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NOMINATION OF CAROLYN WATTS COLVIN

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

ON THE

NOMINATION OF

CAROLYN WATTS COLVIN, TO BE COMMISSIONER,
SOCIAL SECURITY ADMINISTRATION

JULY 31, 2014

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NOMINATION OF CAROLYN WATTS COLVIN, TO BE COMMISSIONER, SOCIAL SECURITY ADMINISTRATION

THURSDAY, JULY 31, 2014

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:07 a.m., in room SD–215, Dirksen Senate Office Building, Hon. Ron Wyden (chairman of the committee) presiding.

Present: Senators Carper, Cardin, Brown, Hatch, and Thune.

Also present: Democratic Staff: Michael Evans, General Counsel; Anderson Heiman, International Competitiveness and Innovation Advisor; Tom Klouda, Senior Advisor for Domestic Policy; Jocelyn Moore, Deputy Staff Director; Joshua Sheinkman, Staff Director; and Kelly Tribble Spencer, Detailee. Republican Staff: Chris Campbell, Staff Director; Nicholas Wyatt, Tax and Nominations Professional Staff Member; and Jeff Wrase, Chief Economist.

OPENING STATEMENT OF HON. RON WYDEN, A U.S. SENATOR FROM OREGON, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. The Finance Committee will come to order.

The Finance Committee is here today to consider the nomination of Carolyn Watts Colvin to fill a role of extraordinary importance to millions of Americas; that is, the position of Commissioner of the Social Security Administration. If confirmed, Ms. Colvin will be managing the nuts and bolts of the Social Security program, a vital task given that more than 62 million Americans depend on Social Security as an economic lifeline.

I thought, Ms. Colvin and Chairman Mikulski, I would just hold up a Social Security statement, the reason being that I believe that, when Americans get this document that demonstrates what amount they have paid for their Social Security insurance and what benefits they have earned, they will hang onto this document, because it is a testament to just how important this program is. If you are confirmed, Americans are going to depend on you to ensure that Social Security is operating efficiently and providing the right amount to the right person at the right time.

We all know that this is not a new role for you, because you have been the Acting Commissioner since February of 2013. Before that, you served as the Deputy Commissioner for more than 2 years, coming out of a well-deserved retirement to engage in this critical public service. Colleagues, as we begin consideration of the nomi-

nee, I would just like to note for the record that the Finance Committee approved Ms. Colvin's nomination for that position by a vote of 23–0. Sometimes—I will tell you, Ms. Colvin—I am not sure I could get a 23–0 vote. So you have very strong support.

Senator HATCH. I am not so sure either. [Laughter.]

The CHAIRMAN. I was leading with my chin on that one.

Senator HATCH. I think so. [Laughter.]

The CHAIRMAN. Because of Ms. Colvin's years of experience, Ms. Colvin is well-versed with the challenges involved with running the Social Security Administration. One of those challenges is working within a tight budget and fiscal constraints. Social Security felt the same fiscal squeeze that every Federal agency has in recent years, and Social Security has worked hard to maintain critical services. That has required making some tough decisions, including reducing field office hours and consolidating some offices to address budget and staffing challenges.

Ms. Colvin has been actively working on ways for Social Security to effectively manage its program integrity workload. As Acting Commissioner of Social Security, Ms. Colvin has also made several service improvements. She has made a strong push to make Social Security information more user-friendly and accessible to a broader swath of Americans. She has made Social Security work more efficiently with other Federal partners, and she has devoted significant time and significant resources to addressing the needs of the many disabled Americans the agency serves.

And I am very pleased that that is the case, Ms. Colvin, because just a few weeks ago we had a hearing looking at chronic disease and those who are disabled. Right next to where Chairman Mikulski is sitting was Ms. Dempsey from Georgia, a woman who had done everything right in America. Ms Dempsey had been pounded with one illness after another, the daily medications for which nearly overflowed her table. For those, she depends on the Disability program that you have focused on. So I have no doubt that you are going to continue that important work, that advocacy work, for disabled Americans, once confirmed.

Today's hearing, of course, is an opportunity for the Finance Committee, Ms. Colvin, to discuss how to guarantee the Social Security promise for today's seniors and future generations. I hope to see this nomination for head of Social Security move through the committee and the full Senate quickly so that Social Security will have a confirmed leader in place.

[The prepared statement of Chairman Wyden appears in the appendix.]

The CHAIRMAN. Senator Hatch will make his opening statement, and I am very pleased to be working with my colleague on this, again, in a bipartisan way. Then we will have an introduction from Chairman Mikulski and also from Senator Cardin.

Senator Hatch?

OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S. SENATOR FROM UTAH

Senator HATCH. Thank you, Mr. Chairman.

Welcome, Ms. Colvin. I think it is a little unfair of you to bring Barbara Mikulski here to talk for you. We are all scared to death

of her. We do whatever she tells us to do, is all I can say. We learned that a long time ago. [Laughter.]

I have enjoyed meeting with you in the past. Today, and with questions to follow, we have an opportunity to learn more about your past management performance and how you would, if confirmed, face the challenges of the future.

Over the past 10 years, the Social Security Administration's administrative budget has increased by 34 percent. That is well above the 24-percent growth in the number of disabled and retired beneficiaries, to a level of almost $11.7 billion. The budget has grown at an average annual pace of more than 3.5 percent above the average growth of even nominal GDP.

Social Security's administrative funding continues to take up greater shares of the Labor-HHS appropriations bill, inevitably crowding out other programs relating to health and education. Yet, all we seem to hear from SSA is the need for more and that any problems in administering programs can be solved if only SSA receives more funds. That is true of almost every agency today.

In a hearing on this committee last week that was supposed to be a fresh look at the Disability program, the representative of SSA devoted significant time to repeating what are, in my view, becoming stale talking points, demanding more funds for the agency. SSA officials have been marching to the Hill repeatedly to decry staffing reductions that SSA itself decided to make, just as the agency decided to pay $244 million in bonuses between fiscal years 2008 and 2013.

What I would like to learn more about today, Ms. Colvin, is what you have done in managing administrative funding provided to SSA, which has accumulated to more than $104 billion over the past 10 years, and what you would do moving forward. I think those are fair questions, and hopefully we can enjoy working together on these things. And I hope that your answers will not simply be that SSA needs more funds.

I hope to learn more today and in follow-up questions about what you have done and what you would do, if confirmed, to increase efficiency in the SSA, to reduce billions of dollars of administrative waste and overpayments associated with Social Security programs, and, of course, to fight fraud.

And while there are many concerns to discuss, let me briefly identify just a few items. The first is fraud and overpayments. To give you an example, uncollected overpayments in the Disability program have recently grown to more than $10 billion. Think about that. Overpayments in the Disability program alone are almost equal to the Social Security Administration's entire annual administrative budget.

There also is an unacceptably high overpayment rate in the SSI program, and there have been discoveries of fraud, as in the Puerto Rico cases, the New York City cases, and the West Virginia cases.

As for fraud, a bipartisan investigation by a Senate subcommittee led by Senators McCain, Coburn, Carper, and Levin has presented compelling evidence of fraud in the DI program in West Virginia. And even so, it is my understanding that an alleged rogue disability insurance attorney involved in the West Virginia cases is still representing claimants in Social Security's DI program. And,

as I understand it, allegedly corrupt administrative law judges have retired with full retirement benefits from SSA.

Now, it is hard to see how that is an adequate response and how, if this is indeed the case, we can effectively provide deterrence against future fraud. Ms. Colvin, I hope that today we will hear from you about your plans to address fraud and overpayments in the Social Security programs.

The second item of concern is waste. There have been recent revelations that Social Security spent nearly $300 million over 6 years on a computer processing system for disability cases that has been identified by an outside evaluator as having, quote, "delivered limited functionality." The chairman of the House Ways and Means Subcommittee on Social Security has called for you to stop further spending on the system and has called for an investigation into the failed implementation of the system.

That is just one example of waste at SSA that has been uncovered. There are a number of other examples I could mention. Indeed, it is not hard to find enormous amounts of questionable and likely wasteful spending and payments when you read thoroughly the numerous reports by Social Security's Office of Inspector General. Now, Ms. Colvin, during today's hearing, I hope to get a better sense from you what your plans are to eliminate the obvious instances of wasteful spending we have been seeing at SSA.

As you can see, Mr. Chairman, we have a lot to discuss today, and I am pleased, Ms. Colvin, that you are here today. And I honor you and expect a great deal from you as we go into the future. But naturally, today we want to learn more about your stewardship of a staggeringly large administrative budget and what your plans would be to improve SSA's management and to fight the disturbing amount of fraud and waste at Social Security, should you be confirmed.

We welcome you to the committee, and these are matters that concern me greatly.

Thanks, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Hatch.

[The prepared statement of Senator Hatch appears in the appendix.]

The CHAIRMAN. Carolyn Watts Colvin has been nominated to be the Commissioner of the Social Security Administration.

It is our practice, Ms. Colvin, to give you the opportunity to introduce your family.

Ms. COLVIN. Thank you, Chairman Wyden.

I would like to introduce my sister, Genevieve Unger, a resident of Maryland, who is here. And, if I may, I would like to introduce my colleagues Shirley Marcus-Allen, a long-term State employee, and Ernest Eley and his wife, Stacy Eley.

Thank you.

The CHAIRMAN. We are glad that you all are here. I would only say, as I reflect on Chairman Mikulski's being with us, that we have served together both in the Senate and in the other body. I would just say, Ms. Colvin, you are running with the right crowd when you are with Chairman Mikulski.

Chairman Mikulski, we are pleased to have you do the opening introduction. You will be followed by Senator Cardin. Please proceed.

STATEMENT OF HON. BARBARA A. MIKULSKI, A U.S. SENATOR FROM MARYLAND

Senator MIKULSKI. Thank you very much, Senator Wyden. I want to thank you for expediting this hearing on our last day in session before the August break, when there is much pressure on you, particularly in matters related to moving the highway trust fund. So we thank you for this courtesy.

To both you and Senator Hatch, it is an honor to be here in the Finance Committee. Your committee, the Finance Committee, and my committee, the Appropriations Committee, are the only two committees in the Constitution. They are the only two committees that the founders of the United States of America felt important enough to put into the Constitution, because it is the revenue committee and the spending committee working hand-in-hand to provide the checks and the balances to ensure the functioning of the democracy, not an elected monarchy.

I think when we look at this, your job is to be looking at, really, the significant issues of the solvency of the Social Security trust fund, what do we do to ensure the future viability of Medicare and Medicaid. But there is also the administration of these agencies, often overlooked in today's media-driven Congress where the headlines are not in the nuts and bolts of management. But under the leadership of you two, working with Senator Shelby and I, let us take a look at how Social Security is run. Does it have the right staff, the right technology, and the right way to do that, both at the Social Security Administration and, also, at CMS?

So, hands across the aisle, hands across the committee, shoulder-to-shoulder, but no matter what we do, every agency needs a good leader. This is why I am so pleased to join with Senator Cardin today in bringing Carolyn Colvin to you to be nominated for the permanent Social Security Commissioner.

I first met Carolyn Colvin when she came into government under the legendary William Donald Schaefer, and I worked hands-on with Carolyn under William Donald Schaefer as both the Mayor, she in the health department, I in the city council, and as Governor—I had moved to the Senate.

William Donald Schaefer was known for many things, one of which was his passion for making sure that government worked. He was a legendary figure with his spoken, "Do it now and do it right." So he recruited people who were intellectually brilliant, had enormous competency in terms of management skills, and possessed the sense of urgency about solving problems of "do it now and do it right." But he also did something else. He reached out to people of color to make sure that they were actually coming into government, and, for all of their previous service, were actually promoted in government.

Carolyn Colvin was over there at the health department. Bishop Robinson was our police commissioner. It was a new day, a new profile, a new demographic, and a new buzz in Baltimore. Carolyn was part of that reform movement. That buzz, that "do it now and

do it right," she has carried with her in the many positions that she has had in government.

After William Donald Schaefer moved on, she was the Director of Human Services in the District of Columbia, was the Director of the Montgomery County Health and Human Services Department, was a special assistant in the Maryland Department of Transportation, and then became the Deputy Commissioner of Social Security, and, in February, also then was appointed the Acting Commissioner.

So you know her resume, and, in each position, it was the nuts and bolts of government: fix problems, do it now, do it right.

She has inherited many significant issues at Social Security: backlogs, techno boondoggles, some of the issues that Senator Hatch has enumerated. But I think she is up for the job, and I think I am not the only one. The National Committee to Preserve Social Security and Medicare has supported her nomination. The AARP has submitted a letter.

I ask unanimous consent that those letters be submitted into the record.

The CHAIRMAN. Without objection, so ordered.

[The letters appear in the appendix on p. 109.]

Senator MIKULSKI. So I bring this to your attention and, also, that she has been recognized by many of the women's groups and leadership groups in Maryland. She is part of a group called Leadership Maryland to actually train people in working together in bipartisan relationships. Also, she is part of the Maryland 100. She and I joined. We are now part of the Maryland 1,000 people who have achieved prominence.

But what I so admire about Carolyn is that she is ready to do the job, and I am just going to close with one example.

When I became the chair of the Appropriations Committee, one of the perplexing issues was the disability backlog at the Veterans Administration. And as we talked then with General Shinseki, it resulted because Social Security and IRS were dragging out their response to the information VA needed from both of those agencies.

Working with Senators Tim Johnson and Mark Kirk, I convened an all-hands-on-deck hearing with these agencies. Social Security immediately responded under Carolyn's leadership to make sure that the VA gets on a biweekly basis—biweekly, am I correct?—the information it needs so that the Veterans Administration can deal with its backlog.

But she has her own backlog of disability cases, this techno boondoggle plagued by, once again—before she took over—no one in charge, everybody in charge, everybody dithering and moving their microchips around. You know that deal. And we saw it in the health exchange. We see it over here. But I think she is the person to fix it.

So, Mr. Chairman and Senator Hatch, you can see my enthusiasm for her. And, if you want William Donald Schaefer smiling on you today about "do it now and do it right," confirm Carolyn Colvin.

The CHAIRMAN. Ms. Colvin, that is some kind of send-off.

Thank you very much, Chairman Mikulski. Your passion and your commitment to these programs is renowned, and I especially

appreciate your bringing up Mr. Schaefer, because I remember meeing him and realizing you could have a head and a heart, that you could focus on making sure you stretch resources while also caring for people. So you said it very well.

Now, Senator Cardin has the challenging job of trying to match that.

Senator Cardin?

OPENING STATEMENT OF HON. BENJAMIN L. CARDIN, A U.S. SENATOR FROM MARYLAND

Senator CARDIN. Thank you, Mr. Chairman. I agree with Senator Mikulski. [Laughter.] You are not going to get away quite that easily, Senator Hatch.

But let me first concur completely in Senator Mikulski's comments about Carolyn Colvin. She is an extraordinary person.

We have only had 15 permanent Commissioners of the Social Security Administration. It is interesting: Franklin Delano Roosevelt announced that he wanted to send to Congress the law creating the Social Security Administration. He announced that in June of 1934, 80 years ago. He then, by executive order, set up a commission to report back to him. By the end of the year, he introduced legislation. Congress took it up, and by August 1935 it was signed into law.

That is a model for us in taking up issues and resolving issues, and, of course, Social Security is a critically important program to millions of Americans; it is the only inflation-proof, guaranteed lifetime income source for millions of Americans.

The permanent Commissioner is an extraordinarily important position, as Chairman Wyden has said. Not only are millions of Americans dependent upon the agency's services, but it has more than 68,000 employees.

We are very proud, Senator Mikulski and I, that the headquarters of the Social Security Administration is in Woodlawn in Baltimore County, MD, and we are very proud of the dedicated workforce that is committed to the mission and to public service. One-fifth of Americans depend upon the agency's services directly.

I have known Carolyn Colvin for 30 years, Mr. Chairman, and I concur completely in Senator Mikulski's evaluations. When I think of Carolyn Colvin, I think of a person who is dedicated and who has commitment and integrity. Carolyn is dedicated to public service and improving the lives of others. Throughout her career, she has carried with her an unmatched level of commitment.

To her current position of Acting Commissioner, she has brought the integrity needed to ensure that beneficiaries, applicants, and the SSA workforce are treated fairly and that the benefits are administered according to the law.

Mr. Chairman, Senator Mikulski brought out many parts of Carolyn Colvin's career, but it is interesting that she began at SSA in August of 1963 when she was hired as a clerk stenographer, and now she is Acting Commissioner. This really is the American story of a person who has worked hard, is dedicated to public service for the right reasons, and has accomplished so very much.

She has experience working for municipalities, for counties, for the State, and for the Federal Government. She has also worked

in the private sector. So she brings all of that, and this commitment, to this position.

I might also say that she was the director of field operations for my predecessor, Senator Paul Sarbanes. So she brings a great deal of experience. She knows us, and she also knows how to deal with challenges, whether it is the budget challenges facing Social Security, modernizing the disability claims system, or restoring a constructive, positive relationship between labor and management at SSA.

There is one thing I know: Carolyn Colvin has never shied away from a challenge, and I know that she will give her best. I know she has the talent. I know she is there for the right reasons, and I strongly support her nomination and hope that we will confirm her shortly.

The CHAIRMAN. Thank you, Senator Cardin.

Ms. Colvin, with the ringing endorsement of 100 percent of Maryland Senators, you are now going to have the opportunity to make a statement. Your prepared statement is automatically going to be made part of the record. If you could perhaps take 5 minutes or so to summarize, we would like you to proceed.

Chairman Mikulski, you are welcome to stay, and, of course, I know you have a very hectic day, so we appreciate your coming.

STATEMENT OF HON. CAROLYN WATTS COLVIN, NOMINATED TO BE COMMISSIONER, SOCIAL SECURITY ADMINISTRATION, BALTIMORE, MD

Ms. COLVIN. Chairman Wyden, Ranking Member Hatch, and members of the committee, my name is Carolyn Colvin, and I am the Acting Commissioner of the Social Security Administration. I am honored and grateful to appear before you today as President Obama's nominee for Commissioner of Social Security.

I want to thank Senator Mikulski and Senator Cardin for their very, very kind introductions. I would also like to thank the Senators and their staff for taking time out of their busy schedules to meet with me during this confirmation process.

It is a privilege to have the opportunity to lead the Social Security Administration as the Commissioner. The scope of what we do is truly enormous, and it is both a humbling and rewarding experience to go to work every day knowing that what my colleagues and I do for families helps our fellow citizens.

We serve with the same spirit of compassionate public service that President Roosevelt envisioned. I am very fortunate to have spent so much of my life in public service, most of it leading Federal, State, and local health and human service organizations that provide critical safety net services to those most in need. Quite often I have led these organizations through periods of change and uncertainty. My career has included several executive positions in policy and operations at SSA. Most recently, I was confirmed as the Deputy Commissioner on December 22, 2010, and, since February 14, 2013, I have served as the Acting Commissioner.

One of my top priorities since becoming the Acting Commissioner has been to position SSA to provide excellent service for future generations. At SSA, we have not always engaged in truly long-range strategic planning. This is why I created the position of Chief Stra-

tegic Officer, who reports directly to me and is responsible for developing strategy and promoting innovation across SSA. We are well on our way toward developing a long-range plan.

I am committed to protecting SSA's programs from waste, fraud, and abuse, and I am proud to serve as the agency's Accountable Official for Improper Payments. I have promoted new and innovative ways to prevent, detect, and recover improper payments.

I am pleased with the progress we have made in expanding our electronic services. We have created secure and convenient electronic services for individuals who want to do business with us online. As of June 2014, over 12.5 million users had registered for *my Social Security* online accounts. With the success of our online services, we are able to conserve field office resources for those who prefer to visit the offices. We are fully committed, now and in the future, to sustaining a field office structure that provides face-to-face service and is responsive to members of the public who need or prefer to come into the local office.

I have appreciated the opportunity to collaborate with my colleagues across the government and contribute toward improving the overall efficiency and effectiveness of our service to the public. I am particularly proud of our collaboration with the Departments of Veterans Affairs and Defense, which has led to several initiatives that improve services to America's veterans.

SSA has many challenges ahead of it. If confirmed, I look forward to addressing them. First, we must complete a long-range plan that will help us adapt to a rapidly changing world and continue to provide excellent service for generations to come.

Second, we must make wise investments in technology. If confirmed, I will continue aggressively to increase the agency's use of modern technology that maximizes the return on the taxpayers' investment.

Third, I am committed to ensuring that we balance timely, high-quality service with our program integrity responsibilities.

Fourth, we must do more to help individuals with significant disabilities succeed in the workforce. Accordingly, the President's fiscal year 2015 budget contains a proposal requesting resources and demonstration authority for us to collaborate with other agencies to test early intervention strategies to help people with disabilities remain in the workforce.

Finally, if confirmed, I will continue to work to provide the best service possible for the American people. In the few years before fiscal year 2014, limited funding and sequestration constrained our ability to meet our mission. We lost employees, and we had to cut back on services.

Our employees are our best asset. Despite tight budgets and growing workloads, I have witnessed our employees make often heroic efforts to serve our customers quickly and compassionately. However, without adequate resources, they can do only so much to serve the public. The fiscal year 2014 funding level positioned us to begin to restore services to the public and increase our program integrity efforts. I ask you to support the President's fiscal year 2015 budget request, which will keep us on this path.

In conclusion, I believe that my policymaking experience, management expertise, problem-solving skills, and passion for the work make me well-suited to be Commissioner of this wonderful agency.

Thank you for the opportunity to appear before you today. I would be happy to answer any questions you have.

The CHAIRMAN. Ms. Colvin, thank you.

[The prepared statement of Ms. Colvin appears in the appendix.]

The CHAIRMAN. Now, I think you have been advised by the staff that we have a number of standard nominee questions that we simply have to go through with all of our nominees.

The first is, is there anything you are aware of in your background that might present a conflict of interest with the duties of the office to which you have been nominated?

Ms. COLVIN. No.

The CHAIRMAN. Do you know of any reasons, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities of the office to which you have been nominated?

Ms. COLVIN. No.

The CHAIRMAN. Do you agree, without reservation, to respond to any reasonable summons to appear and testify before any duly constituted committee of the Congress, if you are confirmed?

Ms. COLVIN. Yes.

The CHAIRMAN. And do you commit to provide a prompt response in writing to any questions addressed to you by any Senator of the committee?

Ms. COLVIN. Yes.

The CHAIRMAN. Very good. Let me start by reflecting on your plans after confirmation. I am particularly struck by how the agency has changed over the years. You were there between 1994 and 2001. You joined the agency as Deputy Commissioner in 2010. So, obviously, you have seen a lot, and you have learned a lot.

Particularly, in terms of your plans for the next 2 years, I have been struck by the comments that you have made about new technologies and how you would apply new technologies. And I note that the recent report from the National Academy of Public Administration addresses that as well.

So let us start with that. What are your thoughts about how, given the report, you can use new technologies, again, to better serve people and make better use of scarce resources?

Ms. COLVIN. Thank you, Mr. Chairman.

Social Security is a wonderful organization, and we have known for some time that our rolls would increase. Right now, we have about 10,000 individuals per week who are turning 65. So, it is not surprising that our rolls are increasing as a result of the demographics.

In order to be able to keep up with those increasing workloads and to get the efficiencies we need, technology is the solution. We have already begun to make great strides in online services. We have the *my Social Security* service where individuals can sign up for an account, go online, and transact much of their business. We have had great success with *my Social Security*. Well over 12 million individuals have already signed up in the short time that we have had this service.

We also have other applications, such as disability and retirement applications, and about 50 percent of all people who apply for those benefits now apply online. But we realize we have to continue to expand in that area, and the reason is because our population is not homogenous. There will be people who must, in fact, have the availability of coming into the office to be personally served. Their situation may be complex, or they may just simply not be comfortable with the Internet, or they may prefer face-to-face services. So we will always have a field presence.

On the other hand, my goal is to develop systems that will be easy to use and convenient, so that those who prefer to, can handle their business in the privacy of their home. What that does, Mr. Chairman, is allow us to free up employees in the offices to serve people who need face-to-face service.

We have been very successful in developing applications. For instance, we know that the Supplemental Security Income error rate is partially due to people's inability or unwillingness to report their wages. We now have both a telephone process where they can call in their wages and a mobile application where they can report their wages. This mobile application has already seen well over 80,000 people use it in the very short time since its inception. My goal would be to get most of those people who are in need of reporting their wages using those systems.

We want to also have a process where individuals would be able to go online and get the service that they need online in real time, including a chat service; where they would be able to complete their business and then not have to come back another time.

So for us, technology is extremely important, and it is what we need in order to continue.

The CHAIRMAN. That is helpful, Ms. Colvin, and I appreciate it.

Let me ask you about one other aspect of this whole IT issue. It is no surprise that we are focusing on that, and this has been a special priority of mine since coming to the Senate.

My State was always about wood products and forestry—it always will be—but we have also put a major focus on information technology, and that is what I wanted to ask you about in regard to Social Security.

Now, I have been informed that the agency has nearly 3,000 data exchange agreements with Federal, State, and private entities and processes an average daily volume of 150 million individual transactions.

Ms. COLVIN. Yes.

The CHAIRMAN. We compared that to Amazon, and Amazon has only 27 million transactions. That was the case back on Cyber Monday in 2012.

Now, we understand that much of this IT is, at its core, COBOL-based. It is the computer language developed in 1959, essentially before color television. And, while many of the IT managers acknowledged that a COBOL-based system works, they also have indicated that it is less efficient and agile than more modern computer languages. So what can the agency do to update the technology that it must possess to manage this eye-popping amount of data that you are dealing with every day?

Ms. COLVIN. I think one of the underlying challenges you just mentioned is the tremendous volume of data that we process. We recognize that we have to move away from COBOL to some extent, but not fully, because in some instances, it is the best language.

So, there is a transition to modernize our systems. One of the challenges will be how quickly we can do that, because there are still other types of Information Technology projects that we must also develop at the same time to make our system useful and efficient, both for our employees and for the public. We have an IT plan that will, in fact, gradually remove some of that COBOL language and replace it with other types of language, but not fully replace it.

The CHAIRMAN. My time has expired.

Senator Hatch?

Senator HATCH. Thank you, Mr. Chairman.

Ms. Colvin, Social Security has long been criticized for not formulating long-term plans. Last year, the nonpartisan Government Accountability Office identified that SSA faces four key areas of management challenge over the next decade. These are SSA's lack of an updated succession plan, even though the agency faces a retirement wave; Disability program issues, including a need to incorporate what GAO says is, quote, "a more modern concept of disability;" information technology, including internal weaknesses in information security; and physical infrastructure.

I have a note that the lack of funding was not identified as a key area of management challenge. GAO wrote that, quote, "SSA has ongoing planning efforts, but they do not address the long-term nature of these management challenges."

Now, Ms. Colvin, how will you, if confirmed, confront those challenges in human capital, Disability modernization, information technology, and physical infrastructure?

Ms. COLVIN. Senator Hatch, we have recognized that the agency does need to have a long-term vision. We are in the process of doing that right now. We have the National Association of Public Administrators that was commissioned by Congress to help in this process. They have submitted their report.

We will use some of that report to inform decisions as we finish our own planning process. We expect to have a long-term vision plan around the first of the year. We need to make sure that we have extensive engagement with our stakeholders, Congress, our advocates, and customers, et cetera.

So, we are looking at making sure that all of that has been done, but we do expect to have a long-term vision document completed by the beginning of the new fiscal year. The last vision document was, in fact, done in 2000 when I was at SSA, and it was for the years up to 2010. So, we recognize the need there.

We are also in the process of developing a human capital plan which looks at succession planning and at the gaps that we need to fill. Probably about half of our employees are now eligible for retirement. The fact that our program is very complex means that this will be a major problem for us. So we are, in fact, doing skill gap training.

Senator HATCH. Well, look at those four critical ones.

Ms. COLVIN. And we are, in fact, modernizing our system. So those three areas that were identified, we are currently addressing.

Senator HATCH. All right. Well, thank you. In our hearing last week about the Disability program, views were expressed that the DI trust fund exhaustion has been foreseen for 20 years, and that increases in the Disability rolls have been expected for some time.

Now, this means that SSA has ample time to update its DI program to adapt to changes. However, as I understand it, decision-makers in the DI program utilize tens of thousands of pages of instructions to decide who should get benefits, including 37-year-old medical criteria, 35-year-old vocational criteria, and 23-year-old guidelines to determine what jobs exist for individuals with disabilities.

Now, according to the nonpartisan GAO's high-risk list in 2013, disability programs managed by SSA, quote, "rely on out-of-date criteria to a great extent in making disability decisions."

So I have two questions about this. The first is whether 2013 was the first time that GAO identified high risk in SSA's Disability program, and the second is why it is taking so long for SSA to update its criteria and guidelines, especially since you have had so much time and foresight about troubles with Disability finances.

If you could address those, I would appreciate it.

Ms. COLVIN. Senator Hatch, it is my understanding that there have been other earlier recommendations related to the need to update some of the medical tools that we use in determining disability.

The Disability program, as you know, is a very complex program. Any change is going to generate significant discussion both here in Congress and the community. So any change that is made has to be evidence-based. It has to be based on research and medical advancements.

We are in the process right now of working with the Department of Labor to update the occupational list that we use, and that has been happening for some time. The occupational standards that we currently use are, in fact, not going to be updated. We are working with the Department of Labor to develop a tool that will be helpful in making our disability decisions. We do not have a timeline, but we have been working aggressively on development of that tool.

Our medical listings are updated on an ongoing basis. These are the criteria that are used in making the disability determination. Most have been updated and are presently on a cycle to be reviewed every 3 years. We follow the advances in medicine. So if, in fact, there are new developments in science that make disability decisions different, then we use that information.

This update is something that is ongoing and therefore is always going to be in need of review. There is tremendous progress going on within the agency, so I do not want to leave the impression that we are not making advances. The changes that we are making, though, will not have a significant impact on the trust funds. It is our hope that Congress will find a bipartisan way to address the need to have additional funding there.

