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SUPPLEMENTAL SECURITY INCOME

Action Needed on Long-Standing Problems Affecting Program Integrity





United States
General Accounting Office
Washington, D.C. 20548

**Health, Education, and
Human Services Division**

B-278097

September 14, 1998

The Honorable Kenneth S. Apfel
Commissioner of Social Security

Dear Mr. Apfel:

This report, prepared at our own initiative, discusses management problems associated with the Social Security Administration's Supplemental Security Income program.

The report contains recommendations to you. As you know, 31 U.S.C. 720 requires the head of a federal agency to submit a written statement of actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Reform and Oversight no later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of this report.

We are sending copies of this report to appropriate congressional committees and Members of Congress, and the Director of the Office of Management and Budget. We will also make copies available to other interested parties.

The major contributors to this report are listed in appendix III.

Sincerely yours,

A handwritten signature in black ink that reads "Cynthia M. Fagnoni".

Cynthia M. Fagnoni
Director, Income Security Issues

Executive Summary

Purpose

The Social Security Administration (SSA) operates the Supplemental Security Income (SSI) program, which is the nation's largest cash assistance program for the poor. In 1996, the SSI program paid about 6.6 million aged, blind, and disabled recipients more than \$25 billion in benefits. Since its inception in 1974, the SSI program has grown in both size and complexity, and SSA has been significantly challenged in its efforts to serve the diverse needs of recipients while still protecting the financial health and integrity of the program. Reports in the media and by oversight agencies have highlighted program abuses and mismanagement, increasing SSI overpayment, and SSA's inability to adequately recover outstanding SSI debt. These and other problems documented over the years have spurred congressional criticism of SSA's ability to effectively manage SSI workloads and have also served to reinforce public perceptions that SSA pays SSI benefits to too many people for too long. The SSI program's vulnerability to fraud and abuse, and the magnitude of overpayments involved, were primary factors in GAO's decision to designate SSI a high-risk program in 1997¹ and to begin this larger body of work to document the underlying causes of long-standing SSI program problems and the impact these problems have had on program performance and integrity.

Background

Between 1974 and 1996, the number of SSI recipients increased almost 65 percent from about 4 million to about 6.6 million, and federal benefit payments rose 565 percent from \$3.8 billion to more than \$25 billion. In fiscal year 1997, outstanding SSI debt and newly detected overpayments for the year totaled \$2.6 billion. SSA recovered \$437 million in that year—about 17 percent of the total amount—and wrote off \$562 million in overpayment debt.

Our prior work shows that the SSI program has experienced several long-standing problems that have affected SSA's ability to protect the financial integrity of the program and provide effective management direction. These problems include (1) inadequate attention to verifying recipients' initial and continuing eligibility for SSI benefits, (2) a lack of priority given to recovering SSI overpayments, (3) insufficient attention to addressing program fraud and abuse, and (4) ineffective SSI policy development and program planning.

¹High Risk Series: An Overview (GAO/HR-97-1, Feb. 1997). In 1990, GAO began a special effort to review and report on federal program areas its work identified as high risk because of vulnerabilities to waste, fraud, and mismanagement.

Results in Brief

To a great extent, SSA's inability to address its most significant long-standing SSI problems is attributable to two underlying causes: an organizational culture or value system that places a greater priority on processing and paying claims than on controlling program expenditures, and a management approach characterized by SSA's reluctance to fulfill its policy development and planning role in advance of major program crises.

SSA's organizational culture has traditionally valued quickly processing and paying SSI benefit claims more highly than controlling program expenditures by ensuring that only eligible individuals receive benefits. Thus, SSA has often relied heavily on self-reported recipient information when determining SSI eligibility, which it has tried to validate with untimely and incomplete verification processes. Other important financial controls such as aggressively pursuing the recovery of overpaid funds and combatting SSI fraud have also often received inadequate attention.

