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THE CHALLENGES FACING THE NEXT COMMISSIONER OF SOCIAL SECURITY

HEARING

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY

OF THE

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

ONE HUNDRED THIRTEENTH CONGRESS

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THE CHALLENGES FACING THE NEXT COMMISSIONER OF SOCIAL SECURITY

FRIDAY, APRIL 26, 2013

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

The subcommittee met, pursuant to call, at 9:30 a.m., in Room B–318, Rayburn House Office Building, the Honorable Sam Johnson [chairman of the subcommittee] presiding.

[The advisory of the hearing follows:]

HEARING ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

Chairman Johnson Announces Hearing on The Challenges Facing the Next Commissioner of Social Security

B–318 Rayburn House Office Building at 9:30 AM
Washington, April 19, 2013

U.S. Congressman Sam Johnson (R–TX), Chairman of the House Committee on Ways and Means Subcommittee on Social Security, today announced a hearing on the challenges facing the next Commissioner of Social Security. **The hearing will take place on Friday, April 26, 2013, in B–318 Rayburn House Office Building, beginning at 9:30 a.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 Subcommittee and for inclusion in the printed record of the hearing.

BACKGROUND:

The Social Security Administration (SSA) is responsible for delivering services that impact the lives of nearly every American. In fiscal year 2012, the SSA paid over 65 million people a total of more than $800 billion in retirement, survivors, disability, and Supplemental Security Income (SSI) benefits. During the same year, the SSA processed over 5 million retirement and survivor applications and 3.2 million disability applications, posted 245 million earnings items to workers' records, assisted nearly 45 million visitors at their local offices, and completed more than 56 million transactions on their National 800 number. In addition to serving the public, the SSA completed 443,000 medical continuing disability reviews and 2.6 million SSI redeterminations as part of its program integrity work.

As the nation ages, the SSA will continue to face unprecedented service delivery demands even as it moves to automate many of its core functions. With Congress and the President agreeing on nearly static annual SSA budgets for the last three years, along with tight budgetary caps for future federal agency spending, the SSA has reached a crossroad in terms of how it will continue to deliver services to the public in a constrained fiscal environment.

In response, the SSA is already operating under a self-imposed hiring freeze for the last 2.5 years and has reduced the hours its offices are open to the public. At the same time, the agency has significantly increased online services, where today 45 percent of retirement applications and 33 percent of disability applications are being filed on line.

In March 2011, the Social Security Advisory Board (SSAB) issued a report, *"A Vision of the Future for the Social Security Administration"* criticizing the lack of strategic planning by SSA. To meet its mission, the SSAB urged the agency to prepare itself to manage its current and future mission-related objectives, including critical post-entitlement and program integrity activities, and efficiently use existing financial and other resources to balance its service delivery policies with its stewardship responsibilities.

The SSA will be led by a new Commissioner once the President chooses his nominee and the Senate completes its confirmation process. Former Commissioner Michael J. Astrue's six-year term expired in January 2013. Carolyn Colvin, who served as the Deputy Commissioner, is currently serving as Acting Commissioner until a new Commissioner is confirmed.

In announcing the hearing, Social Security Subcommittee Chairman Sam Johnson (R–TX) said, **"Today, nearly 10,000 Americans sign up for retirement benefits every day. The recession coupled with a slow economic recovery has resulted in a wave of new disability claims, increased backlogs and growing wait times for a frustrated public. Moreover, the Disability Insurance program remains on the Government Accountability Office's "High Risk" list. With ever increasing demands on Social Security, the time is now for bold and decisive leadership by the next Commissioner of Social Security. This hearing will lay the groundwork for the challenges facing the new Commissioner and strategies for how best to address them, in order to adequately meet the needs of the American people**."

FOCUS OF THE HEARING:

The hearing will focus on the challenges facing the next Commissioner, including those related to service delivery capacity, human capital management, strategic planning, information technology, physical infrastructure and the agency's ability to effectively administer Social Security programs.

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 "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, submit all requested information. ATTACH your submission as a Word or WordPerfect document, in compliance with the formatting requirements listed below, **by the close of business on Friday, May 10, 2013**. 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 or (202) 225–3625.

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://www.waysandmeans.house.gov/*.

Chairman JOHNSON. Good morning to both of you.

Every 6 years, a new Commissioner is nominated and confirmed to lead the Social Security Administration. Congress deliberately created a term that might straddle political changes in the executive branch to underscore the importance of strong and independent leadership of this agency that touches the lives of every American. Former Commissioner Astrue's 6-year term expired in January. Carolyn Colvin, formally the Deputy Commissioner, is currently serving as Acting Commissioner until a new Commissioner is confirmed.

Every new Commissioner should first and foremost make sure that Social Security serves the American public well. Every Commissioner faces challenges at Social Security, some new, some that seem to never go away, and it will be no different for the next Commissioner.

As part of its oversight responsibilities, this subcommittee takes the time to lay out the challenges facing the new Commissioner and strategies for how best to address them in order to meet the needs of the American public. Today, Social Security stands at a crucial crossroads, and it is going to be up to the new Commissioner to pick the right path.

But no matter what path he or she chooses, two facts are indisputable. First, Social Security faces a predictable workload. Not only are on average 10,000 baby boomers applying for benefits each day, but applications for disability triggered by the great recession and weak recovery have never been higher. In just 4 years, the number of applications has grown from 2.3 million in 2008 to 3.2 million last year. That is an increase of 40 percent.

Worse, in recent years the number of people filing for benefits far exceeded the number of new jobs being created. Since 2010, the average number of people filing for disability benefits is just over 249,000. At the same time, the average number of new jobs created is about 148,000 each month. For the sake of the disability program and the sake of our great country, we have got to grow our economy and get Americans back to work.

Second, budget constraints are not going away. Congress has repeatedly approved bipartisan legislation signed into law by the President placing stringent and necessary spending caps on appropriations, including President Obama's sequestration proposal. To assist the next Commissioner, I have asked the Government Accountability Office, or GAO, to take a look at the key challenges facing Social Security and what Social Security is doing about them. And as we will soon hear, Social Security's key management challenges include workforce planning, managing its disability programs, modernizing information technology, and effectively utilizing its office space.

GAO concludes that Social Security needs a long-term strategy to address all these issues, which it doesn't have today. The Social Security Inspector General agrees, and several important watchdog groups, including the Social Security Advisory Board, have already

called on Social Security to move quickly on developing a long-term plan. Congress and the President have also called for a long-term strategy in the agency's funding for fiscal year 2012. Then Social Security was directed to work with the National Academy of Public Administration to produce a long-range strategic plan. But to date, Social Security has failed to act. I will urge the new Commissioner to make this a priority after confirmation.

As we all know, this subcommittee continues to take a hard look at the challenges Social Security faces in managing the disability program. In spite of the vast number of people who still wait over a year for a hearing, I was outraged to learn that the union which represents Administrative Law Judges just filed a lawsuit in Federal Court asking for an injunction against Social Security's guidelines for judges, to handle 500 to 700 cases a year. The union claims these goals are illegal quotas and that management's efforts to meet Congress and the public expectations for timely decisions interfere with the judges' decision-making independence. I have talked to Federal judges. They don't think that is unreasonable, by the way.

This is the same union that argues that these highly paid Federal employees, who have no performance standards and cannot be fired without going through a time-consuming and expensive process, should be allowed to work at home at least 1 day a week.

Let me be clear. No one is telling any judge what decision to make, so their independence is protected, and despite what the union argues, in fiscal year 2012, 79 percent of the judges were hearing at least 500 cases a year—79 percent, not very good, huh? Most taxpayers would be surprised to learn that last year the union representing judges spent $1 million in taxpayer dollars not on holding hearings, but on union activities. That is enough to fund a full year's salary for nine judges. In fact, total taxpayer dollars spent by all four unions at Social Security reached $14.3 million last year, enough to fund a full year's salary for about 206 employees.

You would love to have that in your automobile dealership, wouldn't you?

Taxpayers fund the operations of this program and the essential benefits Social Security provides. They have a right to expect the agency will be well managed. To that end, I hope our hearing will help the President nominate the kind of experience, talented and decisive leader Social Security and America needs, wants, and deserves.

Chairman JOHNSON. I now recognize the ranking member, Mr. Becerra, for his opening remarks, anything you care to say.

Mr. BECERRA. Thank you, Mr. Chairman.

Mr. Chairman, I am pleased that we are doing this hearing on Social Security today. Social Security, as I have always said, is a bedrock of American society. In nearly 78 years, Social Security has weathered 13 recessions and during that time it has always paid benefits in full and on time. But Social Security will face challenges in the future. In roughly a quarter of a century, we know that because of the baby boom generation retiring we have to deal with the fact that we have more people retiring and fewer people working to pay in benefits, and so we do have to face these challenges.

And with all due respect to our distinguished panel, I am concerned that we don't have all the right experts here today to talk about what is clearly the biggest challenge facing the new Social Security Commissioner: budget cuts that have left the Social Security Administration without enough resources to serve the public the way the public would like and the way Social Security should serve all of those who paid into the system.

Americans, remember, have contributed——

[Audio malfunction in hearing room.]

Mr. BECERRA. OK, are we back? And, Mr. Chairman, if I could just make sure that—the clock kept running while we were stalled there, so if you could just do me a favor and grant me a little extra time there.

But as I was saying, with all due respect to our panel who I believe have always provided us with excellent testimony as distinguished witnesses, I am concerned that not all the right experts are here today to talk about what is clearly the biggest challenge facing the new Social Security Commissioner. As I said, it is budget cuts, budget cuts that have left the Social Security Administration without enough resources to serve the public the way Social Security should and the way Americans want the program they have paid for to serve them.

And let's not forget, Americans have paid for their Social Security. Every paycheck, we take money out of their check to pay for Social Security and Medicare. Yet this Congress has prevented Social Security Administration from investing what is needed in order to provide Americans with the services that they have paid for.

Let's remember, even before the budget cuts, Social Security was extremely efficient, spending something around a penny, actually less than a penny on program administration for every dollar it spends paying the benefits American workers have earned.

So who is missing from today's hearing? Well, Mr. Chairman, as I discussed with you before and as I indicated in the letter that I sent to you, and I would like to submit that for the record at this stage——

Chairman JOHNSON. Without objection.

Mr. BECERRA. Thank you. We don't have the Commissioner, the person who is in charge of running the entire agency here to tell us what the challenges are that she will face in leading the Social Security Administration. We don't have any of the front line employees from the district offices in our districts that provide the services every day to Americans who have earned their Social Security benefits. And certainly, as you can see at this table, we don't have anyone who is an American citizen who is receiving benefits and could tell us: These are the challenges I think the agency faces as I walk through the doors to receive the benefits that I have paid for.

Mr. Chairman, there are consequences in not funding Social Security properly. And I have pulled together some charts that we can see here today. Three years of cuts have taken a toll on Social Security.

We can go to the next slide.

Let's remember, the number of people that have been paying into and are now beginning to collect their benefits because they paid into it is not shrinking, it is growing.

Next slide.

At the same time what has happened to the budget of the Social Security Administration while it tries to serve a growing population of people who have earned benefits? It has been shrinking.

Next slide.

What is the result? Well, Social Security at some point had to give. And what has happened is you see that staff reductions have occurred throughout the United States, an average of a 10 percent cut. So one in 10 of those workers we saw a few years back are no longer there. In some places it is as high as one in every five of those Social Security workers is no longer there providing services.

Next chart.

What has happened to the caseload of people coming to the Social Security Administration's offices? Well, you can see it is not shrinking at a time that we are shrinking the budget. It continues to increase increase.

Next slide.

What happens to the wait time that people now are experiencing, Americans who paid for these benefits, what is going on right now? You can see it right there. People are waiting twice as long just to get on the phone to talk to folks. This is like going to the grocery store and the grocer saying: I am going to tell their cashiers to go take their break or take a furlough at the time that I am most busiest with the most patrons in my grocery store trying to shop and pay for the goods that they are going to get ready to pay for.

Next slide.

What is the result? Well, remember, most of us on this committee have been working for some time to reduce the backlog of American citizens who are waiting in some cases years to receive the benefits they paid for. We took a course of action a few years back to provide Social Security with the resources it needed to deal with that, and there is where you see the downtrend in the number of disability wait times, the amount of time. Guess what has happened as a result of the budget cuts? You see it creeping back up again.

Next slide.

By the way, when we talk about the disability wait times, remember, we are talking about people waiting 500 days, over a year. We got that down to about 150 days by fiscal year 2011. But now it is going up again, as you can see there in that chart that we reverted you back to. That is what happens when you underfund the agency even though it has the money to pay because people have paid for those things.

Next chart.

Unprocessed work. Well, we talked about the disability casework that is not being handled in a timely way. This unprocessed work is work that has not yet begun to be processed. You can see what is happening. It is mounting and mounting, and these are cases that at some point will have to be opened.

Next chart.

The worst perhaps sin I think that we can think of is the fact that when we know that we can save money—and I think our two witnesses that are here today can talk about this—when we go after the cases of abuse where people, maybe even by innocent mistake, claim benefits when they shouldn't be getting them, we should be able to go after that. We know we save $9 for every dollar we use to do those reviews of people to ensure the integrity of the system. We can't even get the funding for that. It has been cut.

Mr. Chairman, we need to move forward. We need to make sure that we all face the challenges that Social Security will encounter together. Social Security has been a bedrock of our Nation. People have paid for this. And so I would just urge us to work together to make sure that we have the full testimony of everyone who can add some good word on what we can do.

I look forward to the testimony of our two witnesses who I know will add a great deal. I hope at some point soon, Mr. Chairman, we will finally have a hearing in this committee with jurisdiction on the issue of the Social Security Administration's budget which has been cut to the point where American citizens and those who paid into this are paying the price. Yield back.

Chairman JOHNSON. The gentleman's time has expired.

Chairman JOHNSON. And I am going to make a couple of points in response to what the Ranking Member said.

Number one, we have got at least three judges out there in Social Security that do not handle any cases. And they are wanting our judges to handle less than what they do right now.

I would like to make a couple of points. First, the percent of the people rating Social Security as excellent, good, or very good reached 81 percent in 2012, up 3 percent since 2010. Second, failing to get our fiscal house in order will jeopardize the very safety net the Ranking Member cares so much about. And at the close of fiscal year 2009, the year President Obama took office, our Nation's debt was $11.8 trillion, and this year it is going to reach $17 trillion. And under the President's budget, an additional $8 trillion of debt will be added.

The fact is the President, along with the Democrats and Republicans, have agreed to Social Security's funding levels. The appropriators have kept Social Security's budget level when most other agencies have seen sharp declines.

I will end this by saying, as the authorizing committee for this essential program we need to focus on what we can change. We can start by working together to remove outdated provisions in the law to help the agency more effectively serve the public.

As is customary, any member is welcome to submit a statement for the hearing record.

Chairman JOHNSON. Before we move on to our testimony today, I want to remind our witnesses to please limit their oral statement to 5 minutes. However, without objection, all of the written testimony will be made part of the hearing record.

We have one witness panel today. Seated at the table are Patrick O'Carroll Jr., Inspector General, Social Security Administration; and Dan Bertoni, the Director of Education, Workforce, and Income Security Issues at the U.S. Government Accountability Office.

Welcome to both of you for being here.

And Mr. O'Carroll, please go ahead with your testimony.

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

Mr. O'CARROLL. Good morning, Chairman Johnson, Ranking Member Becerra, and Members of the Subcommittee. Thank you very much for having me here today.

The next Commissioner of Social Security faces challenges that require forward thinking and long-term planning. SSA has been a model of government customer service for more than 75 years. To continue that record of success, the agency must invest in information technology, modernize systems and services, and focus on program integrity. And SSA must achieve this in a national spotlight shining on Federal spending and entitlement program solvency.

More people are coming to Social Security at a time when resources and staffing are limited. SSA must improve strategic planning and take greater advantage of technology to meet this demand. For example, the agency expects to receive almost half of all benefit claims online by the end of the fiscal year. Future generations will expect to do all business with SSA electronically. SSA's strategic plan, however, does not include a detailed roadmap to expand electronic and mobile capabilities to meet these expectations.

The plan should address not only short-term, but also long-term service challenges. SSA and DDS staff must also balance service initiatives, such as processing new claims, with stewardship reviews to ensure the integrity of agency programs.