You are aware that Congress many times in the past has reallocated between the two trust funds. The President has indicated that he hopes that they do this again so that we have adequate

time to make long-term decisions, and that whatever is decided will be a bipartisan decision. We know that that will take a lot of discussion.

Senator HATCH. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Hatch.

Senator Brown?

Senator BROWN. Thank you, Mr. Chairman.

It is good to see you, Ms. Colvin. Thank you for joining us.

First, I just wanted to exhort you to work hard in terms of improving and expanding SSA's communication with the general public.

Like I do, as many of us do, I have done literally hundreds of roundtables and calls with senior groups and various kinds of tele-town halls, and I hear so many of the same myths about Social Security, about Disability, that they are not going to always be there and all the things that people say, and I just want to exhort you to do what you can to help dispel those myths.

I know we talked about that; you agree with that. But let me talk about a couple more serious things, a couple other more administrative things, if I could.

My office got a copy of a memo to the hearing office of the chief administrative law judge in the Office of Disability Adjudication Review in New York. I also received a memo from the chief administrative law judge that mandates a 600-case-a-year quota.

The first memo I mentioned contains a number of fairly mundane details, but it also makes two important assertions. An ALJ, administrative law judge, should be issuing 500 to 700 legally sufficient and timely decisions each year. If you continue to fail to consistently and efficiently manage your workload, the agency may initiate disciplinary action against you.

Could you, Commissioner Colvin, please elaborate on SSA policy regarding quotas for administrative law judges?

Ms. COLVIN. Senator Brown, we do not have quotas. The agency has set targets or goals toward which they want to see the ALJs work. Those targets were developed by chief judges who, in fact, have held cases. The agency has about 7 years' experience now with the targets.

The majority of our ALJs do, in fact, reach that target of between 500 and 700 decisions per year. The reason I say it is not a quota is that no one gets disciplined because of their failure to reach that number. It is just a goal that we work toward.

We are a production agency. Our first priority is quality—to make sure that the decision is policy-compliant and legally defensible. But we know it is a high-volume business. When we train ALJs, we mention that to them. And we have, as in any other organization, some who meet that target, and some who go above it, and some who do not meet it. But it is not a quota.

Senator BROWN. Thank you for that. It seems, talking to them, to many of them it feels like a quota, and I do not need a comment on that, but I just hope that you will sit down and find a way to open up communications with them and, again, reinforce what you just said to this committee right now that it is not a quota, that it is a recommendation and that there is no discipline. I think they just need to hear that directly from you.

Let me shift briefly to the labor and management relations. Even with the presidential executive order calling for labor-management partnerships throughout the Federal Government, it seems from our reports that it has only gotten worse, to the point where some labor organizations tell us it is as bad as it gets in the entire Federal Government.

What explains this? Why is this? And can I have a commitment from you to provide my office and this committee with a detailed update on progress you are making toward fully implementing your office plans to improve labor relations as specified in executive order 13522?

Ms. COLVIN. Senator Brown, I hear your concern about the labor-management relationships in the agency. In every organization I have worked in, we have had very strong and effective relationships with the union. I think it is very important when union and management work together, because it benefits the agency and the employees that we both represent. And I believe that the unions have the same goal that we have, which is to do the best we can for our employees and for the American public.

Historically, there has always been a very acrimonious relationship in the agency. I worked with the union when I was here from 1994 to 2001 under President Clinton, and we had what we call a partnership. In fact, I was the one who signed that contract at that time, and I felt that relationships had improved. When I returned, I was amazed to see the deterioration. But what I have done is, I meet with them on a regular basis. I have lunch with them without management staff so that we can begin to just get to know one another.

I have had relationship training given by the Federal Labor Relations Board to have managers and the union come together to look at how we can build trust, how we can communicate better, et cetera. You have my commitment that I will continue to do that. I will say that, when you have a huge organization like SSA with 62,000 employees, it takes a long time to change the culture and the relationships. But you have my commitment to continue to try to move that gap a little bit closer so that we can work better together.

Senator BROWN. And also, a commitment to report to my office and to this committee of progress, labor progress.

Ms. COLVIN. Absolutely.

Senator BROWN. Thank you very much. Good luck in your confirmation. Thanks.

The CHAIRMAN. Thank you, Senator Brown.

Senator Carper?

Senator CARPER. Thank you, Mr. Chairman.

First of all, let me just say how pleased I was to meet with you earlier this morning.

Ms. COLVIN. Thank you, sir.

Senator CARPER. And thank you for your service and for your leadership at the Social Security Administration for these many months as our acting leader. My hope is that you will be confirmed.

Ms. COLVIN. Thank you, sir.

Senator CARPER. I went to Ohio State as an undergrad. I get invited back there from time to time. I was back last year and had

an opportunity to speak to about 400 or 500 young men between the ages of 18 and 22, some from Ohio State, others from other States in the Midwest, and I talked to them about leadership, I talked to them about values, and I talked to them about some of the challenges that we face.

Among the questions that they asked me were questions relating to our future as a country, the economy, their ability to get jobs, and so forth. I asked them a question too. I asked them a couple of questions. I said, "How many of you think that someday you will receive a Social Security check? Raise your hand." Not one person out of 500 guys raised his hand, not one. And I said, "How many of you think you will ever benefit from Medicare?" Not one. Not one.

I said, "Our job here is to make sure if you ever need a Social Security check when you are 65 or 70 or 75, it will be there, and our job is to make sure that if you ever need Medicare or you need health care, and you probably will, that it will be there for you as well."

I think we have a moral imperative to the least of these in our society to look out for their needs. I also think we have a fiscal imperative to make sure that we are meeting that moral imperative in a fiscally responsible, fiscally sustainable way.

I chair the Committee on Homeland Security and Governmental Affairs. We have a subcommittee led by Carl Levin and, until a year ago or so, by Tom Coburn. They did an in-depth analysis, as you know, of Disability Insurance fraud in one place, in Huntington, WV. And what they found was—and I mentioned this to you in our meeting—they had one judge who was, in all his cases from one attorney, from one law firm, approving about 99 percent of them, and, almost magically, a cash payment was deposited into the bank account of the judge every month for year after year after year.

We have to be smart enough to detect that, find it, and do something about it. In the private sector, they have the ability to use a technique called predictive analytics. Predictive analytics. And this is just an area that is ripe for this.

I think the average approval rate for Disability Insurance applications is about 40 percent. When somebody, a judge, is at 50 percent, it is not unusual, 60 percent or 70 percent, but 99 percent, 95 percent, 90 percent is unusual, especially when the bulk of a judge's cases are coming from one lawyer. We should be able to pick this stuff up. We should be able to pick this stuff up, and they do it in the private sector all the time.

I just want you to talk to us about how we plan to use the same kind of tools and techniques in order to defend a fund that I think is going to run out of money in 2016 or so: the Disability Insurance fund.

I think the Social Security trust fund will start having to chop down the benefits in the early to mid-30s, 20s. But just talk to us about how we are going to use it, how we are using predictive analytics to get at this problem.

Ms. COLVIN. Thank you, Senator Carper. We are enhancing our anti-fraud activities. We are, in fact, using data analytics. We are

working internally. We also want to be using external groups so that we can maximize this.

Our fraudsters have become much more sophisticated. So we are seeing third-party fraud, and that is why data analytics is going to be so important, because it will show us the trends that are happening, and we will be able to identify things that we would not be able to identify without that.

So we are, in fact, working on that. But let me just mention that we have a zero tolerance for fraud in the agency, and, even though the Inspector General has indicated in reports that we have less than 1 percent fraud, even one case is too many.

Every time we have a case, we look at lessons learned so that we can benefit from that. Most of the fraud is identified by our front-line employees who tend to be our best defense against fraud.

We also have—I do not know if you are familiar with our Continuing Disability Investigation Units. These are the units that are partners with the Office of Inspector General, the local Disability Determination Services, and with local law enforcement. I initiated the first unit in 1998 when I was here. We now have 25. As a result of the increased funding that we got this year for program integrity, I am opening up another seven.

What these units do is identify fraud before we pay out the first check. This is important, because it is so much easier to not pay the money than it is to recoup it once we have made the benefit payment. So, we are aggressive in that area.

For example, our front-line employees made about 22,500 disability-related fraud referrals to the Office of the Inspector General in fiscal year 2013. We have been working with the Department of Justice to try to get them to be more aggressive in prosecuting the cases, and, in some instances, we have to defer any administrative action that we take until such time as the criminal action has been taken. That is a benefit to us because, if criminal action is taken, we can get restitution, whereas if we take an administrative action, we do not know how much of the money we can get back.

Senator CARPER. Great. Well, that is encouraging. We want to be your partner.

I want to say, Mr. Chairman, a special thanks before I yield. Thanks to you, and I want to thank Senator Hatch and your staffs for working with Dr. Coburn and me on something called improper payments, $106 billion in improper payments last year. And some of those are hard to correct, but a lot of them can be fixed.

We have a situation where the Social Security Administration has a Death Master File that pretty much keeps track of who is alive and who is dead so that we do not pay benefits to people who are dead, and we need to be able to make that available to other Federal agencies so that they have the right and the most accurate information.

But I want to say, Senator Wyden, Mr. Chairman, and to Senator Hatch, thank you very much for working in concert with Dr. Coburn and me to make sure that we can address this issue, $106 billion in improper payments—not all from Social Security by any means. We are doing better, but we could do better still, and this bill will help us to. So thank you.

The CHAIRMAN. Thank you, Senator Carper.

I want you to know, as I have indicated to Senator Hatch—because we had a hearing on Disability Insurance—that where there is fraud, we are going to find it and we are going to fight it, and the reason we are is because this program is so important for the kind of person like Ms. Stephanie Dempsey. I talked about her before you came.

She was really the face of the Disability Insurance program when she came for our discussion of chronic conditions, and she did everything right. She just got clobbered by one disease after another, and she was sitting there at the end of the table where Chairman Mikulski was with medications piled up one box after another that she takes every day. So we owe it to her; we owe it to taxpayers.

I also have this report with respect to Social Security about the question of improper payments, and I am going to put that into the record, which would indicate that, in the overwhelming number of instances, the agency gets it right. But your point is, when they do not and when there is particularly fraud, we have to find it, we have to fight it, we have to root it out, and we are going to do that in a bipartisan way.

[The report appears in the appendix on p. 112.]

The CHAIRMAN. So let me recognize Senator Hatch. Would you like to say anything else, Senator Hatch?

Senator HATCH. Just welcome and we are happy to have you testify here today. I enjoyed our meeting in our office together and look forward to working with you.

The CHAIRMAN. The only thing I would say in closing, Ms. Colvin—and you could see this from the remarks of the Senators—is that sometimes government is kind of an abstraction: there is "some agency" in "the office of acoustics and ventilation," and the citizen tries to figure out, well, what does that exactly have to do with me, etc. That is not the case with Social Security.

This is what I was getting at earlier when I held up an earnings statement and talked about what receiving one means to someone. There have been changes in the policy—yes—but people hold onto this because it tells them what they have earned, what they have paid in, what they have coming to them.

So I support your nomination, and I think you have addressed the concerns of the Senators here, and I am doing it because I think you have the experience. Indeed, you have had several stints at the agency, so you have seen the changes over time. And I think you will work with us, particularly in an area I am personally very interested in, to make sure that we are using modern technology.

Ms. COLVIN. Absolutely.

The CHAIRMAN. We have 21st-century challenges, yet what we have to meet them has been in place since before color TV, sort of 20th-century technologies. That is why we have to play some catch-up, and we have to work together, and we have to move quickly, and we have to do it given the challenge of constrained resources.

I feel you are going to work closely with us, and I intend to support your nomination.

With that, the Finance Committee is adjourned.

[Whereupon, at 11:06 a.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Statement of Carolyn W. Colvin
Acting Commissioner
United States Social Security Administration
Nominee for Commissioner
United States Social Security Administration

Before the Committee on Finance

July 31, 2014

Chairman Wyden, Ranking Member Hatch, and members of this Committee, I am honored and grateful to appear before you today as President Obama's nominee to be Commissioner of the Social Security Administration (SSA).

It is a privilege to have the opportunity to continue leading SSA, an organization that I hold in high esteem and one that touches the lives of so many people across all stages of life. My passion for the work of the agency comes from my many years of serving those most in need. Throughout my career, I have led numerous government agencies. I can confidently say that SSA has some of the most customer-focused, most compassionate employees in all of government.

During fiscal year (FY) 2013, we paid over $850 billion in benefits to a monthly average of more than 62 million beneficiaries – the scope of what we do is truly enormous. Behind each of these numbers, however, is the personal story of a person in transition. We encourage staff to remember this and to remain focused on why we are in government – to serve. If you were to stop by one of our offices on any given day, you might see a grandmother retiring after a long and successful career, a new bride changing her name on her Social Security card, a man whose disability ended his career too soon, or perhaps a low-income mother filing for assistance to help take care of a disabled child. It is both a humbling and rewarding experience to go to work every day knowing that what my colleagues and I do profoundly helps those around us.

I would like to begin by sharing a bit of my background with you. Then, I will highlight a few of our accomplishments since I returned to SSA in January 2011. I will finish by describing some of the challenges I see ahead and how the next Commissioner should meet them.

Background

I am very fortunate to have spent so much of my life working on issues that matter so much to me. My true calling has been public service. To that end, I have spent my career leading Federal, State, and local health and human service organizations that provide critical safety-net services to those most in need. Quite often, I have had to navigate these organizations through periods of change and uncertainty. While change is not always easy, it is often necessary to meet the needs of the public and balance resource demands. It is gratifying to look back and see evidence of progress and growth at the various agencies where I have held leadership positions

over the years. These experiences and challenges have all helped prepare me for the tremendous opportunity to lead SSA.

My prior work experience has also taught me how much our programs benefit those in need and how important our role is. We must always work diligently to address the needs of the most vulnerable in our communities – our seniors, individuals with disabilities, struggling families and children. This is SSA's mission. For almost 79 years, SSA has maintained President Roosevelt's great vision "....for giving some measure of protection to the average citizen and to his family against the loss of a job and against poverty-ridden old age." As the agency's leader, I am dedicated to ensuring that we continue that commitment.

I was honored by President Obama's confidence and the Senate's concurrence on December 22, 2010 when I was confirmed as Deputy Commissioner. Since February 14, 2013, I have served as the Acting Commissioner of Social Security.

As Acting Commissioner, I have focused on providing the public responsive customer service; demonstrating good stewardship by providing the American taxpayer the maximum value for the resources entrusted to us; and employing every available means to prevent waste, fraud, and abuse, and to prosecute those responsible when it does.

Previously, I have held a number of key executive positions at SSA. Through these various positions, I gained a deep and lasting appreciation of the important role Social Security plays in the lives of all Americans. This experience has served me well in my current role as Acting Commissioner where I also serve as a member of the Social Security Board of Trustees.

Outside of SSA, I have also served in a variety of executive positions with State and local government, including Director of Human Services for the District of Columbia, Director of the Montgomery County Department of Health and Human Services, Chief Executive Officer of AMERIGROUP Community Care of the District of Columbia, and Special Assistant to the Secretary of Maryland's Department of Transportation. In addition, I served as the Secretary of Maryland's Department of Human Resources. As with my federal experience, my time with State and local government provided a foundation of public service that has both guided and inspired me.

I attended Morgan State University in Baltimore, Maryland, where I earned both a Bachelor of Science degree and a Master of Business Administration. Additionally, I have completed the Senior Executives in State and Local Government Program at Harvard University, and the Maryland Leadership and the Greater Baltimore Leadership Programs.

Accomplishments

Strategic Planning

One of my top priorities since becoming the Acting Commissioner has been to position SSA so it can adapt to a rapidly changing world and continue to provide excellent service to future generations. While SSA has always planned ahead, we have not always engaged in true long-range, strategic planning. This is why, in 2013, I established the position of the Chief Strategic

Officer, who reports directly to me and is responsible for the development of strategy and promotion of innovation in performance and service delivery across SSA.

I am pleased to report that we are well on our way toward developing a long-range plan. We will engage with members of Congress, our employees, our employee unions, management associations, advocates, and the public we serve as we develop that plan.

Program Integrity

I am committed to protecting SSA's programs from waste, fraud, and abuse. When I appeared before this Committee for my confirmation as Deputy Commissioner in 2010, I asked to serve as SSA's Accountable Official for Improper Payments, and I am grateful to have held that role since I returned to SSA. In this capacity, I have provided executive oversight of our program integrity activities and pushed for the development of new and innovative ways to prevent, detect, and recover improper payments.

We continue to make progress in improving program integrity. Our Retirement, Survivors, and Disability Insurance (RSDI) program continues to be among the most accurate among Federal agencies that measure improper payments. While our biggest challenge for addressing improper payments has been our means-tested Supplemental Security Income (SSI) program—which is prone to error due in part to its complex eligibility rules—I am pleased to report that SSI program integrity has substantially improved as well. Our SSI overpayment rate decreased from 10 percent in fiscal year 2008 to around 6 percent last year.

We appreciate Congress' ongoing support for our continuing disability reviews and our SSI redeterminations, which ensure that beneficiaries continue to meet our program rules. These reviews save billions of program dollars with only a comparatively small investment of administrative funds. These reviews, in tandem with our other program integrity initiatives, are critical in ensuring our ongoing improvements in program integrity.

Service Delivery

SSA has always been known as a "can-do" agency with great public service. But I would be remiss if I did not acknowledge that budgets in recent years have challenged our ability to maintain the level of service the public expects and deserves. These lean budgets have forced us to make difficult choices and to cut back on some services.

However, I want to assure you that we are fully committed to providing face-to-face service to members of the public who want or need it. We recognize the importance of providing direct service to the public. We have no plans to abandon our network of field offices. They have been the hallmark of our service for almost 80 years.

At the same time, I am pleased with the progress we have made with expanding our electronic services. We have created secure, effective, and convenient electronic services and marketed them to individuals who want to do business with us online, and it has paid off. For example, as of June 2014, over 12.5 million users had registered for *my* Social Security online accounts, an increase of over twenty fold since its launch two years prior.

In addition to our online services, we are utilizing video technology to enhance our service delivery options. Video technology gives us an efficient way to deliver face-to-face service to remote, rural, and underserved communities, whose residents might otherwise have to travel long distances to reach us. Further, we continue to expand our use of video interpreter services to ensure easy access to our services for the hearing-impaired.

Intragovernmental Collaboration

As Acting Commissioner, I relish the opportunity to collaborate with my colleagues across the government and contribute toward improving the overall efficiency and effectiveness of our service to the public. I am particularly proud of our collaboration with the Department of Veterans Affairs (VA) and Department of Defense (DoD). My colleagues at these agencies and I regularly communicate and implement projects that improve our service to America's veterans. I want to highlight a couple of these projects.

First, we share medical records with the VA when veterans who file for disability compensation indicate that they have also filed for or are receiving disability benefits from us. These records allow the VA to process the veteran's claim more quickly. We have devoted significant resources to responding to the VA's requests for medical records as quickly as possible.

In addition, we are exchanging data with the VA and DoD to expedite the disability claims of veterans identified as Wounded Warriors who were disabled while on active duty. Regardless of where or how the injury occurred, we move these claims to the front of the line for a decision. Additionally, in March 2014, we expanded this process to veterans who are rated 100 percent permanently and totally disabled by the VA.

I also want to highlight two other initiatives aimed at increasing coordination and collaboration. First, I am proud to be the co-goal leader for the President's Management Council workgroup on customer service. The purpose of this inter-agency group is to improve the quality, timeliness, and customer satisfaction of service government-wide.

Finally, we have thousands of data exchange agreements with Federal, State, local, and foreign governmental entities. Data received from external exchange partners allows us to pay benefits accurately, efficiently and timely. By efficiently sharing data with other agencies and private organizations through our electronic verification services (where allowed by law), we help them to efficiently administer their programs and reduce the number of field office visits and 800 number calls.

Challenges Ahead

SSA's employees are its greatest asset. The last few years have been difficult, and I have witnessed our employees make often-heroic efforts to serve our customers quickly and compassionately, in spite of growing workloads and tight budgets. I want to take this opportunity to let them know how much I appreciate everything they do. If confirmed, it would be my greatest honor to continue to lead this remarkable organization.

SSA has many challenges ahead of it. If confirmed, I look forward to addressing them. First, we must create a long-term plan that will serve as a roadmap for applying new technologies and developing new services. We must adapt to a rapidly changing world and continue to provide excellent service for generations to come.

We must make informed decisions and wise investments in technology. I am proud of the progress we have made in developing and marketing high quality electronic services. I am excited about our plans to make more of our services available for individuals who want to do business with us online. If confirmed, I will continue to work aggressively to increase the agency's use of innovate technology that maximizes our return on the taxpayers' investment. One of our current examples is our successful effort to exchange electronic health records, which allows our employees to work more efficiently with improved quality.

As I indicated earlier, I am committed to fighting waste, fraud, and abuse and have significantly expanded efforts at the agency to do so. I am equally committed to ensuring that the people who come to us in tremendous need receive the benefits for which they are eligible as quickly as possible. If confirmed, I will continue to ensure that we balance timely, high quality service with our program integrity responsibilities.

We must do more to help individuals with significant disabilities succeed in the workforce. Accordingly, the President's FY 2015 budget contains a proposal requesting resources and demonstration authority for us to work in partnership with other agencies to test early intervention strategies to help people with disabilities remain in the workforce.

Finally, if confirmed, I will continue to advocate for sustained and adequate funding, without which our service suffers. As you know, our administrative costs represent only 1.4 percent of the benefits we pay annually – a track record that no private insurance company can match. We have proven year after year that we are good stewards of our resources. In the past few years, limited funding and sequestration have constrained our ability to meet our mission, and we have had to cut back on services. The FY 2014 funding level positions us to begin to restore services to the public and also increase our program integrity efforts. I ask you to support the President's FY 2015 budget request, which will allow us to continue to restore services and improve our program integrity efforts.

Conclusion

The Commissioner of Social Security is responsible for working with Congress to improve the nation's Social Security programs. The Commissioner is also responsible for leading a large, complex, and diverse agency with many employees in every State, all of whom strive daily to make sure that we deliver benefits to the right person, in the right amount, at the right time.

I believe that my policy-making experience, management expertise, problem-solving skills, and passion for the work make me well suited to be Commissioner of this wonderful agency. I can assure you that I am deeply committed to administering the nation's Social Security programs in an efficient and effective manner, and maintaining diligent stewardship of tax and general funds and the trust of the American people.

Thank you for the opportunity to appear before you today. I am deeply honored by this opportunity to further my life's work in service to the American people. I ask for your support. I would be happy to answer any questions you may have.

SENATE FINANCE COMMITTEE

STATEMENT OF INFORMATION REQUESTED OF NOMINEE

A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names used.)

   Carolyn Watts Colvin (former names: Carolyn Valetta Watts; Carolyn Valetta Porter)

2. Position to which nominated:

   Commissioner, Social Security Administration

3. Date of nomination:

4. Address: (List current residence, office, and mailing addresses.)

5. Date and place of birth:

   May 27, 1942
   Arnold, MD 21012

6. Marital status: (Include maiden name of wife or husband's name.)

7. Names and ages of children

8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)

   a. Wiley H. Bates High School, 1953-1959; diploma granted in 1959.

b. Morgan State University, 1959-1973; Bachelor of Science degree granted in 1971. Master of Business Administration degree granted in 1973.

9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)

a. Acting Commissioner Social Security Administration 6401 Security Boulevard 900 Altmeyer Building Baltimore, MD 21235	02/2013-Present
b. Deputy Commissioner Social Security Administration 6401 Security Boulevard 900 Altmeyer Building Baltimore, MD 21235	01/2011-02/2013
c. Special Assistant to Secretary Maryland Department of Transportation 7201 Corporate Center Drive Hanover, MD 21076 (Confirmed as Secretary on 9/1/09)	06/2009-12/2010
d. Executive Coach/Trainer Rosborough Communications 811 Cromwell Park Drive, Suite 107 Glen Burnie, MD 21061	12/2008-06/2009
e. Consultant Public Consulting Group 148 State Street Boston, MA 02109	01/2009-03/2009
f. CEO AMERIGROUP Maryland, Inc. 777 North Capitol Street, N.E. Washington, DC 20002	05/2007-07/2008
g. Director Montgomery County Department of Health and Human Services 401 Hungerford Drive Rockville, MD 20850	03/2003-12/2006

h. Director — 02/2001-03/2003
DC Department of Human Services
64 New York Avenue, NE, 6th flr.
Washington, DC 20002
(relocated from 3700 Martin Luther King, Jr. Ave., SE
Washington, DC 20032)

i. Deputy Commissioner of Operations — 04/1998-02/2001
Social Security Administration
6400 Security Boulevard, Baltimore, MD 21235

j. Deputy Commissioner — 05/1996-04/1998
of Policy and Programs
Social Security Administration
6400 Security Boulevard, Baltimore, MD 21235

k. Deputy Commissioner — 08/1994-05/1996
of Policy & External Affairs
Social Security Administration
6400 Security Boulevard, Baltimore, MD 21235

l. Secretary — 02/1989-07/1994
MD Department of Human Resources
311 West Saratoga Street
Baltimore, MD 21201

m. Deputy Secretary — 11/1988-02/1989
MD Department of Human Resources
311 West Saratoga Street
Baltimore, MD 21201

n. Deputy Commissioner of Administration — 06/1984-02/1988
Baltimore City Health Department
303 E. Fayette Street
Baltimore, MD 21201

o. Director of Field Operations — 01/1983-06/1984
Office of Senator Paul S. Sarbanes
Federal Office Building – Hopkins Plaza
Baltimore, MD 21201

p.	Training Consultant MD Department of Personnel 2100 Guilford Avenue Baltimore, MD 21218	1979-1983
q.	Field Director Citizens for Sarbanes 33rd St. & Greenmount Avenue Baltimore, MD 21218	06/1982-11/1982
r.	Director of Administration & Management Baltimore City Health Department 303 E. Fayette Street Baltimore, MD 21202	07/1981-06/1982
s.	Executive Director Neighborhood Adolescent and Young Adult Drug Program Baltimore, MD	04/1980-07/1981
t.	Consultant Walker Monroe, Inc. (Diversified Systems) 4612 York Road Baltimore, MD 21212	1980-1983
u.	Insurance Agent Aetna Life Insurance Co. 40 W. Chesapeake Avenue Baltimore, MD 21204	05/1979-04/1980
v.	Chief, Home Health Constant Care Community Health Center 100 Metro Plaza Baltimore, MD 21216	01/1979-05/1979
w.	Deputy Director, Neighborhood Services Administration Baltimore City Department of Housing and Community Development Baltimore, MD	04/1976-08/1978
x.	Independent Contractor Princess House North Dighton, MA 02764	1976-1980

y. Project Director — 02/1974-04/1976
Baltimore City Health Department
Baltimore, MD

z. Program Manager — 12/1971-02/1974
Senior Administrative Assistant — 03/1970-12/1971
Administrative Assistant — 04/1969-03/1970
Baltimore City Department of Housing
and Community Development
Baltimore, MD

aa. Principal Stenographer — 02/1966-04/1969
Bureau of Library Services
Baltimore City Department of Education
Baltimore, MD

bb. Senior Clerk Stenographer — 10/1964-02/1966
School #452
Baltimore, MD

cc. Clerk Stenographer — 08/1963-05/1964
Social Security Administration
6400 Security Boulevard, Baltimore, MD 21235

I held various temporary and part-time positions while attending college 1966-1969. Those I recall include:

1. Clerical Worker
Able Temporaries
2 N Charles Street
Baltimore, MD

2. Registration Clerk
Mercy Medical Center
301 St. Paul Street
Baltimore, MD 21202

3. Library Clerk
Sinai Hospital
2401 W. Belvedere Avenue
Baltimore, MD 21215

Between approximately 1978 through 1980, I was an independent contractor for AMWAY (address unknown). In addition, between approximately 1969 through 1979, I was an independent contractor for Success Motivation Institute, located in Waco, Texas. I have not been involved with either organization for many years.

I was a licensed real estate agent from 1987-2011, working with Grempler Realty, 400 East Joppa Road, Towson, MD, and ABC Realty, located at 5528 Belair Road, Baltimore, MD. ABC Realty is now Premiere Real Estate Co.

