRs where we ask the beneficiary to provide updates on their

impairment, medical treatments, and work, for a total of 1,079,000 periodic medical CDRs. Our field offices, processing centers, and the State DDSs process this work. In addition, our field offices will conduct 1,711,000 SSI redeterminations.

Through the end of May we have completed 188,000 of our full medical CDRs, 568,000 of our mailer CDRs, and 1,208,000 SSI redeterminations.

11. **In September 2008, the Government Accountability Office (GAO) issued a report on the Agency's management of information technology. The September 2008 report suggested that a large percentage (58%) of the IT budget expenditures are not considered managed investments under the Agency's Capital Planning and Investment Control (CPIC) process and are never reviewed or authorized by the ITAB. Is that still true? The GAO also observed that the CPIC process has not been officially approved by the SSA's management. Why hasn't this happened?**

The GAO report recommended that we "develop and implement policies and procedures for managing IT acquisitions as investments." In our response to GAO on this recommendation, we explained that our existing information technology systems (ITS) budget development process already treats IT acquisitions within an investment management framework, though not one described by GAO's Information Technology Investment Framework. We agree, however, that we can further integrate the ITS budget development process into the ITAB-centered investment management process.

The ITAB is responsible for allocating human resources, both government personnel and contractors, ensuring that our investments support our strategic goals. By contrast, the 58 percent of the IT budget to which the GAO referred focuses on acquisitions, as opposed to work years. This portion is primarily spending on the infrastructure required to support the strategic investments that the ITAB advances. A substantial portion of these funds go to nondiscretionary recurring costs such as phone bills and maintenance contracts for hardware and software.

The Chief Information Officer, working closely with the Deputy Commissioner for Systems and his executive staff, is responsible for this portion of the IT budget, consistent with the Clinger-Cohen Act of 1996, 40 U.S.C. 11312-11313 and 44 U.S.C. 3506. They ensure that the IT infrastructure is capable of fully executing the ITAB decisions and supporting the agency's programmatic systems.

The 58 percent of the IT budget not covered by the ITAB is subject to the CPIC process with significant oversight by the Office of IT Investment Management. Since 2002, we have documented our CPIC process in our Information Resources Management Strategic Plan, and we recognize it as the guiding principle for IT management. The process reflects the requirements of the Clinger-Cohen Act that the

head of each executive agency implement a "process for maximizing the value, and assessing and managing the risks of IT acquisitions of the agency."

In Mr. Hewell's written testimony, he indicated that the site would be acquired by the 2d quarter of FY2010. To satisfy the commitment, what progress would be expected by September 30, 2009?

To acquire a site by March 2010, GSA will need to finalize the data center's technical site requirements. SSA is working closely with GSA on this effort. We are currently screening the area of consideration to identify where infrastructure exists that can support the new data center requirement. As part of the site selection process, we are also identifying and mapping those factors which could impact development (e.g. floodplains, traffic impacts, prior use, wetlands, etc.). Once we establish a short list of possible sites, a final site will be selected based on its ability to meet our technical requirements, as well as our budget and scheduling needs. By September of 2009, we will have finalized technical site requirements, screened potential sites, and created the short list of potential sites. At that point we will begin evaluating our short list of potential sites against our established site criteria.

Why does it take a full year to award the design/build contract after the site has already been selected? Will you accelerate this timeframe and if so, how?

GSA is using a two phased approach, which involves site acquisition concurrent with the development of a program of requirements (POR) for the facility. Once the site is purchased in March 2010, these two processes will converge, and site specific considerations will be incorporated into the POR. The final POR will be the basis for the design/build solicitation.

It is critical to establish detailed facility requirements, including site and security, to ensure that they are adequately captured in the contract. Allowing time to conduct a proper, detailed requirements analysis will facilitate GSA's ability to

award a design/build contract and build a facility that will meet the mission of SSA .

In response to your concerns, our construction management firm compared our schedule to private sector projects of similar size and complexity, and found that our schedule is consistent with private sector business practices. We share your interest in accelerating the schedule and we are working in collaboration with SSA to identify potential items within the project plan that we could accelerate. After site acquisition, we will have sufficient information to review and revise the schedule; we are optimistic that we may be able to reduce the schedule by a few months.

[Questions for the Record follow:]

SOCIAL SECURITY

June 16, 2009

The Honorable Sam Johnson
Ranking Member
Committee on Ways and Means
Subcommittee on Social Security
United States House of Representatives
Washington, D.C. 20515

Attn: Ms. Kim Hildred

Dear Mr. Johnson:

This is in response to your letter of May 20, 2009, in which you posed six questions for the record following my testimony at an April 28 hearing regarding the Social Security Administration's provisions in the *American Recovery and Reinvestment Act of 2009*. Thank you for the opportunity to clarify and elaborate upon our plans for overseeing SSA's administration of Recovery Act funds. As I stated during my testimony, my office has a detailed oversight plan in place, and we are fully prepared to evaluate SSA's use of these critical funds and help ensure they are properly spent. Following are your questions and our responses.