Reducing the complexity of SSA's benefit programs and evaluating current policies could streamline operations and save millions of dollars each year. I have included several recommendations in my written statement, but I am pleased to see SSA is moving forward with the Disability Claims Processing System. DCPS is a nationwide state-of-the-art computer system that could significantly improve the disability decision process. It will integrate case analysis tools and electronic medical records and should provide consistent case processing across the country. DCPS is currently being tested at several offices. The system could be exactly the type of tool SSA needs to efficiently manage future workloads.

Technology and data analysis can help SSA meet customer demands, and it can also improve program integrity. For years, my office has encouraged SSA to pursue data matches among Federal, State, and local agencies to improve payment accuracy. Government maintains a wealth of data that if matched among agencies could reduce payment error and prevent fraud. Some of the data matches we have recommended include seeking pension data from State and local governments, accessing workers' comp data maintained by States and the Department of Labor, and working with State bureaus of vital statistics to obtain death data and information on beneficiaries' marital status.

I should also take this time to say, as SSA develops a long-term IT plan, it is critical that the agency closely monitor the construction of the new National Support Center. The NSC will replace the aging National Computer Center. A timely transition to the new center will eliminate the risk of an extended outage that could affect SSA's ability to provide critical services.

A related issue is SSA's long reliance on its cost analysis system to examine data and allocate administrative costs to agency programs. In recent years, we have recommended that SSA update its cost allocation methodology to account for changes in business processes and technology. As SSA and its workloads and systems evolve, so, too, should its cost accounting system.

In conclusion, SSA exists to serve the beneficiaries of today, but also to safeguard funds for the beneficiaries of the future. So, again, to meet the goals of today and tomorrow, SSA should invest in information technology, modernize systems and services, and focus on program integrity. Doing so will improve service, speed and accuracy, and protect taxpayer dollars for future generations. I look forward to working constructively with the next Commissioner of Social Security to meet the challenges ahead. I thank you, again, for the invitation to testify, and I will be happy to answer any questions.

Chairman JOHNSON. Thank you sir. Thank you for your testimony.

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

U.S. House of Representatives

Committee on Ways and Means

Subcommittee on Social Security

Statement for the Record

Challenges Facing the Next Commissioner of Social Security

The Honorable Patrick P. O'Carroll, Jr.
Inspector General, Social Security Administration

April 26, 2013

Good morning, Chairman Johnson, Ranking Member Becerra, and members of the Subcommittee. It is a pleasure to appear before you, and I thank you for the invitation to testify today. I have appeared before your Subcommittee many times to discuss issues critical to the Social Security Administration (SSA) and the services the Agency provides. Today, we are discussing the various challenges facing the next Commissioner of Social Security.

Certainly, it is a critical time for SSA to evaluate the state of its programs and operations and to plan for the future. The Agency paid more than $800 billion in Old-Age, Survivors' and Disability Insurance (OASDI) benefits and Supplemental Security Income (SSI) to more than 60 million Americans in Fiscal Year (FY) 2012; a significant number of citizens are applying for and collecting Social Security retirement and disability payments each year. As technology advances, SSA's customers expect it to provide service as quickly and accurately as does the private sector. To effectively serve a growing customer base, the Agency must continue to modernize and streamline its operations. It must also accomplish this with limited resources at a time when national attention is focused on reducing government spending and ensuring the long-term solvency of entitlement programs.

SSA has been a model for government customer service for more than 75 years, but to continue that long record of success, we in the Office of the Inspector General (OIG) believe the next Commissioner of Social Security should focus his or her efforts on these three critical areas:

- Strengthen Information Technology (IT) and Strategic Planning
- Improve the Disability Programs
- Focus on Program Integrity

Information Technology and Strategic Planning

SSA estimates that over the next 20 years, 80 million individuals, most from the baby boom generation, will retire and file for Social Security benefits. This population will expect the Agency to provide most of its services electronically. As a result of both this increasing workload and customer expectations, SSA will have to improve its IT infrastructure to take advantage of technological advances and manage increasing workloads with level or even decreased staffing.

SSA customers can currently perform many Agency-related actions online, such as apply for retirement or disability benefits; the Agency expects to receive about 48 percent of benefit applications online by the end of FY2013. Also, last year, SSA launched the *my Social Security* Web portal so people can access their Social Security Statement and perform other actions online, like change address information or start or change direct deposit information. The Agency has also increased efforts in recent years to connect with citizens through social media channels like Twitter and Facebook.

However, we believe the Agency should additionally

- develop a long-term plan for its electronic services that is closely aligned with and builds upon SSA's larger IT vision and customer service delivery goals;
- develop metrics to measure customer satisfaction for key electronic applications; and

- continue to implement more innovative ways to interact and communicate with its customers.

In a July 2011 Congressional Response Report, *The Social Security Administration's Customer Service Delivery Plan*, we encouraged SSA to develop and regularly update a comprehensive blueprint that addresses the challenges of meeting service demands not just three, five, or even 10, but 20 years into the future. The Agency's strategic plan should also include a detailed roadmap with specific performance measures to expand SSA electronic and mobile capabilities.

As SSA considers its long-term strategic IT and customer service plans, the Agency should closely monitor the construction of its new data storage center, the National Support Center (NSC), in Urbana, Maryland. The NSC will replace SSA's National Computer Center (the NCC was constructed in 1979), and construction should be complete by Fall 2014. A timely and efficient transition from the NCC to the NSC is necessary to avoid the risk of an extended outage that could affect SSA's ability to deliver services and make payments as scheduled.

Last year, Grant Thornton, an independent certified public accounting firm, audited SSA's FY2012 financial statements and identified a material weakness in SSA's controls over information security, which had been reported as a significant deficiency the prior 2 years; and a significant deficiency in SSA's benefit payment oversight. SSA must promptly address these issues.

To address the information security weakness, Grant Thornton recommended that SSA

- implement monitoring controls to identify non-compliant network configurations that could put SSA's systems at risk;
- develop comprehensive security vulnerability testing; and
- implement additional controls to prevent unauthorized programmers from accessing SSA's production environment.

To address the payment oversight deficiency, Grant Thornton recommended that SSA

- enforce continuing disability review (CDR) documentation procedures at Disability Determination Services (DDS);
- ensure SSA staff completes quality assurance reviews timely and correctly; and
- ensure that staff documents overpayments timely and accurately.

Further, SSA has used the mainframe-based Cost Analysis System (CAS) to analyze workload data and allocate administrative costs to the Agency's programs for about 35 years. CAS has been modified several times to enhance its functionality, but in April 2011, Grant Thornton concluded that

- the Agency's cost allocation methodology had not been updated to account for changes in business processes, system technology, or Federal accounting standards;
- all workload complexities could not be accounted for in the current methodology; and
- continuity of operations could be at risk because of outdated or unclear CAS documentation and insufficient workforce planning.

Grant Thornton has recommended that SSA review and update the CAS methodology as needed, to reflect current regulations, Federal accounting standards, and current SSA business processes and systems technology; review the methodology annually; and use actual operating expenses to allocate costs to program activities. We are aware that SSA is taking steps to address Grant Thornton's findings, but we will continue to monitor and assess the Agency's progress as we move into the next financial statement audit cycle.

SSA's Disability Programs

In addition to the $51 billion in SSI payments made in FY2012, the Agency paid more than $135 billion in Disability Insurance (DI) benefits, both record amounts. Also, in FY2012, SSA received about 3.2 million initial disability claims and more than 832,000 reconsideration claims.

At the end of March 2013, the Agency's level of pending initial claims stood at about 709,000. The Agency had been working toward a goal of reducing that to 525,000 by the beginning of FY2014, but SSA now says it will not reach that goal and has not been able to update its estimate due to recent budget uncertainty.

DDS staffing and resources have a direct effect on SSA's ability to process the disability workload and reduce the initial claims pending backlog. DDSs are currently facing high attrition rates, hiring freezes, and even furloughs. SSA only made "limited critical hires" in FY2012, so the Agency lost about 1,000 DDS employees. SSA has tried to offset staffing shortages by creating centralized Extended Service Teams (ESTs) to help the states with the highest pending levels process claims. These ESTs are located in Arkansas, Mississippi, Oklahoma, and Virginia, which are states with a history of high quality and productivity, and the ability to train people quickly. SSA also increased staffing in the Federal disability processing components that support the DDSs.

Even during times of budget uncertainty, SSA and DDS staff must handle increasing service requests while balancing stewardship reviews to ensure beneficiaries remain eligible for payments. We believe reducing the complexity of SSA's disability programs could streamline operations and reduce millions of dollars in payment errors each year. The OIG supports SSA's legislative proposal to establish the Work Incentive Simplification Pilot (WISP). WISP would test whether simplifying DI work provisions would reduce administrative complexity, enhance correlation of program rules among SSA's disability programs, and encourage DI beneficiaries to return to work because they would not face a permanent loss of benefits and Medicare. Our auditors are planning to review the pilot in FY2014.

On another note, we have long urged SSA to consider revising its policy on administrative finality so that more improper payments can be stopped. Administrative finality dictates that determinations of benefit eligibility and payment amounts become binding and final, unless they are timely appealed or later reopened and revised within certain periods. Consequently, if conditions to reopen a determination do not exist, or time limits expire, SSA generally will not revise the determination, and will not only *not* assess an overpayment, but will also continue to pay the erroneous amount throughout a beneficiary's lifetime. SSA does not consider

these erroneous payments to be improper payments. SSA has agreed with multiple OIG recommendations with respect to administrative finality and has a draft policy change in process.

SSA is taking concrete actions, however, to improve the disability decision process. The Disability Claims Processing System (DCPS), a nationwide, state-of-the-art computer system, will integrate case-analysis tools and health IT, and is expected to decrease processing times and make determinations more consistent across the country. According to SSA, the Agency has started testing the system in Idaho, and three additional sites—Illinois, Missouri, and Nebraska—are scheduled for testing by the end of the calendar year.

Compassionate Allowances (CA) and Quick Disability Determinations (QDD) have helped SSA and disability examiners fast-track benefits to those who need them most urgently. The CA program expedites disability decisions so that people with the most serious disabilities receive a determination within days instead of months or years. SSA added 87 additional CA conditions in 2012, bringing the total to 200. QDD selects cases for quick adjudication that have a high degree of probability that the individual is disabled and for which evidence is likely readily available. We have recommended that SSA continue refining and enhancing its predictive model for the QDD program, to improve the timelines and quality of the disability process.

Along with managing the initial claims process, the Agency must address the timeliness and accuracy of disability decisions at the hearing level. In recent years, SSA has directed increased resources to improve hearing timeliness and process more hearings. Since FY2008, average processing time has dropped by about 31 percent—from an average of 514 days in FY2008 to 353 days at the end of FY2012. However, an increasing number of appeals has led to an increase in the hearings backlog, which as of September 2012, stood at approximately 817,000 cases—about 30,000 cases higher than at the beginning of FY2012.

Your Subcommittee in recent years asked my office to look at SSA's administrative law judge (ALJ) performance, focusing on outliers in terms of productivity and decisional outcomes, as well as assess the Agency's ability to review or take action with respect to ALJs with atypical allowance rates.

Last year, our auditors found that the average ALJ allowance rate in 2010 was 67 percent—but the rate ranged among ALJs from 8.6 percent to 99.7 percent. We concluded that SSA needs to monitor ALJ outliers—high and low—and review the underlying work processes currently in place. We also found that SSA does have the authority to review ALJ decisions, but it faces legal restrictions in doing so. Specifically, Federal law prohibits SSA from sampling ALJ decisions based on the identity of the decision-maker or the hearing office that issues the decision. This law is in place so that ALJs can decide cases impartially, free from agency influence. SSA can conduct reviews of specific ALJs, but these reviews usually seek to determine if the ALJ followed SSA policy. These reviews can lead to disciplinary actions against ALJs, but they usually do not lead to changing the ALJ's decision.

We note recent progress with respect to Agency monitoring of ALJ performance, as well as training and new tools to help hearing office employees understand workload trends. Nevertheless, going forward we would like to see SSA implement several of our

recommendations related to ALJ and hearing office performance, in particular to 1) increase case rotation among ALJs; 2) modify regulations to allow for more video hearings; and 3) implement systems functionality to monitor ALJ and hearing office risk factors. We will continue to review ALJ-related issues and communicate our work to your Subcommittee.

Finally, we continue to advocate for expanding SSA and OIG's Cooperative Disability Investigations program (CDI) as it has proven to be a highly effective guard against disability fraud. The success of the CDI program rests in the cooperation between SSA, the OIG, State and local law enforcement agencies, and DDS employees who contribute programmatic expertise and also refer suspicious claims to CDI Units. In FY2012, the CDI program reported nearly $340 million in projected savings to SSA's disability programs—the program's greatest single-year savings total—for a return on investment of $17 to $1. Since the program was established, CDI efforts have resulted in over $2.2 billion in projected savings to SSA's disability programs.

Program Integrity

Given the overall dollars involved in SSA's programs, even the slightest error in any part of the payment process can result in significant overpayments or underpayments. In FY2012, SSA reported $4.7 billion in improper payments in the SSI program (9.2 percent improper payment rate), and $3.2 billion in the OASDI program (0.4 percent improper payment rate).

Improper benefit payments occur for many reasons—certainly fraud, but also poor understanding of reporting responsibilities or inability to report, administrative errors, and many other reasons—and they include underpayments as well as overpayments. However, SSA's improper payments largely consist of those erroneously made to ineligible individuals, commonly SSI recipients who do not report to SSA changes in income, resources, and/or living arrangements. For many years, my office has encouraged SSA to balance service initiatives, such as processing new claims, with stewardship responsibilities, such as conducting timely work and medical CDRs and SSI redeterminations, to ensure that individuals remain disabled and eligible, and cease payments to those who do not. For example, we would like to see SSA implement our recommendation from a 2009 report, *Follow-up on Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File*, to implement a plan to allocate more resources to perform work-related CDRs timely—and assess overpayments from work activity—for cases identified by SSA's earnings enforcement process.

SSA estimates that every $1 spent on medical CDRs yields about $9 in SSA program savings over 10 years. According to SSA, the Agency conducted 443,233 medical CDRs in FY2012, up from 345,000 in FY2011, but the CDR backlog still stands at 1.2 million. SSA's FY2013 goal for medical CDRs is 435,000 based on the current level of funding.

SSA employs a CDR profiling system that determines which CDRs are due annually and uses data from SSA's records to determine the likelihood of medical improvement for disabled beneficiaries. Those with a predicted high likelihood of medical improvement undergo a medical review at the DDS. Beneficiaries with a predicted medium or low likelihood of medical improvement are sent a mailer questionnaire. If the completed questionnaire indicates medical improvement, SSA will send the case to the DDS for a medical review. The profiling system

prioritizes cases for CDRs, but the Agency then decides how many to conduct each year, based on a variety of factors.

I should note here that SSA and OMB do not consider *unavoidable* overpayments to be improper payments. Thus, payments that would not have been made if a medical CDR was conducted when due are *not counted* as improper payments by SSA. We, however, believe these payments do constitute improper payments and should be part of the discussion about SSA's payment accuracy, as funds could have been preserved by performing all identified medical CDRs.

Redeterminations are similarly effective in reducing overpayments in the SSI program. As SSI is a means-tested program, any change in recipients' income, living arrangements, or marital status, among other factors, can affect eligibility or payment amount. SSA has reported that it saves $5 for every $1 spent on redeterminations. SSA completed more than 2.4 million redeterminations in FY2011 and 2.6 million in FY2012, and plans to conduct more than 2.6 million in FY2013. Not every SSI recipient undergoes a redetermination every year; SSA uses a statistical scoring model to identify cases for redetermination that have a high likelihood of error. The statistical model uses income, resource, and living arrangement variables to predict likely SSI overpayments.

My office has encouraged SSA to use data matching with other governmental agencies to ensure program integrity and protect Agency funds. For example, we have suggested SSA seek pension data from State and local governments to ensure it properly reduces benefits for people who receive a pension based on government employment not covered by Social Security. We have similarly urged the Agency to seek agreements with States and the U.S. Department of Labor to obtain worker's compensation data so that SSA can properly offset payments to beneficiaries who may not self-report that information.