10. Government experience: (List any advisory, consultative, honorary, or other part time service or positions with Federal, State, or local governments, other than those listed above.)

    a. Gubernatorial Commissions (during period of employment with Governor William Schaefer, between 1989-1994)

        1. Governor's Advisory Council on Acquired Immune Deficiency
        2. Governor's Commission on Drug and Alcohol Abuse
        3. Governor's Commission on Welfare Reform
        4. Governor's Commission on Women's Health
        5. Governor's Employment and Training Council
        6. Governor's Task Force on Self Esteem
        7. Governor's Workforce Investment Board
        8. Governor Elect's Transition Task Force on Health

    b. Mayoral Committees (during period of employment with Mayor Schaefer, between 1981-1988) (Leave of absence from Baltimore City 6/82-6/84)

        1. Commission for Children and Youth
        2. Fish and Wildlife Commission
        3. Mayor's Cable TV Advisory Committee
        4. Mayor's Conservation Task Force
        5. Mayor's Human Services Network for District IV
        6. Mayor's Poverty Discussion Group
        7. Mayor's Implementation Committee
        8. Project Area Committee Coalition Coordinator

11. Business relationships: (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution:)

    a. <u>Former Board Membership</u>

        1. Arundel Community Development Services
           2666 Riva Road, Suite 210, Annapolis, MD 21401
           Board Member, 2008-2010

        2. National Committee to Preserve Social Security and Medicare
           10 G Street, NE, Washington, DC 20002
           Board Member/Secretary, 2007-2009

3. National Committee Foundation
   10 G Street, NE, Washington, DC 20002
   Board Member/Secretary, 2008-2009

4. AMERIGROUP Maryland, Inc.
   750 First Street, NE, Suite 1120
   Washington, DC
   Vice-President, 05/2007-12/2007

5. AMERIGROUP Virginia, Inc. - -
   750 First Street, NE, Suite 1120
   Washington, DC
   President, 05/2007-12/2007

6. American Public Human Services Association, 1990-1993
   (formerly the American Public Welfare Association)
   Washington, DC

7. Associated Black Charities, Baltimore, MD, 1993-1994.

8. Center Stage, Baltimore, MD

9. Community Relations Commission, Baltimore, MD

10. Friends of the Family, Baltimore, MD, 1998-1999 (est.)

11. House of Ruth, Baltimore, MD, 1985-1988 (est.)

12. Mental Health Association, Baltimore, MD, 1986-1988 (est.)

13. Mercy Medical Center, Baltimore MD, 1993-1994.

14. Montgomery Alliance, Montgomery County, MD, 2004-2006.

15. Municipal Employees Credit Union, Baltimore, MD

16. National Forum for Black Public Administrators, MD Chapter, Baltimore, MD, 1984-1988 (est.)

17. North Baltimore Youth Services Board, Baltimore, MD, 1982-84

18. Outward Bound, Baltimore, MD

19. USO of Central Maryland, Annapolis, MD

12. Memberships. List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.

a. Current

1. AARP, 1992-Present
2. Leadership Maryland, 2005-Present
3. Morgan State Alumni Association, 1973-Present
4. NAACP
5. National Forum for Black Public Administrators, 1984-Present
6. Wiley H. Bates Alumni Association, 1959-Present
7. National Academy of Social Insurance, 2011-Present

b. Former

1. American Business Women's Association,1979
2. American Red Cross Community Program Committee, 1974
3. American Society for Training and Development, 1976-1980
4. Association of MBA Executives, 1980
5. Baltimore Commission on Aging, Health and Social Services Consortium, 1974-1976
6. Baltimore Community College, Health and Human Services Advisory Council
7. Baltimore Life Underwriters Association, 1980
8. Baltimoreans for Children's Survival
9. Black Health Study Group
10. Center for Women's Health & Medicine Community Advisory Board
11. Child Welfare Center, 1994
12. Enterprise Housing Plus Advisory Committee
13. Executive Women's Network
14. Family Development Center
15. Family Violence Task Force, 1986-1988 (est.)
16. Glen Oaks Improvement Association, 1980
17. Helping Unite People (HUP), 1990
18. Information Technology Board
19. Judicial Nominating Committee, Baltimore City, 1987-1989
20. Leadership Baltimore, 1985
21. Maryland Black Congress on Health, Law and Economics, 1984-1986 (est.)
22. Maryland Commission on Infant Mortality, 1985-1987 (est.)
23. Maryland Conference of Social Concern
24. Mental Health Laws Advisory Council, 1984-1988
25. National Academy of Social Insurance, 1995-2000
26. National Association of State Directors of Developmental Disabilities Services, 2001-2005
27. National Coalition of 100 Black Women, 1988-1989

28. National Caucus on the Black Aged, 1974-1976
29. National Council for the Aging, 1974-1976
30. Urban League
31. Women Executives in State Government

13. Political affiliations and activities:

a. List all public offices for which you have been a candidate.

None

b. List all memberships and offices held in and services rendered to all political parties or election committees during the past 10 years.

1. Volunteer in the 2008 Obama for President Campaign - Participated in Get Out the Vote (GOTV) efforts.
2. Volunteer in the 2005-06 Doug Duncan for Governor Campaign - Participated in Get Out the Vote (GOTV) efforts.
3. Volunteer in the 2002 Tony Williams for Mayor Campaign - Participated in Get Out the Vote (GOTV) efforts.

c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more for the past 10 years.

1.	01/27/14	Democratic National Committee	$1,000
2.	01/10/14	Friends of Doug Duncan	500
3.	10/10/13	Friends of Shirley N. Pulliam	100
4.	10/03/12	Obama for America	500
5.	09/11/12	Obama Victory Fund	1,000
6.	07/05/12	Obama for America	500
7.	03/24/12	Cardin for Senate	200
8.	03/13/12	Democratic National Committee	500
9.	02/16/12	Democratic National Committee	500
10.	02/07/12	Obama for America	500
11.	01/28/12	Obama for America	500
12.	10/10/11	Democratic National Committee	250
13.	09/08/10	O'Malley for Governor	100
14.	05/17/10	Maryland Legislative Black Caucus	40
15.	04/26/11	Citizens for Kelly	150
16.	02/22/10	Mikulski for Senate	500
17.	01/26/10	Democratic National Committee	500
18.	07/10/09	DCCC	$100
19.	03/23/09	Democratic National Committee	100
20.	01/13/09	Democratic National Committee	100
21.	09/08/08	Democratic National Committee	100

22. 06/21/08	Obama for President	500
23. 07/20/08	Obama for President	500
24. 05/07/08	Hillary Clinton for President	500
25. 10/02/06	Friends of Ike Leggett	500
26. 08/22/06	Halter for Arkansas	200
27. 08/03/06	Friends of William Donald Schaefer	200
28. 07/29/06	Friends of Stuart Simms	250
29. 05/07/06	Friends of Doug Duncan	1,000
30. 04/26/06	Citizens to Elect Linda Cropp Mayor	100
31. 10/15/05	Friends of Doug Duncan	100
32. 07/06/05	Friends of Ike Leggett	500
33. 01/07/05	Friends of Doug Duncan	1,000

14. Honors and Awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and other special recognitions for outstanding service or achievement.)

    a. 2013 The Clifford R. Gross Award for Federal Government Public Service Awarded by the Maryland Chapter, American Society for Public Administration
    b. 2012 The Innovations in Aging Award – Awarded by the Maryland Department of Aging, Virginia Department for the Aging, and District of Columbia Office on Aging
    c. 2005 Maryland's Top 100 Women – Awarded by the Daily Record
    d. 2005 Women of Achievement Award – Awarded by Suburban Maryland Business & Professional Women
    e. 1992 Women Executives in State Government Fellowship – Senior Executives in State and Local Government
    f. 1985 Certificate – Greater Baltimore Leadership Program

15. Published writings: (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.)

    a. None

16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated.) Provide the Committee with two copies of each formal speech.

    a. None

17. Qualifications: (State what, in your opinion, qualifies you to serve in the position for which you have been nominated.)

    I have served as Acting Commissioner of the Social Security Administration from 02/2013 to the present. Prior to this position, I served as the Principal Deputy

Commissioner, a Senate confirmed position, from 01/2011 to 02/2013. I also held three Deputy Commissioner positions within the Agency from 1994-2001, responsible for Policy, External Affairs, Programs, and Operations. I have served on the Board of the National Committee to Preserve Social Security and Medicare from 2007-2009. I have served as a Senior Executive to a Governor, three Mayors, and a County Executive, leading large governmental agencies at the local and State levels. At the local and State agencies, I was responsible for administering disability and other health and social service programs.

Over the span of my career, I have demonstrated success in leading governmental agencies through development, change, and innovation. I have strategically and effectively managed personnel, fiscal and material resources to achieve organizational goals.

I am passionate about the Social Security programs. I have seen first-hand the importance of both the disability and retirement programs in the lives of my own family and friends. If confirmed, I will bring the experience gained from my previous service at the Social Security Administration, as well as over thirty-five years in positions of responsibility in the public and private sectors, to help meet the challenges facing Social Security.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.

    a. Yes.

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation during your service with the government. If so, provide details.

    a. No.

3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.

    a. No.

4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.

    a. Yes.

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships, which could involve potential conflicts of interest in the position to which you have been nominated.

    a. I have consulted with representatives from the U.S. Office of Government Ethics and the Designated Agency Ethics Official for the Social Security Administration regarding potential conflicts of interest regarding my investments, obligation, liabilities or other relationships and the position to which I have been nominated. I have signed an ethics agreement that details the actions I will take to avoid any potential conflicts of interest. I have provided a copy of the agreement with this questionnaire. I am not aware of any other potential conflicts of interest.

2. Describe any business relationship, dealing, or financial transaction which you have had during the past 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position for which you have been nominated.

    a. In connection with the nomination process, I have consulted with the Office of Government Ethics and the Social Security Administration's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. activities performed as an employee of the Federal government need not be listed.

    None

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with two copies of any trust or other agreements.)

    a. In connection with the nomination process, I have consulted with the Office of Government Ethics and the Social Security Administration's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

5. The following information is to be provided only by nominees to the positions of

United States Trade Representative and Deputy States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g. March to December 1995), and the number of hours spent on the representation.

a. No.

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional association disciplinary committee, or other professional group? If so, provide details.

   a. No.

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county, or municipal law, regulation ,or ordinance, other than a minor traffic offense. If so, provide details.

   a. No

3. Have you ever been involved as a party of interest in any administrative agency proceeding or civil litigation? If so, provide details.

   a. In 1984, my son missed payments on a car loan for which I was a co-signer. A civil judgment in the amount of $2,226 was entered against me as a result. The judgment was satisfied in full.

   b. Maryland records show a 1989 civil judgment in my favor related to a car accident in 1984. I have no recollection of this litigation or this accident.

   c. In 1992 or 1993, a civil judgment for approximately $285 was entered against me for dental work arising from a car accident. I had believed my insurance company had covered the costs. I paid the amount due in 1993 upon learning of the judgment.

   d. In approximately 2006, I brought a complaint against a tenant in a building I own for breach of lease because the tenant had stopped paying rent. Around the same time, this tenant filed a civil complaint seeking return of a deposit. The tenant had placed a deposit on the property, with an option to buy, with

the understanding that the funds would go toward the purchase price or would be forfeited if the tenant did not purchase the property. In December 2006, the case was settled by a court mediator.

e. In 2004, a civil complaint was filed against me for a municipal infraction, failure to provide access to a rental property, after a tenant in a building I own did not allow a local inspector to enter the tenant's home. The case was dismissed in March 2004 because I had not received prior notice from the Housing Department of the inspection.

f. During my career in federal, state, and local government agencies, I have been named in my official capacity as a party in civil suits relating to the work of these agencies. To the best of my knowledge, none of these suits resulted in any findings of wrongdoing by me personally.

4. Have you ever been convicted (including pleas of guilty or nolo contendere) or any criminal violation other than a minor traffic offense? If so, provide details.

   a. No

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

   a. None to my knowledge.

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so.

   a. Yes.

2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?

   a. Yes.

UNITED STATES SENATE
COMMITTEE ON FINANCE HEARING
Confirmation Hearing for Carolyn W. Colvin
July 31, 2014
Questions for Ms. Colvin

Questions from Chairman Wyden

Question 1

If confirmed, what are your top priorities for the next two years? What do you hope to accomplish before your term has expired?

Response

I believe we must address a number of specific challenges in the coming years. If confirmed, my first priority will be to finalize a long-range vision that will serve as a guide for applying new technologies and developing new service options. This plan is absolutely critical. We must adapt to a rapidly changing world if we are to provide the highest level of service to our current and future customers. I expect to release this long-range vision early next fiscal year, and once released, I will put my full effort to implementing it successfully.

In the near term, we must also make informed decisions and wise investments in technology. I am proud of the progress we have made in developing and marketing high-quality online services, and I am excited about our plans to make more of our services available for individuals who want to do business with us online. If confirmed, I will continue to work aggressively to increase our use of innovative technology that maximizes our return on the taxpayers' investment while safeguarding the security of our electronic records. In addition, I will ensure we continue to provide face-to-face service to those who want or need it.

Moving forward, I am committed to fighting waste, fraud, and abuse and have significantly expanded efforts at our agency to do so. I am equally committed to ensuring that the people who come to us in tremendous need receive the benefits for which they are eligible as quickly as possible. If confirmed, I will work every day to ensure that we balance timely, high-quality service with our program integrity responsibilities. I have emphasized the need for data-driven decision-making throughout our agency, and I will expand the application of data analytics to many of our processes. We will use not only currently available data, but we will also identify new sources of data to help us find areas for improvement in the ways we provide services and prevent fraud.

Another personal priority of mine is to continue working to improve relations with our labor partners. Since my return to Social Security, I have increased opportunities for such collaboration through the use of national and regional labor-management forums, creation of an Executive Steering Committee charged with improving communications, and through providing increased use of pre-decisional involvement from labor as we work jointly to address various

issues. I realize, however, that there is more work to be done. If confirmed, I will continue to work to develop a positive and vibrant labor-management relationship.

We must continue to collaborate across government to ensure we provide efficient and responsive service. Our agency exchanges data with the Department of Veterans Affairs, Department of Defense, and thousands of other Federal, State, local, and foreign government entities. Additionally, I serve as co-lead for the Customer Service Cross-Agency Priority (CAP) Goal. Through this initiative, we are among 15 agencies collaborating to make measurable improvement in serving the American people. This CAP Goal and others are part of the President's second-term Management Agenda.

Finally, over the course of my tenure, I will continue to advocate for sustained and adequate funding, without which our service suffers. As you know, our administrative costs represent only 1.4 percent of the benefits we pay annually—a record of accomplishment that no private insurance company can match. We have proven year after year that we are good stewards of our resources. Accordingly, I strongly support annual funding levels that will allow us to fulfill our mission. Leading the Social Security Administration has been one of the greatest rewards of my professional life, and if confirmed, I will do my very best to ensure our agency has the resources needed to provide vital services to the American public.

Question 2

We discussed information technology at your hearing, but I would like you to respond for the record about the importance of information technology to SSA and how SSA is managing IT assets. I expressed my concerns about COBOL-based systems during the hearing. While many IT managers will acknowledge that a COBOL-based system works, many agree that it is less efficient and agile than more modern computer languages.

a. *What IT challenges does SSA face and what plans does the Agency have to update the technology it uses to manage its data and provide customer service?*

Response

Our largest information technology (IT) challenge today is accelerating our response to changing demands—maintaining the level of service that the public expects while administering programs that are immense in scope (i.e., the Social Security and Supplemental Security Income (SSI) programs) as well as providing substantial support to the related Medicare, Medicaid, and other government programs. For example, in fiscal year (FY) 2013, we paid over $855 billion to more than 63 million Social Security beneficiaries and SSI recipients. In FY 2013, our IT infrastructure supported the processing of an average daily volume of nearly 150 million individual transactions. For the previous fiscal year, our IT operations supported approximately:

- 1.6 billion automated Social Security number verifications;
- 251 million earnings items;
- 17 million new and replacement Social Security number (SSN) card applications,
- 5 million retirement, survivor, and Medicare applications;

- 3 million initial disability claims;
- 2.6 million nonmedical redeterminations; and
- 1.5 million continuing disability reviews (CDR), including approximately 429,000 full medical CDRs.

Our core systems were created in the 1980s when the economics of computing were vastly different from today. These systems optimized the use of extremely expensive processing power and information storage to operate successfully at a scale that was unprecedented for that time. All of this was accomplished in an era before modern software engineering practices were established, before modern programming languages were available, and before the introduction of modern database technology.

In today's world, computing power and storage capacity are relatively abundant commodities. A higher premium today rests on the ability to respond quickly and economically to demands for new types of service. While we have surrounded our core systems with modern technology to extend their usefulness, the design of those systems is still rooted in the design tradeoffs of the 1980s. That is the final limiting factor on our ability to economically create applications needed to provide new levels of service to the public.

Our core systems must be—and are being—significantly re-engineered to meet today's demands. We must accomplish all of this while providing uninterrupted service to the public. A rough analogy would be overhauling your car's engine while driving down the highway. In the world of IT, that is a difficult challenge, but far from impossible.

Vision 2025 is our long-range vision to meet the needs of future customers, and provide them with the service options they will want and expect. Once published, we will develop a Strategic Plan outlining the incremental steps necessary to achieve the long-range vision. We will develop strategic technology roadmaps for many facets of our agency's IT. Each roadmap will be dedicated to building a capability that does not exist today or could be provided only at great expense. The roadmaps will provide a structure for planning and allocation of resources to projects needed to advance our agency's strategic vision in the next decade.

The specifics of each roadmap are still under consideration. However, we expect that they will address issues related to our core systems, such as data quality, data accessibility, and data integration. Those issues have impeded our progress toward an expansive online self-service delivery model. Solutions to those issues will provide a solid foundation to support the effective use of data analytics, business intelligence, and expert systems—all expected to be major elements in a comprehensive strategy to streamline agency operations and provide an increased level of service to the public.

We appointed our first Chief Technology Officer (CTO) to lead the transformational effort. The CTO is responsible for charting the evolution of our legacy systems to meet strategic goals and planning the introduction of emerging technologies. This role establishes a focal point for engagement with government and the private sector to bring

best practices to our agency. The CTO is also responsible for the evaluation and introduction of modern, agile methodologies into our systems development lifecycle. In all of these ways, we are positioning ourselves for the future. New, more efficient modes of online service delivery require our systems to evolve beyond their 1980s origins. Our agency is poised to meet that challenge.

b. *Has SSA re-engineered any of its work processes in order to improve efficiencies that new IT can provide? Please give an example.*

Response

Yes. We incorporated Access to Financial Institutions (AFI) into our work processes and expanded its use of for reviewing SSI claims and determining eligibility. AFI is an electronic process that verifies bank account balances with financial institutions. In addition to verifying balances of reported accounts, the process detects undisclosed accounts by using a geographic search to generate requests to other financial institutions. Before AFI, we relied on beneficiary self-reporting and direct contact with financial institutions for account verifications. Our AFI system now provides us with timely access to electronic bank account information. We currently use the AFI system in all 50 states, the District of Columbia, and the Commonwealth of the Northern Mariana Islands.

This re-engineered process is especially significant because excess resources in financial accounts are a leading cause of SSI payment errors. Along with preventing overpayments, the AFI process will help us to eliminate ineligible applicants at the beginning of the application process and reduce the workload in the disability determination services (DDS). Further strengthening the program, in FY 2013, we increased bank searches and in FY 2014 lowered the AFI liquid resources threshold from $750 to $400. This program has proven very cost effective and useful in identifying undisclosed accounts. We will continue to evaluate the cost effectiveness of AFI and determine if further expansion is warranted.

Question 3

Social Security is a well-regarded brand among consumers and most workers are familiar with Social Security retirement benefits. The Social Security Statement was a common way that SSA would engage with workers each year. I know due to budget issues that SSA stopped mailing the statements and has plans to beginning mailing them again if provided adequate resources. The Social Security statement is one of the few tools we have to encourage Americans to think about their financial needs in retirement. I've been spending a lot of time talking about savings lately. Unfortunately, the great majority of Americans are not saving enough for retirement. And so one of my priorities in tax reform is coming up with solutions to encourage and help Americans save more.

What other tools does SSA have or is planning to develop to engage with workers about savings, planning for retirement and deciding when to retire?

Response

Social Security benefits provide some financial protection for the retired, but the public must understand that they should not depend solely on these benefits to fund their retirement years. Surveys have shown that fewer than half of American workers have estimated how much money they will need to live comfortably during retirement, and only a fraction of Americans know at what age they are eligible for full retirement benefits. Understanding the implications of retirement age on benefits is an important part of retirement planning.

As our agency responsible for delivering and managing the Social Security retirement program, we are uniquely positioned to help all Americans better prepare for retirement. We agree that the Statement serves as a useful planning tool. Workers can access their Social Security Statements online at any time through *my* Social Security. In addition, later this year we are resuming mailing Social Security Statements to workers of certain ages (25, 30, 35, 40, 45, 50, 55, and 60 or older) who do not have a *my* Social Security account. Each Social Security Statement—whether paper or online—contains personalized information about retirement, survivors, and disability benefits, including an estimate of the person's future benefits based on his or her actual earnings. In addition to the Statement, we offer our highly rated Online Retirement Estimator, an interactive tool that uses a worker's earnings history to predict what his or her retirement benefit amount would be under various scenarios.

We continue to research ways to improve our messaging and tools to help the public make better-informed retirement planning decisions. We work with the Retirement Research Consortium—a partnership with Boston College, the University of Michigan, and the National Bureau of Economic Research—to do extensive research on the benefits of delayed claiming and other important issues that we consider when developing policy and outreach. This research is publicly available on our website. We also actively participate in the multi-agency Financial Literacy and Education Commission, established by Congress and coordinated by the Department of Treasury. Via this group, we collaborate with other member organizations to share research findings and prevent duplicative efforts.

Question 4

The increase of women in the workforce is often cited as one of the reasons for the increase in SSA program payments. SSA is seeing more women file for retirement benefits on their own records as opposed to filing on the record of a spouse. However, women are still not earning at a level close to that of their male counterparts and women tend to live longer than men. That means less lifetime savings and more vulnerability during retirement years.

Has SSA undertaken any efforts to address the needs of this growing population? Please provide information on any specific activities SSA is planning or already offering to educate women on retirement and improve their financial literacy and retirement outcomes.

Response

We take our responsibility to provide accurate, relevant, and understandable information about benefit options very seriously. Our role is to help ensure that the American people have the information they need to make informed decisions about retirement.

Social Security is particularly important to women for several reasons. As you stated above, women tend to live longer than men. They generally have lower lifetime earnings. Finally, women often retire with less income from other retirement programs and personal savings. Although individuals with identical earnings histories receive the same benefits, some elements of our program are specifically helpful for women—for example, the Social Security benefit formula helps women because it is structured to more fully replace the earnings of lower-wage earners. A woman's greater life expectancy makes the automatic cost-of-living adjustment especially important.

Our program also provides benefits for family members of retired, disabled, and deceased workers. Therefore, in addition to benefits as a retired or disabled worker, women may receive higher benefits as a spouse, divorced spouse, or widow because of their own lower lifetime earnings.

Choosing when to retire is one factor in determining the amount of Social Security benefits a person will receive for the rest of his or her life and can affect the benefits paid to his or her spouse. Our policy is to provide complete and accurate information—but not advice—to assist claimants with making a personal decision on when to retire without influencing them in any particular direction.

Regardless of how a person chooses to file for retirement, whether face-to-face, by telephone, or by Internet, we offer the same pertinent information. We provide information about the monthly benefit amounts payable at various ages—at the earliest possible month of entitlement, at age 62, at full retirement age, at age 70, or at any other age the person requests. We inform the person how earnings can affect benefits. We also explain other benefits that may be available, such as benefits that could be payable to a spouse or to a child.

We are proud of the online tools we have developed to help people navigate the complexities of their retirement decisions. We provide information specifically tailored for women at www.ssa.gov/people/women, where detailed brochures like "Social Security: What Every Woman Should Know" and "Understanding the Benefits" are available. These publications are also available via our National 800 Number and in our field offices.

The Social Security Statement, which we will resume mailing this year and has been available online since 2012, provides projections and estimates of retirement, disability, and family and survivor benefits. Our Online Retirement Estimator is an interactive tool that uses a worker's earnings history to predict what his or her retirement benefit amount would be under various scenarios. Our Life Expectancy Calculator is another simple-but-important tool to assist women with retirement planning. Our financial literacy, retirement security, and education initiatives to

encourage saving are useful to women who are planning for retirement now. We participate in pre-retirement seminars and other forums to provide information targeted toward women. Finally, our researchers have published numerous studies (http://ssa.gov/policy/research_sub75.html#sub83) on women and Social Security, including research about the factors that affect retirement decisions, income from savings and other sources, and the ability to work past early and full retirement age.

Question 5

At the hearing, this statement was made: "Over the past 10 years, the Social Security Administration's administrative budget has increased by 34 percent, well above the 24 percent growth in the number of disabled and retired beneficiaries, to a level of almost $11.7 billion. The budget has grown at an average annual pace of more than 3.5 percent, above the average growth of even nominal GDP."

You and other SSA officials often make the point that SSA needs "adequate, sustained funding" in order to provide good customer service while also completing important program integrity work. What important information is missing from that statement that Members of this committee should know when considering the amount of resources provided to SSA?

Response

Our agency's administrative budget has increased over the past 10 years, and the statement regarding the 34 percent increase is accurate—the FY 2014 enacted funding level is 34 percent higher than the FY 2005 enacted level. But, that statement does not tell the whole story.

While the number of our disabled and retired beneficiaries has increased by 24 percent, we have seen even more substantial increases in many of our workloads, which continue to be at historical highs. For example, compared to FY 2005, our hearings workload is 42 percent higher, and our retirement and survivors claims have increased by 36 percent. Our increased budgets reflect the necessary amounts for mandatory cost growth, including but not limited to personnel benefits, rent, postage, and guard costs.

Adequate, sustained funding also refers to the timing of our funding. Our agency routinely begins fiscal years under continuing resolutions (CR) that reflect funding levels very different from both the President's Budget and our final annual appropriation. This reality makes it very difficult to plan our operations from fiscal year to fiscal year, and we often have to put plans and initiatives on pause as we live under the uncertainty of a CR. This uncertainty has been heightened in the last several fiscal years as a result of the Budget Control Act and sequestration, which have caused sharp, mid-year reductions in our funding.

Question 6

One aspect of the SSDI program is the role of the Disability Determination Service (DDS) in each state.

a. *Please provide a detailed history that explains why the DDS are funded by the federal government but use state employees and state facilities.*

Response

Our relationship with the DDSs dates back to 1954. At that time, the States already had responsibility for administering vocational rehabilitation (VR) programs under the Vocational Rehabilitation Act of 1920. Regarding Social Security, Congress tasked the States with determining whether workers qualified for the disability freeze,[1] it reasoned that the States routinely undertook medical and vocational case development and had well-established relationships with medical professionals through the existing VA programs. We entered into negotiated agreements with the States to administer the disability freeze under criteria and procedures that we established. When Congress created the Social Security Disability Insurance (SSDI) program in 1956 and the SSI disability program in 1972, we extended those negotiated agreements to the new programs.

Following public criticism of the lack of uniformity and quality in State disability decisions, Congress ended our negotiated agreements with the States in the Social Security Disability Amendments of 1980. Under that law, Congress instead required the States to make disability determinations in accordance with the standards and criteria contained in the Social Security Act (Act) and our regulations. The 1980 Amendments also authorized us to issue regulations containing performance standards and other administrative requirements. Congress gave each State the option of turning over the disability determination function to us, and authorized us to assume the disability determination function of any State that we found, after notice and opportunity for a hearing, to be substantially failing to make disability determinations consistent with our regulations and other written guidelines. To date, we have not assumed the disability determination function of any State.

b. *What are the pros and cons of the current DDS arrangement?*

Response

Pros include lower administrative costs in many States, community-based decision-makers, well-established networks of medical professionals to assist in the disability determination process, and convenient access to State-based VR and employment support programs.

Cons include the potential for inconsistent application of policy, State furloughs and hiring freezes, and overall administrative complexity.

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[1] The *Social Security Act Amendments of 1952* established the concept of a "disability freeze," under which we could exclude a disabled worker's periods of disability when calculating his or her retirement benefits.

c. *There have been proposals in the past to make the DDS not only funded by the federal government, but wholly a part of the federal government. What are the pros and cons of that change?*

Response

Pros would include centralization of the disability determination process, which could produce more consistent application of policy and reduce administrative complexity.

Cons would include higher administrative costs to the Federal Government and disrupting a long-established (and generally well-accepted) partnership between the Federal Government and the States in administering the disability program.

Questions from Senator Hatch

Question 1

Much attention in Congress has recently focused on SSA's administration of the disability programs under titles II and XVI of the Social Security Act, and particularly, the actions of a number of Administrative Law Judges (ALJs) employed by SSA to hear and decide appeals of denials of disability benefits. Many of these ALJs have granted appeals of disability denials at rates in excess of 75 percent, and some in excess of 95 percent, calling into question SSA's stewardship of the disability programs. I understand that the data available for FY 2013 shows that, on average, SSA ALJs granted appeals in approximately 56 percent of the cases that were assigned to them. In order to better understand trends in the disability programs and how SSA has managed those programs recently, in relation to other times, please provide the following information:

a. *The number of disability claims filed each year for as far back as SSA has this information.*

Response

Initial Disability Claims Filed		
Fiscal Year	Title II	Title XVI
2009	2,900,536	2,741,848
2010	3,093,676	2,830,459
2011	3,122,298	2,806,736
2012	3,044,885	2,664,265
2013	2,886,213	2,383,090

Because we changed the information system that tracks the number of initial disability claims filed, comparable information prior to FY 2009 is not readily available.

b. *For each year data are provided, please provide information showing the number of disability claims that were denied at the state DDS level.*

Response

Please see Attachment 1 – Determinations and Denials.

c. *For each year data are provided, please provide information showing the number of denials of disability claims that were appealed to the ALJ level.*

Response

Please see our response to d below.

d. *For each year data are provided, please provide information showing the number of appeals granted by SSA ALJs.*

Response

Please see the chart that follows for our response to c and d. These are the cases appealed to the hearing (ALJ) level. These numbers include both fully and partially favorable decisions by ALJs only. Favorable decisions made by Senior Attorney Advisors are not included.

HEARING REQUEST RECEIPTS
and ALJ ALLOWANCES
FY 2009 - FY 2013

FISCAL YEAR	RECEIPTS	ALJ ALLOWANCES
2009	622,851	367,611
2010	720,161	393,516
2011	859,514	393,110
2012	849,869	373,343
2013	824,989	354,282

Question 2

An average rate of 56% in granting appeals of denials suggests that something is amiss with SSA's administration of the disability programs. If ALJs are rendering proper determinations and correcting erroneous initial determinations by the DDS, then the DDS are making erroneous determinations in nearly 6 out of 10 cases that are appealed. Please describe how SSA measures DDS performance and identify all DDS's since fiscal year 2000 whose performance has been determined by SSA as falling below acceptable standards. Please, also, describe the remedial actions SSA has taken since fiscal year 2000 to improve the quality of DDS disability determinations and the effect of those remedial actions on ALJ approval rates.