1. **Does your office agree with Ms. Glenn-Croft's assertion that informational mailings prior to one-time special payments produce an administrative burden savings that more than offsets the printing and mailing costs?**

   We agree that informational mailings sent prior to the one-time Economic Recovery Payments (ERP) likely produced administrative savings. If the mailings prevent even one ERP-related field office visit or 800-number phone call, administrative costs (staff time) associated with fielding that inquiry would be avoided. However, we are not aware of any analysis that confirms whether or not related administrative savings "more than offset" the approximately $20 million cost of printing and mailing the notices.

   We contacted Social Security Administration (SSA) officials, who stated they believe it is logical to conclude that diverting public traffic from already busy SSA field offices and phone lines produced administrative savings. SSA officials did not have specific analysis that quantified the administrative savings, but noted the cost of printing and mailing each notice was approximately $0.36—which is roughly equal to the cost associated with a 17-second office visit or phone call. Assuming each ERP-related public inquiry took 5 minutes to address, the cost of preventing each ERP inquiry was approximately equal to the cost of printing and mailing 17 to 18 notices. SSA officials further stated that being proactive and

sending out informational mailings provided better service to the public than placing the burden on them to visit a field office or call the 800 number for information.

2. **With respect to the one-time Recovery Act payments of $250 to every Social Security beneficiary, how has the SSA coordinated with other Federal agencies to prevent duplicate or erroneous payments? What significant vulnerabilities did you identify prior to the mailings that may lead to improper payments or instances of fraud, waste, and abuse; and how did the Agency respond?**

The *American Recovery and Reinvestment Act of 2009* specifies that individuals who are entitled to more than one Social Security, Railroad Retirement Board (RRB), or Department of Veterans Affairs (VA) benefit shall be issued only one $250 payment. To prevent duplicate payments, SSA conducted a computer matching operation with the RRB and VA in April 2009. Also, beginning in June 2009, SSA will conduct a periodic "catch-up" computer matching operation through December 2010 with RRB and VA to pay newly identified beneficiaries who are eligible to receive ERPs.

During our review, *Economic Recovery Payments for Social Security and Supplemental Security Income Beneficiaries*, we identified a number of program vulnerabilities that may result in improper payments or instances of fraud, waste, and abuse. These vulnerabilities, along with SSA's response, are summarized below. The full report is available at http://www.ssa.gov/oig/ADOBEPDF/A-09-09-29143.pdf.

Vulnerability: SSA has not fully developed, tested, or documented its system to identify, select, and certify ERPs to the Department of the Treasury or its related policies and procedures to administer these payments.

> ***SSA Response***: SSA agreed to complete and document all systems requirements and related policies and procedures necessary for administration of the ERPs.

Vulnerability: Treasury may not always reclaim improper ERPs to deceased beneficiaries and representative payees who died before SSA certified the payments.

> ***SSA Response***: SSA did not agree to seek Treasury authority to initiate reclamation activity or take other appropriate actions to recover ERPs issued to beneficiaries and representative payees who died prior to payment certification. SSA stated the Federal payment reclamation process is solely Treasury's and is directly connected to their disbursing authority for SSA's payments. SSA indicated that for it to seek its own disbursement authority and related reclamations would be a significant undertaking that would affect its extensive payment and post-payment processing and procedures. Moreover, even if SSA were to pursue this authority, SSA believed that the length of time and effort to seek regulatory authority and establish a payment and reclamation process would far exceed the benefits of recovering $250 from bank accounts of deceased individuals to whom ERPs were issued.

Vulnerability: Policy has not been established for ERPs issued to deceased beneficiaries and representative payees who died after SSA's certification, but before receipt of the payments.

> ***SSA Response***: SSA recently issued policy guidance for returned checks and electronic fund transfers of ERPs issued to beneficiaries and representative payees.

Vulnerability: Missing Social Security numbers for beneficiaries increases the risk of erroneous and duplicate ERPs to SSA, RRB, and VA beneficiaries.

> ***SSA Response***: SSA believed it had taken appropriate action to effectively and efficiently identify individuals receiving benefits from multiple agencies.

Vulnerability: Reporting guidance should be improved for representative payees who receive ERPs on behalf of the beneficiaries in their care.

> ***SSA Response***: SSA believed that notifying representative payees about how to report ERP spending was unnecessary and would be ineffective.

We will initiate an audit to determine whether SSA accurately disbursed ERPs to eligible beneficiaries under the Recovery Act. During this audit, we will evaluate SSA's actions to address the vulnerabilities noted above. In addition, we will determine whether these vulnerabilities were factors in the approximately 8,200 erroneous ERPs SSA issued to long-time deceased "Special Age 72" beneficiaries. For example, had SSA performed a more detailed analysis before disbursing the payments, it would likely have identified these cases. However, since SSA disbursed payments 3 weeks earlier than required, it did not develop procedures that could have prevented some erroneous payments.

3. **Your office released an audit of the Agency's management of information technology (IT) projects in July 2007. Given subsequent developments at the National Computer Center (NCC) and your current review of the Durham Support Center, what further reviews are you planning of the Agency's management of IT projects; and when will these reviews occur?**

We recently issued a report, *Quick Response Evaluation: SSA's Disaster Recovery Process*. The review focused on (1) documenting SSA's disaster recovery plan for the NCC and how this plan will change once a second data center is available; and (2) determining the availability of services to the public under different disaster scenarios. In addition, we have three reviews that are ongoing or expected to be completed by December 31, 2009, and at least eight planned for 2010. The ongoing reviews are:

- *Congressional Response Report: The Social Security Administration's Information Technology Strategic Plans*. The review will focus on SSA's plans to address its processing requirements 5 to 20 years in the future, and what actions SSA has taken to meet those requirements. The report is scheduled to be released by June 30, 2009.