SSI problem resolution and program direction have also been hindered by SSA's hesitance to take a leadership role in SSI research and policy development, and its tendency to react to resulting crises through a series of ad hoc initiatives. SSA's management approach was most evident regarding its reluctance to play a leadership role in recent policy debates surrounding SSI eligibility for children and substance abusers, and its failure to devise a comprehensive strategy to help SSI recipients return to work. Program direction has been further impaired by SSA's reluctance to develop agencywide plans that adequately focus on the specific characteristics and needs of the SSI program and its recipients. Thus, SSA's current plans do not adequately communicate SSI priorities, goals, and objectives to staff. As a result, inefficient policies and procedures often continue longer than they should have or are never addressed.

Reversing how the SSI program has traditionally operated will require sustained and expanded attention to developing and promoting tighter payment controls, increasing SSA's role in SSI research and policy formulation, and a willingness to define a long-term vision and strategy for improving program performance. Recently, SSA has initiated several measures aimed at improving the financial integrity of the SSI program. The agency has also acknowledged the need to reassess its approach to SSI policy development. As required by the Government Performance and Results Act of 1993,² SSA also intends to develop a comprehensive SSI Action Plan in fiscal year 1998, which will serve as a blueprint for

²The Results Act requires federal agencies to implement results-oriented management reforms, such as strategic planning, establishing program goals and objectives, measuring their progress in meeting those goals, and reporting publicly on that progress.

long-term program operations. However, such a plan has not yet been developed, and decisive action is needed to ensure that SSA will focus on those program areas that pose the greatest management challenges and that corrective actions will be implemented and sustained over time.

Principal Findings

Organizational Culture Has Perpetuated Several Long-Standing Problems

In work spanning more than a decade, GAO has noted that SSA's operations are heavily influenced by an organizational culture or value system that places a greater emphasis on quickly processing and paying claims than on controlling program costs or improving operational efficiency. GAO's current work confirmed the continued existence of an agency culture that has tended to view the SSI program in much the same way as SSA's Old Age and Survivors Insurance and Disability Insurance programs—where emphasis is placed on quickly processing claims for individuals with an earned right to benefits—rather than as a welfare program where stronger income and asset verification is necessary.

The agency's organizational culture has been strongly influenced by top management and is most evident in regard to SSA's (1) inadequate attention to verifying recipients' initial and continuing SSI eligibility, (2) lack of priority given to recovering SSI overpayments, and (3) insufficient attention to addressing program fraud and abuse. More specifically, SSA is still not aggressively pursuing the most timely and complete sources of automated data to verify SSI financial eligibility—especially for nursing home admissions and the wages recipients may earn. The agency also has not addressed long-standing vulnerabilities associated with determining recipient living arrangements—an area that SSA's quality reviewers have deemed to be highly prone to error, susceptible to manipulation, and a major source of SSI overpayments.

SSA's culture has also contributed to the lack of priority placed on recovering overpayments once they are identified. This is evidenced by SSA's reluctance to use overpayment recovery tools currently available to it and aggressively pursue additional tools when warranted, including tax refund offsets, credit bureau reporting, collection agencies, and interest levies on outstanding debt owed. Moreover, under current law, SSA cannot withhold more than 10 percent of a recipient's total monthly income to

recover overpaid funds.³ Thus, SSA is limited in its ability to recover overpayments from individuals who chronically and willfully abuse SSI program reporting requirements. SSA's own studies and data also show that field staff rarely apply existing penalty provisions to encourage recipients to report information in a timely manner. Finally, SSA has not developed adequate measures of the activities and time necessary to develop fraud referrals. Nor has SSA developed a means of recognizing staff for additional time they spend on developing fraud cases. Thus, many staff may be unwilling to devote time to SSA's new anti-fraud activities, for which there is little reward.

Recently, SSA has taken a number of actions to improve the financial integrity of the SSI program. For example, SSA is expanding its use of on-line data maintained by state agencies to better verify recipient financial information, and is seeking an additional \$50 million for fiscal year 1999 to review the financial status of individuals who have been designated as having a high probability of being overpaid. Following a series of GAO briefings with SSA's Deputy Commissioner and our recent testimony denoting SSA's reluctance to pursue more aggressive debt collection tools, SSA is also now seeking statutory authority to use credit bureaus, private collection agencies, interest levies, and other ways to recover more SSI overpayments. The Office of Inspector General's investigative staffing levels have also been significantly increased over previous years, and that office has been more aggressive in pursuing those who defraud the program. However, progress on some initiatives has been slow, and long-standing problems continue to affect SSI program integrity. Reversing the trends in SSI program performance will require sustained attention to the issue of SSA's organizational culture and specific initiatives designed to facilitate a change in how SSI business is conducted, cases are processed, and staff and managers are rewarded for their efforts.