Response

It is important to recognize that generally lower allowance rates among the DDSs and generally higher allowance rates among the ALJs are not evidence of erroneous decision-making at either

level. In fact, it is often true that cases change throughout the appeals process. Existing impairments may worsen; new impairments may develop; and more medical evidence may become available that supports a finding of disability. Accordingly, the cases ALJs review may be much changed from the time a DDS adjudicator last reviewed them and therefore may warrant a different outcome. For this reason, it is difficult to pinpoint to what extent (if any) quality improvement efforts at the DDS level may affect allowance rates at the ALJ level. There are simply too many case-dependent variables that change over time.

Regarding DDS performance, we have performance standards and multiple layers of quality review to ensure that the DDSs uniformly and correctly apply our program rules. Our rules require the DDSs to have an internal quality assurance (QA) function. In addition, we conduct QA reviews of samples of initial, reconsideration, and CDR determinations of the DDSs. In FY 2013, these reviews showed that the DDSs maintained high decisional accuracy. Their initial claims decisional accuracy was 98 percent. Their reconsideration decisional accuracy was 97.3 percent. Moreover, their CDR performance accuracy was 97.2 percent.[2]

In addition to our QA reviews, the Act requires that we review at least 50 percent of all DDS initial and reconsideration allowances for SSDI and SSI disability for adults. These pre-effectuation reviews allow us to correct errors we find before we issue a final decision. Our reviews of allowances and continuances in FY 2012 resulted in an estimated $668 million in lifetime net Federal program savings, including savings accruing to Medicare and Medicaid. Based on our estimates for our reviews in FY 2012, the return on investment is an average of roughly $12 in net Federal savings per $1 of the total cost of the reviews.[3]

To improve the consistency and quality of DDS decisions, we established the Request for Program Consultation (RPC) process. The RPC process enables the DDSs to request assistance to resolve differences of opinion with our quality reviewers that arise from deficiency citations. In general, DDSs use the process to resolve the most complex cases. Our policy experts at SSA headquarters thoroughly review these cases. We post all RPC resolutions and related data on our Intranet. The process serves several key functions. It provides real-life examples of proper policy application, identifies issues and areas for improved disability policy, and provides our regional offices and DDSs information to assess local quality issues. Since 2007, we have reviewed nearly 7,000 cases and posted their resolutions online. Further, the RPC team has worked directly with policy specialists to develop policy clarifications, training, and other resources that can further improve the consistency and quality of disability determinations at all adjudicative levels.

The Electronic Claims Analysis Tool (eCAT) also improves the consistency and quality of DDS decisions. We designed eCAT, a web-based application, to assist DDS examiners throughout the sequential evaluation process for making disability decisions. eCAT helps examiners document, analyze, and adjudicate critical aspects of disability claims consistent with our policy. eCAT uses "intelligent" pathing through which user-selected options determine the subsequent

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[2] The percent is based upon a statistically valid sample of case reviews. It reflects the percent of cases reviewed where we agree with the decision made by the DDS.

[3] Details can be found in the "Annual Report on Social Security Pre-effectuation Reviews of Favorable State Disability Determinations" at http://www.ssa.gov/legislation/PER%20fy12.pdf.

questions and guidance presented. eCAT's features, such as quality checks and quick links to relevant references, help examiners in producing well-reasoned determinations. This documentation is particularly useful for future case review because it enables an independent reviewer to understand the examiner's actions and conclusions throughout the development and adjudication of the claim.

The Act and our regulations set out a process to help a DDS that does not meet our expectations. Currently, our threshold level for performance accuracy in the DDSs is 90.6 percent. When a DDS falls below that threshold during two consecutive quarters, it is in substantial failure. In the event of substantial failure, we work with the DDS to identify the root cause for the drop in quality and provide continued focused performance support to the State.

All DDSs are currently meeting performance accuracy expectations. Since FY 2002, the following States met the standard for substantial failure, and we provided performance support to them:

FY 2002 – None
FY 2003 – None
FY 2004 – West Virginia
FY 2005 – None
FY 2006 – California, Nevada, Tennessee
FY 2007 – West Virginia
FY 2008 – Oregon, Michigan
FY 2009 – New Jersey, South Dakota
FY 2010 – None
FY 2011 – None
FY 2012 – None
FY 2013 – None
FY 2014 – None

Question 3

Please provide copies of all focus reviews that SSA has conducted to examine the quality of ALJ decisions in the past five years.

Response

Information included in focused quality reviews includes information subject to the Privacy Act. However, under the Privacy Act, I can share information pursuant to a written request from the Chair of the Committee. Once I receive such a request, I would be pleased to provide the information.

Question 4

Please identify by case name each performance-based disciplinary action that SSA has initiated at the Merit Systems Performance Board against poor performing ALJs since fiscal year 2000, together with the outcome of the action.

Response

Because its decision is publicly available, I can discuss one Merit Systems Protection Board (MSPB) action. On July 29, 2011, we filed a Complaint with MSPB seeking good cause to remove ALJ Shapiro from service because of his unacceptable performance and neglect of duties. On October 18, 2012, the presiding judge found that there was good cause to remove ALJ Shapiro from his position. On March 4, 2014, the full MSPB affirmed the finding of "good cause" to remove the Respondent (ALJ Shapiro) from his position. In May 2014, ALJ Shapiro appealed the Board's final decision to the United States Court of Appeals for the Federal Circuit.

Other non-public MSPB actions, though, are subject to the Privacy Act. With an appropriate request from the Chair of the Committee, I would be pleased to provide information regarding other, non-public MSPB performance-based disciplinary actions.

Question 5

While SSA regulations make it clear that hearings provided by SSA will be conducted by ALJs and comply with the Administrative Procedures Act, does SSA take the position that the Social Security Act mandates the use of ALJs to hear and decide appeals? If so, please identify those sections of the Act upon which SSA relies together with a narrative explanation of its interpretation of the law. If the Social Security Act does not mandate the use of ALJs to hear and decide appeals, could SSA satisfy its statutory obligation to provide hearings to claimants appealing adverse disability entitlement determinations with a regulatory change that would authorize the use of other adjudicators, such as GS-level agency employees?

Response

We have a long tradition, from the beginning of our programs in the 1930s to the present, of providing the full measure of due process for individuals who apply for or who receive Social Security benefits. Since 1939, section 205(b) of the Act, 42 U.S.C. § 405(b), has required us to give an individual who is dissatisfied with our determination reasonable notice and opportunity for a hearing with respect to the determination. If a hearing is held, section 205(b) of the Act also requires us to affirm, modify, or reverse our findings of fact and our decision on the basis of evidence presented at the hearing. Neither section 205(b) of the Act, nor any other provision of the Act itself, explicitly states who must preside at the hearing.

Congress passed the Administrative Procedure Act (APA) in 1946 in part to establish uniform standards for certain adjudicatory proceedings in Federal agencies, in order to ensure that individuals receive fair hearings on their claims before an impartial decision maker who can conduct hearings and decide cases free from agency pressure or pressure by a party to decide a

particular case, or a particular percentage of cases, in a particular way. In Richardson v. Perales, 402 U.S. 389, 409 (1971), the Supreme Court stated that it "need not decide whether the APA has general application to social security disability claims, for the social security administrative procedure does not vary from that prescribed by the APA. Indeed, the latter is modeled upon the Social Security Act."

We have always supported the APA and are proud our hearings process is the model under which all Federal agencies that hold hearings subject to the APA operate. In light of the Supreme Court's decision in Perales, which establishes that our hearings process "does not vary from that prescribed by the APA" and is consistent with the requirements of due process, we have never taken any formal position regarding whether a hearing under section 205(b) of the Act is one to which the APA applies. Before we take any position regarding whether we could satisfy our statutory obligation to provide hearings to claimants who appeal disability determinations with a regulatory change that would authorize the use of other adjudicators, we would, of course, consult with Congress and affected stakeholders regarding all aspects of such a change to our longstanding procedures.

Question 6

Last month, an oversight committee in Congress released a report that found 191 SSA administrative law judges had granted disability insurance benefits in 85% or greater of the cases they decided, corresponding to roughly $150 billion in lifetime benefits between 2005 and 2013. Allegedly, lawyers representing disability claimants in some areas of the country choose clients based on an administrative law judge's reputation for loose benefit approval standards. There are also disturbing allegations of administrative law judges harassing colleagues and other unprofessional and inappropriate behavior. How many disciplinary or administrative-leave actions have you filed against problematic SSA disability judges, and do you have plans to take more actions?

Response

Our ALJs must treat members of the public and fellow employees with dignity and respect and adhere to ethical standards and agency policy. Our agency holds ALJs accountable, as it does all employees, when they fail to adhere to these standards or otherwise engage in misconduct. Since 2007, our agency has appropriately sought the suspension or removal of more than 45 ALJs.

Question 7

Recently, it has come to light that SSA mismanaged and failed to implement a $300 million project to create a national Disability Claims Processing System (DCPS). Of course, this comes at a time when the disability system is already under the stress of impending exhaustion.

a. *Why did SSA determine that there was a need to hire consultants to write a report to inform the agency that the result of spending $300 million over six years on a new disability case processing system has delivered a system that, according to an outside consulting firm, has "limited functionality?"*

Response

In an ongoing effort to improve our effectiveness and efficiency in making timely and accurate disability decisions, we are modernizing the technology infrastructure that supports disability case processing nationwide. Beginning in 2008, we invested in building a modern system, the DCPS, to replace 54 independently operated, outdated systems across the DDSs, which are the State agencies that make disability determinations for us. Continuing with the 54 individual State case processing legacy systems is estimated to cost $425 million over the next 10 years. The costs for maintaining the old systems, some of which date back to the 1980s, have steadily increased year after year. By the end of FY 2015, we expect costs to increase by 30 percent over FY 2012 costs. Our 10-year projections, based on current trends, could be substantially higher.

DCPS represents a significant opportunity for us and the DDSs to improve case processing quality, enhance customer service, and reduce administrative cost that would yield substantial benefits to the government and citizens. We have made substantial progress implementing the new system. However, development of this system has been more complex and challenging than initially anticipated. To date, the expected level of functionality has not been delivered and the program timelines have not been met.

Recognizing the importance and risks of this initiative, I commissioned an unbiased, independent, and comprehensive analysis of the DCPS initiative in March 2014 following industry "best practice." That analysis provided an independent and candid perspective on the current status and potential risks facing DCPS. In addition, it provided numerous recommendations to ensure the successful delivery of the program, which I have already begun to implement. The analysis was critical to our ability to course correct and ensure the full success of the program.

b. *How much did the outside consulting contract cost SSA?*

Response

On March 26, 2014, we awarded the contract for conducting an independent analysis of DCPS in accordance with the Statement of Work. The total base award amount was $821,035.26.

On June 24, 2014, the award was modified with a net increase of $494,893.88 to include an evaluation of next best alternatives consistent with the recommendations contained in the report and with industry best practices.

c. *Could SSA internally not have determined that its six-year effort ended up delivering an outcome with limited functionality?*

Response

We did recognize the system being developed and tested in three sites was not delivering the expected level of functionality and that our program timelines were not met. To obtain a candid, unbiased perspective on the current status and potential risks facing DCPS and to identify recommendations to ensure the successful delivery of the program, we contracted with a global management-consulting firm, McKinsey & Company, to conduct the independent analysis. McKinsey & Company conducts high-profile work in several public and social sectors to find actionable solutions to pressing challenges, including IT solutions and programs.

We received the McKinsey & Company report on June 3, 2014. The independent assessment concluded the program has the potential to provide significant benefits, but major changes are required. We are implementing the recommended changes.

Question 8

Out of concern about SSA's long-standing lack of long-term planning, Congress recently provided funds for the National Academy of Public Administration (NAPA) to provide an independent report, to help guide SSA in developing long term plans. NAPA released a report on July 23, 2014. SSA's website describes SSA's "Vision 2025," which promises to be long-term plans of the agency for the next 10 to 15 years.

a. *Please explain specifics of how SSA will incorporate NAPA's report into its long-term vision plan.*

Response

As acknowledged in your question, at the request of Congress, we provided funds for the NAPA to develop a report proposing a long-range strategic plan for our consideration.[4] We received that report on July 23, 2014. We will consider NAPA's views and recommendations in its report as we move forward in developing our long-range vision. In addition, we are engaging with internal and external stakeholders, including our employees, employee unions, management associations, advocates, the public, and members of Congress, to develop a vision of how our agency should serve the public in the next 10 to 15 years. In short, the NAPA report is one of many sources we are weighing as we develop our long-term vision for the future.

b. *In your "Vision 2025" plans, which SSA's website says will be published "in the coming months," will you commit to me to have, in those plans: clear objectives; replicable metrics to gauge attainment, or not, of the objectives; and a clear timetable of target dates for attainment of the objectives?*

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[4] See Statement of Managers, H.R. Conf. Rep. No. 112-331 (noting the provision to SSA "with up to $500,000 to contract with [NAPA] to develop and submit a report proposing a long-range strategic plan for SSA's consideration").

Response

Our *Vision 2025* document will lay out how we want and need to operate in the next 10-15 years. As for how we will get there and how we will measure success, we will develop a companion plan to our Vision that describes clear objectives and measures.

Question 9

Despite some recent budget pressures experienced government-wide, including at SSA, there does not appear to have been a statistically significant decline in the percent of people rating SSA's services, according to SSA data, as "excellent," "very good," or "good." How do you reconcile claims of severe service degradation with lack of a statistically significant difference between the service rating between fiscal year 2009 and fiscal year 2013?

Response

We rely on surveys and comment cards—in conjunction with the data we collect—to assess service delivery and customer satisfaction. Our most recent Performance Indicators Report concluded that the overall decline in customer satisfaction has been negligible. However, we have seen significant decline in ratings for telephone services. Our data further show significant increases in visitor wait times, National 800 Number busy rates and wait times, and a decrease in appointment availability. In addition, our overall customer satisfaction rating was bolstered by improvements to our online services as we continue to prepare for changing public demand. Despite staff attrition and our budget challenges in recent years, our outstanding workforce has continued to provide customer service with compassion, courtesy, and a commitment to quality, as reflected in our survey results.

Question 10

Using data provided by SSA on "Total Budget Authority by Object (in thousands of dollars): 1994-2014" it can be determined that there has been a 26.68% increase in "Total, Budget Authority by Object" including a 17.13% increase in a subtotal for personnel compensation, a 56.22% increase in personnel benefits, a 47.1% increase in rental payments to GSA, an 85.85% decrease in rental payments to others, a 50.36% increase in "other services (DDS, guards, etc.)," and a 3,317.42% increase in "land and structures." Please explain the increases in budget authority over the past 10 fiscal years: for rental payments to GSA and to others; for "other services;" and for "land and structures."

Response

Our overall budget authority has grown each year largely due to increases in our cost categories as well as due to increases to our workloads. Our fixed costs, particularly for rent and guards, have generally increased by about $300 million each fiscal year over the past decade.

1. Spending increases over the years in the category of other services are largely attributable to increases in our guard costs. We use Federal Protective Services (FPS) for guard

services to provide security throughout our offices. The increases in costs are associated with cost increases that FPS identifies, including contractor cost increases and changes to the surcharge FPS charges to maintain the contracts and oversee security. Another primary reason for increases in this category are associated with the DDS—under a Federal/State arrangement, State employees provide the necessary workforce to make initial disability determinations, reconsideration decisions, and process medical CDR cases. The increases in the DDSs' costs are largely driven by personnel costs, costs of medical records and examinations, and postage costs. Substantial increases in the initial disability workload in recent years, as well as our commitment to increase our CDRs, have resulted in major increases in costs in the DDSs.

2. Our increases in rental payments are largely driven by overall increases in the rental market and in General Services Administration (GSA) costs. As leases expire, we and GSA must renew leases or seek out new space. This has been the largest factor driving the increase in rent costs over the past decade. The decrease in rental payments to others has largely been a result of lease renewals to GSA controlled space, rather than our leasing directly.

3. The increases to the land and structure object class were largely due to additional targeted funding received over the last 10 years, including costs related to Hurricane Katrina (2006) and funding provided through the Recovery Act (2009) for our computer center. These costs were reflected in our President's Budget spending estimates. Our estimates for spending related to this object class vary from year to year based on the projected projects that will need to be completed.

Question 11

SSA was provided additional IT funding, some of which was rescinded by Congress in 2011 because it was not being used. How does SSA reconcile having recently had unused funds taken back by Congress with continued calls by SSA to Congress for yet more funds?

Response

With the exception of targeted funds provided for our new computer center in 2009, we have not received additional IT funding. We receive our IT funding as part of our annual Limitation on Administrative Expenses (LAE) appropriation; there is no separate appropriation for IT.

The funds that were rescinded were from our no-year IT account. Congress provides us with the ability to transfer any lapsed LAE funds to a no-year account to fund IT investments in future years. The amount of funding that we carryover to our no-year IT account is a known number that is part of our annual budget calculations with the Office of Management and Budget (OMB). As such, it should not be seen as an add-on to our budget, but rather as part of our overall budget request. Without this amount available to us from prior-year funds, we would have to increase our annual budget request by a corresponding amount.

Our plan was to use the no-year IT funds for IT modernization. These funds were rescinded as part of a government-wide decision to rescind and reappropriate funds. Because these funds

were rescinded, we had to use LAE for IT modernization, which took away funding for initial claims and hearings processing.

Each year, we spend over 99 percent of our LAE appropriation, and very little of our annual LAE appropriation is transferred to the no-year IT account.

There are many challenges to effectively using LAE funds, and repetitive, prolonged CRs contribute to those challenges. We frequently operate under a CR at the beginning of each fiscal year and often do not receive a final appropriation until more than one quarter of a fiscal year has elapsed. This means that a disproportionate amount of our annual appropriations does not become available until later quarters, making it challenging to fully and efficiently use funding provided for that fiscal year.

Question 12

In response to news articles related to SSA recovering debts from tax refunds under the Treasury Offset Program, SSA identified in April that "pending a thorough review of our responsibility and discretion under the laws to collect these overpayments, our Acting Commissioner, Carolyn W. Colvin, has halted further referrals of debts that are 10 years old and older to the Treasury Offset Program." Please identify when you will have completed your review, what you have found to date, and whether and, if so, when you expect to continue the halt placed on debt referrals.

Response

As of April 14, 2014, there were approximately 314,000 debts delinquent for 10 years or more that were eligible for referral to Treasury Offset Program (TOP). We randomly selected and reviewed a statistically valid sample of these cases. From that review, we identified the reasons we established the overpayments. Our review showed that approximately 70 percent of the Old-Age, Survivors, and Disability Insurance cases involved beneficiaries who failed to report to us that they were no longer a student. Approximately 53 percent of the SSI program cases involved individuals who had income and resources above the statutory limits for this program.

We concluded our statistical review in July 2014 and found that we correctly applied our regulations, policies, and procedures when we referred delinquent debts to TOP. I want to assure you that we will continue to look for ways to improve our business process and continue to review our authorities to determine the Commissioner's responsibility and discretion to refer debts to TOP.

Question 13

In a July Finance Committee hearing about the disability program, views were expressed, including those of SSA officials, that the DI trust fund exhaustion has been foreseen for 20 years, and that increases in the disability rolls have been expected for some time. This means that SSA has had ample time to update its DI program to adapt to changes. However, as I understand it, decision makers in the DI program utilize tens of thousands of pages of instructions to decide who should get benefits, including 37-year old medical criteria, 35-year old vocational criteria, and 23-year old guidelines to determine what jobs exist for individuals with disabilities. According to the nonpartisan GAO's high risk list in 2013, disability programs managed by SSA "rely on out-of-date criteria to a great extent in making disability decisions."

a. *Was 2013 was the first time that GAO identified high risks in SSA's disability programs and, if not, please list other years.*

Response

Federal disability programs, including Social Security's disability programs, have appeared on the GAO high-risk list since 2003. GAO updates the list every two years.

b. *Why is it taking so long for SSA to update its criteria and guidelines, especially since SSA has had, by its own recent statements, decades of time and foresight about troubles with disability finances?*

Response

Updating our medical and vocational criteria has not had, and will not have, a significant impact on the date the Disability Insurance Trust Fund is depleted. Rather, these updates are necessary to keep pace with medicine, science, technology, and the world of work. Our programs are very complicated, and any changes have far-reaching implications for millions of beneficiaries; therefore, any changes must be carefully researched and built upon a sound evidence base.

c. *What will you do to accelerate the pace of updating SSA's DI policies, procedures, and criteria to address a recent GAO identification of SSA's need to incorporate "a more modern concept of disability?"*

Response

Keeping pace with medicine, science, technology, and the world of work is a constant and incremental process. We have partnerships with numerous experts on a wide array of policy development, including the following:

- We contract with the Institute of Medicine (IOM) to help develop our medical policies, and we are currently using IOM to provide expertise on mental disorders in children and psychological testing. Since FY 2007, we have been aggressively

updating our medical criteria, and we published 8 Final Rules and 15 Social Security Rulings on specific impairments. We are now completing seven additional Final Rules based on the public comments we received. With the completion of these additional rules, we will have made updates in the criteria for each body system. We plan to remain on a three-to-five-year cycle to update all of our criteria.

- We are working with the Bureau of Labor Statistics (BLS) to replace the Dictionary of Occupational Titles with new and enhanced vocational data in our Occupational Information System (OIS). We have completed several phases of this project and we are on track to begin a large-scale pre-production test that will involve collecting data from a nationwide sample of 2,500 establishments.

- We are actively researching whether changes to our vocational polices may be warranted. We first worked with the Disability Research Consortium to better understand the use of age, education, and work in disability programs. We are now assembling a group of federal partners, and medical, aging, and employment experts for further discussion.

- We are working on research with the National Institutes of Health to explore the use of functional assessment tools in our disability program.

d. *Will you provide me with a timetable of target completion dates for any DI program related updates that you plan to perform?*

Response

As mentioned above, keeping pace with medicine, science, technology, and the world of work is a constant and incremental process. We are on a three-to-five-year cycle to update each of our medical listings. During that cycle, we are seeking input from medical experts and other stakeholders to gather the most current information necessary. Similarly, when we finalize the OIS, we will need to remain vigilant and retain our partnership with BLS to maintain current, high-quality data.

Question 14

You have expressed support for the President's budgets, including all policy proposals related to Social Security programs. Unfortunately, those proposals fall short of what is necessary to confront a Social Security system that its trustees told us just last week has nearly $25 trillion of unfunded obligations.

a. *Do you support the President's budget proposal to reduce an individual's disability insurance benefit in any month in which that person also receives a State or Federal unemployment benefit (please respond yes or no)?*

Response

I support the President's Budget. As noted, it includes a proposal to offset the receipt of Social Security SSDI benefits by the amount of any Unemployment Insurance (UI) the worker receives. Specifically, the proposal would impose a dollar-for-dollar reduction of SSDI benefits by the amount of UI compensation.

b. *Did you support last year's (FY2014) budget proposal for adoption of the so-called chained CPI in federal indexation, including in Social Security cost of living adjustments (please respond yes or no)?*

Response

I support the President's Budget. In last year's budget, the President made clear that chained Consumer Price Index (CPI) was a proposal that—among others—the President was willing to accept as part of a balanced compromise to address our long-term deficit challenges, even if it was not a policy he would have preferred to put forward in isolation.

This year's budget reflects the President's vision of the best path forward and includes measures like further reforms to health care spending, tax reform, and immigration reform to address our long-term deficit challenges. This year's budget does not include the chained CPI proposal. While the President remains open to including difficult measures like the chained CPI as part of a balanced compromise, he believes that the measures in this year's budget are the best path forward for strengthening the economy now, protecting the middle-class and seniors, and addressing our long-term deficit challenges.

c. *Do you support withdrawal of the chained CPI indexation proposal, as is consistent with what was found in the President's fiscal year 2015 budget and, if so, why do you support withdrawal of the proposal and, particularly, if your answer to b. was yes, then please explain the reason for the reversal in policy support.*

Response

I support the President's Budget. As mentioned above, this year's budget reflects the President's vision of the best path forward and includes measures like further reforms to health care spending, tax reform, and immigration reform to address our long-term deficit challenges. This year's budget does not include the chained CPI proposal. While the President remains open to including difficult measures like the chained CPI as part of a balanced compromise, he believes that the measures in this year's budget are the best path forward for strengthening the economy now, protecting the middle-class and seniors, and addressing our long-term deficit challenges.

Question 15

In a July Finance Committee hearing on SSA's disability insurance program, an SSA official expressed SSA's support of "reallocation." Therefore, it must be that you support "reallocation," though I am unaware of any proposal put forward in the Senate that could be called reallocation other than a proposal put forward by your actuaries, which would accelerate across the board benefit cuts to retirees and survivors of up to 32%. Please identify to me, in detail, what you are supporting in expressing support of "reallocation."

Response

I agree with the Administration's position on reallocation. Treasury Secretary Lew called for reallocation of the payroll tax rate between the OASI and Disability Insurance (DI) trust funds at the March 6, 2014, House Ways and Means Committee hearing on the President's 2015 Budget, as did Office of Management and Budget Director Burwell at the March 5, 2014, House Budget Committee hearing on the President's 2015 Budget.

The Administration separately urges Congress to take action to strengthen the DI program. This includes fully funding CDRs, to ensure that only those eligible for benefits continue to receive them. We appreciated the funding provided for that purpose in the FY 2014 omnibus appropriations bill, and we hope to build on that in FY 2015 and future years. We are also seeking demonstration authority for the disability program, so that we can identify effective ways to help people with significant disabilities succeed in the workforce.

Question 16

In your support of "reallocation," what is your policy preference for the timing of whatever it is that you are supporting, and do you support any other action with respect to your disability insurance program to occur before "reallocation" that does not involve more funding for SSA?

Response

To avoid DI trust fund reserve depletion, the Administration believes—and I agree—Congress must take action, as it has in the past and as soon as possible, to reallocate the payroll tax rate between the OASI and DI trust funds. This would prevent a deep and abrupt cut in benefits for vulnerable people with disabilities. If reallocation were to occur, SSA's actuary projects that reserves in both the OASI and DI trust funds would be available through 2033.

Question 17

Given your support for reallocation, and given a number of such actions in the past, do you support abandonment of two separate trust funds (DI and OASI) to be replaced by one single Social Security trust fund?

Response

The Administration believes Congress should take action to reallocate the payroll tax rate between the OASI and DI trust funds so beneficiaries have certainty regarding the vital benefits provided by the DI program.

Question 18

SSA's administrative budget has cumulated to more than $104 billion over the past 10 years, and growth in the budget has outstripped nominal GDP growth and growth in the number of program beneficiaries. In order for SSA to have what you would consider to be adequate funding over the next 10 years for services and program integrity, given SSA's projected future needs, how much funding do you believe would be adequate? Please provide a dollar amount, and note that the question is not a question of how much Presidential budgets have requested.

Response

You correctly note that our agency's administrative budget has increased over the past 10 years by comparing the FY 2005 enacted level to the FY 2014 enacted level. The increase between the 2 years is roughly 34 percent. But, that statement does not tell the whole story.

While our disabled and retired beneficiaries have increased by 24 percent between FY 2005 and FY 2014, we have seen substantial increases in many of our workloads, which continue to be at historical highs. For example, compared to FY 2005, our hearings workload is 42 percent higher and our retirement and survivors claims have increased by 36 percent.

A high-level assessment of our budgetary needs for the next 10 years indicates a funding level between $12 billion and $15 billion per fiscal year (or between $120 billion and $150 billion over 10 years) would provide adequate funding to cover growth, address our public service backlogs, and continue to balance our service and stewardship responsibilities. Our assessment assumes we will continue our current business process with no changes in electronic service, addresses resource needs for reducing our post entitlement backlogs, assumes we will receive funding necessary to process program integrity workloads as outlined in the FY 2015 President's Budget request, and assumes the continuation of our current IT carry-over authority.

Question 19

You identify in your testimony that SSA's Supplemental Security Income—or SSI—program had an overpayment rate of around six percent last year. What was, last year, the dollar amount of fraud in SSI and the dollar amounts of fraud in other SSA programs and, separately, the dollar amount of overpayments by SSA in each of the DI, OASI, and SSI programs?

Response

We have zero tolerance for fraud in any of our programs, and we are proud of our long history of close cooperation with our Office of the Inspector General (OIG) in the fight against fraud.

While we do not separately track the incidence of fraud in our programs, we do know that, of all of the fraud referrals received by OIG in a given year, the majority are from the employees in our field offices and DDSs. In FY 2013, our employees made over 75,656 referrals to OIG.

Regarding overpayments, we regularly review a sample of our benefit payments, and we use the results of these reviews to estimate the overall accuracy of the payments for each of our programs. Our Old Age and Survivors Insurance (OASI) and SSDI program payments are highly accurate. In FY 2013, we estimate that:

- 99.84 percent of the OASI dollars we paid were free of overpayment. In terms of dollars, this represents about $1.1 billion in overpayments.

- 99.43 percent of the SSDI dollars we paid were free of overpayment. In terms of dollars, this represents about $744 million in non-medical overpayments.

Our SSI program is means tested. The program rules are complex, and the payment amount is highly sensitive to slight variations in a beneficiary's income, resources, and living arrangements. As a result, SSI payments are more prone to error. In FY 2013, 92.4 percent of the SSI benefits we paid were free of overpayment. In terms of dollars, this represents about $4.2 billion in overpayments.

As good stewards, our goal is to pay all beneficiaries correctly. With continued and adequate funding for our effective CDRs and SSI redeterminations, in conjunction with our other program integrity projects, we strive to continue improving the accuracy of our payments.

Question 20

At a Senate hearing held in June concerning SSA's field office closure procedures, a statement by a union official representing SSA workers was entered into the record, which I am sure you have seen. That statement alleges that SSA has launched an "aggressive attack on field offices," and that, in certain SSA service centers, there are "sweatshop working conditions." And, it alleges that SSA gave personal identifying information to a global information provider based in Ireland that has allegedly sold data on more than 200 million Social Security accounts to an identity theft ring. Do you agree with those and other allegations about SSA in the statement by an American Federation of Government Employees spokesperson?