- *The Social Security Administration's NCC Replacement Strategy*. With contractor support, we will assess SSA's data center requirements; compare SSA's alternatives; and determine if other alternatives exist. We will also provide reasonable assurance as to whether SSA's strategy is cost-effective, efficient, and likely to result in a facility that is located appropriately, has the required capacity, is operational in the required timeframe, and has an appropriate useful life. We expect to complete this review by December 31, 2009.

- *SSA's Use of Data Center Industry Best Practices in Its NCC Replacement Strategy*. The review will assess whether SSA followed best practices (regarding site selection, building plan development, construction, IT procurement, and data center operations) in making decisions related to the proposed new data center. We expect to complete this review by December 31, 2009.

Presently, we expect to issue at least four reports in 2010 on the status of SSA's NCC replacement activities. These quarterly reports will evaluate the Agency's progress in acquiring a new data center, as well as its action to address concerns previously raised by our office, the Government Accountability Office, and other stakeholders. We have planned four additional reviews related to information technology management (not including our required work for the *Federal Information Security Management Act*):

1. A review of SSA's Conversion of its Legacy Data Management System. This review will focus on SSA's strategy for converting data files to a DB2 database environment. Since SSA is taking a phased approach in its conversion strategy, we will provide periodic suggestions that SSA can incorporate before moving to the next phase.
2. Two reviews related to SSA's implementation of Voice over Internet Protocol. One review will focus on how the technology is being implemented, and the other review will focus on contract management.
3. A review focused on the Efficacy of SSA's Security Performance Metrics. The National Institute of Standards and Technology (NIST) has recommended certain security metrics to assist agencies in strengthening their information security posture. We will evaluate SSA's compliance with the NIST guidelines.

Given that SSA has advised us of its plans to conduct Post-Implementation Reviews (PIR), we also plan to initiate a review looking at SSA's Information Technology Capital Planning and Investment Control Process. We believe it is imperative that this process has effective controls to ensure that critical data is captured throughout the investment process. This data should be readily available for key decision-makers so they can evaluate the progress of the project and make key decisions on whether to proceed, modify the plan of action, or discontinue the project. This data will be critical to SSA's post-implementation review process, whereby SSA will be able to determine if it, in fact, recognizes the anticipated return on investment. The Fiscal Year 2010 Capital Planning Guide was published on February 12, 2009. We will evaluate the process for sufficiency and compliance with relevant standards, as well as evaluate SSA's compliance with its defined process. We expect to complete this review before December 31, 2010.

Will these reviews include an analysis of the roles of the Future Systems Technology Panel and the Information Technology Advisory Board (ITAB) in management of IT projects at the SSA?

Yes. Because ITAB is an integral part of SSA's information technology planning process, each of our reviews will entail some aspect of how ITAB strategies and decisions have or will impact SSA information technology management strategies for the specific project under review. To the extent that formal or informal recommendations have been made by the FSTAP, conceivably, each of these reviews may include an assessment of:

- SSA's response to specific feedback and recommendations from the FSTAP. We will continue to attend panel meetings to observe first-hand their deliberations and discussions about SSA and the current direction of IT projects.
- SSA's compliance with relevant policies and procedures for IT planning and development. Of particular interest would be SSA's documentation of its decision-making process; that is, how risks were identified and assessed, and alternatives evaluated; key enablers and challenges to success; and how success will be measured.
- Relevant policies and procedures would include the Clinger-Cohen Act, which is the basis of SSA's Capital Planning and Investment Guide; various National Institute of Standards and Technology publications; and Office of Management and Budget (OMB) Guidance.

Will your office review whether the Agency maintains written policy guidance on management of the IT investment process, including the use of the SSA's Capital Planning and Investment Control Guide?

As previously mentioned, OIG will conduct a review of SSA's Information Technology Capital Planning and Investment Control Process. The Fiscal Year 2010 Capital Planning Guide was published on February 12, 2009. We will evaluate the process for sufficiency and compliance with relevant standards, as well as evaluate the Agency's compliance with its defined process. We anticipate completing this review before December 31, 2010.

4. **In September 2008, the Government Accountability Office (GAO) issued a report on the Agency's management of IT. This report cited an absence of any post implementation reviews. What post implementation reviews of major IT investments are you planning? How and when will those reviews be accomplished?**

SSA is developing a process to perform Post-Implementation Reviews. Although we are not aware of any completed PIRs, we are monitoring the Agency as it develops this process and begins to perform the reviews. As part of our overall review of the Capital Planning Control Process, we will be evaluating whether critical information is collected to facilitate the PIR process. Without appropriate baseline data, the PIR will be ineffective in determining whether the anticipated savings or benefit will be realized.