SSA should also utilize more non-governmental databases to improve the efficiency of resources committed to CDRs and redeterminations. SSA currently receives data from the IRS to verify income, and in recent years, the Agency implemented the Access to Financial Institutions (AFI) initiative, which allows it to check an applicant or recipient's bank accounts to verify resources. In 2011, SSA completed the AFI rollout to all 50 States, the District of Columbia, and the Commonwealth of the Northern Mariana Islands. Assuming that SSA had used its current account verification process on a long-term basis, the account verifications SSA expects to complete in FY2013 would yield an estimated $365 million in lifetime Federal SSI program savings.

We encourage SSA to support any legislative proposals that would identify and prevent more improper payments in its programs. The OIG community is pursuing an exemption to the *Computer Matching and Privacy Protection Act of 1988* (CMPPA), which would exempt OIGs from a requirement for a formal computer matching agreement before they can match data with other entities to identify potential fraud and waste. This provision impedes OIG efforts to detect improper payments and identify weaknesses that make Federal programs vulnerable to fraud. In 2010, the Department of Health and Human Services (HHS) and its OIG obtained an exemption for data matches designed to identify fraud, waste, and abuse; and we believe SSA's OIG should be similarly exempt. We also continue to support legislation to establish a revolving fund for

integrity activities, such as CDRs, to help ensure payment accuracy. The proposal would provide for indefinite appropriations to make available to SSA 25 percent, and to OIG 2.5 percent, of actual overpayments collected, for use solely on integrity activities that provide a continuous return on investment.

One final area of concern to the OIG is maintaining and improving the integrity of the Social Security number (SSN). We have long encouraged SSA to work cooperatively and proactively with other Federal agencies to ensure SSN integrity. For example, in an October 2012 report, *Accuracy of the Social Security Administration's Numident,* we recommended that SSA work with the Department of Homeland Security to enhance E-Verify by alerting employers when an employee claims an SSN that, according to SSA, belongs to an individual under or over a predetermined age. And just last week, we issued a report, *Access Controls for the Social Security Number Verification Service,* that found some employers had improperly used SSA's employer verification programs. We recommended that SSA modify the existing fraud detection tools or develop more useful fraud detection tools.

We are currently planning audit work that will assess the expanding role of SSA in verifying SSNs for immigration, work, and other purposes as well as the Agency's new responsibilities for SSN verification under the *Affordable Care Act.* SSA is tasked to have SSN verification routines working for the Centers for Medicare and Medicaid Services by September 2013. Moreover, any potential immigration reform legislation may have direct or indirect impacts on SSA workloads as well. We will continue to assess and provide feedback to SSA and this Subcommittee on these critical issues.

Conclusion

SSA employees provide world-class service every day to Americans who depend on that service. If SSA invests in information technology and focuses on program integrity, we believe it will be able to maintain that level of service while improving speed and accuracy and preserving taxpayer dollars.

I look forward to working constructively with the next Commissioner of Social Security and your Subcommittee to meet the challenges ahead. Thank you again for the invitation to testify, and I am happy to answer any questions.

Chairman JOHNSON. Mr. Bertoni, welcome again, please proceed.

STATEMENT OF DANIEL BERTONI, DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY, GENERAL ACCOUNTABILITY OFFICE

Mr. BERTONI. Good morning. Chairman Johnson, Ranking Member Becerra, Members of the Subcommittee, good morning. I am pleased to discuss our work on the Social Security Administration's critical management challenges. SSA provides benefits and services that touch the lives of nearly every American and last year paid out over $800 billion in benefits.

However, with the aging of the baby boom generation, the agency faces increased workloads and large numbers of potential retirements over the long term. It is within this context that a new Commissioner will soon head the agency and face many complex issues.

My statement today is based on our ongoing work and describes key management challenges SSA faces in meeting its mission and the extent to which the agency's planning efforts address those challenges.

In summary, over the next decade, SSA will experience challenges related to human capital management, disability program issues, information technology, and physical infrastructure.

First, an expected wave of retirements, coupled with an extended hiring freeze, represents a challenge for the agency in meeting a projected growth in workloads. However, our preliminary work suggests that SSA's strategies for preventing a loss of leadership and needed skills may be insufficient due to the lack of an updated succession plan and curtailment of leadership development programs which have historically provided a pipeline of future leaders.

Second, SSA also continues to face challenges in modernizing the medical record criteria and labor market information that underlies disability programs while balancing competing needs to reduce disability claims backlogs and conduct program integrity activities. In particular, the agency still lacks a formalized cost estimate and research and development plan for its modernization efforts and faces uncertainty in its ability to meet disability case processing and program integrity review targets due in part to resource constraints and how it has prioritized its workloads.

Third, while SSA has made strides in updating its IT systems, which are critical to addressing growing work demands, the agency continues to be challenged in ensuring its IT plan is periodically refreshed and adhered to, that outdated legacy applications are modernized to improve service delivery, and information security controls sufficiently protect sensitive information.

And fourth, although SSA has taken steps to centralize its facilities management and has initiated some efforts to reduce its physical footprint, the agency has not systematically assessed potential approaches for consolidating or realigning its staff and organizational structure to better support changing methods of service delivery, such as more online transactions and other nonface-to-face interactions, which are more likely over the next decade and beyond, further challenging its ability to leverage limited program and staff resources.

Mr. Chairman, staying out in front of these challenges will require thoughtful long-term planning on SSA's part. However, the agency's current strategic plan and draft service delivery plan

maintain a short-term focus, rather than articulating longer-term strategies to address the issues discussed today.

For years, we and others have recommended that SSA propose a long-term vision to ensure it has the processes, staff, and infrastructure to provide services in the future. However, absent a dedicated entity within SSA to spearhead such an initiative and uncertainty with SSA's budget, such activities have not been an agency priority for many years.

In conclusion, the challenges SSA faces will affect its ability to address critical concerns in the coming years. However, SSA's efforts to meet many of its challenges have been complicated by budgetary constraints and uncertainty about the current and future fiscal environment. Despite these constraints, SSA still needs to balance competing resource demands both in terms of managing day-to-day budget decisions and planning for longer-term issues. And absent prompt action early in the new Commissioner's term, the agency jeopardizes its ability to provide quality service to the public in the coming years.

Moreover, the interrelated nature of SSA's challenges calls for a longer-term integrated strategy to ensure actions taken are coordinated and effective. However, without focus and sustained leadership across the agency's many organizational silos, SSA may miss an opportunity to assess and make sound decisions, including how many and what types of employees are needed in the future, how the agency will service competing workloads, and more strategically use information technology and physical infrastructure to best deliver services.

Mr. Chairman, this concludes my statement. I am happy to answer any questions that you or other Members of the Subcommittee may have. Thank you.

Chairman JOHNSON. Thank you for your testimony.

[The prepared statement of Mr. Bertoni follows:]

United States Government Accountability Office

GAO

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

SOCIAL SECURITY ADMINISTRATION

Preliminary Observations on Key Management Challenges

Statement of Daniel Bertoni, Director
Education, Workforce, and Income Security Issues

GAO-13-545T

GAO
Accountability * Integrity * Reliability

Highlights

Highlights of GAO-13-545T, testimony before the Subcommittee on Social Security, Committee on Ways and Means, House of Representatives

April 2013

SOCIAL SECURITY ADMINISTRATION

Preliminary Observations on Key Management Challenges

Why GAO Did This Study

SSA is responsible for providing benefits and services that affect the lives of nearly every American. In calendar year 2012, SSA paid over 62 million people more than $826 billion in Social Security retirement and disability benefits and Supplemental Security Income payments. However, SSA faces increased workloads and large numbers of potential employee retirements in the long term. A new Commissioner will soon be leading the agency and will face many complicated issues confronting the agency.

In this statement, GAO discusses initial observations from its ongoing review and describes (1) key management challenges SSA faces in meeting its mission-related objectives and (2) the extent to which SSA's planning efforts address these challenges. To examine these issues, GAO reviewed relevant planning documents and reports from SSA and others as well as SSA management information and data on workload and staffing projections, applicable federal laws and regulations, and interviewed SSA headquarters and regional officials, representatives of employee groups, and other experts.

This work is ongoing and GAO has no recommendations at this time. GAO plans to issue its final report in June 2013.

View GAO-13-545T. For more information, contact Daniel Bertoni at (202) 512-7215 or bertonid@gao.gov.

What GAO Found

The Social Security Administration (SSA) will experience management challenges in four key areas over the next decade.

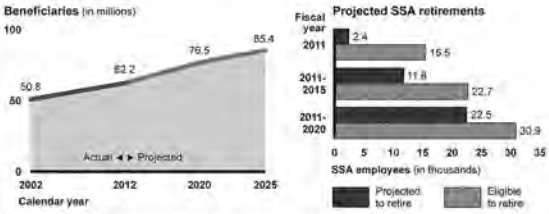
Human capital. SSA has not updated its succession plan since 2006 although the agency faces an ongoing retirement wave and hiring freeze which will make it difficult to respond to growing workload demands.

Disability program issues. SSA faces ongoing challenges incorporating a more modern concept of disability into its programs, while balancing competing needs to reduce backlogs of initial and appealed claims and ensure program integrity.

Information technology (IT). SSA has made strides in modernizing its IT systems to address growing workload demands, but faces challenges with these modernization efforts—such as an ongoing need to refresh and adhere to its IT strategic plan and a continued reliance on legacy applications—and correcting internal weaknesses in information security.

Physical infrastructure. SSA is moving toward centralized facilities management, but the agency lacks a proactive approach to evaluating its office structure that will identify potential efficiencies, such as consolidating offices.

Long-Term Projected Growth in SSA's Workload Coincides with Large Numbers of Potential Employee Retirements



Source: GAO analysis of SSA beneficiary data from the 2012 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds and the 2012 Annual Report of the Supplemental Security Income Program and projected retirement data extracted from the Human Resources Operational Data Store.

SSA has ongoing planning efforts, but they do not address the long-term nature of these management challenges. For example, SSA is finalizing a service delivery plan, but it only includes detailed plans for the next 5 years and focuses on existing initiatives rather than articulating specific long-term strategies for the agency's service delivery model. Its current strategic plan also largely describes the continuation, expansion, or enhancement of ongoing activities, rather than proposing broad changes to address emerging issues. Since 2008, SSA has not had an entity or individual dedicated to strategic planning. Various groups have called on SSA to articulate a longer-term strategy, which it last did in 2000, motivated by many conditions which remain true today, such as increasing workloads, advances in technology, and employee retirements, and which will need to be addressed in the future.

United States Government Accountability Office

GAO U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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Chairman Johnson, Ranking Member Becerra, and Members of the Subcommittee:

Thank you for the opportunity to discuss our preliminary observations on the Social Security Administration's (SSA) management challenges. SSA is responsible for providing benefits and services that affect the lives of nearly every American. In calendar year 2012, SSA paid over 62 million people more than $826 billion in Social Security retirement and disability benefits and Supplemental Security Income payments. As more members of the baby boom generation become eligible for retirement benefits and individuals under age 62 reach their disability-prone years, a surge in benefit applications is expected. SSA's own workforce may also change and decrease in the coming years, and evolving technology will affect service delivery expectations. At the same time, SSA's expanded use of electronic services will affect how the agency should deploy and use its workforce. In addition, the agency will need to operationalize any legislative changes that may be made in an effort to avoid the projected exhaustion of the Social Security trust funds. As a result of these realities SSA will encounter increased pressure to serve the public while still ensuring program integrity. Moreover, SSA will likely continue to experience budget constraints.

A new Commissioner will soon be leading the agency and will face these many interrelated issues.[1] Decisions made early in the Commissioner's term could help set the course for the agency over the long term and determine how well-positioned it is to adapt to changing realities.[2] My statement today focuses on initial observations from our ongoing review and describes (1) key management challenges SSA faces in meeting its mission-related objectives and (2) the extent to which SSA's planning efforts address these challenges.

To examine these issues, we obtained SSA management information and administrative data related to workload and staffing projections. We

[1]The SSA Commissioner is appointed for a 6-year term. 42 U.S.C. § 902(a)(3). The last Commissioner's term expired on January 19, 2013, and an acting commissioner is currently leading the agency. As of April 2013, a new Commissioner had not yet been appointed.

[2]In this testimony, short-term generally means up to 5 years out and long-term means more than 5 years.

assessed the reliability of the data by reviewing related documentation and interviewing knowledgeable agency officials and determined they were sufficiently reliable to describe agency projections. We also reviewed key agency documents, such as SSA's strategic plan, human capital plan, strategic leadership succession plan, information technology strategic plan, and agencywide draft service delivery plan. We conducted in-depth interviews with SSA officials, including regional commissioners, and other experts, including representatives of the Social Security Advisory Board and others familiar with long-term planning. We reviewed GAO internal control standards and relevant GAO, SSA Office of the Inspector General (OIG), and Social Security Advisory Board reports, as well as applicable federal laws and regulations and SSA's policies and procedures. We shared the information that this testimony is based on with agency officials and obtained their technical comments. We have incorporated these comments, as appropriate.

We are completing this work in accordance with generally accepted government auditing standards and our final report will be issued in June 2013. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained will provide a reasonable basis for our findings and conclusions based on our audit objectives.

Background

SSA provides financial assistance to eligible individuals through three major benefit programs:

- Old-Age and Survivors Insurance (OASI)—provides retirement benefits to older workers and their families and to survivors of deceased workers.
- Disability Insurance (DI)—provides benefits to eligible workers who have qualifying disabilities, and their eligible family members.
- Supplemental Security Income (SSI)—provides income for aged, blind, or disabled individuals with limited income and resources.

SSA projects that the number of beneficiaries and benefit payments for the three programs will increase over the next several years. DI and SSI are the nation's largest federal disability programs, and applications for benefits have grown significantly over the last 5 years, due in part to baby boomers reaching their disability-prone years, as well as a sustained

economic downturn and high unemployment. Retirement claims have also steadily increased in recent years.

Although SSA's disability programs account for only about 23 percent of its total benefit outlays, they represent 66 percent of the administrative expenses for these 3 programs. Complex eligibility rules and many layers of review with multiple handoffs from one person to another make the disability programs complicated, and therefore costly, to administer.

Both OASI and DI face long-term financial challenges. In 2012, SSA's Office of the Chief Actuary projected that the DI and OASI Trust Funds would be exhausted in 2016 and 2035, respectively. If the trust funds are depleted before legislative changes are made to restore long-term solvency, the agency projects that it will be able to pay benefits only to the extent that funds are available.[3]

In support of its mission and programs, SSA's basic functions include maintaining earnings information, making initial eligibility determinations for program payments, making changes to beneficiaries' accounts that affect their benefit payments, and issuing Social Security numbers.[4] SSA has over 80,000 state and federal employees[5] and about 1,700 facilities nationwide. Almost 182,000 people visit one of the nearly 1,300 SSA field offices daily and more than 445,000 people call the offices daily to file applications, ask questions, or update their information.

SSA is operating in an environment of constrained resources and budgetary uncertainty. According to a former SSA Commissioner and agency budget documents, while SSA's administrative budget increased about 32 percent from fiscal year 2001 to 2010,[6] much of this funding has

[3]While money would still be coming in from the Social Security taxes paid by current workers, the agency projects that it would not be sufficient for beneficiaries to receive their full benefit.

[4]Social Security numbers have become the universal identifier of choice for government agencies and are currently used for many non-Social Security purposes.

[5]SSA funds state agencies called Disability Determination Services (DDS) to process disability applications and conduct continuing disability reviews in accordance with SSA policies and procedures.

[6]This figure has been adjusted for inflation. The nominal increase between fiscal years 2001 and 2010 was about 61 percent.

been used to keep up with increases in expenses such as personnel costs, rent, and security.

SSA Faces Challenges in Several Key Areas

Over the next decade, SSA will experience management challenges in four key areas: (1) human capital, (2) disability program issues, (3) information technology, and (4) physical infrastructure.

Human Capital

Over the next decade, SSA's ongoing retirement wave, coupled with a hiring freeze that has been in place since 2010, represents a significant challenge for the agency in meeting the projected growth in work demands. Although not all employees will necessarily retire when eligible, nearly 7,000 headquarters employees and more than 24,000 field employees will be retirement eligible between 2011 and 2020. The agency projects that it could lose nearly 22,500 employees, or nearly one-third of its workforce, during this time due to retirement—its primary source of attrition.[7] The Commissioner stated in SSA's fiscal year 2012 budget overview that as a result of attrition, some offices could become understaffed, and that without a sufficient number of skilled employees, backlogs and wait times could significantly increase and improper payments could grow. As SSA's workforce decreases and its workload increases, our preliminary work suggests that the agency's strategies for preventing a loss of leadership and skills may prove insufficient for a variety of reasons.