Response

We do not agree with these statements and appreciate the opportunity to respond to the allegations.

Regarding the "attack on field offices," I would note that throughout our history, Social Security services have been dynamic—shifting to meet the changing needs and expectations of the American people. Standing still is not an option. We have continuously adjusted the way we do business to manage our growing workloads, meet the changing expectations of the public, and provide responsible stewardship of the American taxpayers' investment. That being said, we are

fully committed—now and in the future—to sustaining a field office structure that provides face-to-face service for those customers who need or prefer such service. We also understand, however, that customer expectations are evolving due to changes in technology, demographics, and other factors. As we have demonstrated throughout our history, we remain committed to providing all our customers easy access to our services.

With respect to working conditions, it is true that all of our offices are extremely busy, with employees pulled in a variety of directions every day. Likewise, all of our employees are held to a high standard that the public has come to expect from our agency. However, we strongly disagree that work in any of our offices is done under "sweatshop" conditions and, in fact, think that allegation does a great disservice both to our employees and to those who truly do work under grueling conditions.

Finally, we do not agree with the allegation that we released personal information that might have been sold. As part of our identity proofing process, which allows our customers to do business with us safely online, we provide some identifying information to Experian in order to authenticate identity. However, no Social Security numbers are provided to Experian, and per our contract, which has been in place since January 2010, the information our agency provides to Experian cannot be used for any other purposes.

We are aware of the mentioned sale of data to an identity theft ring, and we continue to monitor the situation and ongoing court actions associated with Experian. To date, Experian affirms that no Experian credit files, or information that we send to Experian, were included, and that this issue was isolated to files associated with the company that Experian acquired.

Below is an extract from a statement by Experian:

> "Experian acquired Court Ventures in March, 2012 because of its national public records database. After the acquisition, the US Secret Service notified Experian that Court Ventures had been and was continuing to resell data from US Info Search to a third party possibly engaged in illegal activity. Following notice by the U.S. Secret Service, Experian discontinued reselling US Info Search data and worked closely and in full cooperation with law enforcement to bring Vietnamese national Hieu Minh Ngo, the alleged perpetrator, to justice. Experian's credit files were not accessed. Because of the ongoing Federal investigation, we are not free to say anything further at this time."

Question 21

In recent testimony before Congress, the Inspector General of SSA identified that since FY2009, SSA has received dedicated program integrity funding and that the Agency began increasing its program integrity workloads, but despite recent improvements, it has completed less program integrity work than it had in the past. According to Inspector General's testimony, in FY2013 SSA received $743 million in dedicated program integrity funding, but completed about half the number of medical CDRs it completed in FY2002 with less integrity funding. Please explain the reason for completing roughly half the number of CDRs with the dedicated funding increase.

Response

As noted in our response to the OIG audits, the program integrity money provided to us in FY 2002 was specifically for medical CDRs. The current dedicated program integrity funding is targeted to two workloads—CDRs and SSI nonmedical reviews of eligibility. So in FY 2013, we used $470 million of the total $743 million in program integrity funding to complete

429,000 medical CDRs. The balance was used to support our critical SSI redetermination program integrity work.

It is not accurate to state that we have done half the volume of CDRs with increased program integrity funding. In fact, overall, we completed about the same level of medical CDRs and CDR mailers (questionnaires for beneficiaries with a lower likelihood of medical improvement) in both years (about 1.6 million).

Question 22

In recent testimony before Congress, the Inspector General of SSA identified that "...even when a CDR is conducted and the State DDS determines medical improvement, it does not always mean that SSA terminates benefits timely, or at all. In a November 2012 report, we identified DI beneficiaries and their auxiliaries and SSI recipients who improperly received payments after their medical cessation determinations, for a projected total of about $83.6 million." Has SSA followed the Inspector General's recommendation to perform automated terminations following medical cessation decisions? If not, why has SSA not implemented the recommended change?

Response

We agreed with the Inspector General's recommendation to perform automated terminations following medical cessation decisions. We continue to pursue systems upgrades and enhancements. In September 2010, we started automatically terminating benefits when the DDS input a Title II CDR cessation. However, there were still some issues with stopping benefits after an ALJ decision, particularly for claimants who had requested statutory benefit continuation. We released a systems fix on August 24, 2014 to resolve most of the issues. We will issue updated instructions to cover any processing exceptions.

Question 23

According to recent testimony by the Inspector General (IG) of SSA, the IG, in assessing SSA's adherence to the medical improvement review standard (MIRS) stated that: "[I]f SSA's decision to place the individual on disability was questionable in the first place—for example, if the allowance was not fully supported or documented but not clearly in error and the individual's condition has not changed—MIRS makes it difficult for SSA to take the person off disability, because under current law, there is no medical improvement. There are several exceptions to MIRS—for example, if evidence shows a person was mistakenly placed on the disability rolls, SSA can cease benefits—but thus far, we are unsure how often SSA applies these exceptions." Please provide information to me indicating how often SSA applies those exceptions.

Response

At this time, we do not have reliable data with which to respond to this question.

As you know, we strive to ensure the quality of our disability decisions. Along these lines, we train disability examiners in applying medical improvement review standards and their exceptions. Moreover, we are currently reviewing CDR cases to identify areas where we can refine the training process.

Question 24

According to recent testimony by the IG of SSA, the IG had found "...that SSA had not completed 79 percent of childhood CDRs and 10 percent of age-18 SSI redeterminations, within the timeframes specified in the Social Security Act. *SSA requested and received special funding for FY2009 to FY2012, but while the number of age-18 redeterminations increased, the number of childhood CDRs conducted declined." Please explain why, having requested and received special funding for FY2009 to FY2012, SSA conducted fewer childhood CDRs.*

Response

We respectfully disagree with OIG. In every fiscal year from 2009 to 2012, we increased the number of SSI childhood CDRs that we conducted.

Fiscal Year	Number of childhood CDRs conducted*
2008	4,718
2009	10,664
2010	16,751
2011	25,252
2012	64,976

* Does not include age-18 redeterminations or low birth weight cases.

Generally, we have not received the funding necessary to keep up with our CDR workloads. For example, our FY 2011 program integrity funding levels were $40 million below the President's request. When faced with underfunding for our workloads, we must prioritize our resources on those CDR cases that fall within a statutorily mandated workload or maximize taxpayer savings, which means other CDR cases receive less attention.

Question 25

According to recent testimony by the IG of SSA: "We estimated that SSA paid about $1.4 billion in SSI payments to approximately 513,300 recipients under 18 that it should not have paid; and that it would continue paying about $461 million annually until the reviews were completed. We also estimated SSA improperly paid about $5.7 million in SSI payments to approximately 5,100 recipients who did not have an age-18 redetermination completed by age 20; the Agency would continue paying about $6.3 million annually until these reviews were completed"

Further, according to the IG, the Office of the Inspector General of SSA recommended that SSA conduct all childhood CDRs and age-18 redetermination within legally required timelines, and that "...SSA agreed to do so to the extent that its budget and other priority workloads allowed." Please explain what "to the extent that...other priority workloads allowed" means and provide quantitative information concerning your "priority workloads" over the past two years and projections for the next five years.

Response

In FY 2012 and 2013, we conducted approximately 443,000 and 429,000 full medical CDRs, respectively. This fiscal year, we expect to conduct 510,000 full medical reviews. In FY 2015, the President's Budget is requesting $1.396 billion to fund our agency's program integrity activities. With this funding, our agency plans to complete 888,000 full medical CDRs in FY 2015.

We continue to balance our stewardship and service with the resources made available in our funding. For three years in a row, we received nearly a billion dollars less than the President's budget request, and in FY 2013 we also operated under a sequestration. When we receive less funding than requested in the President's Budget, we must make difficult choices about the work we can do. We have an obligation to serve the public that comes through our doors and often must reduce work we do in other areas to balance our workloads with the funding we receive.

One critical area where we must balance incoming work with ongoing commitments is in initial claims and CDRs. Since the same staff does this work, when we are operating with a reduced budget we must make hard choices about how to balance these two important workloads. Operating under these budget constraints in FY 2013, we processed over 5 million retirement, survivors, and Medicare claims, almost 3 million disability claims, handled 53 million National 800 Number transactions, and nearly 800,000 hearing requests, along with issuing SSNs and processing earnings information—two of our most critical workloads. We are pleased that we are in a better position in FY 2014 and are able to begin the recovery efforts from three years of severe underfunding. We are committed to continuing to improve the service we provide to the public, but we need sustained, adequate funding.

We have made SSI age-18 redeterminations our highest priority CDR. All field offices and DDSs know of the need to process these cases. We issue lists of pending age-18 redeterminations each month so these can be addressed. SSI low birth weight CDRs are another point of emphasis within the CDR workload that we consistently communicate to the regions. With continued sufficient program integrity funding, we will continue to improve the timeliness of this workload and reduce improper payments. The CDR workload has been, and will continue to be, one of our greatest focuses.

Question 26

One of your policy officials, in the recent hearing in the Finance Committee on disability insurance, testified that SSA is collaborating with the Retirement and Disability Research Consortiums to "... build an evidentiary base for potential policy improvements." Please

provide evidence of such collaboration that has taken place over the past two years, and explain how that collaboration has helped build an evidentiary base.

Response

We established the Retirement Research Consortium (RRC) in 1998 to enhance our research capacity, to build ties with the university-based research community, and to build a strong base of research on Social Security retirement policy issues. We established the Disability Research Consortium (DRC) in 2012 with similar goals in mind, but focused on the Social Security disability programs and related policy issues.

We have funded numerous research studies through the RRC and DRC, creating a body of evidence that can be tapped as policy questions arise. Some major categories of emphasis for RRC research include:

- potential Social Security reforms (individual accounts, equity investment, changes to the full retirement age and the early eligibility age, the earnings test, working longer, claiming later),
- pensions and retirement saving (the decline of traditional pensions, growth of defined contribution retirement accounts, automatic enrollment and default contributions, the annuity puzzle),
- the effects of the Great Recession, and
- the potential effects of the Affordable Care Act.

Some major areas of emphasis for DRC research include:

- demographics (impairment trends and geographic variation in SSDI/SSI),
- work and education (early intervention, VR, and work incentives),
- interactions with other State and federal programs (unemployment insurance, workers compensation, veterans' benefits, Affordable Care Act),
- potential reforms (changes to Substantial Gainful Activity (SGA)),
- vocational factor elements, benefit offset, and
- international comparisons.

Both the RRC and DRC are funded through cooperative agreements. Like grants, cooperative agreements provide considerable independence for researchers to propose and study topics that are relevant and important to the research and policy community, using state-of-the-art data and methods. Unlike grants, cooperative agreements give our agency the opportunity to collaborate with the researchers to shape the research agenda on topics that are of great interest to our agency as well as the broader policy community. In addition, collaboration through these cooperative agreements allows our agency to provide the expertise in policy, program operations, and data that is required to conduct these research projects. We obtain broad input within our agency and from external partners as we develop our research agenda.

Some notable RRC studies from the last two years that contribute to the evidentiary base for potential policy improvements include the following:

- Adding Employer Contributions to Health Insurance to Social Security's Earnings and Tax Base – looks across income groups at the effects on payroll tax receipts and OASI and DI benefits of including employer-sponsored health insurance in taxable income.

- Does Household Debt Influence the Labor Supply and Benefit Claiming Decisions of Older Americans? – finds that not only does the presence of debt influence older adults' behavior, but also the amount and type of debt – particularly outstanding mortgages.

- How Do the Changing Labor Supply Behavior and Marriage Patterns of Women Affect Social Security Replacement Rates? – examines the interrelationships between increased labor supply of women, changing marital patterns of women, and increases in the Social Security full retirement age on Social Security replacement rates for women.

- Evaluating Web-Based Saving Interventions: A Preliminary Assessment – examines the effect on savings of the "Boost Your Savings" dial implemented by the Vanguard Group in the context of 401(k) retirement plan websites.

- Social Security Benefit Claiming and Medicare Utilization – examines Medicare utilization at various ages to assess how the health status of individuals varies with the age at which they claim Social Security benefits.

- The Social Security Windfall Elimination and Government Pension Offset Provisions for Public Employees in the Health and Retirement Study – estimates the effects of the Windfall Elimination Provision (WEP) and Government Pension Offset on the Social Security benefits (including spouse and survivor benefits) and pre-retirement assets accumulated by affected households.

- Active vs. Passive Decisions and Crowd-out in Retirement Savings Accounts: Evidence from Denmark – assesses whether retirement savings policies such as tax subsidies or employer-provided pension plans increase total saving for retirement or cause individuals to shift assets across accounts.

- Earnings Adjustment Frictions: Evidence from the Social Security Earnings Test – examines earnings adjustments and adjustment costs in response to the Social Security annual earnings test.

Some notable DRC studies from recent years that contribute to the evidentiary base for potential policy improvements include the following:

- Understanding the Increase in Disability Insurance Spending – identifies the share of the increase in spending attributable to: (1) demographic changes, (2) policy changes, and (3) labor market developments to determine whether the 30-year trend of rising spending on disability benefits is likely to continue or, alternatively, whether disability insurance spending is likely to stabilize.

- Disability Insurance and Health in Europe and the U.S. – examines the efficiency of such programs in their ability to screen applicants, finding large differences in the efficiency of DI systems across countries, with Switzerland, Italy, Denmark, and the United States ranking above, and Sweden and the Netherlands ranking below, most European countries.

- How Financial Incentives Induce DI Recipients to Return to Work – analyzes a Norwegian program that reduced DI benefits by approximately $0.6 for every $1 in earnings that they accumulated above the SGA threshold to help understand work capacity among SSDI enrollees, and how elastic their labor supply is to changes in financial incentives.

- Youth with Disabilities at the Crossroads: The Intersection of VR and Disability Benefits for Youth with Disabilities – studies state VR agencies' provision of services to youth with disabilities and differences in outcomes based on Social Security benefit receipt status.

- Exploring the Growth of the Child SSI Caseload in the Context of the Broader Policy and Demographic Landscape – explores the extent to which SSI caseload growth over the past two decades reflects trends in disability diagnoses among children, the incentives implicit in the provisions of the SSI program, and the parameters of other social programs serving overlapping populations, such as special education programs.

- Assessing the Interaction of Unemployment Insurance and Social Security Disability Insurance – explores the effects of UI benefits on SSDI rolls. This paper adds to an ongoing set of research on unemployment and disability begun under the RRC.

Additional studies and briefs on retirement and disability topics can be found on the RRC and DRC websites at the following links:

- Boston College Center for Retirement Research;

- University of Michigan Retirement Research Center;

- National Bureau of Economic Research Retirement Research Center;

- Mathematica Policy Research, Center for Studying Disability Policy, Disability Research Consortium; and

- National Bureau of Economic Research Disability Research Center.

Question 27

The analytical perspectives of the President's fiscal year 2015 budget contains the following:

> *"As stated above, the return on investment (ROI) for CDRs is approximately 9 to 1 in lifetime program savings. The ROI for redeterminations is approximately 4 to 1. As in prior years, the ROI for CDRs is calculated based on the direct marginal costs of*

processing additional CDRs. In 2014, the ROI for CDRs is temporarily lower because the funding provided through the appropriations act was directed at covering additional overhead costs as well as the direct CDR activities. The Budget proposes to return to funding only the direct marginal costs of CDRs in 2015 and beyond."

The budget, which I understand SSA supports and you support, identifies that the return on investment on Social Security CDRs is calculated based on the "direct marginal costs of processing additional CDRs."

a. *Given your support of the budget, you must understand what you are supporting and therefore what is in the budget and accompanying explanations. Therefore, please identify what "direct marginal costs of processing additional CDRs" means, since it seems inconsistent with what I have been led to understand are the calculations that give rise to the 9:1 and 4:1 numbers referred to in the text.*

Response

By "direct marginal costs of processing additional CDRs," we are referring simply to the costs of processing CDRs that will increase or decrease based upon the volume of CDRs processed. These costs do not include various fixed costs, such as agency overhead, rent, or IT spending, that do not vary based upon the level of work processed.

b. *Please also explain what is meant by 2014 ROIs begin temporarily lower "because the funding provided through the appropriations act was directed at covering additional overhead costs as well as the direct CDR activities." What does additional overhead costs mean? And what, in the ensuing sentence, is meant by "The Budget proposes to return to funding only the direct marginal costs of CDFs in 2015 and beyond?" What does funding direct marginal costs mean, and what would be other, indirect costs?*

Response

Unlike in previous years, when we supplemented discretionary program integrity funding with other LAE funds to cover the full costs of processing program integrity workloads (including IT costs, rent, and other support for those performing program integrity work, etc.), the dedicated program integrity funding source in FY 2014 is designed to fully cover the costs of processing program integrity work during the fiscal year. As stated in the budget, our agency will be returning to the previous funding methods, as this was a one-year adjustment that enabled us to ramp up staffing resources in anticipation of significantly higher program integrity processing levels in upcoming fiscal years while using our LAE funding for all other critical agency workloads in FY 2014.

Question 28

Please provide SSA's internal policies, outside of OMB circulars, governing use by SSA of social media, including Facebook, Twitter, and similar social media outlets. Please also identify whether you intend, should you be confirmed, to develop any additional social media policies and, if so, how long you expect to complete them.

Response

On April 16, 2012, we published internal instructions in Administrative Message (AM)-12053, Credibility Assessment, Personally Identifiable Information, Internet and Social Network Sites, and Suspected Fraud (Attachment 2), and on August 30, 2013, we published HALLEX I-2-5-69, Using the Internet as a Source of Information in Case Adjudication (Attachment 3), and HALLEX I-3-1-16, The Internet and Case Adjudication (Attachment 4).

Social media can be a useful tool in fraud investigations led by law enforcement professionals in OIG, who have the tools and skills to investigate and corroborate their findings. On the other hand, having individual adjudicators act as investigators, without the corresponding ability to corroborate information, could be found to violate a claimant's due process rights. Information found on the Internet is not verified and could easily be manufactured. For example, in August 2012, Cable News Network reported there were over 83 million fake Facebook accounts. Photos can be easily altered, and information can be outdated without the knowledge of the viewer. Making decisions based in part on "snapshot" comments or photographs from social media sites could lead to unsubstantiated or incorrect decisions that deny or delay benefits to qualified individuals. Moreover, significant privacy concerns exist around using the Internet to search for SSNs or other personally identifiable information, leading to potential breaches. Further, we must protect our systems network. Social media sites are prone to viruses and other malware that pose an unnecessary security risk to our system.

With those concerns in mind, we make use of social media by working closely with our partners in OIG and the law enforcement community. Our employees and OIG investigate cases, in collaboration with local law enforcement, through the Cooperative Disability Investigations Unit program. During these reviews, investigators use tools, including social media, to develop evidence in their cases. They are able to corroborate or refute what they find on social media by using surveillance and other law enforcement techniques.

Social media are rapidly changing fields of communication and, in the future, applications such as Facebook, Twitter, or Tumblr may well offer our agency increased opportunities for obtaining, as well as disseminating, information. We will continue to monitor the rapid evolution of social media and continue to explore how we might make greater—but reliable and secure—use of these resources.

Question 29

A bipartisan investigation by a Senate subcommittee, led by Senators Coburn, McCain, Carper, and Levin, has presented compelling evidence of fraud in the DI program in West Virginia. Even so, it is my understanding that an alleged rogue disability insurance attorney involved in the West Virginia cases is still representing claimants in Social Security's DI program. And, as I understand it, allegedly corrupt Administrative Law Judges (ALJs) have retired with full retirement benefits from SSA. It is hard to see how that is an adequate response by SSA and our judicial system to alleged fraud that was uncovered in bipartisan work here in the Senate almost a year ago, and hardly seems to provide deterrence against future fraud.

a. *Has SSA levied any sanctions in relation to the West Virginia cases investigated by Senators Coburn, McCain, Carper, and Levin?*

Response

While the Committee on Homeland Security and Government Affairs has completed its investigation, the Department of Justice and our OIG also have conducted investigations with which we are cooperating fully and these investigations remain open. Until the investigations are completed, we are not able to take certain actions, and we are not at liberty to discuss these matters. While we do not condone inappropriate behavior and will take all appropriate action, we must protect the integrity of the ongoing investigations and adhere to the requirements of the law.

b. *Is it true that ALJs involved in the alleged misdeeds put forward by the aforementioned Senators have simply retired with full benefits, and that an alleged rogue attorney related to the West Virginia cases still practices before SSA in disability insurance cases?*

Response

See our response above to Question 29a. In addition, Federal employees, including ALJs, are free to retire voluntarily any time. Even if we can confirm that an employee has engaged in misconduct during his or her Federal employment, there is no mechanism under the law for us to reduce or eliminate the amount of that employee's annuity.

c. *Do you plan to do anything in relation to the allegations put forward in the investigation spearheaded by the aforementioned Senators?*

Response

See our response above to Question 29a.

Questions from Senator Schumer

Question 1: Joseph Addabbo SSA Office

GSA reports indicate that the Joseph Addabbo Social Security Building in Jamaica Queens, NY is operating at half occupancy. The building was meant to house 3,000 employees, housed 2,700 employees when it opened, and now houses around 1,500 SSA employees and contractors, according to recent reports. This huge loss of occupancy squanders the full benefit of this public resource and has had a detrimental effect on local businesses in the area that relied on these employees as customers. It is my goal to again see this building fully occupied by workers.

First, why did this building lose so many SSA employees? Where any of these workers/positions transferred to other SSA locations?

Response

The decrease in the number of employees is not the result of transfers of significant numbers of employees to other locations. The number of employees in the Northeastern Program Service Center (NEPSC), the largest SSA component in the Joseph Addabbo building, has decreased over the years as a result of normal attrition, such as retirements, and due to our successful efforts to automate manual processes and improve the efficiency and productivity of the operation. Other SSA components in the building have actually added employees. We have significantly increased the size of the teleservice center located in the building, added a Social Security card center, and relocated a hearing office from another part of Queens to the Addabbo building. In total, our public offices in Addabbo now bring in approximately 1,500 visitors a day.

All of the SSA components in the building lost employees through attrition and we were unable to replace them because of budget constraints. With this year's budget, we will see a net increase in the number of employees in the SSA components for the first time in several years.

Does the SSA have any plans to increase – or to decrease – the number of employees now working at this building?

Response

The FY 2014 budget has allowed us to replace some of the employees that we have lost over the last few years through attrition. In addition to replacing losses in all SSA components, we have further increased the amount of staff in the Jamaica Teleservice Center, which by the end of September will have 260 employees answering calls to our National 800 Number. We are also adding staff to the NEPSC in two specialized units. The Disability Processing Branch will add an additional 40 employees who will make medical determinations for DDSs that need assistance. The Workload Support Unit will add an additional 60 employees who will process Internet retirement and disability claims.

What conditions would enable the SSA to fully maximize their use of this building?

Response

GSA is considering a number of options that would improve the utilization of the building. We are working with them on this effort, but no final decisions have been made.

Question 2: SSA's Long-Term Field Office Services Strategy

The SSA's closure of 12 field offices in New York over the past 3 years has had a detrimental effect on many seniors in my state. The SSA closed many of these offices without seeking the local community's input. For example, when the Amherst, NY field office was closed this year, the SSA did not address in its Service Area Review how seniors from the areas' many nursing homes and retirement communities would continue to receive the face-to-face services they need.

Does SSA plan on further reductions in field offices? If so, how does the SSA plan to address the face-to-face service needs of the many retirees who rely on Social Security as their primary source of income and who cannot or prefer not to access important services through the SSA's website?

Response

We have no plans to consolidate additional offices at this time.

We are committed to a field office structure that provides face-to-face service to members of the public who need or prefer to come into the local office. We recognize the importance of providing direct service to the public, and we have no plans to abandon our network of field offices. We remain committed to this structure, even as we maintain and further develop our telephone and electronic services for members of the public who prefer to handle their business with us over the telephone or Internet. We periodically review our service delivery methods to ensure that field office size, locations, and accessibility allow the most effective customer service.

Questions from Senator Cantwell

Question 1

Ms. Colvin, I would like to bring your attention to a recent set of events that are of substantial concern in the Social Security regional office representing my state -- Region 10. As you know, Region 10 serves Social Security beneficiaries in Alaska, Idaho, Oregon, and Washington. Earlier this year, my state office learned that Region 10's Regional Chief Administrative Law Judge, Judge David DeLaittre, was placed on administrative leave in December 2013. My office has also been informed that since Judge DeLaittre was removed from management duties, the backlog of unheard cases in Region 10 has skyrocketed, while there has been no resolution to Judge DeLaittre's case. Finally, my state office has learned of pending Equal Employment Opportunity complaints filed by three employees of Region 10, all in relation to the Social Security Administration's personnel action toward Judge DeLaittre.

Can you please provide an update on (a) the status of Judge DeLaittre's administrative leave action, (b) the results of any personnel investigations as to his conduct and (c) the three Equal Employment Opportunity complaints filed by Region 10 employees in relation to this matter?

In addition, can you provide an explanation as to why this case remains unresolved after nearly nine months?

What specifically does your agency plan to do to reduce the claims backlog in the interim period while Judge DeLaittre is unable to do his job?

Response

I appreciate your concerns about these issues. I know that our staffs are arranging a private meeting to discuss these issues and we look forward to that meeting.

Question 2

According to a report by the U.S. Senate Special Committee on Aging, the Social Security Administration has closed 64 field offices since 2010, including a benefits office in South Seattle which served a particularly high-need, low-income population. I understand that due to this closure, services were relocated to the downtown Seattle office in the Jackson Federal Building. My constituents continue to report substantial difficulties in getting to the downtown benefits office, which is located far away from South Seattle, is on a steep hill, features heavy security, and has few affordable parking options.

What is your agency doing to make sure the most vulnerable Puget Sound residents are able to access in-person services?

Would the agency consider establishing an additional field office as an alternative to the Jackson Federal Building?

Response

During a visit to Seattle in 2013, we met with community leaders and listened to their concerns about the consolidation of two Seattle field offices into the Jackson Federal Building. The Seattle South office was located less than one mile from the Jackson Federal Building. We have taken many actions to address their concerns, including extensive outreach to educate the public and advocates about the move and the many ways the community can access our services. We also worked closely with GSA and FPS to make certain that individuals would be able to access our office without difficulty to receive face-to-face service. To this end, we also addressed the segment of the population that did not have identification or encountered language barriers to ensure our office was accessible to them. This included adding directional signage in multiple languages and using FPS escorts if needed.

Some community leaders expressed concern that certain individuals were losing the assistance they need. Although we asked community leaders to share more information, we have not yet been contacted by any of these individuals regarding their need to file a claim, update information on their record, or ask general questions.

Establishing an additional field office is not a viable option. The new field office is able to provide faster and more efficient service due to more on-site staff. We are also exploring the use of Video Service Delivery technology in the community as a potential addition to service.

The Seattle Regional Commissioner and staff maintain an open line of communication with their community partners. We take seriously our commitment to provide our customers with the level of service they expect and deserve. It is important that we remain in high regard in the community.

Question 3

A 2014 Social Security Inspector General report found that there are still about 698,000 backlogged disability claims that have yet to be resolved. This is substantially more than the agency's original goal of reducing the backlog to 525,000 claims by fiscal year 2014.

What is your agency doing to cut the disability backlog in both an accurate and expeditious way?

Response

When our agency committed to eliminating the disability backlog, we focused on reducing the number of pending cases. However, we have since recognized that pending cases is not the best measure of the level of service we provide to our customers. Instead, we think a better reflection of our backlogs from a customer service perspective is the timeliness of our process. When a person files a disability claim, he or she wants to know how long it will take to get a decision. The individual is not interested in whether other people are waiting too; rather, that person wants to know what will happen in his or her own individual case. Therefore, we shifted our focus to reducing the average time it takes to handle a disability claim.

The average time it takes to provide an applicant with an initial decision so far this year is almost 109.8 days, compared to 107.4 days in FY 2013.

Over the years, we have taken various steps to reduce the number of pending claims and our average processing times. Without adequate and sustained funding, though, we will not achieve lasting improvements in this area.

Will you establish a new backlog target to meet?

Response

We develop current and future backlog targets as a central part of our annual budget and performance planning progress. We work with OMB and Congress to establish appropriate performance targets that are consistent with planned or appropriated budgeted resources. Our budget proposals and Congressional Operating Plans incorporate the most current information available and establish the most up-to-date targets and plans for our backlogs.

What is the appropriate role for your agency to play in overseeing the decisions of administrative law judges in order to reduce the backlog?

Response

ALJs have qualified decisional independence. That qualified decisional independence allows ALJs to issue decisions consistent with the law and agency policy, rather than decisions influenced by pressure to reach a particular result. The primary purpose of an ALJ's qualified decisional independence is to enhance public confidence in the essential fairness of an agency's adjudicatory process.

However, from a disability claimant's perspective, timeliness matters. As part of our efforts to ensure hearing decisions are timely, we have given ALJs a range of 500 to 700 decisions a year as a reasonable expectation based on what many ALJs were already doing. We have never required an ALJ to do 500 to 700 cases per year, though.

Question 4

I have consistently opposed efforts to privatize and weaken the Social Security retirement benefit. One such proposal I have opposed is replacing the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W) with the Chained Consumer Price Index (Chained CPI). I believe that switching to Chained CPI would result in lower cost-of-living adjustments and would not adequately account for expenses that typically rise faster than inflation, such as health care.

Do you oppose the Chained CPI as the new method for determining annual cost-of-living adjustments?