SSA's Management Approach Has Hindered Adequate Program Direction

SSA's management approach is evident in its SSI policy development and program planning. In prior work, GAO has reported that SSA should take a leadership role in identifying program problems before they reach crisis levels and developing comprehensive plans and strategies to address those problems. However, SSA's approach to research and policy development has been reactive in nature, resulting in missed opportunities to address critical SSI policy issues. Its planning activities have also been at such a general level that they provide inadequate programmatic direction.

³In contrast, in the Old Age and Survivors Insurance and Disability Insurance programs, SSA currently has the authority to withhold 100 percent of a recipient's total monthly benefit until the overpayment is recovered.

GAO's work shows that SSA has been reluctant to use its research and policy development capabilities to assess the impacts of demographic changes in the SSI population, legislation, and court-mandated program changes that have occurred over the years. SSA has also often hesitated in initiating internal policy "fixes" to address identified problems or suggesting changes to laws governing SSI. For example, in the recent congressional debate surrounding SSI eligibility for children, SSA did not take a leadership role in developing and communicating timely information to the Congress on the impacts of prior legislative and court-mandated changes. SSA also did not develop its own proposals for revising childhood eligibility policies, despite possessing many years of data documenting explosive growth in childhood SSI rolls, changes in the types of impairments qualifying for benefits, and allegations that the program was being abused. As a consequence, SSA missed an opportunity to provide policymakers with needed information to assess whether childhood disability laws were meeting the needs of the most severely disabled children.

In other areas, SSA has often viewed itself as an implementer of program policies rather than as a leader in formulating a policy vision. For example, SSA did not address, before the issue reached the crisis level, growing criticisms surrounding the rapid growth in the number of drug addicts and alcoholics qualifying for SSI benefits and reports of program abuses by recipients. SSA has also been reluctant to take a leadership role in devising a comprehensive strategy for helping SSI recipients return to work. In addition, SSA has not developed options for revising policies for determining SSI recipient living arrangements, despite acknowledging for many years that this program area is highly error-prone, open to manipulation by recipients, and a source of considerable SSI overpayments.

Finally, SSA's strategic planning activities still do not provide clear direction necessary to address its most significant SSI program challenges. Although SSA has developed an agencywide strategic plan and an annual performance plan as required by the Results Act, these plans still do not adequately focus on the specific needs and unique characteristics of the SSI program and its recipient population. Instead, SSA's planning efforts have resulted in general goals and objectives for SSA as a whole. In the absence of an SSI-specific plan or strategy, SSA risks failing to address those aspects of the program that pose the greatest management challenge to the agency.

SSA has acknowledged the need to play a more active policy development role and is currently in the process of restructuring its research and policy component to better address GAO's concerns in this area. Last year, SSA also made conducting effective policy development, research, and program evaluation a key agency goal, with attention to the SSI program being an important element of this goal. However, only recently has SSA submitted any significant SSI policy proposals, and none has been enacted into law. Finally, in its new annual performance plan, SSA has also made a commitment to complete a comprehensive action plan to improve the management of the SSI program in fiscal year 1998. This step links with SSA's new strategic goal to make its programs the "best in business with zero tolerance for fraud and abuse." However, such a plan has not yet been completed.

Recommendations to the Commissioner of SSA

GAO is making several recommendations to the Commissioner of SSA, which, if implemented, should result in a change in SSA's organizational culture and enhance the financial integrity of the SSI program, as well as facilitate a change in SSA's management approach and improve SSI program direction. These recommendations address needed operational and program policy changes essential to improving the financial verification aspects of the SSI program, aggressively deterring and recovering SSI overpayments, combatting program fraud and abuse, improving SSA's policy development role, and developing programmatic plans consistent with the Results Act. The specific recommendations are presented in chapter 4 of this report.