Retaining institutional knowledge and developing new leaders. SSA could face a significant loss of institutional knowledge and expertise in the coming years. An estimated 43 percent of SSA's non-supervisory employees and 60 percent of its supervisors will be eligible to retire by 2020. Regional and district managers told us they have already lost staff experienced in handling the most complex disability cases.[8] SSA officials and DDS managers told us that it typically takes 2 to 3 years for new employees to become fully proficient and that new hires benefit from

[7]Data reflect SSA's most recent projections from its September 2011 Retirement Wave Report, which only includes actual retirement figures through fiscal year 2010. Officials told us that they previously produced this report annually, but currently produce it every other year.

[8]DDS staff are state employees and are subject to state furloughs, according to SSA.

mentoring by veteran employees. Because of budget cutbacks, SSA has also curtailed its leadership development programs, which have historically been used to establish a pipeline of future leaders.

Succession planning. SSA's most recent succession plan was issued in 2006, even though the agency has experienced significant changes since that time, including a hiring freeze and greater movement toward online services. The most recent succession plan established a target of evaluating and updating the plan by the end of 2007. Internal control standards state that management should ensure that skill needs are continually assessed and that the organization is able to obtain a workforce with those required skills to achieve organizational goals.[9] Our prior work also indicates that leading organizations use succession planning to help prepare for an anticipated loss of leadership.[10]

SSA's 2006 succession plan states that without sound succession planning, SSA's loss of leadership would result in a drain on institutional knowledge and expertise at a time when workloads are growing. This loss of knowledge and expertise could result in increasing workloads, backlogs, and improper payments. Several SSA officials told us individuals with less experience and training are beginning to assume supervisory roles and some have made poor decisions related to such things as providing reasonable accommodations to employees with disabilities. Some officials also told us that inexperienced managers are also less proficient at supervising others, which leads to inefficiencies in managing increasing workloads.

Forecasting workforce needs. Findings from OIG reports raise additional concerns about SSA's ability to accurately forecast workload

[9]GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

[10]See GAO, *Human Capital: Succession Planning and Management Is Critical Driver of Organizational Transformation*, GAO-04-127T (Washington, D.C.: Oct. 1, 2003); *Human Capital: Selected Agencies Have Opportunities to Enhance Existing Succession Planning and Management Efforts*, GAO-05-585 (Washington, D.C.: June 30, 2005); and *Human Capital: Key Principles for Effective Strategic Workforce Planning*, GAO-04-39 (Washington, D.C.: Dec. 11, 2003).

demands and workforce needs.[11] These reports found methodological flaws in the workload and work year data SSA uses to formulate and execute its budget. For example, the reports concluded that the internal controls and main processes related to work sampling—which SSA uses to measure work and assign direct and indirect costs to workloads—did not ensure the completeness and reliability of data in SSA's Cost Analysis System.[12] The reports found that work samples were not consistently performed. Furthermore, they noted no instances of peer or management review, which could improve the accuracy of the workload data collected.[13] SSA is taking steps to improve data sampling in response to these findings.

Disability Program Issues

SSA continues to face challenges in modernizing its disability programs, while seeking a balance between reducing initial claims and hearings backlogs and conducting oversight activities to ensure program integrity.

Modernizing disability programs. We designated federal disability programs as a high-risk area in 2003, in part because these programs emphasize medical conditions in assessing an individual's work incapacity without adequate consideration of the work opportunities afforded by advances in medicine, technology, and job demands.[14] Concerns have been raised that the medical listings being used lack current and relevant criteria to evaluate disability applicants' inability to work, and that by failing to consider the role of assistive devices and

[11]SSA's OIG contracted with Grant Thornton LLP to conduct the following reviews of SSA's Cost Analysis System and cost allocation methodology: SSA OIG, *Cost Analysis System Background Report and Viability Assessment*, A-15-10-20149 (April 2011); SSA OIG, *Office of Disability Adjudication and Review Cost Allocation Process*, A-15-10-20150 (May 2011); SSA OIG, *The Social Security Administration Cost Allocation Process*, A-15-10-20151 (Dec. 2011); and SSA OIG, *The Social Security Administration Cost Allocation Methodology*, A-15-10-20152 (June 2012).

[12]SSA's Cost Analysis System is used to allocate (1) administrative costs to trust fund and general fund programs administered by SSA and (2) reimbursable work performed by SSA for outside organizations.

[13]SSA officials told us that these data are statistically reliable at a national level and are combined with other data sources to forecast workloads. However, SSA has not yet assessed enough work sampling data to produce a refined estimate of the statistical reliability of workload calculations based on work sampling data.

[14]GAO, *High-Risk Series: An Update*, GAO-13-283 (Washington, D.C.: February 2013).

workplace accommodations, SSA may be missing opportunities to help individuals with disabilities return to work. SSA has recently taken steps toward comprehensively updating the medical and labor market information that underlie its disability criteria.

- As of March 2013, SSA had completed comprehensive revisions of its medical criteria for 10 of the 14 adult body systems and initiated targeted reviews of certain conditions under these systems, as appropriate, according to SSA officials.[15]

- SSA has recently made progress toward replacing its outdated occupational information system, including signing an interagency agreement with the Department of Labor's Bureau of Labor Statistics to design, develop, and carry out pilot testing of an approach to collect data for an updated system.[16] According to SSA officials, the agency still needs to determine exactly how many occupations it will include in its new system and the extent to which it might leverage aspects of the Department of Labor's existing occupational database, the Occupational Information Network (O*NET).[17] The agency also needs to determine the extent to which the new system will include cognitive information, according to agency officials. In addition, officials told us the agency has not yet formalized a cost estimate and lacks a research and development plan.

- SSA has also taken steps to more fully consider individuals' ability to function with medical impairments in their work or other environments, which is consistent with modern views of disability. However, SSA disagreed with our prior recommendation to conduct limited, focused studies on how to more fully consider factors such as assistive

[15]To determine an applicant's eligibility for disability benefits, SSA examiners assess the applicant's medical impairments against the Listings of Impairments, also known as the medical listings, which are organized into 14 major body systems for adults and reflect medical conditions that have been determined by the agency to be severe enough to qualify an applicant for benefits. According to SSA officials, there are almost 300 medical impairments organized in 119 listings under the 14 major body systems for adults.

[16]SSA evaluates claimants' ability to work in the national economy as part of its disability decision-making process. See 42 U.S.C. §§ 423(d), 1382c(a). The occupational information system provides information on jobs in the national economy.

[17]O*NET is a general purpose occupational information database used for workforce development, economic development, career exploration, and academic and policy research. Selected occupations within the O*NET system are updated each year.

devices and workplace accommodations in its disability determinations,[18] stating that such studies would be inconsistent with Congress' intentions. We noted, however, that Congress has not explicitly prohibited SSA from considering these factors and we believe that conducting these studies would put SSA in a better position to thoughtfully weigh various policy options before deciding on a course of action.

Managing workloads to reduce disability initial claims and hearings backlogs. Although SSA has reported progress with its disability hearings backlog reduction plan, the agency still faces challenges managing significant and persistent disability workload increases, both in terms of initial claims and hearings for appealed claims. SSA has generally increased the number of initial disability claims it has processed annually—completing over 3 million claims each year since fiscal year 2010—but the number of initial claims submitted by applicants has outpaced SSA's efforts. Thus, the number of claims awaiting a decision is also growing. SSA's 707,700 initial claims pending in fiscal year 2012 were 27 percent higher than fiscal year 2008 levels. To help manage workloads, Disability Determination Services share work nationally by shifting resources between DDSs on a weekly basis and dedicated teams in certain states assist by taking claims from states with the highest levels of pending claims. SSA also identifies claimants with the most severe disabilities and expedites decisions on these cases,[19] although they represented less than 6 percent of all initial determinations in September 2012.[20] The number of disability beneficiaries is projected to grow about 15 percent between 2012 and 2025. Most of SSA's regional

[18]GAO, *Modernizing SSA Disability Programs: Progress Made, but Key Efforts Warrant More Management Focus*, GAO-12-420 (Washington, D.C.: June 19, 2012).

[19]SSA has two initiatives to expedite cases for the most severely disabled individuals: Quick Disability Determination and Compassionate Allowances. Using predictive modeling and computer-based screening tools to screen initial applicants, the Quick Disability Determination identifies cases where a favorable disability determination is highly likely and medical evidence is readily available, such as with certain cancers and end-stage renal disease. With Compassionate Allowances, SSA targets the most obviously disabled applicants based on available medical information and generally awards benefits if there is objective medical evidence to confirm the diagnosis and the applicant also meets SSA's non-disability criteria.

[20]SSA derives this percentage by dividing the total number of initial disability claims identified as Quick Disability Determinations, Compassionate Allowances, or both, by the total number of electronic initial disability claims filed in September, the last month of the fiscal year.

commissioners told us that simplifying disability policy, such as by streamlining work incentive and work reporting rules, could also help staff better manage disability workloads.

SSA is processing more initial claims annually, but claims denied at the initial level can be appealed and often result in a request for a hearing by an administrative law judge. To reduce its hearings backlog, SSA has used strategies such as hiring additional administrative law judges and support staff, opening more hearings offices, and conducting more hearings via video conference. Our preliminary results indicate that, although SSA completed more hearing requests in fiscal year 2012 than in previous years, the agency fell short of its hearings completion target by more than 54,000 hearings, and at 321 days, the average wait time for hearings exceeded the agency's target by 41 days. At the same time, the agency eliminated most of its oldest pending hearing requests.

Ensuring disability program integrity. SSA also faces disability program integrity challenges due to budget decisions and the way it prioritizes competing workload demands such as processing initial claims. Continuing disability reviews (CDR) are periodic reviews that the agency is required to perform to verify that certain recipients still meet SSA disability rules. SSA reported that in fiscal year 2010, the agency did not conduct 1.4 million CDRs that were due for review, in part because of competing workloads. In June 2012, we also found that the number of childhood CDRs conducted fell from more than 150,000 in fiscal year 2000 to about 45,000 in fiscal year 2011 (a 70 percent decrease). During this time, the number of adult CDRs fell from 584,000 to 179,000.[21]

When CDRs are not conducted as scheduled, some recipients may receive benefits for which they are no longer eligible, and the agency may forgo future program savings. For fiscal year 2010, SSA estimated that every $1 spent on CDRs yielded $9.30 in savings, amounting to a total future savings to federal programs of $3.5 billion.[22] Although CDRs are a cost-effective way to help ensure that only those eligible for benefits

[21]GAO, *Supplemental Security Income: Better Management Oversight Needed for Children's Benefits*, GAO-12-497 (Washington, D.C.: June 26, 2012).

[22]This figure represents the present value of future benefits saved for OASDI, SSI, Medicare, and Medicaid. The estimate includes savings to Medicare and Medicaid because in some cases eligibility for SSI and DI confers eligibility for certain Medicare or Medicaid benefits.

continue to receive them, SSA officials reported that resource constraints have made it more difficult to balance competing workloads and remain current on the millions of CDRs it is required to conduct each year.

Information Technology

SSA has taken steps to modernize its information technology (IT) systems to help keep pace with workload demands, but some entities have identified additional areas that could be improved. In addition, increased risk exists that sensitive information could be exposed because of internal security weaknesses.

IT modernization efforts. SSA has begun to take action on several of our prior recommendations to improve the way it modernizes its IT systems.[23] For example, in May 2012, SSA released its Capital Planning and Investment Control guide. The guide describes the roles and responsibilities of staff under the agency's realigned IT organizational structure.[24] SSA also issued an updated IT strategic plan that covers 2012-2016 and supports the updated agencywide strategic plan. Furthermore, SSA officials told us that they intend to revisit the IT strategic plan annually and refresh it as appropriate. Our prior work indicates that SSA has not always had an updated IT strategic plan to guide its modernization efforts.[25] In the absence of regular updates, SSA based its IT modernization efforts on program activities that were tied to short-term budget cycles and not developed in the context of a long-term strategic plan. While we are encouraged that SSA issued an updated IT strategic plan, at present, it is too soon to assess the extent to which SSA will adhere to the plan and annual reevaluation cycle.

SSA is modernizing its IT systems, in part, to support a shift toward offering more online services. However, SSA's OIG has expressed

[23]GAO, *Social Security Administration: Improved Planning and Performance Measures Are Needed to Help Ensure Successful Technology Modernization*, GAO-12-495 (Washington, D.C.: April 26, 2012).

[24]In 2011, SSA significantly realigned its IT organizational structure—consolidating its Chief Information Officer (CIO) office with its Systems office—but did not conduct an analysis of the realigned functions and how the newly assigned roles and responsibilities would carry out the former Office of CIO functions. We previously recommended that SSA define the roles and responsibilities of realigned staff.

[25]GAO-12-495.

concerns that the agency is continuing to rely on its legacy applications.[26] Many of its programs are written in COBOL,[27] which is one of the oldest computer programming languages and is difficult to modify and update. The OIG noted also that the agency risks losing key institutional knowledge relating to COBOL programming and its increasingly complex information systems. According to the OIG, SSA has indicated that modernizing its legacy applications will ultimately reduce operating costs and improve service delivery. However, agency officials told us they have conducted analyses that show the costs of moving away from using COBOL currently outweigh the benefits. Accordingly, the OIG found that SSA has developed an approach to gradually reduce its reliance on COBOL for core processing of program transactions but has not yet articulated a formal strategy for converting its legacy programs to a more modern programming language.[28] SSA officials disagree that such a strategy is needed because they consider this programming language to be sufficient for their needs and point out that it is still used by other businesses.

Information security weaknesses. SSA uses and stores a great deal of sensitive information, but has been challenged to effectively protect its computer systems and networks in recent years. Our prior work states that it is essential for agencies to have information security controls that ensure sensitive information is adequately protected from inadvertent or deliberate misuse, fraudulent use, and improper disclosure, modification, or destruction. However, in fiscal year 2012, several concerns were raised about SSA's information security program.

- SSA's OIG identified weaknesses in some of the agency's information security program components that limited SSA's overall effectiveness

[26]SSA OIG, *The Social Security Administration's Software Modernization and Use of Common Business Oriented Language*, A-14-11-11132. (Baltimore, MD: May 2012).

[27]SSA relies on legacy applications programmed with Common Business Oriented Language, or COBOL. COBOL was introduced in 1959 and became the first widely used, high-level programming language for business applications.

[28]SSA OIG, A-14-11-11132.

in protecting the agency's information and information systems,[29] constituting a significant deficiency in the agency's information security program under the Federal Information Security Management Act of 2002 (FISMA).[30]

- The OIG has also noted that weaknesses in certain elements of the agency's information security program may challenge SSA's ability to use its IT infrastructure to support current and future workloads.
- The agency's independent financial auditor also identified a material weakness in information systems controls over financial management statements based on several concerns, many of which have been longstanding.[31]

SSA is implementing a multi-year plan to address many of these weaknesses. However, the OIG stated that one of the underlying causes for these weaknesses is that SSA needed to strategically allocate sufficient resources to resolve or prevent high-risk security weaknesses in a more timely fashion.[32] Though SSA officials emphasized that the

[29]These weaknesses were identified in the areas of continuous monitoring, configuration management, identity and access management, risk management, and contractor systems oversight. See SSA OIG, *The Social Security Administration's Compliance with the Federal Information Security Management Act of 2002 for Fiscal Year 2012*, A-14-12-12120. (Baltimore, MD: Nov. 15, 2012).

[30]FISMA was enacted as title III of the E-Government Act of 2002, Pub. L. No. 107-347, 116 Stat. 2899, 2946. According to OMB, a significant deficiency is a weakness in an agency's overall information systems security program or management control structure, or within one or more information systems, that significantly restricts the capability of the agency to carry out its mission or compromises the security of its information, information systems, personnel, or other resources, operations, or assets. In this context, the risk is great enough that the agency head and outside agencies must be notified and immediate or near-immediate corrective action must be taken. See OMB, *Memorandum for Heads of Executive Departments and Agencies: FY 2012 Reporting Instructions for the Federal Information Security Management Act and Agency Privacy Management* (September 27, 2012).