Response

I support the President's Budget. In last year's budget, the President made clear that chained CPI was a proposal that—among others—the President was willing to accept as part of a balanced compromise to address our long-term deficit challenges, even if it was not a policy he would have preferred to put forward in isolation. This year's budget reflects the President's vision of the best path forward and includes measures like further reforms to health care spending, tax reform, and immigration reform to address our long-term deficit challenges. This year's budget does not include the chained CPI proposal. While the President remains open to including difficult measures like the chained CPI as part of a balanced compromise, he believes that the measures in this year's budget are the best path forward for strengthening the economy now, protecting the middle-class and seniors, and addressing our long-term deficit challenges.

Questions from Senator Nelson

Field Offices

Question 1

I have had many discussions with your agency, including a hearing in the Aging Committee, concerning field office closures and the lack of a real protocol. Will you commit to a more rigorous and transparent process for closures that includes prior notice, engagement of the local community, consistent data collection and meaningful comparisons across and between offices before decisions are made about which offices to close?

Response

I am happy to work with you in improving our office consolidation process, and we have already taken steps in that direction. In November 2013, at my instruction, we established a Service Area Review (SAR) process that provides more rigorous, consistent, and transparent documentation of office reviews than our previous process.

I do believe, however, that we can continue to refine the assessment process. I appreciate the Aging Committee's recent review of our current process, including identification of areas where you feel we can improve. My Deputy Commissioner for Operations and her staff have reviewed your recommendations and are taking action. She initiated a region-by-region review to determine the best practices used by each region, and we are incorporating or have incorporated such practices into our SAR business process. We will periodically update your staff as we continue to update our process.

Question 2

I have heard that you are committed to the field office structure, which I appreciate. I think that although many seniors can conduct business online, I also know that many want or need face-to-face contact. So what specifically does it mean to be committed to the field office structure? If confirmed, during your tenure as commissioner, to what extent do you foresee the need to close offices?

Response

In committing to a field office structure, I am committing to maintaining and improving a service delivery channel that provides face-to-face service to members of the public who need or prefer to come into the local office. We recognize the importance of providing direct service to the public. We have no plans to abandon our network of field offices. We remain committed to this structure even as we maintain and further develop our telephone and electronic services for members of the public who prefer to handle their business with us over the telephone or Internet. We periodically evaluate our field offices to ensure that their size and location allow us to serve the community appropriately. However, we have no plans to consolidate additional offices at this time.

Question 3

I am continuing to track the status of the West Palm Beach field office, which has been closed and then reopened in the wake of some concerns about the building's HVAC unit and the health and safety of employees and beneficiaries. While I believe it is important to provide face-to-face services to the community, the health and safety of staff and beneficiaries should be our first concern. Why is it that certain staff members and members of the public are still being sent to this office when health and safety is a concern?

Response

We have had Federal Occupational Health's Public Health Service (PHS) conduct several surveys at the West Palm Beach office to determine whether or not there are any immediate environmental health concerns. To date, the PHS reports have not identified any immediate health hazards that pose a risk to employees or the public.

However, due to the concerns about the ongoing quality of the work environment for our employees, we decided to vacate the office effective August 15, 2014. Using an abundance of caution, we are working with GSA to secure temporary space for an office in the West Palm Beach area. We hope to be in a temporary office within 30-45 days. Until a temporary office is available, we will provide service in strategically located sites in the West Palm Beach area where we can temporarily locate employees to continue to provide limited service. We will conduct an aggressive outreach and media campaign to educate the community about available Social Security services and online opportunities. Specific building and facilities issues can be addressed by GSA.

Representative Payee

Question 4

You have spoken about the challenges SSA has in dealing with representative payees, the folks who manage the funds of those unable to do so on their own. According to a GAO report, in fiscal year 2012, close to 6 million rep payees managed some $72 billion in annual benefits for more than 8 million beneficiaries. Yet not all of these rep payees are good actors. And here is where we have some real concerns. Right now, when SSA determines a rep payee is misusing funds and is removed from that role, it does not share this decision with the VA or OPM or even the state, where this person may also serve as a guardian for the senior. How can SSA better look out for the Social Security beneficiaries in these situations and share its decisions with other entities?

Response

I share your concern, and I am looking closely at these issues. The Administrative Conference of the United States (ACUS) is conducting a study for us that will identify potential avenues to improve the exchange of information between SSA and state courts on how the court selects, monitors, and sanctions guardians/conservators. The study will pay particular attention to cases

where the SSA representative payee is also the court-appointed legal guardian. Just as you suggest, we believe that government agencies and the courts may be able to make better decisions if they have more complete access to information.

In addition, we are looking at our ability to share information with the Department of Veterans Affairs (VA) and other benefit paying agencies to determine how we can better share information to protect our most vulnerable beneficiaries. For example, we are currently meeting with VA to determine how to improve the exchange of information regarding the misuse of funds by representative payees.

Question 5

Thousands of SSA-appointed representative payees for beneficiaries also serve as State-appointed guardians, and still many more also receive beneficiary funds from another federal agency that administers federal benefits, like the Department of Veterans Affairs. But, SSA has stated in the past that provisions in the Federal Privacy Act preclude the agency from sharing data about representative payee misuse with state courts, and even in some cases, other federal agencies. Such information sharing is critical to protecting beneficiary benefits and program integrity. Please state SSA's interpretation of the Federal Privacy Act that precludes the agency from taking these steps.

Response

As previously noted, ACUS is conducting a study for us that will identify potential avenues to improve the exchange of information between SSA and the state courts. We expect to have results in December 2014.

Regarding specific prohibitions on data sharing, we may only disclose information to State courts, other Federal agencies, or others in accordance with the Privacy Act, section 1106 of the Act, and regulations at 20 C.F.R. Part 401. The Privacy Act governs how Federal agencies collect, use, maintain, and disclose personal information, and it forbids disclosure of personal information about a living person without the written consent of the individual or someone who can consent on the individual's behalf.

Without consent, the only other option for data sharing would be if there is an applicable Privacy Act exception that would allow disclosure. The only possible exception that would apply in this case is 5 U.S.C. § 552a (b) (3), which allows Federal agencies to disclose information pursuant to a published "routine use."

To create a routine use, we must first determine if disclosure is compatible with our use of the information. In this case, our analysis is that it is not. We collect information about representative payees solely to evaluate whether they are fit to manage Social Security benefits. State-appointed legal guardians, on the other hand, may have broader legal authority to care for personal property and other interests. Therefore, we believe the States' use of the information is incompatible with ours; as a result, a routine use for such disclosure would not be permitted under the Privacy Act.

Question 6: Stolen Social Security Benefits

In the Aging Committee, I held a hearing that examined direct deposit fraud, basically when a fraudster reroutes money intended for a senior citizen into another bank account or debit card. In this process, the fraudster often changes the beneficiary's address to a new address. I recognize that the Treasury Department is generally the lead on this issue, but there is still one outstanding recommendation that your Inspector General has made that your agency has not acted on. That common sense idea is to send a notice to the old address to ensure that the beneficiary has authorized the change. This seems like a good idea that could save money and heartache for the seniors. Why have you not implemented this?

Response

I agree with you, and am happy to report that we implemented this recommendation on August 23, 2014.

When our Inspector General made this recommendation, we initiated a thorough review of the feasibility and effectiveness of making such a change. Based on our review, we were able to verify that we could generate appropriate notices when customers change their address through *my* Social Security. The new notices will not display the Social Security number, nor will they contain new address information. The notices will simply inform our beneficiaries that no action is needed unless they did not make the change of address request.

As a part of our analysis, we conducted focus groups to make sure people understood the purpose of the notice. We included a wide range of people in the testing: Social Security beneficiaries, SSI beneficiaries, and members of the public who are not beneficiaries of any of our programs. The tests showed that people understood the purpose of the notice, when they needed to act, and what action they needed to take. So, this is an area in which we were able to take positive action as soon as we verified the notice's usefulness to our beneficiaries.

Question 7: Social Security Advice on the Advantages of Delaying Benefits

One of the things I was surprised to learn is that seniors can earn 8 percent in lifetime income for every year they delay filing for Social Security benefits. Now, I recognize this is not an option that all seniors have. Some need the money earlier. And some have health issues. But for many Americans, this could be one of the biggest decisions they make in retirement. Your predecessor, Commissioner Astrue, believed that SSA should be agnostic when it comes to encouraging beneficiaries to consider waiting. Do you have an opinion on SSA advising people on the benefits of delaying filing for benefits?

Response

I firmly believe that SSA should provide objective, easy to understand information that allows people to make well-informed decisions about when to apply for benefits. The decision about when to apply is a very personal one and is primarily driven by an individual's own personal

circumstances. We strive to balance the need to provide the information people require to make the decision that is best for them with the need to recognize the unique and personal nature of the decision. Our goal is to educate the public rather than to advise.

To that end, our website contains a wealth of information that allows people to learn about Social Security benefits, estimate their benefit amount, and learn about the effect of delaying their application. For example, we have an online tool called the Retirement Estimator, which gives estimates based on a person's actual Social Security earnings record and allows individuals to explore different scenarios to help determine what date is best for them. Again, our goal is not to steer people toward a specific decision—rather, it is to give them the tools they need to make the best decision for themselves.

Questions from Senator Warner

Question 1: Wait Times

Virginians are waiting for decision with the Department of Disability Services at least 9 months. Furthermore, there is a backlog 18 months to 2 years for a hearing with an Administrative Law Judge. Can you please provide the number of Virginia cases in the Department of Disability Services and as well those pending a hearing with an Administrative Law Judge and the aging/wait times. What steps are being taken to improve these backlogs?

Response

The Virginia DDS has 13,571 initial claims pending as of July 2014. Average processing time, from field office filing to final determination, is 186.5 days. In order to improve DDS processing time, the Philadelphia Disability Processing Unit, the Mid-Atlantic Disability Processing Branch, and the Virginia Extended Service Team are assisting Virginia with claim processing. We are working closely with the state to review their processes and create efficiencies for enhanced public service.

In FY 2013, all Virginia hearing offices' closed cases, that had a hearing before an ALJ, had an average wait time of 396 days. Average wait time is calculated by elapsed days between the hearing request date and the date of the initial hearing. For FY 2014 to date (through July 25, 2014), all Virginia hearing offices' closed cases, that had a hearing before an ALJ, had an average wait time of 411 days. For FY 2014 to date, the total number of hearings pending with ALJs in Virginia hearing offices is 19,001.

In FY 2014 to date, Virginia hearing offices had receipts totaling 14,798 compared to dispositions totaling 10,559. This discrepancy reflects the loss of ALJs and other staff in Virginia. However, we recently hired 70 new ALJs, 10 of whom are assigned to Region 3. Two of these judges will report to the Richmond, VA hearing office, which will help ease the Virginia workload.

In Region 3, which includes Delaware, Maryland, Pennsylvania, Virginia, and West Virginia, we transferred cases between hearing offices to reduce backlogs. The average processing time (APT) in Region 3 was 453 days in July 2014, while the APT in Virginia was 444 days. Because the APT in Virginia is lower than that of the region overall, Virginia hearing offices are not receiving extra case assistance at this time.

Question 2: Computation of Benefits

What is the accuracy rate of adjudicating the computation of benefits? Virginians are seeing a growing number of cases where their benefits were computed incorrectly. What steps will be taken to ensure a higher accuracy rate in these calculations?

Response

In FY 2013, payment accuracy with respect to Title II (including Social Security Retirement, Survivors and Disability Insurance) overpayments was 99.78 percent. Payment accuracy with respect to Title II underpayments was 99.87 percent. This means that in less than one quarter of 1 percent of cases Social Security beneficiaries were paid either too much or too little.

Overall, Title II accuracy rates have remained steady at a high level over the past five years. However, the sheer magnitude of the payments made in the Title II program—approximately $824.2 billion in FY 2013—means that even a small percentage of error will result in a substantial dollar error.[5] Even though we make very few errors, those we do make can create a hardship on our beneficiaries. I acknowledge this concern, and I promise to continue working to reduce the occurrence of any improper payments.

Regarding the reason for computational errors, the largest percentage of these improper payments are caused by situations in which a beneficiary's payment amount should have been reduced due to the receipt of a non-covered pension. We call this the WEP. Approximately 8 percent of these WEP errors are overpayments. About 95 percent of all WEP errors for FY 2009 through FY 2013 involve Retirement or Survivors benefits.

The source of most of these WEP computation errors is the beneficiary's failure to notify us about income he or she receives that affects either benefit amount or entitlement to benefits. We make beneficiaries aware of their responsibility to report to us at the initial application, in their award letters, and in subsequent notifications. However, these reminders are not always sufficient, and we also seek ways to use data exchanges to get the information we need directly from the payer.

Because the correct application of WEP is an ongoing concern, I support the FY 2015 President's Budget proposal to develop an automated data exchange of pension information for State and local entities to submit timely data on pensions not covered by Social Security. Receipt of this timely information would reduce computation related improper payments that occur when we are unable to determine that a beneficiary receives a non-covered pension and should have been subject to the WEP.

Question 3: Computer Technology Issue

We are hearing that many Virginia cases are being shipped to other states for decisions and cases from other states being sent to Virginia. Please explain what is being planned to address the backlog in Norfolk DDS office as well as in the New York ODAR.

Response

The Virginia DDS is not receiving out-of-state claims.

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[5] There may be more than one reason a payment is made in an incorrect amount; for example, there may be a computation error and an earnings history error (e.g.; the benefit was computed incorrectly and there were unposted earnings).

We have instituted a multi-pronged approach to reduce backlogs at the Virginia DDS. This office is receiving assistance to process its pending workloads, as outlined above in Question 1: Wait Times. In addition, we provided the DDS maximum overtime to address existing workloads and authorized the DDS to hire 99 employees to prepare for future receipts.

Attachments

1- Medical Determinations and Denials
2- AM-12053, Credibility Assessment, Personally Identifiable Information, Internet and Social Media Network Sites, and Suspected Fraud
3- HALLEX I-2-5-69, Using the Internet as a Source of Information in Case Adjudication
4- HALLEX I-3-1-16, The Internet and Case Adjudication

Medical Determinations and Denials
at the State DDS Level
FY 1986 - FY 2013

FY	Initial Claims at the DDS Level		Reconsideration Claims at the DDS Level	
	Determinations	Denials	Determinations	Denials
1986	1,328,789	824,064	317,514	266,041
1987	1,245,733	782,796	365,508	311,016
1988	1,306,512	838,260	371,477	319,050
1989	1,411,536	878,720	409,771	344,215
1990	1,552,496	936,341	452,659	376,419
1991	1,808,973	1,041,287	481,340	398,127
1992	2,356,152	1,315,435	602,598	499,959
1993	2,556,806	1,548,591	736,828	630,953
1994	2,575,068	1,704,807	791,843	691,674
1995	2,547,486	1,754,305	846,926	735,236
1996	2,309,101	1,591,518	764,757	660,156
1997	2,103,667	1,415,977	706,725	596,366
1998	1,975,603	1,272,064	614,774	513,808
1999	1,994,439	1,244,138	607,720	506,754
2000	1,998,534	1,228,769	586,422	491,493
2001	2,114,850	1,261,943	512,064	424,725
2002	2,326,649	1,426,868	482,537	403,384
2003	2,480,208	1,554,830	566,391	479,377
2004	2,531,882	1,590,432	558,046	476,493
2005	2,554,113	1,622,420	560,657	482,305
2006	2,480,658	1,589,066	499,487	432,421
2007	2,481,694	1,595,594	569,381	494,378
2008	2,555,132	1,613,582	553,407	474,888
2009	2,710,293	1,691,964	583,935	502,666
2010	3,033,681	1,941,942	716,737	624,843
2011	3,218,667	2,122,977	803,783	709,634
2012	3,090,580	2,056,318	792,614	699,527
2013	2,885,092	1,919,054	788,814	698,255

Does not include field office technical denials.

Data Source: SSA 831 Files
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Instruction

Identification Number **AM-12053** **Effective Date:** 04/16/2012

Intended Audience:	All RCs/ARCs/ADs/FOs/TSCs/PSCs/OCO/OCO-CSTs/ODAR/DDSs/OMVE/OQP/CO
Originating Office:	ORDP ODP
Title:	**Credibility Assessment, Personally Identifiable Information, Internet and Social Media Network Sites, and Suspected Fraud**
Type:	AM - Admin Messages
Program:	**Disability**
Link To Reference:	See **References** at the end of this AM.

Retention Date: October 15, 2014

The popularity of Internet sites and social media networking tools such as Facebook, MySpace, and Twitter have resulted in questions regarding whether these tools should play a role in the adjudication of disability claims. The following is guidance for when and when not to use the internet and social media networking tools in the adjudication of disability claims. This guidance applies to State Disability Determination Services (DDS) and Federal adjudicators and reviewers at all administrative levels, including administrative law judges (ALJs) and all other adjudicators and reviewers at the hearings and Appeals Council levels (hereinafter "adjudicators and reviewers").

A. **Accessing social media networking sites**

Adjudicators and reviewers must not use Internet sites and social media networks to obtain information about claimants to adjudicate cases, except as outlined below in cases involving suspected fraud. Entering PII in an Internet search engine or social media network may compromise the confidentiality of PII. The responsibility to protect PII within an employee's control applies at all times, regardless of whether the employee is at an official duty station, another official work location, an alternate duty station, or off duty. This policy applies whether the individual is using a computer or personal device (for example, Blackberry or Smartphone).

B. **Credibility assessments**

Documenting a credibility finding is necessary to show a claimant received a full and fair review of his or her claim, and ensures the adjudicator makes a well-reasoned decision. The adjudicator or reviewer cannot make a credibility finding based on intangible assumptions or intuition. The adjudicator and reviewer must consider the entire case record, ground the reasons for a credibility finding in the evidence, and articulate the reasons in the credibility determination. Adjudicators and reviewers may consider observations about the claimant recorded by DDS and SSA employees during interviews, whether in person or by telephone. When the claimant attends an administrative proceeding conducted by an adjudicator, the adjudicator may consider his or her own observations of the individual as part of the overall evaluation of credibility.

Adjudicators and reviewers must use standard development practices approved by SSA to obtain evidence used in adjudicating disability claims. Adjudicators and reviewers must not use uncorroborated information from Internet and social networking sites when determining disability. Adjudicators and reviewers should not instigate an independent investigation to determine the validity of a statement.

Rather, adjudicators and reviewers must apply the factors in 20 CFR 404.1529 and 416.929, as well as the principles in SSR 96-7p regarding the credibility of an individual's statements about the intensity, persistence, or functionally limiting effects of pain or other symptoms. They must consider the entire case record when making a credibility finding. The credibility determination must contain specific reasons for the credibility finding and be supported by the evidence in the case record. In addition, the credibility determination must be sufficiently specific to make clear to the claimant, and any subsequent reviewers, the weight the adjudicator gave to the claimant's statements and the reasons for that weight.

The law requires that we base a "not disabled" decision on the preponderance of the evidence. When evaluating credibility, adjudicators and reviewers consider the entire case record and give specific reasons for the weight given to an individual's statements. As it is impossible for adjudicators and reviewers to determine the accuracy of information found on Internet and social networking sites, they must not use material from such sites when making a disability determination.

If a Report of Investigation (ROI) is in file that contains evidence we obtained from an Internet or social networking site, and Cooperative Disability Investigations Units (CDIUs) corroborated that evidence, the adjudicator must consider this information along with the other evidence in the file when making a credibility assessment.

C. **Suspected fraud**

If an adjudicator becomes aware of a potential fraud situation, he or she should report the suspected fraud following established procedures, per the instructions found in DI 23025.015 (DDS – Referring Potential Fraud or Similar Fault (FSF) Cases for Possible Prosecution) or HA I-1-3-3 (Referring Fraud or Criminal Violations).

If the evidence in the file supports an allowance determination, but relates to suspicious allegations that are part of a fraud investigation, adjudicators and reviewers must refrain from making a determination on the case until they receive the ROI.

The mission of the CDIU is to obtain factual evidence sufficient to resolve questions of fraud in SSA's disability program. CDIUs often use Internet or social networking sites as a starting point for their investigations. However, they corroborate this information and do not base their findings on uncorroborated information. If the CDIU completes an investigation and prepares a ROI, adjudicators and reviewers must use the corroborated evidence found in the ROI to assess potential fraud and similar fault. When using a ROI to assess potential fraud and similar fault (FSF), the role of the ROI is to allow the DDS to disregard questionable evidence. Adjudicators and reviewers must consider all evidence in the case record before determining whether to disregard specific evidence.

Direct all program–related and technical questions to your RO support staff or PSC OA staff. RO support staff or PSC OA staff may refer questions or problems to their Central Office contacts.

References
20 CFR 404.929 and 416.1429 Hearing before an administrative law judge—general

20 CFR 404.939 and 416.1439 Objections to the issues.
20 CFR 404.946 and 416.1446 Issues before an administrative law judge.
20 CFR 404.1529(c) and 416.929(c) How we evaluate symptoms, including pain.
SSR 96-7p Policy Interpretation Ruling Titles II and XVI: Evaluation of Symptoms in Disability Claims: Assessing the Credibility of an Individual's Statements
HA I-1-3-1 Distinguishing Between the Office of the Inspector General and Cooperative Disability Investigations Units
HA I-1-3-3 Actions Subject to Criminal Prosecution for Fraud
HA I-3-2 Fraud, Similar Fault, and Administrative Sanctions
DI 23025.001 Disability Determination Services (DDS) – Fraud or Similar Fault (FSF) Overview and Definitions
DI 23025.015 (DDS – Referring Potential Fraud or Similar Fault (FSF) Cases for Possible Prosecution)
DI 23025.020 Disability Determination Services (DDS) - Procedures After the Fraud or Similar Fault (FSF) Referral is Sent
DI 23025.025 Disability Determination Services (DDS) – Disregarding Evidence
DI 24515.066 Evaluation of Symptoms in Disability Claims: Assessing the Credibility of an Individual's Statements (SSR 96-7p)

AM-12053 - Credibility Assessment, Personally Identifiable Information, Internet and Social Media Network Sites, and Suspected Fraud - 04/16/2012

Link to this document:
http://policynet.ba.ssa.gov/reference.nsf/lnx/04162012031317PM

I-2-5-69.Using the Internet as a Source of Information in Case Adjudication

Last Update: 8/30/13 (Transmittal I-2-95)

A. Introduction

Generally, when adjudicating a claim, an administrative law judge (ALJ) and other hearing office staff may not rely on information from the Internet that has not been corroborated by a Cooperative Disability Investigations Unit (CDIU). Further, entering an individual's personally identifiable information (PII) in an Internet search engine or social media network may compromise the confidentiality of PII. The responsibility to protect PII within an ALJ's or employee's control applies at all times, regardless of whether the individual is at an official duty station, another official work location, an alternate duty station, or off duty. This policy applies whether the individual is using a computer or personal device such as a smartphone.

B. Internet Sites and Social Media Networks

Adjudicators and hearing office staff must not use Internet sites and social media networks to obtain information about claimants to adjudicate cases. If the information was entered into the record by a Social Security Administration (SSA) or state agency employee at the initial or reconsideration level, the adjudicator will not consider or exhibit the evidence.

However, adjudicators will consider information from Internet sites or social media networks in the following situations:

- If information from an Internet site or social media network has been corroborated by the CDIU and associated with the record, adjudicators will consider that information when adjudicating the case, as explained in Hearings, Appeals and Litigation Law (HALLEX) manual I-2-5-69 B.2. in this section.
- If the information was submitted by the claimant or an appointed representative, the adjudicator will consider the evidence when adjudicating the case.

1. Credibility Assessments

Documenting a credibility finding is necessary to show that the claimant received a full and fair review of his or her claim, and that the ALJ made a well-reasoned decision. An ALJ cannot make a credibility finding based on intangible assumptions or intuition. The ALJ must consider the entire case record, ground the reasons for a credibility finding in the evidence, and articulate the reasons in the decision. The ALJ may consider observations about the claimant recorded by Disability Determination Services (DDS) and SSA employees during interviews, whether in person or by telephone. When the claimant attends a hearing, the ALJ may consider his or her own observations of the individual as part of the overall evaluation of credibility.

ALJs must not use information from Internet sites and social media networks when determining disability, unless it has been corroborated by the CDIU or was submitted by the claimant or an appointed representative as evidence. Further, an ALJ must not instigate an independent investigation to determine the validity of a statement made on the Internet.

Rather, ALJs must apply the factors in 20 CFR 404.1529 and 416.929, as well as the principles in Social Security Ruling 96-7p regarding the credibility of an individual's statements about the intensity, persistence, or functionally limiting effects of pain or other symptoms. The decision must include specific reasons for the credibility finding and be supported by the evidence in the case record. In addition, the decision must be sufficiently specific to make clear to the claimant, and any subsequent reviewers, the weight the adjudicator gave to the claimant's statements and the reasons for that weight.

However, if a Report of Investigation (ROI) in the file contains evidence obtained from an Internet site or social media network, and a CDIU corroborated that evidence, the ALJ must consider this information along with the other evidence in the file when making a credibility assessment.

2. Suspected Fraud

If an ALJ becomes aware of a potential fraud situation, he or she must report the suspected fraud following established procedures, per the instructions found in HALLEX I-1-3.

If the evidence in the file supports an allowance, but relates to suspicious allegations that are part of a fraud investigation, the ALJ must not make a decision on the case until he or she receives notification from CDIU to continue processing the case.

The primary mission of CDIUs is to obtain factual evidence that can resolve questions of fraud in SSA's disability program before benefits are paid. CDIUs often use Internet sites or social media networks as a starting point for their investigations. However, they corroborate information on which they rely and do not base their findings on uncorroborated information. If the CDIU completes an investigation and prepares an ROI, adjudicators and reviewers must use the corroborated evidence found in the ROI to assess potential fraud or similar fault. When using an ROI to assess potential fraud or similar fault, the role of the ROI is to allow the DDS or other adjudicator to disregard questionable evidence, when warranted. Adjudicators and reviewers must consider all evidence in the case record before determining whether to disregard specific evidence.

C. Verifying Inmate Information on the Internet

SSA must make sure that any website accessed for inmate information is not protected by privacy and disclosure laws, and that the website administrator does not charge a fee for accessing information on the website. Each website that SSA visits for prisoner information must provide reliable and current information on its inmate population. The website must also have the information displayed in a clear and readable format that is

unlikely to result in misinterpretation of any of its content or an incorrect conclusion about a claimant's identity or inmate status.

SSA has designated regional prisoner coordinators (RPC) who identify websites that are accurate and reliable, as noted in Program Operations Manual System (POMS) GN 02607.680C. An RPC supplies information for the prisoner Internet website page available through the regional office's Intranet site, which provides addresses for the approved correctional and mental institution websites broken down by State in each of the corresponding regions. The Philadelphia region's Intranet site, located at http://phapps.ph.ssa.gov/prisoninformation/, includes links to approved Internet sites for prison facilities throughout the country.

NOTE:

While it is acceptable to verify inmate information on the Internet, it is not acceptable for an ALJ to instigate an independent investigation of a claimant's criminal history on the Internet.

For procedures on using the Internet as a third-party source of inmate verification, see POMS GN 02607.680D.

For alternative methods of verifying or obtaining inmate information, see POMS GN 02607.680B.

Link to this section:
http://policynet.ba.ssa.gov/hallex.nsf/lnx/10205069

I-3-1-16.The Internet and Case Adjudication

Last Update: 8/30/13 (Transmittal I-3-55)

A. Introduction

Generally, when adjudicating a claim, staff and adjudicators may not rely on information from the Internet that has not been corroborated by a Cooperative Disability Investigations Unit (CDIU). Further, entering an individual's personally identifiable information (PII) in an Internet search engine or social media network may compromise the confidentiality of PII. The responsibility to protect PII within an employee's control applies at all times, regardless of whether the employee is at an official duty station, another official work location, an alternate duty station, or off duty. This policy applies whether the individual is using a computer or personal device such as a smartphone.

B. Internet Sites and Social Media Networks

1. Adjudication at the Appeals Council Level

Analysts and adjudicators must not use Internet sites and social media networks to obtain information about claimants to adjudicate cases. However, if information from Internet sites and social media networks has been corroborated by the CDIU and associated with the record, adjudicators will consider that information when adjudicating the case.

When the Appeals Council (AC) exercises its authority to issue a decision, the instructions in Hearings, Appeals and Litigation Law (HALLEX) manual I-2-5-69 B. apply.

2. Internet Evidence Associated Earlier in Administrative Process

a. When the Evidence May Be Considered

As noted in HALLEX I-2-5-69 B., an administrative law judge (ALJ) will consider information from Internet sites or social media networks in adjudicating a claim when:

- The information from an Internet site or social media network has been corroborated by the CDIU and associated with the record; or
- The information was submitted by the claimant or an appointed representative.

b. AC Action

The appropriate AC action will depend on the facts of the case and all relevant circumstances.

- If the AC determines that an ALJ inappropriately relied on information from an Internet site or social media network when adjudicating the claim, the AC will

grant review. If the AC determines a remand is appropriate, the AC will consider remanding the case to a different ALJ, and will instruct the ALJ to give the evidence no weight. If the evidence is not exhibited, the AC will not exhibit the evidence, and will instruct the ALJ not to exhibit the evidence.

If the AC determines that the ALJ did not rely on the information from an Internet site or social media network, and there is no other basis for granting review, the AC will deny the request for review. The AC will not address the evidence in the denial notice and, if the evidence is not exhibited, will not exhibit the evidence.

NOTE:

The AC will also consider whether a referral to the Office of the Chief Administrative Law Judge (OCALJ) may be appropriate. To refer a case, the AC adjudicator will discuss the issue with his or her Division Chief Administrative Appeals Judge (DCAAJ). If the DCAAJ agrees a referral is appropriate, the AC adjudicator will prepare a draft memorandum to the Executive Director for the DCAAJ's signature. The DCAAJ will electronically sign the memorandum and forward it to |||ODAR OAO with the subject line "OCALJ Referral." The Executive Director will review the memorandum and determine whether to refer the case to OCALJ.