Agency Comments and GAO's Evaluation

In its written comments on a draft of this report, SSA agreed that the SSI program faces significant challenges. However, SSA disagreed with GAO's conclusion that it has historically placed greater emphasis on processing and paying SSI claims than on controlling program expenditures. SSA was also concerned that the report did not adequately acknowledge the initiatives it has taken to improve the financial integrity of SSI. GAO believes the evidence presented in this report supports its conclusion. GAO's review involved an extensive analysis of 200 internal and external studies of the SSI program dating back to its inception, more than 100 interviews of staff and managers at all levels of SSA, and an assessment of performance data encompassing nearly a decade of program operations. Throughout this report, GAO has also provided numerous examples of how SSA's emphasis on claims processing has led to internal control weaknesses, overpayments to ineligible recipients, and has contributed to a program

environment where operating policies have not adequately protected taxpayer dollars from fraud and abuse. GAO also believes the report fairly characterizes SSA's initiatives and accurately portrays their implementation status. In other areas, SSA provided technical comments, which were addressed as appropriate. The full text of SSA's comments and GAO's response are included as appendix II.

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Abbreviations

ALJ	administrative law judge
CBO	Congressional Budget Office
CDR	continuing disability review
DA&A	drug addicts and alcoholics
DDS	Disability Determination Services
DI	Disability Insurance
HCFA	Health Care Financing Administration
IFA	individualized functional assessment
OASI	Old Age and Survivors Insurance
OCSE	Office of Child Support Enforcement
OHA	Office of Hearings and Appeals
OIG	Office of Inspector General
PASS	plan for achieving self-support
SGA	substantial gainful activity
SSA	Social Security Administration
SSI	Supplemental Security Income
TRO	tax refund offset
VR	vocational rehabilitation