[31]In this context, the external auditors, Grant Thornton, defined a material weakness as one or more deficiencies in internal controls such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

[32]SSA OIG, A-14-12-12120.

information security risks identified were internal,[33] inappropriate internal access to or misuse of sensitive information can have a significant impact. For example, according to the OIG, in 2012, a former SSA employee was found to have used her position to provide personally identifiable information to a person outside the agency, who is accused of using the information for criminal purposes.

Physical Infrastructure

SSA is taking steps to centralize its facilities management, which may standardize facilities decisions, but our preliminary results show that the agency lacks a proactive approach to evaluate its physical infrastructure and identify potential efficiencies.

Centralizing facilities management. SSA is beginning to centralize its facilities management, but officials indicated it may lead to a trade-off between efficiency and flexibility. The agency administers its programs and services through a network of over 1,700 facilities, at an annual cost of approximately $1 billion.[34] The agency has had a more decentralized facilities management process, but officials told us they are currently moving all facilities management under SSA's Office of Facilities and Supply Management (OFSM). Some officials said that centralization can lead to greater efficiencies and standardization, but cautioned that there may be less flexibility and awareness of local circumstances—such as the layout of specific buildings—at the regional level.

Limited facilities planning efforts. A contractor hired by the General Services Administration (GSA) is currently working on a long-term plan for SSA's headquarters facilities, called the Master Housing Plan.[35] An SSA official told us that the contractor has solicited input and feedback from the agency on the draft plan. However, an SSA official told us the agency

[33]The OIG and external auditors did not perform external penetration tests during their audits.

[34]These facilities fall into three categories: 33 headquarters facilities located predominantly in the Baltimore/Washington, D.C. metropolitan area; an extensive network of field-based facilities used to process initial claims and post-entitlement actions, including nearly 1,300 field offices; and approximately 350 facilities that carry out the agency's disability adjudication and review process.

[35]Earlier drafts of the Master Housing Plan were developed by GSA and maintained by OFSM. For the current stage, GSA engaged a contractor to carry out the study, according to SSA officials.

lacks a comprehensive planning effort that encompasses all of the agency's facilities, including nearly 1,300 field offices.

Efforts to reduce office space. SSA officials told us the agency is engaged in ongoing efforts to reduce the footprint of its headquarters facilities. According to an SSA official, vacant space in headquarters facilities has increased during the past few years as a result of the shrinking workforce.[36] SSA officials told us that OFSM is analyzing the space needs of all offices in the headquarters area and will reassign space according to staffing levels and other criteria. According to an official, SSA's efforts were motivated by several factors, including an OMB directive[37] to make more efficient use of federal office space; the agency's ultimate goal of terminating all commercial leasing in the headquarters area; and, to a lesser degree, reducing current vacancies in headquarters.

In addition to these headquarters-focused efforts, SSA is reducing office space in the field as opportunities arise, but our preliminary work shows that it lacks a proactive plan to assess field facilities for potential space reductions. When OFSM reviews a field-based space action (e.g., lease renewal, move, renovation), an SSA official told us that the proposed action is assessed to identify if there are opportunities to reduce or otherwise change the facility's space allocation. However, OFSM's standards do not call for wholesale reductions or reconfigurations of existing space. SSA has established a workgroup that is developing guidance to help identify opportunities to reduce space by co-locating certain field-based facilities, such as field offices and video-based disability hearing offices, but the workgroup's proposals need to be reviewed and it is not yet clear if the agency will adopt them.

Considerations for realigning the facilities structure. SSA has been advised to consider aligning its facilities structure with its changing methods of providing services. For example, the OIG reported in 2011

[36]This official estimated that, as of February 28, 2013, there were approximately 800 to 1,000 vacant workspaces in SSA headquarters facilities.

[37]In May 2012, OMB's Acting Director released a memo, which calls for agencies to make more efficient use of the government's real estate assets and generally prohibits agencies from increasing their real estate inventory, or footprint. See OMB, *Memorandum to the Heads of Executive Agencies and Departments: Promoting Efficient Spending to Support Agency Operations* (May 11, 2012).

that SSA's long-term planning efforts should assess whether the agency's existing office structure will align with future methods of providing customer service.[38] In 2011, the Social Security Advisory Board suggested that as SSA continues to increase electronic service delivery, it adapt its organizational structure to maximize the effectiveness of the agency's transformation. In prior work, we have also reported that federal agencies may be able to increase efficiency and effectiveness by consolidating physical infrastructure or management functions.[39] Several agencies—including the Internal Revenue Service, the U.S. Postal Service, and the Census Bureau—plan to or have already undertaken consolidation efforts to achieve efficiencies and save money. At the same time, SSA has long considered face-to-face interaction to be the gold standard of customer service, and an official has told us that any changes away from that model would represent a major cultural shift for the agency.

SSA has begun to take advantage of opportunities to consolidate or co-locate offices in the regions. SSA regional commissioners told us that field offices have been consolidated in most of its of 10 regions and several regions have co-located with the Office of Disability Adjudication and Review to provide space to hold disability hearings within field offices.[40] These consolidations and co-locations can save money on rent and guard services. Regional commissioners told us that a single office consolidation can save up to $3 million over a 10-year period.

Despite these actions, our preliminary work indicates that SSA has not engaged in a systematic analysis of potential approaches for consolidating its facilities or realigning its facilities with the agency's evolving service delivery model. The National Research Council recommends that federal agencies use their organizational mission to

[38]SSA OIG, *The Social Security Administration's Customer Service Delivery Plan*, A-07-11-01125 (Baltimore, MD: July 2011).

[39]GAO, *Streamlining Government: Questions to Consider When Evaluating Proposals to Consolidate Physical Infrastructure and Management Functions*, GAO-12-542. (Washington, D.C.: May 23, 2012).

[40]SSA officials told us that offices are consolidated by closing an office and moving its staff into another office. Consolidations often occur by merging two offices that are located very close together, or when staffing in one office has fallen below levels needed to sustain the office. In cases where offices are closed because of prohibitively low staffing levels, the remaining staff are generally absorbed into nearby offices.

guide facilities investment decisions and then integrate these investments into their strategic planning processes. We previously reported that agencies should consider the potential costs and benefits of any widespread efforts to consolidate physical infrastructure before embarking on such an action. To support its rationale for consolidation and assess the potential impact and challenges of consolidation, we suggested that agencies consider issues such as how to fund up-front costs associated with consolidation and the effect on various stakeholders.

SSA's Planning Efforts Are Not Adequate to Address the Long-Term Nature of Its Management Challenges

SSA has ongoing planning efforts, but we have identified two major areas in which these efforts may fall short in addressing the long-term nature of the agency's management challenges: (1) its planning efforts are short-term and do not adequately address emerging issues, and (2) it lacks continuity in its strategic planning leadership.

Need for longer-term efforts to address emerging issues. SSA's planning efforts, from an overall strategic plan to its service delivery plan, typically look no more than 5 years out. For example, SSA is finalizing a service delivery plan, but the draft document primarily contains detailed plans for the next 5 years and focuses on existing initiatives rather than articulating specific long-term strategies for the agency's service delivery model. While the draft service delivery plan acknowledges the need to assess the agency's workforce structure, it stops short of providing a vision for how the workforce structure should best make use of expanded virtual and automated service delivery channels. The plan also states that issues such as the need to strategically develop and place self-service options and to determine whether the Internet should be the primary service delivery mechanism for certain services, will need to be considered over the next 6 to 10 years, but it does not provide a specific strategy for how to resolve these issues. Further, the plan does not articulate SSA's long-term costs and benefits for its investments, such as the specific impact that moving to online services is expected to have on backlogs and workforce needs. For many years, we have recommended that SSA develop a comprehensive service delivery plan that outlines

how it will deliver quality service while managing growing work demands within a constrained budget.[41]

Similarly, our preliminary work shows that SSA's current strategic plan largely describes the continuation, expansion, or enhancement of existing activities, rather than proposing new initiatives or broad changes to address emerging issues. One of the goals of the agency's strategic plan is to increase the public's use of online services, but several SSA officials and representatives of one SSA management group told us that this shift will not be sufficient to address growing service demands. For example, as discussed earlier, to meet service challenges, some officials said the agency will also need to simplify its disability policy and develop a strategy for meeting the needs of individuals who may not have access to computers at home or who may not be computer literate. At the same time, however, some SSA officials noted that the agency may need to limit the number of days per week that field offices are open to the public to contain costs.

Various groups have called on SSA to acknowledge emerging long-term issues by articulating them in a longer-term strategy. In 2011, the Social Security Advisory Board called for SSA to develop a strategy for service delivery through 2020 that will serve as the cornerstone for its IT, human capital, policy review, and organizational restructuring plans.[42] The SSA OIG also called on SSA to prepare a longer-term vision to ensure that it has the programs, processes, staff, and infrastructure necessary to provide service in the future.[43] Several SSA officials we spoke with told us that developing a long-term service delivery plan should be the next Commissioner's top priority. Moreover, regional commissioners and field

[41]See GAO, *Social Security Administration: Service Delivery Plan Needed to Address Baby Boom Retirement Challenges*, GAO-09-24 (Washington, D.C.: Jan. 9, 2009); *Social Security: Sustained Effort Needed to Improve Management and Prepare for the Future*, GAO/HRD-94-22 (Washington, D.C.: Oct. 27, 1993); *SSA's Management Challenges: Strong Leadership Needed to Turn Plans Into Timely Meaningful Action*, GAO/T-HEHS-98-113 (Washington, D.C.: Mar. 12, 1998); and *Social Security Administration: Effective Leadership Needed to Meet Daunting Challenges*, GAO/HEHS-96-196 (Washington, D.C.: Sept.12, 1996).

[42]Social Security Advisory Board. *A Vision of the Future for the Social Security Administration* (Washington, D.C.: March 2011).

[43]SSA OIG, *Fiscal Year 2012 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges*, A-02-13-13041 (Baltimore, MD: Nov. 2012).

managers said that such a plan could help to clarify issues such as what services will be available online in the future, how these services will be implemented, how IT modernization will support service delivery, and which offices will have responsibility for different workloads. SSA prepared its last long-term agency vision—which covered a 10-year period—in 2000, motivated by many conditions which remain true today, such as increasing workloads, advances in technology, and employee retirements.

Senior agency officials told us that as an agency, SSA generally views long-term planning as a secondary responsibility and is more focused on addressing short-term, tactical issues. Several officials also noted that uncertainty about budget resources has made it difficult for SSA to engage in multi-year planning. One official commented that as a result of its budget situation, the agency has been reactive and failed to consider big picture issues. Strategic planning literature notes the success of organizations that are flexible and adaptive; these organizations plan for different scenarios and consider strategic options.

Need for continuity in strategic planning leadership. The GPRA Modernization Act of 2010 charges top agency leadership with improving agency management and performance.[44] SSA previously had an Office of the Chief Strategic Officer, which was responsible for overseeing strategic planning. This office worked with all SSA components to prioritize initiatives that would help the agency meet its goals and determined how to link these initiatives to the agency's budget. However, the office was dissolved in May 2008, and since that time the agency has not had an office dedicated to strategic planning. Senior officials said that SSA should dedicate a position, such as a chief strategic officer, that will report directly to the Commissioner and be solely responsible for strategic planning in order to bring sustained, focused attention to long-term management challenges.

Concluding Observations

In conclusion, the challenges SSA faces will substantially affect its ability to address critical concerns in the coming years. SSA's efforts to meet many of its management challenges have been complicated by budgetary constraints and continued uncertainty about the current and future fiscal

[44]Pub. L. No. 111-352, §8, 124 Stat. 3866, 3878 (2011).

environment. Despite these constraints, the agency will need to balance competing demands for resources—both in terms of managing day-to-day budget decisions and planning for emerging and long-term budget issues. SSA already manages a substantial and diverse workload and the demands on SSA from new retirees and individuals with disabilities will continue to grow.

SSA's new Commissioner will face wide-ranging challenges that will require a comprehensive, long-range strategy that current planning efforts do not adequately address. In the absence of a long-term strategy for service delivery, the agency will be poorly positioned to make needed well-informed decisions about its critical functions, including how many and what type of employees SSA will need for its future workforce, how the agency will address disability claims backlogs while ensuring program integrity, and how the agency will more strategically use its information technology and physical infrastructure to best deliver services.

Chairman Johnson, Ranking Member Becerra, and Members of the Committee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

Contacts and Acknowledgments

For further information about this testimony, please contact me at (202) 512-7215. Michael Alexander, James Bennett, Jeremy Cox, Larry Crosland, Alex Galuten, Isabella Johnson, Kristen Jones, Anjalique Lawrence, Sheila McCoy, Christie Motley, Walter Vance, Kathleen Van Gelder, and Jill Yost also made key contributions to this statement.

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Chairman JOHNSON. As is customary, we will ask questions. In each round I will limit my time to 5 minutes and ask my colleagues to also limit their time during the questioning session.

Mr. O'Carroll, one of the concerns I have is the safety of Social Security's huge databanks of sensitive information. I understand you share this concern and, in fact, have raised a red flag, Social Security's first-ever material weakness in their audit report be-

cause internal systems could be accessed by auditors. Social Security was warned about this the year before and did nothing.

Tell me, have they fixed the problem?

Mr. O'CARROLL. Mr. Chairman, it is an ongoing process of repair on it. I must say that the Acting Commissioner has made it a priority, and as a result of that my office and Grant Thornton, the contract auditor that identified the problems, meet probably on a monthly basis with the agency. We met as recently as last week, management teams, to discuss it. They have tiger teams working to correct the problem on it. So I must say SSA is aggressively taking steps to identify the issues that were raised, and we are hoping that they will be able to alleviate the problem as soon as possible. So I have to say we are on top of it, we are watching it very closely, and I am seeing at least a commitment on the part of SSA to fix it.

Chairman JOHNSON. Well, are they accessing that system from outside or at the local offices or up here?

Mr. O'CARROLL. The way they are doing is, is that they have—they, Grant Thornton, hires hackers that are constantly pinging SSA to see if there are any vulnerabilities. And what they were finding is, is that by not outside, which is good news, so it is not an external penetration on it, but from internal use of any of the—what they are doing is, is that by accessing internal systems in SSA, they can get much better permissions and then get deeper into the security functions. That is what happened last year, and that is what is being prevented now.

Chairman JOHNSON. Are they stealing Social Security numbers?

Mr. O'CARROLL. No, they are not. And what that is, is it is really, as I said, it is internal, there hasn't been any extent of where they are being able to do it from externally or a different country doing it or anything else. So at the moment the internal ones are being fixed.

Chairman JOHNSON. Well, for both of you, do you believe the way Social Security serves the public today will work in the future? And if not, what does Social Security need to do to modernize the way it does business? You going to let Bertoni go first?

Mr. BERTONI. I think one area, it is structural in design but it really has an operational aspect here, and it is the agency really needs to modernize its medical and vocational criteria and develop an occupational information system that is really reflective of what it means to have a work disability in this country, what jobs are in the national economy. We have long said that they need that, to have criteria that is more reflective of what it means to be disabled today.

We know they are working on modernization of their criteria, they are moving forward with an occupational information system. They are behind. We have some real concerns with design and implementation. But if they get this right, I think it really has operational implications to help them free up resources that they are now expending and sometimes not expending and to the great concern of the Congress. That is, if we can really get people on the rolls who are truly reflective of what it means to be disabled today, we will likely have less instance of folks violating the work rules,

going out and working later on. In essence they are having to chase that money through the work CDRs and the medical reviews.

Right now we know that the bulk of overpayments in the work at the back end is to follow up on work activity. So if we really have a system that says you cannot work in the national economy, there is no job in the national economy for you, then perhaps you will have fewer folks wading into this unauthorized work activity and in essence having to chase it at great administrative cost and the Congress asking them why they are not doing that work because they are making some priority choices.

Beyond that, I think there are real opportunities to look at services that they should be providing, modes of services, electronic access, online access, smart phones, kiosk in remote locations. Those are ways to leverage their limited resources and to work smarter. I think they need to be part of that vision, to say: Here is where we can move, here is where it is not feasible, and here is what it is going to cost for us to do that.