C. Verifying Inmate Information on the Internet

The Social Security Administration (SSA) must make sure that any website accessed for inmate information is not protected by privacy and disclosure laws, and that the website administrator does not charge a fee for accessing information on the website. Each website that SSA visits for prisoner information must provide reliable and current information on its inmate population. The website must also have the information displayed in a clear and readable format that is unlikely to result in misinterpretation of any of its content or an incorrect conclusion about a claimant's identity or inmate status.

SSA has designated regional prisoner coordinators (RPC) who identify websites that are accurate and reliable, as noted in Program Operations Manual System (POMS) GN 02607.680C. An RPC supplies information for the prisoner Internet website page available through the regional office's Intranet site, which provides addresses for the approved correctional and mental institution websites broken down by State in each of the corresponding regions. The Philadelphia region's Intranet site, located at http://phapps.ph.ssa.gov/prisoninformation/, includes links to approved Internet sites for prison facilities throughout the country.

For procedures on using the Internet as a third-party source of inmate verification, see POMS GN 02607.680D.

For alternative methods of verifying or obtaining inmate information, see POMS GN 02607.680B.

Link to this section:
http://policynet.ba.ssa.gov/hallex.nsf/lnx/10301016

9/8/2014

Follow-up questions for the record for Acting Commissioner Colvin from Senator Hatch (original question for the record number is used to identify which question needs clarity or a specific answer that was not originally provided).

10. Using data provided by SSA on "Total Budget Authority by Object (in thousands of dollars): 1994-2014" it can be determined that there has been a 26.68% increase in "Total, Budget Authority by Object" including a 17.13% increase in a subtotal for personnel compensation, a 56.22% increase in personnel benefits, a 47.1% increase in rental payments to GSA, an 85.85% decrease in rental payments to others, a 50.36% increase in "other services (DDS, guards, etc.)," and a 3,317.42% increase in "land and structures." Please explain the increases in budget authority over the past 10 fiscal years: for rental payments to GSA and to others; for "other services;" and for "land and structures."

In response, which you labeled 3, you identified that "The increases in land and structure object class were largely due to additional targeted funding received over the last 10 years, including costs related to Hurricane Katrina (2006) and funding provided through the Recovery Act (2009) for our computer center. These costs were reflected in our President's Budget spending estimates. Our estimates for spending related to this object class vary from year to year based on the projected projects that will need to be completed."

From SSA supplied data, the object class "Land and Structures" evolves as follows:

Year	Thousands of dollars
2005	1,504
2006	3,055
2007	3,093
2008	3,563
2009	29,775
2010	86,073
2011	315,762
2012	135,587
2013	181,051
2014	51,398

Am I to understand that the 2006 funding related to Hurricane Katrina is spread out over years beyond 2006 and, symmetrically, that "stimulus" funds for your computer center is spread out over years beyond 2009? If so, please identify the time evolution of those funding levels and spend outs.

Response

No. Hurricane Katrina costs were not spread out beyond FY 2006. SSA received and obligated $38M for Hurricane Katrina costs during FY 2006. SSA received a transfer of funds from the Department of Homeland Security for Katrina-related costs under P.L. 109-234. Please see pages 64 and 69 of SSA's FY 2008 Justification for Budget Estimates for additional information.

Yes. Stimulus funds for the computer center are spread out beyond 2009. In FY 2009, SSA received $500M for the National Support Center under the American Recovery and Reinvestment Act of 2009 (P.L. 111-5). These funds were provided as no-year funding and are expected to be fully obligated in FY 2016. Please see pages 114-115 of the General Statement in SSA's FY 2015 Justification for Budget Estimates for additional details.

12. In response to news articles related to SSA recovering debts from tax refunds under the Treasury Offset Program, SSA identified in April that "pending a thorough review of our responsibility and discretion under the laws to collect these overpayments, our Acting Commissioner, Carolyn W. Colvin, has halted further referrals of debts that are 10 years old and older to the Treasury Offset Program." Please identify when you will have completed your review, what you have found to date, and whether and, if so, when you expect to continue the halt placed on debt referrals.

In response, you identified that: "As of April 14, 2014, there were approximately 314,000 debts delinquent for 10 years or more that were eligible for referral to Treasury Offset Program (TOP). We randomly selected and reviewed a statistically valid sample of these cases. From that review, we identified the reasons we established the overpayments. Our review showed that approximately 70 percent of the Old-Age, Survivors, and Disability Insurance cases involved beneficiaries who failed to report to us that they were no longer a student. Approximately 53 percent of the SSI program cases involved individuals who had income and resources above the statutory limits for this program. We concluded our statistical review in July 2014 and found that we correctly applied our regulations, policies, and procedures when we referred delinquent debts to TOP. I want to assure you that we will continue to look for ways to improve our business process and continue to review our authorities to determine the Commissioner's responsibility and discretion to refer debts to TOP."

Having concluded from your July 2014 statistical review that you correctly applied regulations, policies, and procedures in referring delinquent debts to TOP, when will referrals to TOP of delinquent debts with 10 years or more of delinquency resume?

Response

We are continuing to study how we ensure compliance with applicable laws and regulations and the appropriate notification. I will keep you apprised of our progress.

Also, by what authority did SSA impose a cessation of referrals of such debts to TOP?

Response

Under Treasury regulations, a Federal agency can refer a debt for centralized offset of Federal payments provided that the agency certifies that the debt meets specific requirements. See 31 C.F.R. § 285.5(d). In particular, the agency must provide a pre-offset notice for any debt outstanding 10 years or more than ten years on or before June 11, 2009. See 31 C.F.R. § 285.5(d)(6)(iii). SSA regulations also require that debtors receive the proper notice before a debt is referred to Treasury. See 20 C.F.R. §§ 404.520, 404.521; 416.580, 416.581; 422.305, 422.306, 422.310.

In early April, the agency had received many reports from individuals claiming that they did not receive the proper notice before the agency referred the debt to Treasury. Given the scope of the potential problem, I wanted to be confident that the agency could certify to Treasury that these individuals received the proper notice before their debt was referred. I also wanted to ensure that the appropriate debts were being referred to Treasury. Accordingly, I halted these referrals pending a thorough review. During the review, which is not yet concluded, we took a number of steps to improve the referral process. For example, we identified individuals offset by Treasury who did not receive our notice informing them of the potential offset. We offered these individuals the opportunity to receive a refund of the offset (though we did not waive recovery of the debt), and to contest the debt through our administrative procedures. We informed them of their continuing obligation for any outstanding overpayment. We also improved our customer service by attempting to secure a current address before mailing notices relating to overpayment recoveries.

13. In response to what you labeled as 13 d. (the question being: Will you provide me with a timetable of target completion dates for any DI program related updates that you plan to perform?), you responded by saying that: "As mentioned above, keeping pace with medicine, science, technology, and the world of work is a constant and incremental process. We are on a three-to-five-year cycle to update each of our medical listings. During that cycle, we are seeking input from medical experts and other stakeholders to gather the most current information necessary. Similarly, when we finalize the OIS, we will need to remain vigilant and retain our partnership with BLS to maintain current, high-quality data."

When does the current three-to-five-year cycle period end? And, in keeping pace with medicine, science, and technology, and work by updating medical listings, what are the objectives of your three-to-five-year increments, and by what replicable metric can attainment, or not, of the objectives be measured?

Response

Each body system, or listing, is updated individually using the regulatory process under the Administrative Procedure Act. Therefore, each listing has its own cycle. We are simultaneously working on numerous regulations, in various stages of development. Some regulations may take

longer than others, depending on the complexity of the rule, the body system involved, and the extent of the changes we propose.

Our objective is to keep pace with medicine and other fields when updating our listings. We generally adhere to the following business process cycle, to ensure that our listings are well developed, include broad input from relevant stakeholders, and reflect current medicine:

Step 1: Gather information

- *From agency adjudicators who use the listings*
- *Consultations with SSA medical and analytical staff*
- *Literature reviews*
- *Discussions with other federal and state agencies, industry, and experts in the field (e.g., the Institute of Medicine (IOM))*
- *Seek input from external stakeholders, such as advocacy groups*

Step 2: Publish an Advance Notice of Proposed Rulemaking (ANPRM)

- *Host Outreach meeting – expert medical panelists, advocates, adjudicators, patients*
- *IOM Standing Committee and/or Consensus Committees – medical experts provide consensus recommendations for listings improvements*
- *Publish ANPRM – solicit comments from the public*

Step 3: Draft and Publish Notice of Proposed Rulemaking (NPRM)

- *Prepare issue paper to identify specific comments/issues that the team might address while drafting the NPRM*
- *Draft proposed changes to the listings and introductory text (accomplished by the body system team of analysts, medical officers and other agency medical consultants with occasional input from outside experts, and the chief policy officer)*
- *Test proposed listings using effectuated cases*
- *Conduct cost/benefit case study and obtain actuarial assessment*
- *Publish NPRM in Federal Register*

Step 4: Publish final rule

- *Thoroughly review and respond to public comments*
- *Revise proposed rule based on public comments*
- *Publish Final rule in the Federal Register*
- *Provide training on the new rule for all adjudicators*

14. In responses to what you labeled as 14 b. and c., you identify that: "This year's [President's Budget] reflects the President's vision of the best path forward..."

Despite years of my asking administration officials about what their plans and visions are for the best path forward regarding the impending DI trust fund depletion, no one in the administration

has ever put forward a specific proposal for confronting depletion of the DI trust fund. If the President's budgets represent the administration's vision of the best path forward, does lack of mention of any specific proposal to confront depletion mean either that there is no vision or that the best path forward is to wait until later to arrive at a plan?

Response

The President's Budget reaffirms his commitment to making sure the Social Security program is solvent and viable, both now and in the future. It also states that the President looks forward to working in a bipartisan way to strengthen the program for future generations. To that end, I am committed to working with you, and the Congress as a whole, to address DI trust fund reserve depletion and other important issues affecting the DI program.

The President's Budget is focused on potential improvements to the DI program. For instance, the President's Budget includes an important proposal to authorize demonstration authority to test innovative strategies to help people with disabilities remain in the workforce. The Budget also proposes to provide a dependable source of mandatory funding for Social Security to conduct program integrity functions, including Continuing Disability Reviews of DI beneficiaries. This important initiative would help ensure that only those who continue to meet our disability criteria receive ongoing benefits, thus strengthening the DI trust fund. Regarding reallocation, to avoid DI trust fund reserve depletion, the Administration believes – and I agree – Congress must take action, as it has in the past, to reallocate the payroll tax rate between the Old-Age and Survivors Insurance (OASI) and DI trust funds. This would prevent a deep and abrupt cut in benefits for vulnerable people with disabilities. If confirmed, I stand ready to work with Congress to achieve this goal.

15. In response to what you labeled as 14. b. and 14. c., you identify that "This year's budget does not include the chained CPI proposal. While the President remains open to including difficult measures like the chained CPI as part of a balanced compromise, he believes that the measures in this year's budget are the best path forward for strengthening the economy now, protecting the middle-class and seniors, and addressing our long-term deficit challenges."

The earlier inclusion of a chained CPI proposal, including protections for vulnerable groups, and subsequent withdrawal accompanied the President's insistence on making the net-revenue-generating chained CPI proposal contingent on yet more tax increases to flow into the general fund. That link between a structural change to the price-indexation component of Social Security benefits and revenue for the general fund provides an explicit link between general budget balance and Social Security reforms. I have been clear that Social Security reforms should be undertaken for purposes of shoring up the financial positions of the Social Security trust funds, and not for the purpose of general, on-budget, budget balance. The President's position, by contrast, identifies that the only structural Social Security reform proposal that he had been willing to entertain is strictly contingent on other measures to help achieve general, on-budget, budget balance. Do you agree with the President's position that structural elements of Social Security reform must be contingent on helping attain general, on-budget, budget balance,

or with my position that structural elements of Social Security reforms should be made solely for the financial integrity of the Social Security trust funds and benefit provisions, and to help insure that Social Security will be there for future generations of Americans?

Response

To clarify, the chained CPI proposal contained in the President's FY 2014 Budget was a proposal of general application to change the measure of inflation used for most Federal programs, as well as for the Internal Revenue Code, while protecting the most vulnerable. To the extent the proposal would have affected the Social Security Trust Funds, any benefit would have stayed within the Trust Funds. Notwithstanding that clarification to your question, I do agree—and the Administration agrees—that when Congress chooses to act on a package of proposals aimed at restoring 75-year solvency to the combined Social Security Trust Funds, it should do so for the purpose of strengthening the program.

16. The question was: "In your support of 'reallocation,' what is your policy preference for the timing of whatever it is that you are supporting, and do you support any other action with respect to your disability insurance program to occur before 'reallocation' that does not involve more funding for SSA? Your response was: "To avoid DI trust fund reserve depletion, the Administration believes—and I agree—Congress must take action, as it has in the past and as soon as possible, to reallocate the payroll tax rate between the OASI and DI trust funds. This would prevent a deep and abrupt cut in benefits for vulnerable people with disabilities. If reallocation were to occur, SSA's actuary projects that reserves in both the OASI and DI trust funds would be available through 2033."

Your response makes two things clear: 1) that Congress must take action as soon as possible; and 2) that you and the administration support the particular reallocation plan devised independently Chris Chaplain, Jason Schultz, and Daniel Nickerson in a memo dated July 28, 2014 to Deputy Chief Actuary Alice Wade of SSA's Office of the Chief Actuary.

Regarding 1): Of course, for reallocation to occur, action would be required by Congress and the President, who signs legislation into law. It is unfortunate that the administration has decided not to be forthcoming with Congress, despite repeated requests from me for years now about what the administration's plans are to confront the impending depletion of the DI trust fund. Instead, I am learning in piecemeal fashion that: the administration supports reallocation along the lines of the Office of the Chief Actuary July 28, 2014 memo, and I am only able to piece the information together from questions for the record regarding your nomination. Why do you believe, aside from generalized comments from a couple of administration officials that the administration prefers a general concept of "reallocation," that the administration is unwilling to make clear in public that it not only supports reallocation, but also supports, specifically, the scheme arrived at independently, as far as I can tell, by actuaries at SSA? Given that there is an almost infinite number of ways to reallocate payroll tax flow across trust funds, why do you say that: "If reallocation were to occur, SSA's actuary projects that reserves in both the OASI and DI trust funds would be available through 2033?" Is that not a projection specific to only a subset of all possible reallocation schemes? Please also identify why the actuaries took it upon themselves

to publish a particular reallocation scheme given that there is an almost infinite number of ways to reallocate payroll tax flow across trust funds.

Response

I agree that there are many ways to reallocate the payroll tax between the two trust funds. My response was not intended to set forth any particular reallocation scheme, but was rather expressing my, and the Administration's, support for reallocation in principle, which has occurred numerous times previously.

In addition, allow me like to clarify the following statement: "If reallocation were to occur, SSA's Actuary projects that reserves in both the OASI and DI trust funds would be available through 2033." In making this statement, my intent was not to advance any particular reallocation proposal, but rather to illustrate the potential impact of reallocation on the DI trust fund. You are correct that this projection is specific to only a subset of possible schemes. The original response should have been clearer.

Regarding your last question as to why the actuaries published a memo concerning a particular reallocation scheme, I understand that our Chief Actuary will be responding to you directly.

17. The question was: "Given your support for reallocation, and given a number of such actions in the past, do you support abandonment of two separate trust funds (DI and OASI) to be replaced by one single Social Security trust fund?" Your response was: "The Administration believes Congress should take action to reallocate the payroll tax rate between the OASI and DI trust funds so beneficiaries have certainty regarding the vital benefits provided by the DI program."

Your response has little connection to the question that I asked of *you*. The question is: Given your support for reallocation, do you support abandonment of two separate trust funds (DI and OASI) to be replaced by one single Social Security trust fund? Please provide an answer to the question that I asked of you.

Response

In stating that Congress should take action to reallocate the payroll tax rate between the OASI and DI trust funds, I am supporting the continued existence of two separate trust funds. When the DI program was debated by Congress in 1956, advocates for a separate DI trust fund observed that such a separate trust fund would make it easier to monitor the disability program by keeping its costs separate from the retirement program.

27. Your response to what you label as 27. a. is that: "By 'direct marginal cost of processing additional CDRs,' we are referring simply to the costs of processing CDRs that will increase or decrease based upon the volume of CDRs processed. These costs do not include various fixed costs, such as agency overhead, rent, or IT spending, that do not vary based upon the level of work processed."

Costs that increase or decrease based upon a volume of activity, exclusive of fixed costs, are typically referred to as variable costs. A marginal cost refers to the incremental cost associated with an increment in an activity. Please explain why the budget that you support and presumably understand refers to what is seemingly a variable cost as a marginal cost. Absent clarity of ideas and language, it is difficult to understand what the administration intends with respect to potential actions on CDR processing. It is difficult to entertain proposals to alter funding of CDR activity it the description of the activity is, at best, confused.

Response

I agree with you that we must have a clarity of ideas and language on proposals relating to important issues, including the proposal relating to program integrity funding. I want to ensure that my staff and your staff come to a shared understanding about the intent of the program integrity proposal in the President's Budget. Consequently, you have my commitment that my staff will work with you, Senate staff, and others, in developing a shared understanding of key terms and proposals.

Senate Committee on Finance
U.S. Senator Orrin Hatch (R-UT), Ranking Member
http://finance.senate.gov

Hatch Statement at Senate Finance Hearing to Consider the Nomination of Carolyn Watts Colvin for Social Security Commissioner

WASHINGTON – Today, Finance Committee Ranking Member Orrin Hatch (R-Utah) released the following statement regarding the Senate Finance Committee hearing to consider the nomination of Carolyn Watts Colvin for Social Security Commissioner:

Thank you Chairman Wyden for holding today's hearing, and welcome Ms. Colvin.

I have enjoyed meeting with you in the past. Today, and with questions that follow, we have an opportunity to learn more about your past management performance and how you would, if confirmed, face the challenges of the future.

Over the past 10 years, the Social Security Administration's administrative budget has increased by 34 percent, well above the 24 percent growth in the number of disabled and retired beneficiaries, to a level of almost $11.7 billion. The budget has grown at an average annual pace of more than 3.5 percent, above the average growth of even nominal GDP.

Social Security's administrative funding continues to take up greater shares of the Labor HHS appropriations bill, inevitably crowding out other programs relating to health and education. Yet all we seem to hear from SSA is a need for more, and that any problems in administering programs can be solved if only SSA receives more funds.

In a hearing in this committee just last week that was supposed to be a fresh look at the disability program, a representative of SSA devoted significant time to repeating what are, in my view, becoming stale talking points demanding more funds for the agency.

SSA officials have been marching to the Hill repeatedly to decry staffing reductions that SSA itself decided to make, just as the agency decided to pay $244 million in bonuses between fiscal years 2008 and 2013.

What I'd like to learn more about today, Ms. Colvin, is what you have done in managing administrative funding provided to SSA, which has cumulated to more than $104 billion over the past 10 years, and what you would do moving forward.

I hope that your answers will not simply be that SSA needs more funds.

I hope to learn more today and in follow-up questions about what you have done, and what you would do, if confirmed, to increase efficiency in SSA, reduce billions of dollars of administrative waste and overpayments associated with Social Security programs and, of course, to fight fraud.

While there are many concerns to discuss, let me briefly identify just a few items.

The first is fraud and overpayments.

To give you an example, uncollected overpayments in the disability program have recently grown to more than $10 billion.

Think about that.

Overpayments in the disability program alone are almost equal to the Social Security Administration's entire annual administrative budget.

There also is an unacceptably high overpayment rate in the SSI program.

And, there have been disturbing discoveries of fraud, as in the Puerto Rico cases, the New York City cases, and the West Virginia cases.

As for fraud, a bipartisan investigation by a Senate subcommittee, led by Senators McCain, Coburn, Carper, and Levin, has presented compelling evidence of fraud in the DI program in West Virginia.

Even so, it is my understanding that an alleged rogue disability-insurance attorney involved in the West Virginia cases is still representing claimants in Social Security's DI program. And, as I understand it, allegedly corrupt Administrative Law Judges have retired with full retirement benefits from SSA.

It is hard to see how that is an adequate response and how, if this is indeed the case, we can effectively provide deterrence against future fraud.

Ms. Colvin, I hope that today we will hear from you about your plans to address fraud and overpayments in the Social Security programs.

A second item of concern is waste.

There have been recent revelations that Social Security spent nearly $300 million over six years on a computer processing system for disability cases that has been identified by an

outside evaluator as having "delivered limited functionality." The Chairman of the House Ways and Means Subcommittee on Social Security has called for you, Ms. Colvin, to stop further spending on the system and has called for an investigation into the failed implementation of the system.

That's just one example of waste at SSA that has been uncovered. There are a number of other examples I could mention. Indeed, it is not hard to find enormous amounts of questionable and likely wasteful spending and payments when you read through the numerous reports by Social Security's Office of Inspector General.

Ms. Colvin, during today's hearing, I hope to get a better sense from you what your plans are to eliminate the obvious instances of wasteful spending we've been seeing at SSA.

As you can see, Mr. Chairman, we have a lot to discuss today.

I am pleased that you are here today, Ms. Colvin, so that we can learn more about your stewardship of a staggeringly large administrative budget, and what your plans would be to improve SSA's management and to fight the disturbing amount of fraud and waste at Social Security should you be confirmed.

Thank you, Mr. Chairman.

###

SUBMITTED BY SENATOR MIKULSKI

NCPSSM Endorses Nomination of Carolyn Colvin

July 28, 2014

Dear Senator:

On behalf of the millions of members and supporters of the National Committee to Preserve Social Security and Medicare, I am writing to express our enthusiastic support for the nomination of Carolyn W. Colvin to serve as Commissioner of Social Security, and urge that you to vote to confirm her nomination.

Ms. Colvin has extensive experience with the Social Security Administration (SSA) that makes her uniquely qualified to provide leadership to this vitally important agency. She has been Acting Commissioner of SSA for more than a year and, before that, had served since 2010 as the agency's Deputy Commissioner. In addition, she has in the past held a number of other key executive positions at Social Security headquarters, including Deputy Commissioner for Programs and Policy and Deputy Commissioner for Operations.

Ms. Colvin has also served in prominent human services leadership positions with the District of Columbia and as Maryland's Secretary of Human Resources. Ms. Colvin has been recognized on numerous occasions for her achievements. She was named one of Maryland's Top 100 Women by the Daily Record and was a recipient of the Women of Achievement Award from Suburban Maryland Business and Professional Women (2005).

The broad-ranging nature of Ms. Colvin's experience has provided her with the knowledge and the temperament to lead SSA through the years that lie ahead. She is well known for her integrity and for the compassionate leadership she has displayed throughout a long and distinguished career.

The number of people who will retire in the coming years poses an enormous challenge for SSA. Congress must increase SSA's appropriation for administrative expenses to help Ms. Colvin and the agency to meet this challenge.
We urge that the Senate Finance Committee move swiftly to approve Ms. Colvin's nomination.

Sincerely,

Max Richtman
Chairman and CEO

Obama to Nominate Colvin as Commissioner of Social Security Administration

Posted By Katie Levingston On June 20, 2014

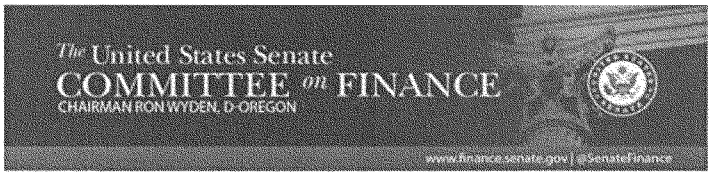
President Barack Obama will nominate Carolyn Watts Colvin as commissioner of the Social Security Administration, the White House announced [1] June 20. Colvin has experience within the retirement and disability benefit program, as acting commissioner since Michael Astrue, who was nominated by President George W. Bush, left the post in February 2013 and before that as deputy commissioner beginning in January 2011.

Joyce Rogers, AARP senior vice president of government affairs, says Colvin would have an opportunity "to add an important voice to the conversation."

"We're pleased to see that the president has nominated a new commissioner of Social Security at a time when Social Security faces long-term challenges that Congress needs to address sooner rather than later," Rogers says.

The announcement about Colvin comes as the Social Security trustees are expected to soon release their annual report on the program's trust funds. Last year's report said the program could pay full scheduled benefits until 2033 and 75 percent of benefits from then through 2087.

According to AARP [4], almost 58 million people received a Social Security benefit in 2013. Almost 24 percent of people age 65 and older live in families that depend on Social Security benefits [5] for 90 percent or more of their income. An additional 26 percent receive at least half but less than 90 percent of their family income from Social Security.



Wyden Statement in Support of Carolyn Colvin to be Social Security Commissioner
As Prepared for Delivery

The Finance Committee is here today to consider the nomination of Carolyn Watts Colvin to fill a role of extraordinary importance to millions of Americans: Commissioner of the Social Security Administration.

If confirmed, Ms. Colvin will be managing the nuts and bolts of the Social Security program – no small task, given that more than 62 million Americans use Social Security as an economic lifeline. Americans will depend on her to ensure that Social Security is operating as well as it can – that means providing the right amount to the right person at the right time. But this role is not a new one for Ms. Colvin, who has been the Acting Commissioner since February 2013. Before that, she served as the Deputy Commissioner for more than two years, coming out of a well-deserved retirement to engage in this critical public service. The Finance Committee approved Ms. Colvin's nomination for that position by a vote of 23 to zero.

Because of her years of experience, Ms. Colvin is well-versed with the challenges involved with running SSA. One of those challenges is working within a tight budget. Social Security has felt the same fiscal squeeze that every federal agency has in recent years, and SSA has worked hard to maintain service.

That has required making some tough decisions, including reducing field office hours and consolidating some offices to address budget and staffing challenges. Ms. Colvin has been actively working on ways that SSA can effectively manage its program integrity workload.

As Acting Commissioner of SSA, Ms. Colvin has also made several service improvements. She has made a strong push to make SSA information more user-friendly and accessible to a broader swath of Americans. She has made Social Security work more efficiently with other federal agencies. And she has devoted significant attention and resources to addressing the needs of the many disabled Americans the agency serves. I have no doubt that she will continue that excellent work once confirmed.

Today's hearing is an opportunity for the Finance Committee and Ms. Colvin to discuss how to guarantee the Social Security promise for today's seniors and future generations. The last time Ms. Colvin appeared before the Finance Committee as a nominee, she earned our unanimous support. I hope to see her nomination to lead Social Security moved through committee and the full Senate quickly so that Social Security will have a confirmed leader in place.

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Office of Budget, Finance, Quality, and Management

Fiscal Year 2013 Title II Payment Accuracy Report

May 2014

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Executive Summary

We report annually on the findings from our stewardship review of the non-medical aspects of Old-Age and Survivors Insurance (OASI) payments and Disability Insurance (DI) payments. Stewardship review findings provide the basis for reports to monitoring authorities as well as for the reporting requirements contained in the Improper Payments Information Act of 2002. In addition, our Agency Strategic Plan includes a Title II payment accuracy performance measure as part of our Strategic Objective to Strengthen the Integrity of Our Programs.

We base the stewardship review on a monthly sample selection from the Title II payment rolls consisting of beneficiaries in current payment status. Each month, we select 134 OASI and DI cases from beneficiaries residing in the United States. We also selected 160 cases where the beneficiaries live outside of the 50 States or U.S. territories or receive U.S. Totalization benefits. We select 1,768 cases annually. While the sample selection is small, it is sufficient to provide statistically reliable data on the overall payment accuracy of the universe of OASI and DI payments issued in the fiscal year.

FY 2013 Payment Accuracy

The table displays the fiscal year (FY) 2013 Title II overpayment (O/P) and underpayment (U/P) accuracy rates. Dollars are displayed in billions (B) or millions (M).

Title II	Stewardship Sample Projected Outlays	Projected Improper Payment O/P Amount	Projected Improper Payment U/P Amount	O/P Accuracy (Percent)	U/P Accuracy (Percent)
OASDI	$824.2 B	$1.9 B	$1.1 B	99.78	99.87
OASI Payments	$692.7 B	$1.1 B	$682 M	99.84	99.90
DI Payments	$131.5 B	$744 M	$417 M	99.43	99.68
Foreign Payments[1]	$4.3 B	$123 M	$22 M	97.14	99.50

The comparable FY 2012 accuracy rates were:

- OASDI – O/P accuracy was 99.78 percent and 99.90 percent for U/P accuracy.
- OASI – O/P accuracy was 99.93 percent and 99.92 percent for U/P accuracy.
- DI – O/P accuracy was 99.03 percent and 99.82 percent for U/P accuracy.
- Foreign Payments – O/P accuracy was 95.70 percent and 99.24 percent for U/P accuracy.

The changes in payment accuracy from FY 2012 to FY 2013 are not statistically meaningful.

[1] Foreign payments are a part of OASI and DI payments and are not in addition to the 824.2 billion dollar total.

Background

This report provides the Title II payment accuracy for FY 2013 based on the results of our stewardship review. We have reviewed OASI benefit payments since 1981 and DI benefit payments since 1998.

The stewardship review provides an accuracy measurement of payments to beneficiaries currently on the rolls. Stewardship review findings provide the basis for reports to monitoring authorities as well as reporting requirements contained in the Improper Payments Information Act of 2002. In addition, our Agency Strategic Plan includes a Title II payment accuracy performance measure as part of the Strategic Objective to Strengthen the Integrity of Our Programs.