5. **The GAO report also indicates that the Agency believes that a large portion (58%) of the IT budget is not considered managed investments and therefore is not subject to approval by the ITAB. Should such a large portion of the IT budget be under the direction of the Deputy Commissioner, Systems in your view?**

   We believe SSA should have a centralized investment governance process. It is our opinion that the location of capital planning responsibility is best suited in the Office of the Chief Information Officer (CIO). During his testimony at the April 28 hearing, the Chairman of the Social Security Advisory Board expressed a similar opinion. The Chairman suggested that recently identified issues regarding SSA's processing center are rooted in SSA's decentralized IT investment governance process, exposing SSA's system infrastructure to great risk. The Chairman stated that SSA's decentralized IT governance process has resulted in a dilution of ownership and management of the Agency's overall IT process. The Board recommended that SSA restructure its governance process and centralize responsibility for all IT processes. The Board indicated that in discussing this issue with several organizations, it found that the overall responsibility rested with the CIO. We fully support this idea.

6. **As you oversee the SSA's efforts to purchase a new NCC, how is your office equipped to perform this complex work? Have you hired system experts? When will your office issue its first report related to progress towards the new NCC?**

   We are taking a 3-pronged approach to ensure that we have the requisite knowledge, skills, and abilities to evaluate SSA's strategies for replacing the NCC. The first prong is contractor support, and to that end, our office is hiring outside experts to analyze SSA's efforts to acquire a new data center to replace the NCC. A statement of work has been issued, and the contract should be awarded by August 2009. The second prong is hiring IT specialists, and we are currently hiring individuals with expertise in a variety of platforms and network environments. Finally, our existing staff has extensive experience in analyzing SSA programs and the IT environment that supports those programs. With this approach, we believe we will have the expertise and institutional knowledge to evaluate SSA's progress.

   In March 2009, we issued a report, *The Social Security Administration's Ability to Address Future Processing Requirements*, which addressed the Agency's immediate response to critical NCC infrastructure concerns. On June 5, 2009, we issued another report, *SSA's Disaster Recovery Process*. The next related report, *SSA's Information Technology Strategic Planning*, is scheduled to be issued by the end of June 2009. We are limiting distribution of these reports because of the sensitive nature of the information in the reports. Although the full reports are not publicly available, members of Congress can obtain a copy upon request. Later this fiscal year, we plan to issue a report, *Processing Capacity of the Social Security Administration's Data Support Center*. As previously mentioned, we will have contractor support in issuing two reports focused on SSA's NCC replacement strategy and how the Agency used industry best practices to develop its strategy for a new data center. In addition to the reports already issued, our office anticipates issuing at least five reports before the end of the calendar year.

I trust that our responses to your questions fully address your concerns. In addition to this letter, I have submitted an electronic copy of our response in Microsoft Word format to Jennifer Beeler at Jennifer.Beeler@mail.house.gov and Mike Stober at Mike.Stober@mail.house.gov. If you have any questions or need additional information, please contact me or have your staff contact Wade Walters, Assistant Inspector General for External Relations, at (202) 358-6319.

Sincerely,

/s/

Patrick P. O'Carroll, Jr.
Inspector General

[Submissions for the Record follow:]

Statement in Support of HR322

May 4, 2009

There are over 30,000 grandparents like us in Arkansas who are raising grandchildren. We have been forced to return to work in order to provide for our new families.

HR322 will help us tremendously. Currently, I am working as an adjunct for two Arkansas universities but because of the earnings limits on Social Security I can only teach 8 classes a year. My wife is disabled, so she is unable to work.

If the earnings limitation is eliminated I can teach more classes and adequately provide for my family.

I am presently in a doctoral program and hope to complete it in 2011. At that time I should be in a position for a fulltime faculty position. Also, I will be 66 and the earnings limit will not apply.

In the meantime, I need for HR322 to pass this year so I can teach more classes until I finish my doctorate.

My thanks to Congressman Gene Green (TX) for his sponsorship of this tremendously important bill.

I encourage you to pass this bill as soon as possible. It has long reaching benefits for grandparents raising grandchildren.

The passage of HR322 also increases tax payments to the Treasury and additional payments to the Social Security system.

This is a win-win piece of legislation.

Dale and Linda Walker

To the Ways and Means Chairperson:

This is in response to Social Security Disability Appeals. I have applied to disability since Feb. 2007 and have been awaiting for a hearing with ALS Judge for a review. Due to the long waiting process it has caused applicants to lose all health benefits and become homeless due to such waiting periods. I propose to SSA that when people apply for disability that they be granted approval upon request to receive disability payments and Medicare benefits at time of applying. If applicants aren't eligible or approved for these benefits then SSA can take these benefits back at age 62 or 65 when they receive social security. By this process, we cut health care costs, homelessness, and relieve the burden that currently hampers social security administration to be more effective in there day to day operations of serving the people. I myself have been out of work due to medical illness and continue to wait on appeal process causes me to suffer daily due to no insurance and having to go into foreclosure on my home. So please I insist that this committee work more efficient to resolve these social security cases.

Thank You,

Larry S. Stoudemire

Chairman Tanner, Congressman Johnson, Members of the Subcommittee on Social Security: This hearing was called for the purpose of reviewing the progress made by the Social Security Administration (SSA) and other involved agencies in appropriately using the resources allocated by the American Recovery and Reinvestment Act of 2009 (ARRA). The National Association of Disability Examiners (NADE) appreciates this opportunity to submit comments on this important subject and we commend the Subcommittee for its continuing oversight of this important issue.