Chairman JOHNSON. How many of those are you catching every day in the IG's office?

Mr. O'CARROLL. We are catching quite a few of those. And I will go into those a little bit more in depth later. But I agree with what Dan said in terms of electronic service. That should be the role of the future.

Chairman JOHNSON. Okay. My time has expired.

Mr. Becerra, you are recognized.

Mr. BECERRA. Thank you, Mr. Chairman.

And once again thank you for the work that you are doing and we hope that you will continue to work—I know you are going to continue to work with Social Security Administration on this. And we need to make progress on technology, the modernization, and I hope we are able to do that, because the workload for Social Security is not going to decrease, it is going to increase.

And I think, Mr. Bertoni, in your, I think, if I am looking at your testimony, your written testimony, you point out that, in a chart, back in 2002 there were 50.8 million, about 51 million Americans who were receiving benefits from Social Security. So 51 million Americans who were coming into Social Security to get services; 2012, last year, 62 million Americans receiving benefits and services. By 2025 the projection, 85.5 million people. So it is not going to stop, it is just going to grow. And so we have got to deal with the fact that we need the capacity to deal with more folks quickly and accurately so we don't pay out benefits to people who don't deserve them and we don't delay benefits for those who have earned them.

But I think you would agree that you need people to do some of this stuff. It would be great if we could handle this through just automation and computers, but we will need people, and the growing workload will require you to have smart, intelligent people. And I think you point out that the folks that Social Security seems to be losing now with these budget cuts are people who are very experienced. The retirements, the chart that you point out, retirements, it is a little ominous. We are losing a lot of the folks who have done the work for a long time, and we may not have the re-

sources at the Social Security Administration to do the training for any folks who might come in.

The worst part of this, of course, is the Social Security has a hiring freeze, right, so they are losing experienced people and they are not able to hire folks to replace them. Is that a good prescription to try to deal with the growing workload that we have?

Mr. BERTONI. I think the prescription for dealing with the growing workload is certainly to have the right people in the right place at the right time with the correct knowledge, skills, and abilities. And there is no question that the agency is stretched to the limit, near limits, in what they are doing with the staff they have now. But I do believe world class organizations, regardless of the budget situation, you have to do something. And right now it looks like there is almost no succession plan. We have been told this was a luxury. But I don't think it is a luxury. I think it is more than that. I think there are opportunities to leverage what they are doing in the human capital office to have some level of succession planning.

Mr. BECERRA. Have you had a conversation with the interim administrator, Social Security administrator, on what she plans to do on this issue of successor——

Mr. BERTONI. Ms. Colvin? Ms. Colvin.

Mr. BECERRA. Yes.

Mr. BERTONI. No, we have not. We have talked to folks in the offices associated with——

Mr. BECERRA. As I said, Mr. Chairman, Ms. Colvin should be here. We should be able to hear from her. Because when you tell us you testify about things that need to happen, it would be great to then say: So, Ms. Colvin, what do you say? How do you respond?

Your testimony is critical. But we are missing a piece. We are missing a piece from the folks who could tell us, well, this is what we are trying to do in response to what we have been told by GAO or the Inspector General. We should have someone at this table who is from the district offices who could say, we would love to do what Mr. Bertoni is asking us to do, but this is the problem, or this is what we are doing. We are missing that. And of course the person who actually receives the service at the end of the day, the person who paid for your salary, my salary, and put the money in the bank for Social Security so the benefits could be paid, the American person, the American citizen, beneficiary, not here.

This is a good hearing, but it is an incomplete hearing. And I hope we don't give people this impression that this is all we can do, is talk to two very important witnesses without hearing from the others as well.

Mr. Bertoni, you mentioned in your testimony the growth in the caseload. What has happened to Social Security Administration's budget in the last 2, 3 years?

Mr. BERTONI. It has remained fairly static.

Mr. BECERRA. Okay, steady. While the caseload keeps growing its budget number—is the budget today as big as it was in 2011?

Mr. BERTONI. I believe it is.

Mr. BECERRA. In 2010?

Mr. BERTONI. I can get those figures. I don't have them specifically.

Mr. BECERRA. My understanding is that the budget today has gone down to what it was back in 2010, and in those 3 years we have added hundreds of thousands, if not millions of people to the caseload.

So by the way, I think a point we should make, Mr. Chairman, is that Social Security has money to pay for its administration. We pay taxes for that. As I mentioned before, about one penny out of every dollar that people contribute in taxes is used for the cost of administration. We are shortchanging SSA from the ability to provide services to people who paid for those benefits even though the money is there to pay for the cost of administering the programs. Unlike other agencies in the Federal Government, Social Security does have money to pay for administration and it does it very efficiently. But once again we don't have anyone from SSA to tell us about that.

And with that, I will yield back the balance of my time.

Chairman JOHNSON. Mr. Renacci, you are recognized.

Mr. RENACCI. Thank you, Mr. Chairman. And I want to thank the witnesses for being here.

You know, it is interesting, as I hear, we talk about budget cuts and operations, I think of being a small business owner for almost 20 years and a CPA who had to deal with many small business owners who every day had to get up with limited dollars and get things accomplished and still provide the same services. So I am not sure it is always budget issues. I think sometimes we are really have to be more efficient.

We have a program here in Social Security that we need to make sure is solvent for the long term, that its systems are working properly. But it is interesting because I was sitting here listening, I am thinking, boy, as a small business owner, which there are many of them out there in America right now listening, they wish they had more money but they know every day they have to run more efficiently with what they have. And I think that is probably the most important thing that I hope here in the government we can start doing, living with bringing efficiencies into the system.

So a couple things, though, when I think about some of the issues that we are talking about, we are talking about a Commissioner and having the Acting Commissioner here. Mr. Bertoni, we have had acting managers in the business world. We real really need a Commissioner. It would be probably important if the administration would nominate a Commissioner so we can move forward. But what can an Acting Commissioner do when he or she knows that maybe another Commissioner will come in and change things?

Mr. BERTONI. I think that is an excellent question, and I think if you look government-wide whenever we have acting situations you don't see big, bold moves. You are going to see administration of the current priorities and the recent priorities of the prior Commissioner. I think it is very difficult for an Acting Commissioner to be big and bold and to begin to articulate a vision that represents considerable change to convince folks in the agency who will be there when they potentially leave, if they don't convert to the Commissioner, and to convince you all that you should buy into some grand vision for change.

So I do think that the acting status is not helpful to SSA for an extended period of time.

Mr. RENACCI. Mr. O'Carroll, I think in your testimony you talked about a system, it has not been updated since 1976, I am talking about the Social Security time and cost accounting systems. I understand this has been covered in a series of audits. Tell us what you did find and what actions Social Security has taken in response to that.

Mr. O'CARROLL. Yes, Mr. Renacci. What we found is, is that basically that system is not capturing the work level that it is reporting. And when you think back in the 1970s when it was designed, it was basically taking a look at different functions that SSA was doing. And since then computers have taken over a lot. A lot of the workload that was done in paper and tally sheets and that type of information has all been replaced by computers. So what we are hoping for is that SSA would start updating that system so it would be more reflective of the workloads that it is reporting.

And the other part is anything that goes back to the 1970s isn't as automated, and a lot of the information is manually put into it, and when you have the manual input in these days that is where oftentimes you are having your problems in terms of, it is when we did our audit we were finding that the accuracy level was very low when it is done manually.

So again it is a top priority, SSA's Acting Commissioner is looking at this, Grant Thornton gave a briefing on it about 2 weeks ago, and we are doing everything we can to support having that updated.

Mr. RENACCI. Mr. O'Carroll, can you also talk about the work incentive simplification pilot? Could you tell us a little more about the pilot program? And do you feel it could yield savings?

Mr. O'CARROLL. Yes, Mr. Renacci. To be truthful, I can't really comment on it because it is a pilot that is being done by SSA right now trying to simplify the work incentives on it. One of the other thing that we have worked on is Ticket to Work, and we are finding that that hasn't been all that successful, and we are finding that the work incentives simplication program is going to probably be—what we are hoping for is better than the Ticket to Work in terms of simplifying the incentive program.

Mr. RENACCI. Thank you. I see my time has run out. I yield back.

Chairman JOHNSON. Thank you.

Mr. Thompson, do you care to question?

Mr. THOMPSON. Thank you, Mr. Chairman. I do. Thank you for holding the hearing.

And thanks to both of you for the work that you are doing.

Mr. O'Carroll, there have been a number of reports lately, most of these have been on the radio, portraying Social Security disability as the new unemployment. Can you comment on that?

Mr. O'CARROLL. Yes Mr. Thompson. Well, first I guess was it last month that the actuary of Social Security testified before this committee and was talking about how a lot that is effecting the rise in the number of claims that are going towards SSA is being driven mostly by demographics. And one of the things that we have been finding and I think everybody has found is, is that there has been

a 93 percent increase in unemployment, and at the same time there has been about a 33 percent increase in disability claims towards SSA. So we are finding that they are not necessarily rising dramatically or identically.

And what we are also finding, too, is, is that the SSA's amount of allowances has been decreasing. So again it hasn't been SSA is putting more people on the rolls. In fact, they are decreasing the number of allowances that are happening. So again I think what we are trying to, or at least what the agency was trying to do and the actuary is saying is, is that at this point now 10 years ago they were predicting that there would be the raise in the amount of people applying for disability mostly because the demographics of the baby boomers are all coming into that time period. They are of the age 50-plus, which is the time when most disabilities are being reported. So is that sufficient?

Mr. THOMPSON. Thank you.

Mr. O'CARROLL. You are welcome.

Mr. THOMPSON. Also in your testimony you estimate that for every dollar that is spent on continuing disability reviews that you yield $9 in savings. And you also note that there is a little over a million cases in backlog. So if your budget were increased or if it hadn't been cut to the extent that it been over the course of the last 3 years, would that help process this backlog and maybe even return some money for the program?

Mr. O'CARROLL. Absolutely. Something that we have been insisting on is that SSA has to do that balance between stewardship and service. And what oftentimes happens is, is that SSA feels that when resources decline, they are going to go more for service than for the stewardship. And just as we were saying, is you get anywhere from 15 to 1 on a work CDR, you are getting about a 9 to 1 on a medical CDR. And then again if you even do with redeterminations are a 7 to 1. That is why we are usually saying it is averaging out right in the 9 to 1 range on the benefit of them.

One thing that we feel on it is, is that it is really an SSA decision where they put their resources, and what we are hoping for is, is that they put more resources towards the redeterminations in the continuing disability reviews no matter what, that should always be a priority when they are balancing out the service and stewardship. But it is a decision that management at SSA makes.

Mr. THOMPSON. Thank you. My last question is a little out of the ordinary and I apologize upfront for asking it. But since Congress has been talking about ways to minimize or prevent gun violence prevention, I know my office, I don't know about the rest of you all, but we have had an inordinate number of contacts from people who are claiming that the Social Security Administration, along with I believe NOAA, is stockpiling hollow point bullets.

Are you all trying to take over the world? Or is there some explanation for this?

Mr. O'CARROLL. Believe it or not, I have got this answer quite well because I just testified with another committee yesterday about this. One, what we are trying to do—or, one, all of our agents are 1811 law enforcement officers. And part of our having law enforcement authority is that we have to qualify with our duty weapon on a quarterly basis. And what happened was is that when we

did a procurement about a year ago for more ammunition, the Web sites picked it up and the blogosphere had it out that we were arming Social Security offices and bringing ammunition in should there be civil unrest.

Mr. BECERRA. You may have to do that if you keep cutting the number of employees.

Mr. O'CARROLL. And then what we reported back, in fact, to the Chairman on it and we put it on our blog was that the number of ammunition that we order is identical to the amount that we shoot every year for our qualifications, and it is not like we are trying to stockpile weapons. And I have to say, give ourselves a plug, is yesterday we credited with keeping better track of all the ammunition that we have in comparison to the Department of Homeland Security. We were used as sort of the model for accountability when it came to the ammunition that we have.

Mr. THOMPSON. Well, thank you. I will sleep better tonight.

Chairman JOHNSON. I remember in Korea and Vietnam we didn't have to account for them, we just shot them.

Mister——

Mr. TIBERI. Me?

Chairman JOHNSON. Yeah, you.

Mr. TIBERI. Is that a yes or a no?

Chairman JOHNSON. Tiberi, you are recognized.

Mr. O'CARROLL. On civil unrest or——

Mr. TIBERI. On Mr. Thompson's question.

Mr. Bertoni, have you ever been to Disney World.

Mr. BERTONI. Yes.

Mr. TIBERI. Been there lately?

Mr. BERTONI. Yes.

Mr. TIBERI. Pretty special place.

Mr. BERTONI. Agree.

Mr. BECERRA. Careful now.

Mr. TIBERI. This has nothing to do with this particular testimony that you have, but you are an auditor. Does it ever cross your mind of what you do at GAO and where you audit, wow, what they do at Disney World is pretty special in terms of something Mr. Renacci talked about, efficiency, stewardship, and service that you mentioned. I was thinking of that when you all were talking. And by the way, one of my daughters recently said, boy, all these people are so nice, people who work there, whether they were 18 or 80 and in between, everybody was so nice and they weren't getting paid $100,000 to be nice. The culture was unbelievable.

Have you ever thought as a GAO auditor that maybe there is something that we could do at the Federal level to change the culture, that it is not all about money, that it is about efficiency, service, stewardship? What can we do to implement what you talked about, what you found concerning succession planning, disability issues, information technology, and physical infrastructure? Some of that has to do with money, but does it all have to do with money?

Mr. BERTONI. I would say no. And to all due respect to Mr. Becerra, I think most agencies today would say we could use more resources. But I don't see a lot of resources on the horizon. So efficiency and stewardship has to come into play. And again I think

even with the resources they have been given over the last several years, while some might think that is insufficient, I can give you numerous examples where SSA has rolled out initiatives to fix the disability programs and make it better that were poorly designed, were poorly implemented, and never evaluated. So when you look at funds expended versus funds received, efficiency didn't wring out. And we have had numerous occasions where a backlog reduction initiative had made it worse.

So I think there are opportunities to lay some of this on the management doorstep, say you need to work more efficiently within the resources you have, you need to define business plans, define plans that articulate return on investment, evidence of due diligence before you strike out on very large pilots and demonstration projects. We haven't seen that. I have been in this business for many years, and we haven't seen enough of that.

We certainly are frustrated. I can understand frustration on the part of the overseers who, when the agency comes to the table for more resources, these business plans, these documents that would document return on investment, if you give us X, we can deliver Y, we haven't seen, I think, if they could come to the table in some critical areas with those information, I think the Congress would have more information to make those funding decisions, better information.

Mr. TIBERI. So I know you don't have the ability to audit Disney, but would it be worthwhile for GAO to maybe give maybe some additional guidance to some of these agencies based upon what other people have done successfully to use fewer dollars to implement better programs?

Mr. BERTONI. Absolutely, and we do that on a regular basis.

Mr. TIBERI. You do already do that?

Mr. BERTONI. We can talk best practices, we talk what is common in the various communities for managing backlogs for demonstration projects, pilots, years and years of recommendations. Sometimes they take them up, sometimes they don't.

Mr. TIBERI. Mr. O'Carroll, you have provided some information to Social Security, I understand, in your testimony where they could save billions of dollars based upon your audits, but they have not implemented them. Do you know why?

Mr. O'CARROLL. Mr. Tiberi, again this would probably be best answered by the agency on it. What we do is, is we track what recommendations that we make and then go back to see which ones have been implemented by the agency.

Mr. TIBERI. But you would contend that you have made recommendations for them to save billions of dollars that has not been done yet?

Mr. O'CARROLL. Yes. Amongst which is the continuing disability reviews that we just talked about. Billions could be saved if they were done on a regular basis and prioritized.

Mr. TIBERI. Would you argue as a taxpayer that maybe we should make sure that those recommendations are done before more money is given?

Mr. O'CARROLL. Yes. But what I would do on that same line, Mr. Tiberi, would be is if this committee or the appropriators could designate that CDRs have to be done, make it a condition on any

type of appropriation that they get that they have to do a certain number of them. And in the past that has been designated in the appropriation and they were done and at that time it was very efficient.

Mr. TIBERI. Thank you. I yield back.

Chairman JOHNSON. Is it a lack of people to do those follow-up things or money?