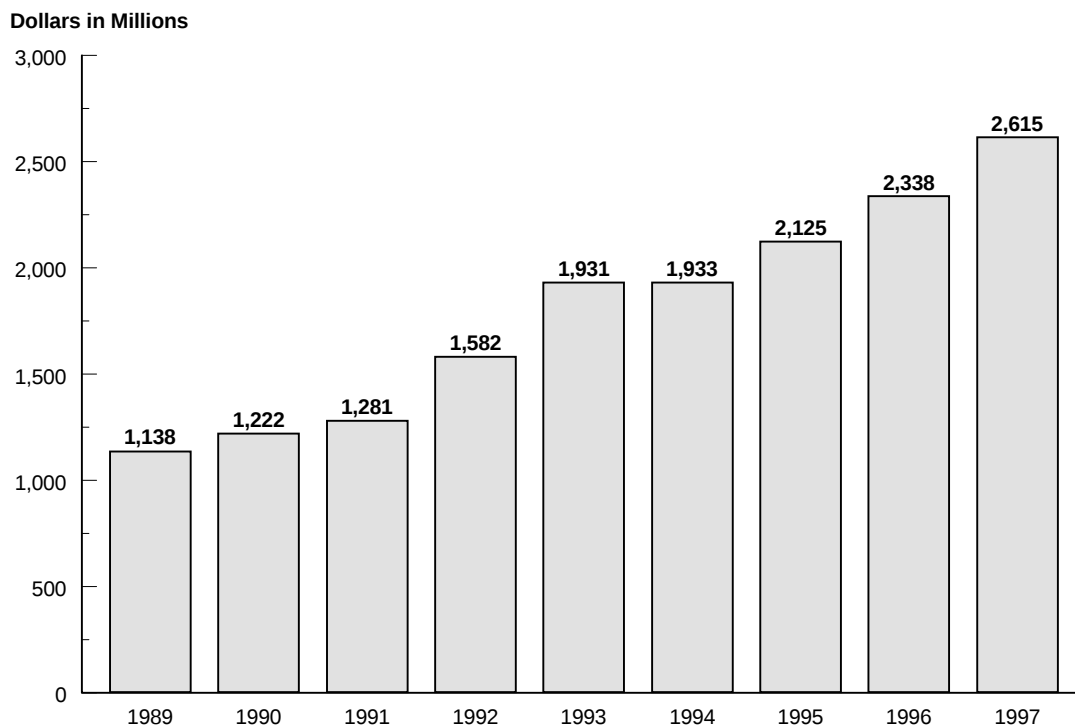
Introduction

The Social Security Administration (SSA) administers three federal cash payment programs: the Old Age and Survivors Insurance (OASI) program, the Disability Insurance (DI) program, and the Supplemental Security Income (SSI) program. OASI and DI are social insurance programs authorized under title II of the Social Security Act that pay monthly benefits to eligible individuals or their families based on average annual earnings in covered employment. These payments are made from the OASI and DI trust funds, which accumulate income derived from the mandatory payment of employment taxes. In contrast, the SSI program is the nation's largest cash assistance program for the poor, and it is funded by general revenues. SSI was authorized under title XVI of the Social Security Act to replace federal grants to similar state-administered programs.⁴ The program ensures a minimum level of income for individuals who are aged, blind, or disabled, and who meet financial eligibility standards. The monthly benefit amount is based on recipients' income and consists of a basic federal payment, and in some cases, a state supplement. SSA was authorized to administer the SSI program because it already had a system in place for paying monthly benefits to large numbers of people, including a large number of field offices that could be used as contact points for those seeking information and benefits.

Since its implementation, the SSI program has increased rapidly in both size and cost. Between 1974 and 1996, the number of SSI recipients increased almost 65 percent from about 4 million to about 6.6 million, and federal benefit payments rose about 565 percent from \$3.8 billion to about \$25.3 billion. Program growth has been accompanied by dramatic changes in the make-up of the SSI recipient population as the proportion of the SSI caseload consisting of aged recipients has decreased, while the proportion of younger, mentally disabled recipients has increased dramatically. Because these recipients tend to stay on the rolls longer, they are major contributors to increasing program costs. Over time, changes in the SSI population and long-standing program problems have been accompanied by increasing overpayments. In fiscal year 1997, outstanding SSI debt and newly detected overpayments for the year totaled \$2.6 billion (see fig. 1). SSA recovered only \$437 million in that year or about 17 percent of the total amount.

⁴The SSI program was established by the Congress in 1972, with payments beginning in January 1974.

Figure 1.1: Outstanding SSI Overpayment Debt and New Detected Overpayments, Fiscal Years 1989-97



Note: Overpayments equal annual total beginning balance owed plus new detections for the year.

Source: SSA's Office of Finance, Assessment, and Management.

Agency Organization and Functions

SSA is headed by a Commissioner who is responsible for administering the operations of the OASI, DI, and SSI programs. According to the most recent agency data, SSA employs about 65,000 employees and serves the public through a network of 1,300 field offices located throughout 10 SSA regions. The Commissioner and Deputy Commissioner head the management team and are responsible for addressing SSA's existing problems and managing its future challenges. In addition to paying OASI, DI, and SSI benefits, SSA performs four basic functions in support of its programs. These include issuing Social Security numbers, maintaining earnings information, making initial eligibility determinations for payments, and making changes to beneficiaries' accounts that affect their benefit payments (postentitlement

activities). To execute these activities, SSA is organized functionally into eight specialized components. Each component is headed by a Deputy Commissioner whose responsibilities include supporting the agency's mission and objectives. SSA also has an Office of Inspector General (OIG), which conducts audits and investigations of SSA's programs, as well as an Office of General Counsel that provides legal advice and litigation services for the agency. (See app. I for SSA's organizational chart.)