Who We Are

NADE is a professional association whose purpose is to promote the art and science of disability evaluation. The majority of our members work in the State Disability Determination Service (DDS) agencies adjudicating claims for Social Security and/or Supplemental Security Income (SSI) disability benefits. As such, our members constitute the "front lines" of disability evaluation. However, our membership also includes SSA Central and Regional Office personnel, attorneys, physicians, non attorney claimant representatives, and claimant advocates. It is the diversity of our membership, combined with our extensive program knowledge and "hands on" expe-

rience, which enables NADE to offer a perspective on disability issues that, we believe, is both unique and reflective of a programmatic realism.

NADE members—throughout the DDSs, SSA Regional Offices, SSA Central Office, ODAR offices and throughout the private sector, are deeply concerned about the integrity and efficiency of the Social Security and the SSI disability programs. Simply stated, we believe those who are entitled to disability benefits under the law should receive them; those who are not, should not. Decisions on disability claims should be reached in a timely, efficient and equitable manner. The continuing backlogs in disability claims are an embarrassment to all of us within the disability program as is the length of time claimants wait for a decision. Our embarrassment, however, is nothing compared to the nightmare experienced by those waiting for a decision. A large portion of the monies allocated in ARRA was to aid SSA's efforts to significantly reduce the backlogs of disability claims and improve the timeliness of its decisions on these claims.

The Issue

The American Recovery and Reinvestment Act of 2009 provided nearly $1.1 billion to the Social Security Administration. Included in this amount were $500 million for a new National Computer Center and an additional $500 million for new staff and supporting infrastructure to help the Agency deal with a backlog of claims while also assisting the Agency in the processing of an expected increase in the number of claims for disability and retirement benefits.

NADE members are very appreciative of this renewed support Congress has provided to SSA, especially after nearly two decades of less than adequate financial support that left the Agency ill prepared to handle the growing number of claims. The recognition by Congress of the critical need for adequate resources at SSA, and the willingness demonstrated by Congress to accept a leadership responsibility on this matter, has resulted in vital funding urgently needed for SSA. We greatly appreciate the support for funding at a level above the President's proposed FY 2009 budget and for the $1.092 billion in funding included for SSA in the American Recovery and Reinvestment Act of 2009. We hope you will also support the President's FY 2010 Budget Request of $11.6 billion for SSA's administrative expenses.

Having provided these funds, it is only to be expected that Congress would exercise its oversight authority to insure that these funds are spent appropriately and that the problem of backlogged claims and lengthy waiting times is resolved. NADE has confidence in the current leadership at SSA to apply these monies as directed by the legislation and also by a decision making process that is fully aware of the problems and the need for requisite resources to address these issues. We will not address the spending issue as that is a responsibility for which other witnesses appearing before this subcommittee have greater knowledge. However, while it is too early to determine if the new funding will aid in the resolution of the issues for which the funds were appropriated, NADE members are confident that these monies will have their desired impact.

SSA is facing an unprecedented backlog of more than 1.3 million claims for Social Security and Supplemental Security Income disability benefits. This backlog of claims is particularly problematic at the hearings stage, where the backlogs have more than doubled since 2000—from about 310,000 claims to more than 765,000—and the average waiting time per claim has soared to over 500 days. At the DDS level, the average processing time for an initial claim has risen from less than 40 days two decades ago to nearly 100 days in the past year. Not coincidentally, this increase in processing times and backlogs have occurred simultaneously with congressional budgets that included less funding for SSA than what numerous Commissioners of Social Security and other witnesses, including this Association, have testified was absolutely necessary for the Agency.

Presidents requesting less money than SSA indicated it needed and Congresses appropriating even less money than the President requested for SSA must share in the responsibility for the current crisis with Agency managers who sought to downsize SSA to utilize precious financial resources in other areas rather than filling vacant positions. Now the situation is reversed and the President and Congress recognize that SSA must have the requisite staff and supporting infrastructure to process the growing number of claims. However, just as the current crisis did not occur overnight, it will not be resolved overnight.

Addressing the Issues

SSA has immediately taken action to begin the hiring of new staff at its Field Offices, in its hearing offices and in its supporting offices. Concurrently, the state DDS have been given funding for new hires. All total, SSA projects it will hire 7000 new employees in this fiscal year. This level of hiring will tax the Agency's resources

to adequately train these new personnel but, once trained and allowed to become proficient in their jobs, these new personnel are expected to make a positive impact on the Agency's ability to process the growing number of disability and retirement claims that is expected to continue flooding the Agency.

Hiring these new personnel is a critical first step. The ability to recruit the best and brightest, to hire, and then train these personnel, is a process that will take some time. In addition, new employees are not expected to have an immediate impact on current or backlogged claims as they must be allowed sufficient time to become proficient in the performance of their work duties and responsibilities. In addition, current staff must be allocated to provide the requisite training and mentoring of new staff. This reduces the amount of time experienced personnel will have to process their own work, thereby reducing their productivity in the short term. However, we firmly believe positive benefits are to be gained from the funding provided by ARRA and will be fully realized in a matter of 2–3 years.