Methodology

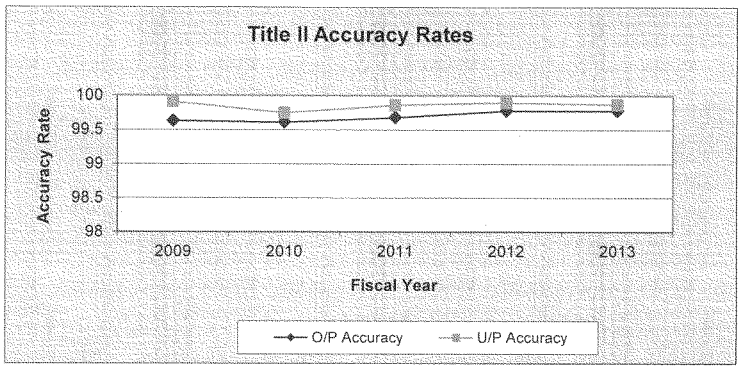
We base the stewardship review on a monthly sample selection of beneficiaries in current payment status from the Title II payment rolls. Each month, we select 88 OASI cases and 46 Title II DI cases from beneficiaries residing in the United States. We also selected 160 cases in which the beneficiaries live outside of the 50 States or U.S. territories or receive U.S. Totalization benefits. We selected 1,768 cases in the total sample. For each of these cases, we interviewed the beneficiary or representative payee, made collateral contacts as needed, and redeveloped all non-medical factors of eligibility as of the sample month.

Findings

The total projected benefit payment outlays from the Title II stewardship sample are $824.2 billion. Payment accuracy with respect to O/P was 99.78 percent, based on improper payments totaling a projected $1.9 billion (i.e., 99.78 percent of all payments are free of O/Ps). We refer to this as the O/P accuracy rate. Payment accuracy with respect to U/P, referred to as the U/P accuracy rate, was 99.87 percent, based on unpaid dollars at $1.1 billion (i.e., U/P dollars as a percentage of total dollars paid were 0.13 percent[2]). For FY 2013, each tenth of a percentage point in payment accuracy represents about $824 million in program outlays for the Title II program.

In FY 2012, the Title II O/P accuracy rate was 99.78 percent, and the Title II U/P accuracy rate was 99.90 percent. The overall O/P accuracy rate is the same year-to-year, and the change in the overall Title II U/P accuracy rates from FYs 2012 to 2013 is not statistically meaningful.

[2] Overall, Title II precision at the 95-percent confidence level ranges from 99.93 percent to 99.61 percent for O/Ps and 99.99 percent to 99.74 percent for U/Ps.



Overall, the Title II O/P accuracy rate has remained stable at a high level over the past five years. In the Title II program, error dollars involving Substantial Gainful Activity (SGA) are the leading category of O/Ps. The leading categories of U/P error dollars in the Title II program involve computational problems.

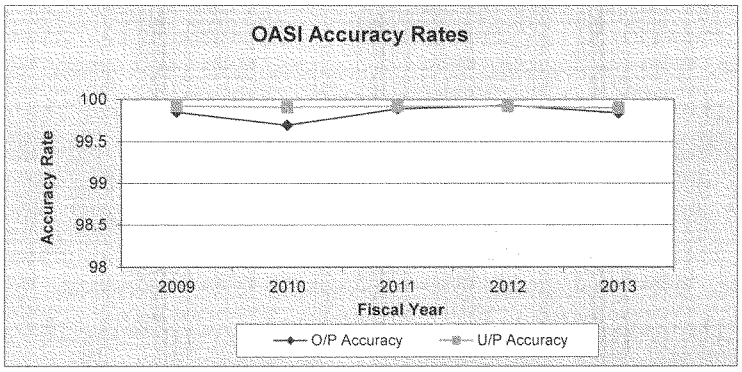
Appendix A highlights the frequency of all individual errors in the Title II program over a five-year period. The following sections discuss the individual results for OASI, DI non-medical, and foreign payment accuracy.

OASI

In FY 2013, we paid $692.7 billion in OASI benefits based on the projected payments from the stewardship sample. The O/P accuracy rate was 99.84 percent based on improper payments totaling $1.1 billion. The U/P accuracy rate was 99.90 percent, based on unpaid dollars of $682 million[3]. For FY 2013, each tenth of a percentage point in payment accuracy represents about $693 million in program outlays for the OASI program.

Comparable accuracy rates for FY 2012 were 99.93 percent for O/Ps and 99.92 percent for U/Ps. The changes in the OASI accuracy rates from FYs 2012 to 2013 are not statistically meaningful.

[3] For OASI, precision at the 95-percent confidence level ranges from 100 percent to 99.67 for O/Ps and 100 percent to 99.77 percent for U/Ps.



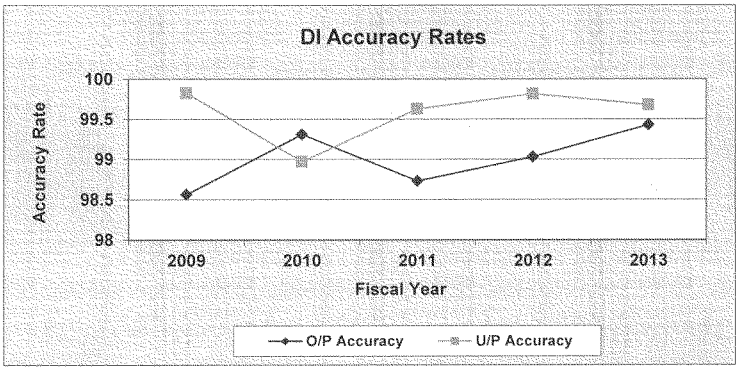
OASI accuracy rates have remained steady for the past five years. Errors involving computations issues are the leading cause in U/Ps and O/Ps in OASI.

DI Non-medical

In FY 2013, we paid $131.5 billion from the DI trust fund based on the projected payments from the stewardship sample. The O/P accuracy was 99.43 percent in FY 2013 based on improper payments totaling a projected $744 million. The U/P accuracy rate was 99.68 percent, based on unpaid dollars projected at $417 million[4]. For FY 2013, each tenth of a percentage point in payment accuracy represents about $132 million in program outlays for Title II disability payments.

Comparable accuracy rates for FY 2012 were 99.03 percent for DI O/Ps and 99.82 percent for DI U/Ps. The changes in the DI accuracy rates from FY 2012 to FY 2013 are not statistically meaningful.

[4] For DI, precision at the 95-percent confidence level ranges from 100 percent to 98.82 percent for O/Ps and 100 percent to 99.35 percent for U/Ps.



For FY 2013, there is an upward trend in the DI O/P accuracy rates as illustrated in the chart above. The U/P rates have remained stable, while the O/P rates have trended higher. Errors involving SGA remain a major issue for DI O/Ps. Benefit issues involving workers' compensation (WC) are the leading cause of DI U/Ps errors. The complexities of each State's individual WC laws contribute to the occurrence of U/P error dollars in these cases.

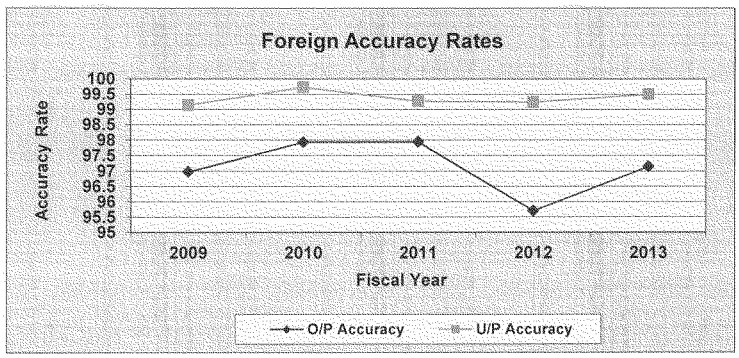
Foreign Payments

We incorporated foreign payments in the stewardship review in FY 2009. The foreign cases consist of beneficiaries living outside of the 50 States or U.S. territories as well as beneficiaries receiving U.S. Totalization benefits.

In FY 2013, we paid $4.3 billion in foreign payments from the Title II trust fund based on the projected payments from the stewardship sample. The O/P accuracy was 97.14 percent in FY 2013 based on improper payments totaling $123 million. The U/P accuracy rate was 99.50 percent, based on unpaid dollars projected at $22 million[5]. For FY 2013, each tenth of a percentage point in payment accuracy represents about $4 million in program outlays for the Title II foreign claims.

Comparable accuracy rates for FY 2012 were 95.70 percent for O/Ps and 99.24 for U/Ps. The changes in the foreign accuracy rates from FYs 2012 to 2013 are not statistically meaningful.

[5] For foreign cases, precision at the 95-percent confidence level ranges from 100 percent to 93.91 percent for O/Ps and 100 percent to 98.94 percent for U/Ps.



For FY 2013, there is an upward trend in the Foreign O/P accuracy rate. The U/P rate has remained study for the past five years. Errors involving the Windfall Elimination Provisions (WEP) are the leading cause of O/Ps for Title II foreign beneficiaries. In 60 percent of WEP error cases, the beneficiaries became entitled to a non-covered foreign pension after they received Title II benefits, and did not report this event. In the remaining WEP error cases, we used an incorrect pension amount in computing the benefit, incorrectly applied WEP exception, or established diaries for follow-up on WEP issues but never pursued them. We are unable to correct the dollar errors in about 14 percent of these cases due to the rules of administrative finality.

Deficiency Analysis

As noted earlier, the Title II stewardship sample consists of 1,056 OASI, 552 DI non-medical and 160 foreign cases annually. The sample is sufficient to provide statistically reliable data on the overall payment accuracy of the universe of OASI and DI payments issued in the fiscal year. However, the annual sample is not large enough to provide statistically reliable information about the individual deficiencies in a given year. Therefore, we look at stewardship sample data over a period of years to aid in identifying trends.

Error Dollars and Deficiency Dollars

Error dollars refer to an incorrect payment made to a case as a whole. An O/P or U/P will occur when the payment in the sample month to all beneficiaries on the sampled Social Security number is either more or less than what we should have paid.

Some cases have more than one "error" causing an incorrect payment. We refer to each of these "errors" as a deficiency. Deficiency dollars track the individual effect of each separate deficiency and, when added together, can equal more than the total error on the case. For analysis purposes, we look at individual deficiencies separately.

Major Categories of Deficiency Dollars

Although overall Title II accuracy is stable at a high level, the magnitude of the Title II program means that even small error rates can result in significant error dollars. For the five-year period from FYs 2009 through 2013, total deficiency dollars averaged about $3.3 billion per year.

The tables below provide a breakout of the deficiency dollars for the major categories of error found in the stewardship reviews for FYs 2009 through 2013. See Appendix A for a detailed list of the annual average dollar errors of all deficiencies for this five-year period.

Table 1 - Title II O/P Deficiency Dollars (in millions)

Deficiency Type	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	TOTAL
SGA	1,133	996	959	744	38	3,870
Computations	269	551	403	198	947	2,368
Earnings History	524	97	110	113	252	1,096
Worker's Compensation/Public Disability Benefit	64	0	425	402	91	982

Table 2 - Title II U/P Deficiency Dollars (in millions)

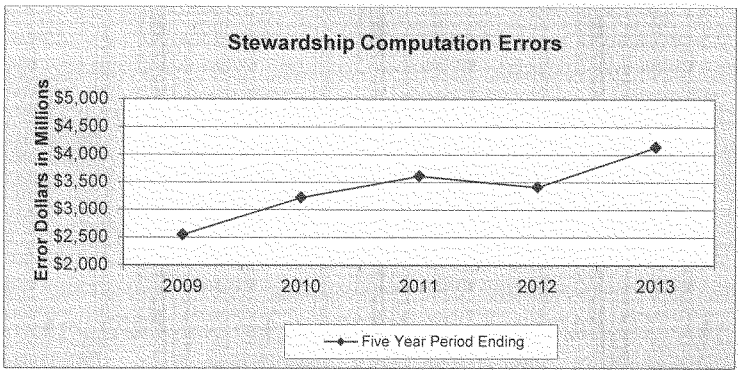
Deficiency Type	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	TOTAL
Computations	323	408	431	238	321	1,721
Earnings History	263	222	180	137	223	1,025
Worker's Compensation/Public Disability Benefit	0	405	8	184	126	723

In the following subsections, we discuss the major O/P and U/P deficiencies in more detail.

Computation Errors

Projected deficiency dollars FY 2009 through FY 2013: $4.1 billion

Annual average: $818 million



For the five-year period ending in FY 2013, errors in the computation category trended higher and accounted for about 25 percent of all Title II deficiency dollars. While the increase in the computation error dollars for FY 2013 appears substantial, the difference from FY 2012 is not statistically meaningful. About 81 percent of computational deficiency dollars are OASI program related. In terms of payment effect, computational errors result more often in O/Ps to the beneficiary. For the FYs 2009 through 2013 period, about 58 percent of the computation errors were O/Ps. The leading causes of computational related O/Ps are as follows:

Table 3 – Computation Errors

Type of Computation	Percent of Computational Related O/Ps
WEP	48
Adjustment of Reduction Factor Computation	13
Retirement Insurance Benefit Limitation	10

WEP accounts for the largest percentage of computational errors. We found 87 percent of the WEP errors are OASI O/Ps. About 95 percent of all WEP errors for FYs 2009 through 2013 are in OASI cases. We discover these errors when we review the initial application and earnings information with the beneficiary. WEP related errors often result in large dollar errors in the sample month.

The FY 2015 President's Budget includes a proposal to develop an automated data exchange of pension information for State and local entities to submit timely data on pensions not covered by Social Security. Receipt of this timely information would reduce improper payments that occur when we are unable to determine that a beneficiary receives a non-covered pension and

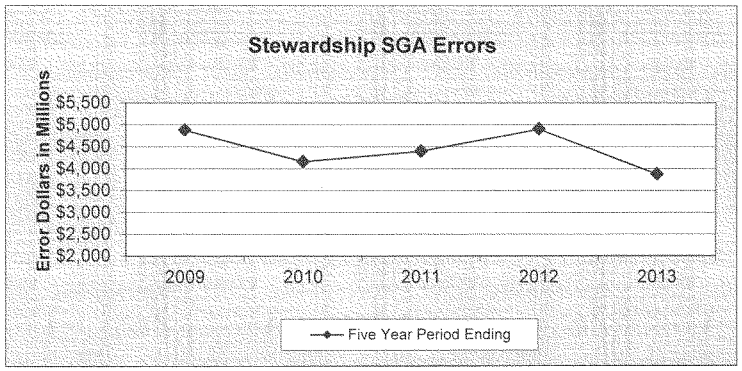
should have been subject to WEP. The proposal provides $70 million in funding for developing and implementing data exchanges.

Substantial Gainful Activity Errors

Projected deficiency dollars FY 2009 through FY 2013: $3.9 billion

Annual average: $774 million

As a rolling five-year average, SGA related errors trend lower and accounted for about 23 percent of all Title II deficiency dollars for FYs 2009 through 2013. SGA related deficiency dollars are consistently the leading cause of overpayments in the DI program.



SGA normally occurs in DI cases. SGA can also occur in situations when we pay a disabled auxiliary or survivor from the OASI Trust Fund. In terms of payment effect, all of the SGA deficiencies found in the stewardship review resulted in O/Ps.

While the number of SGA error cases remains low, the error dollars for these cases are often substantial. For the five-year period, 53 percent of deficiency dollars are the result of cases where we received a notice of work activity, but failed to take appropriate or timely action to adjust payment. Errors resulting from the beneficiaries' failure to report that they are working account for 47 percent of the deficiency dollars errors. We determined that 32 percent of the SGA error cases we reviewed for the five-year period did not have a continuing disability review pending at the point of our review.

The agency has taken some measures to address the errors relating to disability and work activity. For example, in January 2011, the agency initiated the Benefit Offset National Demonstration (BOND), to test alternate methods of evaluating work activities in the DI program.[6]

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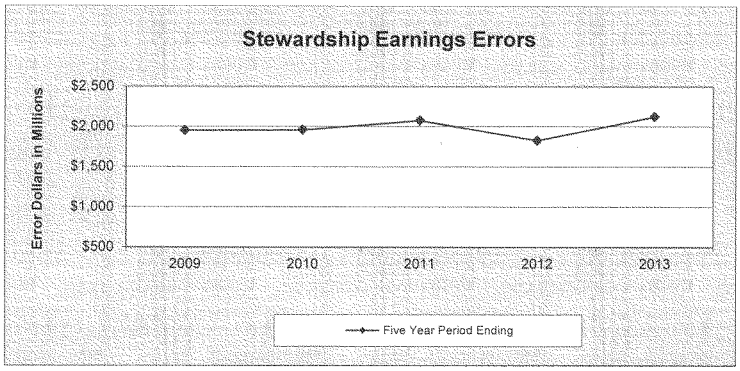
[6] The BOND project tests modifications to current program rules that apply only to participating beneficiaries who work and may receive either Title II or concurrent Title II and Title XVI benefits based on disability or blindness. Under the current Title II program rules, disability beneficiaries who complete their trial work period and subsequently engage in SGA have their benefits suspended after a 3-month grace period. Beneficiaries in the BOND project, however, do not lose their benefits at that point. Their benefits are reduced $1.00 for every $2.00 earned above the BOND yearly amount. In 2012, the yearly amount was $12,120 for an individual who is not blind or $20,280 for a blind individual.

Earnings History

Projected deficiency dollars FY 2009 through FY 2013: $2.1 billion

Annual average: $424 million



Earnings related errors trend higher for the five-year period ending in FY 2013. Various earnings related errors accounted for about 13 percent of all Title II deficiency dollars for FYs 2009 through 2013.

For the five-year period ending FY 2013, earnings related errors occurred more in the OASI program. In terms of payment effect to the beneficiary, 52 percent of the earnings related errors are O/Ps. The leading causes of earnings related O/P errors are as follows:

Table 4 – Earnings Errors

Earnings History	Percent of Earnings Related O/Ps
Incorrect Wage Posting	43
Scrambled Earnings	31
Military Service	15

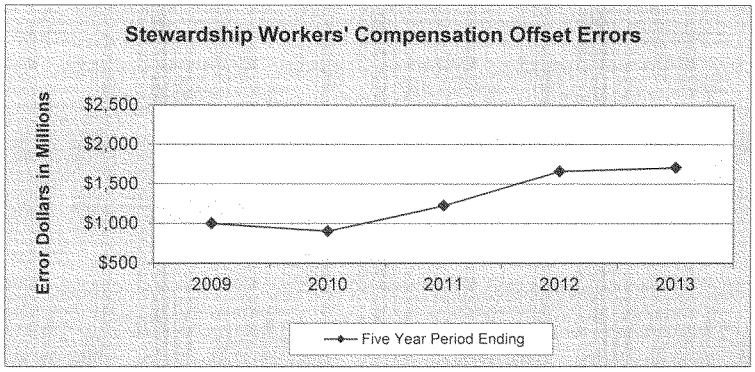
Incorrect wage posting accounted for the largest percentage of earnings errors. We found that the errors in this category are evenly split between the OASI and DI program. We discover these errors when we review the number holder's earnings record with the beneficiary and find earnings are duplicate or erroneously posted to the earnings record. Although earnings related errors involve small dollars in the sample month, they can have a substantial impact over the life of the claim. Unless discovered in a review such as the stewardship review, earnings related deficiencies reflect an incorrect payment that will continue for the life of the claim.

Workers' Compensation Offset Errors

Projected deficiency dollars FY 2009 through FY 2013: $1.7 billion

Annual average: $341 million

WC offset is another area that applies only to Title II DI cases. Errors involving WC offset accounted for about 10 percent of all Title II deficiency dollars for FYs 2009 through 2013. During this period, we found that the majority of the WC deficiency dollars resulted in O/Ps, approximately 58 percent of the WC deficiency total.



We have continued to work to improve the handling of claims involving WC as well as address previously identified problem cases. Many of the problems associated with this complex workload are due to the variations in State laws regarding the offset of Title II DI benefits for both WC payments and Public Disability Benefits (PDB). Other WC and PDB problems include technician failure to follow procedures and misinterpreted or overlooked evidence or casefile data by technicians as reported in the FY 2013 Workers' Compensation and Public Disability Benefit Report.

The FY 2015 President's Budget includes a legislative proposal to develop and implement a system to collect information on workers' compensation recipients from States and private insurers. If implemented, we would use the information to improve the integrity of the workers' compensation reporting process, improve the accuracy of Social Security disability payments, reduce improper payments, and lessen our reliance on the beneficiary to report information timely.

Other Error Categories

Although the issues below are present in only a small percentage of Title II cases, these errors account for large deficiency dollars because, when the error occurs, the entire benefit payable is usually incorrect. When we project these errors to the universe of total payments issued in the fiscal year, they result in significant deficiency dollar amounts.

Table 5 – Other Errors

Error Categories	Projected FY 2009–2013 Deficiency Dollars (millions)	Projected Annual Average (millions)
Annual Earning Test	$822	$164
Relationship and Dependency	$820	$164
Termination and Suspension	$771	$154
Date of Birth	$547	$109
Government Pension Offset (GPO)	$489	$98

Annual Earning Test errors account for about five percent of all Title II deficiency dollars for FYs 2009 through 2013. About 99 percent of the deficiency dollars in this category are OASI related. Errors identified in this category occur because the beneficiary works after retirement.

In the relationship and dependency category, about 78 percent of deficiency dollars represent situations in which the beneficiary did not have a child in care or the dependency requirements were not met. Deficiency dollars in this category are all O/Ps; about 61 percent are OASI related.

Termination and suspension deficiency dollar errors result when beneficiaries fail to return forms or requested data timely. About 71 percent of the deficiency dollars result in DI U/Ps once issues are resolved.

In the incorrect date of birth deficiency category, OASI O/Ps and U/Ps are almost evenly split in deficiency dollars. In this category, about 44 percent of all dollar errors will continue for the life of claim based on the rules of administrative finality.

GPO errors account for about three percent of all Title II deficiency dollars for FYs 2009 through 2013. Deficiency dollars in this category are 99 percent OASI O/Ps. About 60 percent of the errors in this category are due to the agency's failure to take the appropriate action on reported pension information.

Source of O/P Dollar Errors

The following table shows a five-year rolling average of O/P dollars (in millions) and the percentages attributable to administrative and beneficiary or third party error.

The relatively small sample size of the stewardship review provides statistically reliable annual payment accuracy data at the national level. However, more detailed analysis of specific issues such as individual deficiencies or administrative, beneficiary, or third party cause of error requires a five-year period to identify trends. For the five-year period ending in FY 2013, the largest source of beneficiary caused O/Ps are unreported receipt of non-covered pension (WEP).

Table 6 - Source of O/P Dollars (in Millions)

Source	FY 2010		FY 2011		FY 2012		FY 2013	
	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars
Beneficiary	53	1,083	41	956	34	886	42	1,252
Administrative	47	972	59	1,386	66	1,702	58	1,700
Total	100	2,055	100	2,342	100	2,588	100	2,952

Conclusion

Overall, Title II OASDI accuracy rates have remained steady at a high level over the past five years. However, the sheer magnitude of the payments made in the Title II program, approximately $824.2 billion in FY 2013, means that even a small percentage of error will result in substantial dollar error.

For the five-year period ending in FY 2013, errors in the disability program continue to be a major portion of the total Title II error and deficiency dollars. Deficiencies involving SGA and WC offset issues accounted for approximately 34 percent of the total Title II deficiency dollars. SGA errors are overpayments while only 58 percent of the WC errors are overpayments for FYs 2009 through 2013. Computation related errors and earnings history errors contributed to significant U/P deficiency dollars for the OASI program. Computational deficiency dollars account for nearly 44 percent of all OASI related U/Ps. Earnings history errors account for nearly 28 percent of all OASI U/Ps.

The President's FY 2015 budget proposes several initiatives to improve disability quality including additional funding for additional medical CDRs and seven new Cooperative Disability Investigation units. These new program integrity efforts should help address the SGA problem by focusing more resources on those individuals working or capable of working while receiving disability benefits. Another initiative includes a legislative proposal to develop and implement a system to collect information on WC recipients from States and private insurers.

The FY 2015 President's Budget also includes a proposal to develop an automated data exchange of pension information for State and local entities to submit timely data on pensions not covered by Social Security. Receipt of this timely information would reduce improper payments that occur when we are unable to determine that a beneficiary receives a non-covered pension and should have been subject to WEP. The proposal provides $70 million in funding for developing and implementing data exchanges. The agency is also developing a

plan to significantly increase the number of individuals receiving earnings statements, both electronically and by mail. This effort should help individuals identify and correct any problems related to their earnings, upon which their benefits are calculated.

Appendix A: Annual Average Deficiency Dollar Errors

The table below is a breakout of the average annual dollar error associated with all of the deficiencies recorded in the five-year period of FY 2009 to FY 2013. Our report discusses the largest dollar impact deficiencies in detail. This table also provides a detailed breakout of large error categories such as computations and earnings history. There are many types of individual errors associated with most categories.

Annual Average Deficiency Dollar Errors, FY2009 to FY 2013

Deficiency Name	O/P Dollars	U/P Dollars	Total Dollars
Substantial Gainful Activity	773,790,942		773,790,942
Worker's Compensation/Public Disability Benefit	196,379,477	144,573,433	340,952,911
Windfall Elimination Provisions	231,055,631	27,335,984	258,391,615
Other Termination, Suspension, and Deduction Issues		106,882,760	106,882,760
PIA Computation	21,599,491	82,827,078	104,426,569
Incorrect Wage Postings	94,903,091	7,456,267	102,359,358
Government Pension Offset	97,716,859	148,500	97,865,359
Other AET-Related Deficiency	9,627,100	88,011,200	97,638,300
ARF Computation	62,577,242	29,621,858	92,199,100
Deemed Military Wages for 1957-2001	14,311,347	73,185,315	87,496,662
Incorrect of Unprocessed AERO Recomputation	22,194,247	57,073,018	79,267,265
Full-Time Attendance	32,228,708	43,102,598	75,331,306
Wage Gap in the Earnings Record After 1977		74,083,714	74,083,714
Scrambled Earnings	68,818,136	103,920	68,922,056
Onset Date	67,513,809	1,075,200	68,589,009
Multi-entitlement Computation	8,368,799	57,211,539	65,580,339
Preferred Evidence of Age	31,773,733	29,308,595	61,082,328
Application Requirement		56,957,923	56,957,923
Child-in-Care	52,467,971		52,467,971
RIB Limitation	46,590,110		46,590,110
Windex PIA	1,335,256	42,007,188	43,342,444
Dependency Requirement for Child	41,044,107		41,044,107
Convincing Evidence of Age	17,568,733	17,752,958	35,321,691
Insured Status Requirement	34,748,571		34,748,571
Military Wage Credits Prior to 1957	18,718,391	15,470,801	34,189,192
One-half Support for Parent	34,042,895		34,042,895
Earnings Incorrectly Determined by SSA - Questionable Retirement Involved	32,927,691		32,927,691
Prisoner/Fugitive Felon	26,546,133	5,916,539	32,462,672
Family Max	15,199,363	10,312,427	25,511,789
Indentity	24,766,401		24,766,401
RIB After Reduced WIB	4,904,321	16,225,618	21,129,938
Date of Death	20,818,377		20,818,377
Other MBA Error	14,535,808	2,604,625	17,140,433

Deficiency Name	O/P Dollars	U/P Dollars	Total Dollars
Beneficiary Married	16,891,867		16,891,867
US Citizenship/Lawfully-Present Alien Status	16,410,082		16,410,082
DRC Computation	10,333,138	5,006,786	15,339,923
Wage Gap in the Earnings Record Prior to 1978 - Military Employer		15,325,606	15,325,606
Alien Suspension	13,402,773	1,151,424	14,554,196
Annual Report Needed but not Processed - Beneficiary did not Attain FRA in Closed Year	14,427,839		14,427,839
Widow(er)'s DRC Computation		12,800,840	12,800,840
Annual Report Processed by SSA was Inaccurate - Monthly Test Invovled (Wages)	11,975,740	489,010	12,464,750
Wage Discrepancy	6,153,794	5,166,771	11,320,565
Incorrect SEI Postings	10,287,626		10,287,626
Overpayment Issue		8,151,833	8,151,833
Other Evidence of Age		6,840,093	6,840,093
Beneficiary Divorced from NH	6,600,990		6,600,990
SEI Gaps in Earnings Record		6,511,199	6,511,199
Duration of Marriage Requirement	5,836,950		5,836,950
Other Disability Issue	5,646,667		5,646,667
10/20 Year Requirement for Divorced Spouse	5,569,200		5,569,200
Other Wage Issue	2,183,300	2,020,989	4,204,289
SEI Reported as Wages or For Wrong Period or Individual	3,408,462	682,948	4,091,410
Material Age Discrepancy	2,664,982	616,929	3,281,911
Annual Report Needed by not Processed - Beneficiary Atained FRA in Closed Year	2,811,840		2,811,840
Wage Gap in the Earnings Record Prior to 1978		2,692,956	2,692,956
Earnings Countable for AET Incorrectly Determined by SSA		2,213,823	2,213,823
Lag Wages	206,749	1,971,360	2,178,108
Foreign Proof of Age	70,333	1,674,915	1,745,248
Accurate Annual Report Received but Processed Incorrectly		1,477,424	1,477,424
Valid Ceremonial Marriage	1,401,600		1,401,600
Proof of Age Tolerance Improperly Applied	1,089,075		1,089,075
Incorrect General Increase or COLA	10,900	1,059,639	1,070,539
Month of Entitlement/Month of Election		613,600	613,600
SEI Discrepancy	54,780	434,392	489,172
Annual Report Processed by SSA was Inaccurate - Beneficiary did not Attain FRA in Closed Year	428,946		428,946
Reduction Factor	47,367	207,055	254,422
Foreign Termination, Suspension, and Deduction Issue		211,063	211,063
Other Computation Issue	173,153		173,153

Deficiency Name	O/P Dollars	U/P Dollars	Total Dollars
Foreign Work Test	74,498		74,498
Underpayment Issue		70,597	70,597
Other Military Service Issue		68,132	68,132
Wage Gap in the Earnings Record After 1977 - Military Employer		26,626	26,626
Total	2,257,235,391	1,066,735,068	3,323,970,456

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