Determining SSI Eligibility

To be determined eligible for SSI, individuals must be at least 65 years of age, blind, or disabled. Their income and assets also must be below certain limitations. To qualify as disabled, applicants must be unable to engage in substantial gainful activity (SGA) because of an impairment that is expected to result in death or to last at least 12 months.⁵ SSA relies on state Disability Determination Services (DDS) to make the initial medical determination of eligibility. The DDS are also required to help SSA identify candidates for return-to-work services and may refer eligible individuals to state vocational rehabilitation (VR) agencies for services such as counseling and job placement, as well as therapy and training. Claimants whose initial disability claim is denied may request a reconsideration of their claim by different DDS staff. If this review results in a confirmation of the original denial, claimants may appeal to an administrative law judge (ALJ) located in SSA's Office of Hearings and Appeals (OHA). Claimants who disagree with an ALJ denial may request that the case be reviewed by SSA's Appeals Council. After all SSA administrative remedies are exhausted, a claimant has further appeal rights within the federal court system, up to and including the U.S. Supreme Court.

SSA field staff are responsible for determining an individual's financial eligibility for SSI benefits. To meet the financial requirements, individuals may not have combined income greater than the current maximum monthly benefit of \$494 (\$741 for a couple), or have resources worth more than \$2,000 (\$3,000 for a couple). During the initial application process at SSA field offices, individuals are required to report any information that may affect their eligibility for benefits. Similarly, once individuals receive SSI benefits, they are required to timely report events such as changes in income, resources, marital status, or living arrangements to SSA field office staff.

⁵In 1997, the SGA threshold was \$1,000 per month for blind recipients and \$500 per month for individuals with other disabilities.

To a significant extent, SSA depends on program applicants and recipients to accurately report important eligibility information. However, to determine whether recipients remain financially eligible for SSI benefits, SSA periodically conducts redeterminations. These are reviews of financial eligibility factors such as income, resources, and living arrangements. Recipients are reviewed at least every 6 years, but reviews may be more frequent if SSA determines that changes in eligibility are likely. SSA also uses computer matches to determine recipients' continuing financial eligibility. Matches compare SSI payment records against recipient financial information contained in the payment files of third parties, such as other federal and state government agencies. To determine whether a recipient has medically improved to the extent that he or she is no longer considered to be disabled, SSA also conducts periodic examinations called continuing disability reviews (CDR).

The SSI Program Differs From the OASI and DI Programs

SSI differs from OASI and DI in terms of its underlying program principles and eligibility requirements. OASI and DI are intended to help protect working Americans and their survivors against the loss of income as a result of retirement, death, or disability. These programs provide benefits to individuals who have worked a specified amount of time during which they contributed to the Social Security Trust Funds through employment taxes. Determining financial eligibility for the OASI and DI programs is fairly easy and, once established, rarely changes. For example, there normally is little difficulty in establishing whether an OASI or DI beneficiary has the required work for insured status, and what the benefit amount should be.

By contrast, SSI is a welfare program composed of aged, blind, and disabled recipients with limited or no work histories. Benefit eligibility and payment amounts for this population are determined by complex and often difficult to verify financial factors such as an individual's income, resource levels, and living arrangements. Individual financial circumstances may change often, requiring SSA to frequently reassess recipients' eligibility for and level of benefits. Thus, the SSI program tends to be more difficult, labor-intensive, and time-consuming to administer than the OASI and DI programs. These fundamental differences in SSA's programs require different management approaches for implementing the programs, as well as different policies and priorities to serve their diverse populations and ensure the accuracy of program payments.

SSI Is a Complex Program That Has Often Been Affected by External Forces

Since its inception, the SSI program has been difficult to administer because, similar to other means-tested programs, it relies on complicated criteria to determine initial and continuing eligibility, myriad policies and procedures for assessing recipients' often changing income and resource levels, and constant monitoring to ensure benefit amounts are adjusted to reflect these changes quickly and adequately. Over the years, the SSI program has become even more complex as a result of policy and procedural changes often influenced by legislation and decisions issued by the courts.