SSA and the DDSs will have to invest heavily in staff retention in future years. Both are facing a massive retirement wave and, prior to the onset of the current economic downturn, both were reporting heavy staff turnover (15 percent in the DDSs) due to low salaries and increasing job stress.

Why Is It Important to Provide Increased Funding for SSA?

NADE believes SSA's ability to provide timely customer service is critical. No other agency in Government has the potential to impact so many people and the vast majority of Americans will judge the Government's ability to serve their needs based on how effective and how efficient SSA is able to meet their needs. **SSA is America's "Window" to its Government. It can ill afford to fail in its mission and must be provided with the resources necessary for the Agency to achieve its mission in a timely manner. The growing complexity of the Social Security and SSI Disability Programs, coupled with the need to produce a huge volume of work, justifies even more the need for adequate resources in order to provide the service that the American public has come to expect and deserves from SSA.**

In FY 2008, Congress appropriated more money for SSA's administrative budget than the President had requested, marking the first time in 15 years Congress had acted so favorably. At the time Congress took this action, a former Chairman of this Social Security Subcommittee offered the observation that constant under-funding of the disability program by the Congress over the past two decades had contributed heavily to the current crisis. We do not dispute such wisdom! We do believe, however, that the congressional action of FY 2008 and the additional funding provided for SSA in the ARRA of 2009 are the first steps in a long road back to management stability for SSA. It now falls to SSA, and its components, to utilize these funds for actions that will produce the desired outcome.

State Furloughs of DDS Personnel

The best intentions of Congress in appropriating increased funding for SSA to deal with its backlogs of claims and to process the growing number of new claims is being undermined in many states by Governors who, faced with their own budget crises, have implemented furloughs for their state employees and hiring freezes for all state agencies. NADE, and other witnesses appearing before this Subcommittee, have previously pointed out that many of these states have adopted these actions unilaterally, failing to provide an exemption for DDS employees, who are 100 percent federally funded and who have no impact on any state's budget problems.

These actions fly in the face of the positive actions taken by this Congress to appropriate funds to resolve the crises of backlogged claims at SSA and lengthy waiting times for applicants. In spite of numerous requests from the Commissioner of Social Security, from Members of Congress and from the media, the Governors have not backed off of their decisions, either because they don't want to treat one set of state employees differently from any other or because they simply refuse to acknowledge the absurdity of their actions. These actions not only punish DDS employees (since furloughing DDS employees does not save any state any money, there can be no other reason to furlough these employees other than to punish them for being state employees) but remove a key investment in America's economic recovery. More importantly, such actions by these Governors to furlough DDS employees and to reduce and/or eliminate the DDSs ability to hire new staff will only enhance the growth of the backlogs of disability claims, add to the processing time of current claims and remove from the workforce the opportunity for many citizens to obtain much needed jobs. How Governors, when their actions otherwise have no positive benefit to resolving their state budget crises, can maintain such insensitivity to the needs of their own citizens, is beyond reason.

Recent data has shown applications for initial disability claims have, not surprisingly, increased by 10 percent since the beginning of this fiscal year. Each week, the number of initial claim filings has increased from the week before and the number of new claims in calendar year 2009 is up 13.7 percent. The actions to furlough DDS employees and to reduce or eliminate the DDS' ability to hire new staff have the effect of reducing the size of the workforce processing these claims or reducing the hours available for the workforce to process these claims, thereby reversing the action taken by Congress to address the crisis in backlogs and lengthy processing times. If these state actions are not abated, then the disabled citizens seeking benefits will almost certainly face the prospect of even longer processing times and extended appeal times.

The current level of furloughs of DDS personnel is estimated to cost the States $7.8 million in administrative funding paid to them by SSA. How can losing money save money? The current level of furloughs of DDS personnel is also estimated to delay the processing of 15,000 claims and the payment of $4.2 million in benefits each month! How can Governors continue to justify their actions?

We call upon Congress to intercede on behalf of all state employees who are 100 percent federally funded. We recognize difficult times require difficult decisions but difficult times do not require foolhardy decisions.

Program Integrity Issues

Limited resources in recent years have forced SSA to reduce the number of Continuing Disability Reviews (CDRs) performed. Of concern to NADE is the past history similar actions have had as the agency fell behind in these critical reviews. When a backlog of CDRs occurred previously it took several years of dedicated funding and a tremendous effort by SSA and DDS staff before SSA was, again, current with CDR reviews. With the decrease in the number of CDR reviews done in the past few years, there is now a real danger the Agency will, once again, find itself in the position of having backlogs of overdue CDRs. Thus, it is possible the Agency will work itself out of one backlog into another.

While there are increased administrative costs (including the purchase of medical evidence, claimant transportation costs and increased utilization of contract medical consultants) with the performance of CDRs, there is a potential for significant savings in program costs with the elimination of benefits paid to beneficiaries who are found to be no longer eligible for disability benefits due to no longer meeting the SSA Disability program requirements. A recent estimate by GAO revealed that, for every $1 in administrative cost spent on conducting CDRs, nearly $15 of program funds was saved. This data was significantly higher than the historical ratio of 10–1 savings. Regardless of which statistic has current validity, there are significant savings to be realized if SSA can remain current on CDRs. It is essential to program integrity that CDR reviews be conducted in a timely manner to ensure that only those who continue to be eligible are receiving disability benefits.