Mr. O'CARROLL. I think it is probably a combination. I think it is prioritizing, deciding which ones are the most important things to do for the agency. And that is what we have always said is, is that, as everybody, when you have a pot of money in front of you, you have to make your decisions which area you want to put it into. And our feeling is, is that in the fraud prevention and the identifying of money before and after is important.

Chairman JOHNSON. Thank you.

Mr. Griffin, you are recognized.

Mr. GRIFFIN. Thank you, Mr. Chairman.

Thank you all for being here today. I suspect if you went around the city of Washington and brought just about any agency in to Congress and asked them if they needed more money, I don't know one that would say that they have got sufficient money.

When I look at this, particularly with the systems that are used, and it is not just Social Security Administration, it is throughout government, there is a lot more going on than just funding.

The VA has a big backlog, and their computer systems can't talk to DOD. Now, a lot of that has to do with, I think, contractors making unique systems so they will have jobs forever. And this goes on all around Washington.

It seems to me that asking for more money to support a 1976 accounting system is like a race car driver telling us that if we will just give him more money he can win with his 1975 Pinto.

Mr. GRIFFIN. It can't happen. It just can't happen. And the sad thing is, it is not just Social Security Administration. Pick the agency. Just pick one. They are all top down. They are all lost in the old. They are all working on 20-, 30-, 40-year paradigms. They are trying. They are trying. But look at what the VA has done with the backlog. It is disgusting. It is ridiculous. And a lot of it is not that they need more money. It hasn't worked with the VA. We throw money away.

And so what a lot of us are saying is, show some innovation, change your culture, do things differently. Maybe you are hampered in large part by the laws that this Congress has passed, the civil service system or whatever, you know. Congress can bear some blame there. But the idea that you are going to give more money to a Federal agency and everything is going to be just okay, it is just a bunch of nonsense.

I was running with a general down the mall the other day and I said, how is sequester affecting DOD? And he said, you know, you are not going to hear this a lot but I am being told at the Pentagon that we may not be able to spend all the money.

And I said, what?

He said, yeah, you know, we are going to find places to spend it.

I met with a commander at an air base in my district who said—I asked him about sequester—he said, you know, in a weird way I think the Air Force is going to be stronger than ever.

I said, really?

He said, we have never had to make choices before now. We have always had plenty of money to waste. And now we have to make smart decisions. That is the commander.

So, you know, I think that innovation and efficiency and reform is the path forward. And I want to ask you, Mr. Bertoni—and I enjoyed our meeting in our office and I know we are going to have some more. I think you are doing some great stuff.

Mr. Bertoni—and since I have talked with you so such, I am going to ask Mr. Bertoni a question—a recent GAO report looked at the technology spending and how it is divided between maintaining and investing in new technology. Could you talk a little bit about that split and why maintenance costs have been growing so rapidly?

Mr. BERTONI. Actually, that wasn't a part of the scope of this review, so I am not your best expert to touch on those issues. That had to do with sort of rise of maintenance costs versus the decision to go to new modernized technology. I believe that report noted that there are a range of factors that can drive maintenance costs, including salaries, but that report made no definitive linkage between what actually was the driver of those costs.

So I would defer to our IT folks, happy to submit a question for the record. I do know from an IT standpoint at SSA, they had historically not had sound or rigorous business plans to justify why they are moving forward on expensive initiatives, on initiatives in general.

Mr. GRIFFIN. So they are buying systems, spending money on systems that may or may not be part of a coherent plan. Is that what you are telling me?

Mr. BERTONI. Exactly. They didn't have sufficient business plans to support investment or metrics that could be used to prove how this initiative will have an impact on the area that it was being applied to. We have made recommendations that they do so, that they have a more rigorous business plan. That is a good thing. We also know that they haven't historically updated their IT strategic plan and they haven't adhered to it. Instead, they have tended to be bound by the shorter-term budget cycle.

We have recommended that they continue to update this plan; that they abide by it; that they remain consistent with their longer-term goals. And hopefully that will result in a more strategic purchasing of the systems they need to make the process work better. We have those recommendations. I believe they have agreed, and what we are waiting to see is how they play out.

Again, that is another team. I can get you a more definitive answer. If you want to submit that for the record, we can certainly do that.

Mr. GRIFFIN. That would be great. Thank you so much. Appreciate you.

Chairman JOHNSON. Thank you.

Mr. Schock, do you care to question?

Mr. SCHOCK. Thank you, Mr. Chairman. And thank you both to our witnesses. I think a lot of good comments have already been made, but particularly I want to follow up on a line of questions I had last year about the Social Security Administration's ability to keep the public informed about the status of their accounts. And particularly, I know most of us who have been getting paper statements for a while, the administration, the agency made the call that because of the lack of funding they disbanded the paper statements. I know the President's request, he asked for somewhere in the $100 million to $200 million to reinstitute the process of mailing those paper statements. I would be interested in you commenting on that request, whether you think that is a wise use of funds, number one.

Number two, we have made significant investment in going online, to allow people if they register with SSI to be able to get their information online. However, I am always surprised back home how no one seems to know that they can get their information online or that Social Security Administration has disbanded the practice of giving their statements. I don't know if they notified people that was being done or they just went ahead and did it. But I know that folks ask me all the time why they don't get the statement anymore, and I tell them, but messengers of one aren't all that effective.

So I guess my question is, what do you think the best way is of moving forward? Obviously, if people don't know what is in their account, that is problematic, and I am not sure the President's request of $100 million to $200 million to go back to the 20th century of mailing statements, which is not in my opinion a long-term solution. Wouldn't it be better to spend money to inform the public that they can go online and get their information, register online, so it is a much more efficient and cost-effective way to continue that communication moving forward?

Mr. O'CARROLL. I will take the first part, Mr. Schock, on this one. And that one of the things that is of concern to us is, and it ties into what we have been talking about before with strategic planning for the agency, is really looking at electronic service. And that would be part of the, you know, the long-range strategic plan for the agency is to incorporate in how electronic service is going to replace the paper that we were talking about. And I agree with you that it does seem almost like a giant leap backwards to be focusing so much on paper statements at the same time when the SSA has released my SSA, which is pretty much a one-stop electronic location where any of your constituents can go, can register and get their information, the same one they would be getting from their paper statement.

And I have got to say, this is something that you have to be checking with your constituents in terms of what is the public's request for these paper statements or not. Because I think a lot of times it is because of the public request for paper statements that that keeps coming up as an issue on it.

Mr. SCHOCK. Let me ask you, though, do you think that is because they are not aware? I mean, look in the 21st century, you go and open a bank account, you open a credit card account, you open anything now financial, they want your email address. Be-

cause unless you specifically request your broker send you paper trades, your bank send you paper statements, everything is electronic. Because people move around. It is more expensive. And we all know why.

And so part of me believes the reason why people are asking for the paper statements because that is all they know, and we have done a lousy job, if a job at all, of either collecting the information—I don't know whether that should be employer responsibility or the request needs to be sent out—but I interject because I know that people are still asking for it. I just happen to believe that the same people who get their bank statements online and their broker statements online and in some cases pay their taxes online, or real estate taxes online, would prefer to just get their SSI information online as well. They just don't know about it.

Mr. O'CARROLL. I agree with you. I think, you know, papers is, you know, a sort of a step backwards on it. And I think that, you know, the publicizing of the electronic services of SSA is important. There are 21 services that they have. We feel that they should be expanding them dramatically. We are thinking up to and including, very supportive if we can get the security put into it, of mobile application, so that instead of getting that statement that you are talking about in the mail, that you could actually do it on a mobile device.

But again, our concern with all of that is the security. It is keeping everyone's information safe. And I have got to assure you that that is what we are looking at very closely with all of SSA's programs, and looking very closely at my SSA just to make sure that the fraudsters aren't trying to get your information electronically.

The other one, too, goes back to why we disagree with paper is, is that that is a lot of information that you really don't want in the mail anyway. So we would like to see it electronic.

Mr. SCHOCK. Okay. Thank you.

Chairman JOHNSON. Thank you for that question. I agree with you, but, you know, there are still some people who don't have access to computers, although you can get to them almost anywhere you need to.

I thank you to our witnesses for your testimony, and I think we have had a good session on how Social Security needs to prepare for the future. And I am sure we will be talking to both of you in the future.

I thank also our Members for being here. In the meantime, we look forward to the White House nominating a new Commissioner as quickly as possible. Americans want, need, and deserve no less.

With that, the committee stands adjourned. Thank you.

[Whereupon, at 10:36 a.m., the subcommittee was adjourned.]

[Public Submissions for the Record follows:]

American Association of University Women

Written Testimony of

Lisa Maatz, Director of Public Policy and Government Relations
American Association of University Women (AAUW)

United States House of Representatives
Ways & Means
Subcommittee on Social Security

Hearing on
Challenges Facing the Next Commissioner of Social Security
April 26, 2013

Chairman Johnson, Ranking Member Becerra, and members of the Subcommittee, thank you for the opportunity to submit testimony on the challenges facing Social Security.

On behalf of the approximately 160,000 members and supporters of the American Association of University Women (AAUW), I am pleased to share AAUW's perspective on the challenges facing the next Commissioner of Social Security. AAUW strongly supports "strengthening retirement benefits and programs, including pension improvements and protecting Social Security from privatization."[1]

Since its founding in 1881, AAUW has been breaking through barriers for women and girls. AAUW believes that Social Security is of particular importance to the economic security of women. The Social Security system is more than just a retirement program: It is one of the most successful anti-poverty programs in our nation's history, providing benefits to many children, disabled workers, surviving spouses, and retirees. It is particularly important for women, who are more likely to suffer financial insecurity in their later years.

Despite its many benefits, Social Security is not perfect. Gender pay inequities reverberate in women's lower than average benefit levels, and women's benefits are also affected by their time away from the workforce and longer lifespans. AAUW believes that these issues and combatting efforts to cut Social Security benefits will be the central challenges facing the next Social Security Commissioner.

The Gender Pay Gap

Women who work full time earn 77 cents on average for every dollar men earn.[2] This gap is found throughout the economy. Even when controlling for factors known to affect earnings such as education and training, parenthood, and hours worked, AAUW has found that college-educated women still earn 7 percent less than men one year out of college and 12 percent less than men 10 years out of college, even when they have the same major and occupation as their male counterparts.[3] The pay gap means women only less than men for almost all of their career.

Women earn less than men when working in the same position and are more likely to work in job fields that pay less.[4] Although more women work now than ever before and in a multitude of different industries and occupations, they are still concentrated in certain fields. Women working in traditionally female industries make 20 to 30 percent less than women in nontraditional fields, which also are more likely to offer retirement benefits.[5] In fact, 60 percent of women still work in low-wage positions– including clerical, sales, and service jobs – that often do not offer pension plans.[6] Without Social Security, single women who work in low-wage positions would have to save 25 percent of their earnings starting from their first day of work in order to adequately provide for retirement.[7]

Compared to men, women have fewer resources to draw upon in their later years. Forty-eight percent of all non-married (divorced, widowed, or never married) women age 65 and older get 90 percent or more of their income from Social Security.[8] In 2010, unmarried women received 49 percent of their total income from Social Security while non-married men only received 37 percent of their total income from Social Security.[9] In 2008, 23 percent of women older than 65 relied on Social Security for all of their income.[10]

This disparity not only affects women's retirement, but it also hurts their family's economic security if they become disabled or die. The gender pay gap hurts individual women, their families, and our nation. AAUW urges the next Commissioner to bring public attention to the gender pay gap.

Time Out of the Workforce

Women still bear a disproportionate burden of caregiving responsibilities, which can take them out of the paid workforce to care for children and aging parents.[11] In 2006, women averaged 27 years in the workforce compared to almost 40 years for men. While the current Social Security benefit formula compensates women for lower lifetime earnings by providing a higher return of income for lower-income workers, it cannot make up for the substantial amount of time women are out of the workforce on average or the fact that women are also unlikely to be making pension or retirement savings investments during their displacement.[12] AAUW supports efforts to publicize and address this dilemma and urges the next Commissioner to devote resources to equalizing these benefits.

Women's Longer Lifespans

Women face a different time frame than men when sufficiently planning for retirement. Their longevity makes Social Security's lifetime, cost-of-living-adjusted benefits even more important to them. In 2009, a woman who was 65 years old could expect to live to age 85.3, while a 65-year-old man could expect to live to age 82.6.[13] Because women live longer, they depend on Social Security's lifetime benefits for more years than do men; because of the insufficiencies of many private pension plans, women are also more likely to need survivors' benefits. Older women especially benefit from Social Security, since many depend upon it as their primary source of retirement income.[14] More than half of older women would fall into poverty without Social Security benefits.[15]

Attempts to Cut Social Security Benefits

Although Social Security needs reform, the system is not broken. The most recent Social

Security trustees' report shows that the system can pay all scheduled benefits through 2033.[16] AAUW supports reform that updates the program while guaranteeing solvency, such as lifting the payroll tax cap. Currently, someone who makes $113,700 a year pays the same amount into Social Security as a billionaire, as all income above that amount is exempt from the payroll tax.[17] AAUW supports legislation that would subject all income over $250,000 to the Social Security payroll tax, putting the wealthiest Americans on equal footing with everyone else. The Chief Actuary of the Social Security Administration has projected that applying the payroll tax to income above $250,000 will extend the full solvency of Social Security for the next 75 years,[18] protecting the benefits of millions of Americans.

Additionally, AAUW supports measures to increase women's ability to participate in alternate forms of retirement programs. This includes counting the time women take off as part of the Family Medical Leave Act towards vesting, promoting the availability of 401(k) and other defined contribution plans for part-time workers, and encouraging more women to work in higher-wage, nontraditional jobs. AAUW strongly supports initiatives that seek to close the persistent and sizable wage gaps between men and women, and minorities as well, to further reduce the inequity in retirement security.

AAUW strongly opposes changes that would reduce Social Security benefits, such as introducing a "chained" consumer price index or privatizing Social Security. The chained CPI would revise the methodology for calculating the cost-of-living adjustments for Social Security and veterans benefits. AAUW believes the chained CPI would particularly hurt older women and should not be an option.

Further, AAUW strongly opposes privatizing Social Security, which would be especially bad for women. A system of private accounts instead of Social Security would risk lifetime retirement income. Beneficiaries would have to rely on the uncertainties of their investments in place of Social Security benefits, so women could actually outlive their benefits. The existing Social Security program provides guaranteed lifetime benefits to retirees, spouses, and widows. There should be no uncertainty attached to the benefits of our most vulnerable citizens.

Conclusions

Social Security is a national commitment through which we care for one another across generations. It is one of the most successful anti-poverty programs in our nation's history. Yes, it faces challenges, but we can meet them together. By protecting benefits and raising the payroll tax cap, America can meet the trials posed by demographic and economic changes. AAUW believes it is vital to women's economic security to provide for the long-term solvency of Social Security and to maintain its current guaranteed benefits. We must keep our promise to one another.

Thank you for the opportunity to submit testimony. We are pleased to be working with you on this critical issue.

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2009. Retrieved January 14, 2011, from www.census.gov/prod/2010pubs/p60-238.pdf. AAUW favors using the Census data because they report median *annual* earnings in addition to *weekly* earnings. Annual earnings of full-time wage and salary workers is a standard measure of pay differentials. Economists also calculate the wage gap using median "usual weekly earnings" of full-time wage and salary workers. Weekly figures do not include bonuses and overtime pay. Because men are more likely than women to receive bonuses and work overtime, the gender wage gap in annual earnings is slightly wider than when measured using usual weekly earnings. Differences can also be measured on an hourly basis. Among workers paid on an hourly basis, women age 16 and older typically earn, on average, about 84 percent of men's earnings. Because only part of the workforce is paid on an hourly basis, it is not usually considered a good representation of the full workforce.

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Daniel Solomon

SSA should be promoting “intelligent" tactical government spending:

Economists claim that for every dollar spent on CDRs, Continuing Disability Reviews, SSA gets ten dollars back. If the CDR funds were spent at Step 2 of the sequential evaluation, to appropriate Title II claims at the DDS (state)level, SSA would get back hundreds, if not thousands back for each dollar spent.

Fewer claims would have to be adjudicated.