Anti-fraud efforts such as the Cooperative Disability Investigative (CDI) units which effectively utilize the strengths and talents of SSA's Office of Inspector General (OIG), local law enforcement, and disability examiners, offer a visible and effective front-line defense for program integrity and serve as a visible and effective deterrent to fraud. SSA's Inspector General attributed the success of the CDI units to investigate fraud allegations to the efforts of ". . . those most qualified to detect fraud—DDS adjudicators." NADE supports the continued expansion of the CDI units to combat fraud and abuse in the disability program.

5 Month Cash Benefit Waiting Period and 24 Month Medicare Waiting Period

It is important to note that persons found disabled under Title II of the Social Security Disability Act must complete a full five month waiting period before they can receive cash benefits. So, a disability allowance decision, even when it is processed quickly, will not resolve the issue of having to wait five full calendar months before the claimant receives any cash benefits. NADE believes this five month waiting period is a gross inequity to American citizens with disabilities.

Likewise, we are deeply concerned about the hardship the 24 month Medicare waiting period creates for these disabled individuals, and their families, at one of the most vulnerable periods of their lives. Social Security disability beneficiaries have serious health problems and limited access to health insurance. Many cannot afford private health insurance due to the high cost secondary to their pre-existing health conditions. Since earlier medical intervention could help many disabled individuals return to work, NADE supports the elimination of the Five Month Waiting Period for Cash Benefits and the 24 Month Waiting Period for Medicare eligibility.

Summary

The operational challenges facing SSA are substantial and are expected to become even more acute in the coming years as our society ages, as baby boomers continue to prove the actuaries correct regarding their forecasts of the baby boomers most disability prone years, as the economy continues to offer periodic setbacks, etc. Decades of inadequate resources for SSA, combined with increased workloads and less than desirable results from multiple redesign efforts, have not only caused backlogs in the number of disability claims pending at the initial and hearing levels, but has allowed existing backlogs to increase. Processing time, expected to decline with the introduction of new technology has, instead, increased due to insufficient resources in personnel.

Recent increases in funding for SSA's administrative budget and additional funding provided through the American Recovery and Reinvestment Act of 2009 can be expected, in the years ahead, to produce significant reductions in, or elimination of, SSA's backlogged claims and lead to improvements in processing times at all levels. However, this new funding cannot, and will not, overnight, make up for mistakes of the past. The need to hire, train and deploy new staff will take several years before any realistic expectation that they will contribute significantly toward efforts to reduce the backlogs of claims.

No amount of planning by SSA or Congress can reverse the negative impact on production and processing times caused by state hiring freezes and furloughs of state employees which also affect DDS personnel. Congress must support the Commissioner's efforts to force the states to exempt DDS employees, who are 100 percent federally funded, from such actions.

The crisis of backlogged disability claims, while a significant problem, cannot be used as a reason to abandon program integrity initiatives. It remains critically important that the public's confidence in the disability program not only be restored but maintained.

A lot of effort has been made to improve the speed at which disability claims are processed and to eliminate/reduce the backlogs of claims. NADE agrees improvements are needed and we support recent initiatives, such as the Compassionate Allowance (CAL) initiative and the Quick Disability Determination (QDD) initiative. However, the 5 month waiting period for cash benefits and the 24 month waiting period for Medicare eligibility negate the positive impact of faster processing times and reduced backlogs. These waiting periods should be eliminated.

No other agency has a greater impact on the quality of life in this nation and the American public will judge the ability of their Government to meet their needs almost solely by the quality of service provided by SSA. Social Security can and must do better in fulfilling its promise to America and NADE stands ready, willing, and able to assist in fulfilling that promise. People with disabilities, already burdened by the challenges of their illness/injury, are often in desperate need of benefits to replace lost income. They deserve, and should receive, timely and accurate decisions through a fair and understandable process. Our challenge, and one which must be met, then is to ensure the disability determination and appeals process meets those criteria.

We commend the Subcommittee for exercising its oversight authority and we look forward to working with the Subcommittee to achieve the goals we have outlined in this statement.

Exhibit I—Furlough Status of State DDSs

Status of Furlough/Hiring Freeze by DDS—as of 4/28/09

DDS	Furlough Status	Hiring Freeze Status	Remarks
Alabama	No furlough	DDS exempt from state hiring freeze	
Alaska	No furlough	Hiring freeze but DDS exempt	
Arizona	Furlough but DDS exempt	Hiring freeze but DDS exempt	
Arkansas	No furlough	No hiring freeze	

Status of Furlough/Hiring Freeze by DDS—as of 4/28/09—Continued

DDS	Furlough Status	Hiring Freeze Status	Remarks
California	Furlough in place	DDS exempt from state hiring freeze	All DDS employees furloughed 2 days per month—started in February 2009. Employees will earn one "self-directed" furlough leave day per month, which allows employees personal discretion when to use their furlough leave. Also per the agreement, employees must use the earned leave furlough leave by July 1, 2012. Employees will also have their pay reduced by 4.62 percent per month through June 2010.
Colorado	Considering furloughs, DDS not likely exempt	Hiring freeze but DDS exempt	Possible furlough of DDS employees up to 2 days per month (next state FY)
Connecticut	Administrator took one voluntary furlough day. The governor extended the request for voluntary furloughs to all state employees through June 1	Hiring freeze but DDS exempt	
Delaware	No furlough	Hiring freeze but DDS exempt	The Delaware governor has proposed an 8 percent across the board pay cut and an increase in the employee share of health insurance premiums, effective July 1st. The net effect is approximately a 10 percent decrease in employee take home pay. The Governor has stated that he is proposing this to *avoid furloughs.*
District of Columbia	No furlough	No hiring freeze	
Florida	No furlough	No hiring freeze	
Georgia	Furlough but DDS exempt	Hiring freeze but DDS exempt	
Hawaii	Considering furloughs but DDS likely exempt	Hiring freeze but DDS exempt	
Idaho	Furloughs but DDS exempt	Hiring freeze but DDS exempt	

Status of Furlough/Hiring Freeze by DDS—as of 4/28/09—Continued

DDS	Furlough Status	Hiring Freeze Status	Remarks
Illinois	No furlough	No hiring freeze	
Indiana	No furlough	Hiring freeze for DDS	Several positions "deactivated," including 30 disability examiners. These positions are temporarily eliminated and would require "reactivation" to be filled again.
Iowa	No furlough	Hiring freeze but DDS exempt	
Kansas	No furlough	Hiring freeze	"Soft" freeze—hiring is restricted but occurs as warranted. DDS hired 75 percent of positions.
Kentucky	No furlough	Hiring freeze but DDS exempt	
Louisiana	No furlough	Hiring freeze	DDS hiring freeze but given a limited number of hires.
Maine	No furlough	Hiring freeze but DDS exempt.	
Maryland	Furloughs in place	Hiring freeze but DDS exempt	Furlough between 2 and 3 days depending on salary.
Massachusetts	Furloughs in place	Considering a hiring freeze and DDS not likely exempt	Furloughing 3 days for DDS managers. Most are going to work the days and be compensated after retirement. They can also work without pay. Hiring cap RO successful in getting the cap lifted for DDS disability examiner positions.
Michigan	No furlough	No hiring freeze	Furlough may be possible in 2010.
Minnesota	No furlough	No hiring freeze	
Mississippi	No furlough	No hiring freeze	
Missouri	No furlough	No hiring freeze	
Montana	No furlough	No hiring freeze	
Nebraska	No furlough	No hiring freeze	
Nevada	Considering furloughs but DDS likely exempt	Hiring freeze but DDS exempt	
New Hampshire	No furlough	Hiring freeze but DDS exempt	Staffing CAP in DDS

Status of Furlough/Hiring Freeze by DDS—as of 4/28/09—Continued

DDS	Furlough Status	Hiring Freeze Status	Remarks
New Jersey	DDS employees exempt from furlough	No hiring freeze	
New Mexico	No furlough	Hiring freeze	
New York	Considering layoffs that would include DDS employees	Hiring freeze but DDS exempt	
North Carolina	Furloughs just ordered by the Governor. Questionable as to whether DDS is exempt.	Hiring freeze	DDS hiring is considered on case-by-case situation (some DDS hires have been approved)
North Dakota	No furlough	No hiring freeze	
Ohio	Furlough to take effect on July 2009.	Hiring freeze but DDS exempt	State announced furloughs to be effective 7/09. All DDS employees expected to be furloughed 10 days over 2 state FYs. DDS says it is under a hiring freeze, but it has received approvals to hire. Travel restrictions in place.
Oklahoma	No furlough	No hiring freeze	
Oregon	Furlough in place	Hiring freeze but DDS exempt	Furlough for management staff from 2 to 4 days depending on salary range. Furloughs expected for represented staff but the number of days has not been finalized. Governor is proposing 26 furlough days.
Pennsylvania	No furloughs	Hiring freeze but DDS exempt	All out of state travel restricted.
Puerto Rico	Layoffs planned but DDS likely exempt.	Hiring freeze but DDS exempt	
Rhode Island	No furlough	DDS exempt from state-wide hiring freeze	
South Carolina	Considering furloughs but DDS likely exempt	Considering hiring freeze but DDS likely exempt	
South Dakota	No furlough	Hiring freeze	DDS hiring is considered on case-by-case situation (some DDS hires have been approved)

Status of Furlough/Hiring Freeze by DDS—as of 4/28/09—Continued

DDS	Furlough Status	Hiring Freeze Status	Remarks
Tennessee	No furlough	Hiring freeze but DDS exempt	
Texas	No furlough	No hiring freeze	
Utah	No furlough	Hiring freeze but DDS exempt	
Vermont	Considering furloughs, DDS not likely exempt	No hiring freeze	Staffing CAP in DDS
Virginia	No furlough	DDS exempt from state-wide hiring freeze	
Washington	No furlough	Hiring freeze but DDS exempt	
West Virginia	No furlough	Temporary restriction on hiring through 6/30/09.	Hiring restriction maybe extended through 9/30/09. Also, all personnel actions (including promotions) in the State are not being acted upon until further guidance is received by the governor.
Wisconsin	No furlough	Hiring freeze for DDS	
Wyoming	No furlough	DDS likely exempt from state-wide hiring freeze	

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