Social Security Works

TRANSITION REPORT FOR THE NEW COMMISSIONER OF SOCIAL SECURITY:

HOW TO ENSURE THE WORLD-CLASS SERVICE THE AMERICAN PEOPLE DESERVE

March 2013

STRENGTHEN SOCIAL SECURITY COALITION

PREFACE

Since the cornerstone was laid in 1935, we have built our Social Security structure carefully and deliberately. In 1939, we added Survivors Insurance for widows and dependent children. Disability Insurance was added in 1956, followed by Medicare and Medicaid in 1965. Automatic cost-of-living adjustments (COLAs) were added in 1972 in order to maintain the purchasing power of benefits no matter how long someone lives. We built, maintained and strengthened these institutions for a reason: to enable working men and women to protect themselves and their families. We built them because we, as a nation, value hard work, personal responsibility, and human dignity; we care for our parents, our children, our spouses, our neighbors and ourselves.

The Strengthen Social Security Coalition, made up of more than 320 national and state organizations representing more than 50 million Americans, cares deeply about maintaining and strengthening this cornerstone of American economic security. In this spirit, we offer this report to the next Commissioner of Social Security, to better equip him or her to lead the Social Security Administration in the coming years. It is also intended as a resource to the President, members of Congress, congressional committees with jurisdiction over the program, and the Social Security Advisory Board. The report is not designed to be exhaustive in covering every aspect of the agency's responsibility, nor does it address Trust Fund solvency or benefit adequacy issues.

We are grateful to the following people for writing portions of this report: T.J. Sutcliffe and Marty Ford (The Arc), Eric Shulman (American Federation of Government Employees), Gerald McIntyre (National Senior Citizens Law Center), Ethel Zelenske (National Organization of Social Security Claimants' Representatives), Jeff Cruz (Latinos for a Secure Retirement), and Ivy Ngo (Southeast Asia Resource Center/Diverse Elders Coalition). We offer a special thanks to Benjamin Veghte (Social Security Works) who served as overall editor and also researched various elements of the report. We acknowledge with appreciation the suggestions of Suzanne Blouin, formerly of the Office of Communications of the Social Security Administration (SSA) and Kurt Czarnowski, formerly Regional Communications Director for SSA in New England and currently Principal, Czarnowski Consulting. We also thank Dana Bell, Molly Checksfield, Daniel Marans, and Lacy Crawford of Social Security Works for their assistance in the report's preparation, and Dan Redding for the report's graphic design.

Please contact the Social Security Works Communications Director, Don Owens, if you have questions about this report: dowens@socialsecurity-works.org.

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Founding Co-Director, Social Security Works	Founding Co-Director, Social Security Works	Vice President for Family Economic Security, National Women's Law Center	Executive Director, National Senior Citizens Law Center

The mission of Social Security Works is to protect and improve the economic status of all Americans, especially disadvantaged and at-risk populations, and, in so doing, to promote social justice for current and future generations of children as well as young, middle-aged and older adults. www.socialsecurityworks.org

The Strengthen Social Security Coalition is made up of more than 320 national and state organizations, representing more than 50 million Americans. The Coalition is united around core principles, which include that Social Security benefits should not be cut and, instead, should be increased, and the belief that our nation's Social Security, Medicare and Medicaid systems are fundamental to the well-being of America's families and to the type of nation we are. www.strengthensocialsecurity.org.

EXECUTIVE SUMMARY

"This is not a program in which the Government or the well-to-do help people. On the contrary; it is primarily a program in which people help themselves, using Government as the instrument."

– Former Commissioner Robert M. Ball
in the Journal of Commerce, June 15, 1964

The Social Security Administration (SSA) is not merely another arm of government, but the embodiment of a sacred trust that has been passed on from our grandparents to our parents, from our parents to us, and from us to our children, grandchildren, and those who come after. By means of the Old Age, Survivors, and Disability Insurance (OASDI) programs, we insure ourselves and our families against the risks of losing income when we retire or when unexpected disability or death occurs.

We pay into the program during our working years, knowing we will rely on the services of SSA to access and administer the benefits we have earned. As leader of the agency, the Commissioner is entrusted with ensuring that SSA excels at serving those who fund and rely on its services, including the low-income aged, blind, and disabled who need Supplemental Security Income (SSI).

This report is issued by the Strengthen Social Security Coalition (www.strengthensocialsecurity.org), an alliance of more than 320 national and state organizations committed to maintaining and improving our nation's Social Security system. While not designed to cover every aspect of the agency's responsibility, the report sheds light on many core administrative functions SSA performs in executing this public trust. Some of our main findings and recommendations are summarized below.

FUNDING AND STAFFING

SSA collects payroll contributions from 157 million workers, and administers over $850 billion in Social Security and SSI benefits to more than 65 million beneficiaries each year. It administers Social Security at a minimal administrative cost of less than one percent of revenues. Despite spending the program's own dedicated resources and despite an accumulated reserve or surplus of $2.7 trillion, Social Security's administrative funds are subject to the annual appropriations process, essentially treated like expenditures that lack dedicated revenue. Its budget has been cut repeatedly in recent years, requiring staff reductions, field office closures, suspension of benefit statements and other measures that have significantly compromised the agency's stellar customer service.

- The new Commissioner should urge Congress to treat the Social Security program separately from the annual appropriations process, as its dedicated revenue warrants, and allow sufficient FY 2014 administrative funding to enable the agency to retain enough staff to respond to the rapidly growing demands on the program from the aging of 76 million baby boomers and the effects of the Great Recession.

ACCESS AND CUSTOMER SERVICE

The programs administered by SSA – OASDI and SSI, as well as Medicare eligibility determinations and prescription drug subsidy applications – are essential components of the economic security of virtually all Americans, and especially so for many vulnerable populations. It is critical that people with disabilities have access to all SSA programs and services. Access to individuals with Limited English Proficiency (LEP) is equally important.

- SSA should enhance its capacity to communicate in its field offices and publications in a variety of languages, especially for the SSI program where over one-third of those applying on the basis of age are LEP, and where questions about benefit levels are far more likely to arise because of the program's complex rules.
- More funding and training should be provided to achieve better outreach to people who are homeless.

PUBLIC UNDERSTANDING AND CONFIDENCE

An essential role of the Commissioner is to promote public understanding and confidence in the program. This is all the more important in an era where there are so many myths about the program circulating in the media and public discourse. Historically, SSA's communications functions included the development of pamphlets, speeches, teacher kits, news releases and training materials and their dissemination to the regions and, most importantly, to local field offices. SSA should endeavor to calm and inform citizens about the insurance protections they are earning with their contributions through measures that include:

- Restoring the annual mailing of the Social Security Statement;
- Incorporating age-specific inserts that educate contributors about pertinent benefits such as the birth of a child;
- Restoring the capacity of local field offices to reach out to the public;
- Strengthening the agency's capacity and commitment to engage in media appearances, conference presentations, and interaction with organizations representing business, communities of faith, labor and diverse constituencies.

DISABILITY DETERMINATIONS AND APPEALS

It is well known that SSA has struggled to keep pace with the growing number of disability claims it has received in recent years. While SSA has made improvements to its initial determination, hearing, and appeals processes over the last six years, significant work remains to ensure that applicants receive a correct determination in a timely manner. In FY 2011, claimants for disability benefits faced average wait times of 109 days for initial claims (from date of filing to date of payment or denial) and 345 days from a hearing request to a decision.

- SSA should be provided with adequate administrative funding to enable it to make significant additional strides in reducing the disability claims backlog.
- The new Commissioner should focus attention on the functioning of the process for appealing proposed SSI suspensions and benefit reductions.
- SSA also needs to develop a better reporting and recording system in order to promptly adjust benefit payments to prevent and reduce improper under- and overpayments.

RESEARCH

With Social Security at a critical juncture in its 77-year history, there is more need than ever for the agency to produce quality research on matters related to retirement and disability policy. However, the public policy and research resources at SSA have declined over the last 12 years. These resources have been diverted to researching operational matters, duplicating work done elsewhere in the agency. The new Commissioner should:

- Restore the public policy and research resources at SSA;
- SSA's research program should empirically examine benefit and income adequacy, as well as the distributional impact of reform options. New surveys of beneficiaries should be conducted to shed light on the real situations and needs of elderly persons, people with disabilities and survivors;
- Reorganize the public policy analysis and research previously housed in the Office of Policy into separate agency-wide offices like the Office of the Chief Actuary and Office of General Counsel to make it clear that they are focused on serving external clients, and not simply part of the operationally oriented components;
- Urge Congress to reauthorize Title II demonstration authority and research.

Finally, we strongly recommend maintaining the independence of the Office of the Chief Actuary from political interference, and urge the new Commissioner to respect the Office's autonomy.

For the full report, see:
http://strengthensocialsecurity.org/sites/default/files/Transition_Report_for_the_New_Commissioner_of_Social_Security.pdf

SUMMARY OF POLICY AND ADMINISTRATIVE RECOMMENDATIONS

FUNDING AND STAFFING

- Request a minimum of $12.3 billion for SSA's FY 2014 administrative funding to enable the agency to retain sufficient staff to respond to the rapidly growing demands on the program.
- Urge Congress to change the process for appropriating administrative funds to SSA so that Social Security does not in essence have to compete with other programs for use of its own dedicated revenue.

IMPROVING ACCESS AND CUSTOMER SERVICE

Access for People with Disabilities

- Ensure that all aspects of SSA's web site, electronic communications, and IT are fully accessible under Section 504, and establish a comprehensive Section 504 policy that requires the following elements:
- Make written assurances addressing methods of implementation and enforcement of every substantive Section 504 regulation as found at 45 C.F.R., part 85 et seq.
- In all relevant SSA policies offer every applicant and beneficiary reasonable accommodations and program modifications as necessary to ensure meaningful access to benefits.
- In all SSA policies give notice of rights under Section 504 in a variety of forms and at every stage of the application and review process, particularly those affecting a person's benefits.
- In all SSA policies, incorporate methods to ensure that SSA personnel appropriately screen and identify people who need reasonable accommodations and/or program modifications.

Access for Limited English Proficient Individuals

- Develop a plan for translating all notices into Spanish and the other major languages spoken by beneficiaries of SSA programs, starting with SSI program.
- Do more to ensure that SSA's policy on interpreters is uniformly applied.
- Make compliance with the interpreter policy part of monitoring the performance of state DDSs.
- Make a concerted effort, as hiring opportunities arise, to hire more bilingual staff for assignment to field offices, as this is the best and most economical means of serving LEP individuals.
- Make informational publications in different languages and English available and visible to people who visit local offices.
- Develop a plan for regularly distributing print versions of these informational publications to community groups serving targeted language populations.

Helping People Understand Benefit-Claiming Options

- Issue written policy informing employees that high-quality, informed service is the most important job at SSA and that job performance will be measured on this basis.
- Undertake training programs to provide employees with not only a detailed understanding of eligibility and benefit criteria but also the skills necessary to give the best advice to applicants.
- Make more complete information about benefits for spouses and surviving spouses available online and through SSA staff.
- Revise the online application process to ensure that applicants are fully informed and have considered the consequences of their decision on the amount of their (and spouse's) future lifetime income.

SSI Education and Outreach

- Do not restrict to people within two months of 65 the requirement that SSDI applicants for whom it is not clear that their SSDI benefits would disqualify them for SSI receive an explanation of SSI requirements.
- Automatically send anyone who files for Title II old-age benefits before age 65 and has a low enough Title II benefit to potentially qualify for SSI a reminder at age 65 that they now meet the age requirement for SSI.
- Consider sending a reminder about possible SSI eligibility periodically (e.g., once every five years with the COLA announcement) to beneficiaries with low Title II benefits.

- Request greatly increased funding for outreach to homeless populations, and provide special training to specialized claims representatives on some of the unique problems they face in processing SSI claims for homeless people.

Mandatory Direct Deposit of Benefits

- Implement a more liberal waiver policy for electronic payment of benefits, in particular rescinding the requirement of a notary.
- Work with Treasury to make the waiver process more consumer-friendly and to enable people who are unable to manage electronic deposit of benefits to continue receiving a paper check.
- Continue robust outreach to and notification of beneficiaries regarding the transition to mandatory direct deposit – particularly to the limited English proficient, people with disabilities, and other vulnerable, isolated or hard-to-reach beneficiaries and future beneficiaries.

STRENGTHENING PUBLIC UNDERSTANDING AND CONFIDENCE

- Commit to building public understanding of the program, which should result in greater confidence in it.
- Fully restore the annual mailing of the Social Security Statement.
- Incorporate age-specific inserts in statement for those age 55 and over, 25-35, and upon birth of a child.
- Seek to educate the public by taking advantage of "teachable moments".
- Reinvest in the communications functions of the agency.
- Review and strengthen the agency's national communications capacity.

TIMELY AND ACCURATE INITIAL DETERMINATIONS, HEARINGS, AND APPEALS

Initial Determinations

- Improve the SSI application process by providing an option for individuals to complete an online application for SSI.
- Continue and expand efforts to accelerate decisions for people whose conditions are the most severe and/or terminal.
- Provide more assistance to claimants at the application level, explaining to the claimant what evidence is important and necessary.
- Ensure that Disability Determination Services obtain necessary and relevant evidence.
- Expand the list of "acceptable medical sources" to include nurse practitioners, physician assistants, and licensed clinical social workers.
- Increase reimbursement rates for providers responding to requests for medical records.
- Provide better explanations to all providers about the disability standards.
- Provide guidance to adjudicators on proper application of important evaluation rules.
- Improve the quality of consultative examinations.

The Disability Appeals Process

- Consider increasing the time for hearing notices from the current 20 days to 75 days.
- Consider helping claimants obtain representation earlier in the process, so that files are more complete earlier in the process.
- Consider rescinding the policy that keeps the ALJ's identity undisclosed until the hearing.
- Retain ALJs as the adjudicators for the hearing requirement in the Social Security Act.

Appeals of SSI Suspensions and Benefit Reductions

- Improve functioning of process for appealing proposed SSI suspensions and benefit reductions.
- Develop uniform, automated process for inputting requests for reconsideration into the system.
- Implement a system for tracking reconsiderations that are processed.
- Develop automated system for benefit continuation triggered upon filing of a request for reconsideration.

- Devote more resources to training staff on the reconsideration process and due process.

Improper Payments

- Develop better reporting and recording system to promptly adjust benefit payments.
- Ensure that beneficiaries who follow the rules are not penalized.
- Give field office staff the same incentives to process earnings reports as for completing other work.
- Develop better earnings reporting and recording system – including providing an option for online wage reporting — for Title II and SSI beneficiaries.
- Use SSA's Continuing Disability Review Enforcement Model to help prevent overpayments.
- Establish an automated process for logging in appeals of adverse determinations that ensures benefits continue when an appeal or request for waiver is timely filed.
- Continue to provide options to access services and request appeals and waivers in local field offices, not just through SSA's website.

RESEARCH AGENDA

Retirement Research

- Restore the public policy and research resources at SSA.
- SSA's research program should empirically examine benefit and income adequacy, as well as the distributional impact of benefit formula reform options. New surveys of beneficiaries should be conducted to shed light on the real situations and needs of elderly persons, people with disabilities, and survivors.
- Conduct research on interaction between early claiming of retirement benefits and incidence of disability.

Disability Research

Conduct research on the following topics:

- adequacy of benefits;
- quality of life of beneficiaries, including what beneficiaries spend their benefits on;
- what happens to claimants not awarded benefits;
- what happens to young adult recipients of SSI childhood benefits who lose benefits at age 18 as part of an age-18 redetermination;
- the link between health insurance and the decision to apply for benefits; and
- fragmentation of services (i.e., across agencies that serve people with disabilities – education, vocational education/rehabilitation, healthcare, etc.).

Independence of the Office of the Chief Actuary

- Maintain independence of Office of the Chief Actuary from political interference.

Research-related Administration

- Create an Office of Public Policy, equivalent in stature to the Offices of General Counsel, Chief Actuary and Inspector General, that would be focused on meeting the policy needs of policymakers, researchers, and the American people (as opposed to administrative procedures or other types of operational support).
- Improve SSA's legislative development process to be able, upon request, to provide Congress with proposals that address the goals of simplification, benefit adequacy, benefit equity, and cost savings.
- Adopt state-of-the-art IT to store and access data quickly and efficiently.

Demonstrations

- Urge Congress to extend SSA's Title II demonstration authority.

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