Over time, legislative changes have had the effect of liberalizing the SSI eligibility criteria on many occasions, and restricting them at other times. Thus, SSA has been tasked with implementing ever-changing program policies and managing fluctuating recipient populations. The Social Security Disability Benefits Reform Act of 1984 is a primary example of a legislative change significantly affecting the SSI program. This act expanded the general definition of disability for both children and adults. Specifically, the act required new standards for judging the impact of mental impairments on eligibility. It also required SSA to consider the combined effects of multiple impairments if no single impairment was sufficiently disabling to allow someone to qualify for benefits. Furthermore, the act allowed SSA to accept and consider nonmedical evidence provided, for example, by an applicant's family and friends when making the disability determination. Finally, the act required SSA to obtain medical evidence from an individual's treating physician, if possible, before evaluating evidence from other sources. This law greatly expanded access to disability benefits and contributed to increases in the number of younger, mentally disabled individuals on the SSI rolls. In 1996, the Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act, which made the SSI eligibility criteria for children and noncitizens more restrictive than it had been. Subsequently, the Balanced Budget Act of 1997 restored a significant number of noncitizens' SSI benefits. Thus, SSA has expended significant staff and administrative time dealing with the effects of these legislative changes.

A major court decision also played a role in the transformation and increasing complexity of the SSI program. For example, in 1990 the Supreme Court⁶ held that SSA's disability determination process violated the law because it held children to a more restrictive standard than that applied to adults. To comply with the decision, SSA developed an individualized functional assessment (IFA) for those children who did not

⁶Sullivan v. Zebley, 493 U.S. 521 (1990).

qualify for disability on the basis of SSA's strict listings of impairments. The IFA determined the extent to which the child's impairment limited his or her ability to act and behave in age-appropriate ways. By expanding the SSI eligibility criteria, this decision contributed to a tripling in the number of children receiving SSI benefits between 1989 and 1996, from about 300,000 to more than 1 million. It also contributed to changes in the composition of childhood disability rolls as more awards were made to children who might not have met SSA's listing of impairments but qualified on the basis of the less restrictive Zebley criteria. In addition to increased workloads, these changes further complicated the disability determination process by requiring SSA to develop and implement a new set of regulations and procedures. Moreover, the nature of these disabilities (generally, less severe mental and physical impairments) forced SSA to make more determinations on the basis of eligibility criteria that we reported to be subjective and difficult to consistently administer.

With these legislative and court-driven SSI changes, program administration has become increasingly complicated. SSA's own reviews have found that, over the years, the SSI program has become "encrusted" with a mass of complicating and sometimes contradictory legislation and court-mandated changes. According to SSA, each law or court decision was designed to fix a specific program problem. Cumulatively, however, their effect was to make the program much more complex to administer and difficult for recipients to understand than was originally intended.

Objectives, Scope, and Methodology

The objective of this review was to document the underlying "root" causes of long-standing SSI program problems. To do our work, we conducted an extensive literature review of 200 studies on the SSI program conducted by GAO, SSA, congressional committees, and various other external groups. Some of these studies dated back to the SSI program's inception. We also conducted more than 100 in-depth interviews with SSA personnel at all levels of the organization to obtain their perspectives on the most significant problems in the SSI program, the "root" causes of those problems, and agency actions taken to address them. We supplemented this information with analysis of program performance data related to SSI beneficiary groups, overpayments, payment accuracy rates, penalties, and so forth.

Our review was conducted at SSA's headquarters in Baltimore and four SSA regions: San Francisco, Dallas, Atlanta, and New York—regions that account for more than 50 percent of the SSI population. Our interviews

included senior executives and middle managers as well as numerous line staff. We also visited four state DDSS located in the four regions noted as well as SSA's OHA and Office of Inspector General. While we sometimes state the statistical results of our structured interviews, the results are not generalizable to all SSA employees and managers. However, we believe that these interviews are useful indicators of the views of staff responsible for servicing SSI workloads. Our work was conducted between October 1996 and February 1998 in accordance with generally accepted government auditing standards.

This report is organized around the two underlying causes that we believe have had the most significant impact on SSI program performance and integrity: SSA's organizational culture and its reactive management approach. Thus, a discussion of SSA's organizational culture and its impact on the financial integrity of the SSI program is addressed in chapter 2. Chapter 3 pertains to SSA's management approach and its impact on SSA's ability to provide adequate program direction. In presenting our findings, we have linked each long-standing problem to its most related root cause. However, we are aware that to varying degrees, SSA's organizational culture and management approach often overlap and cut across several of these problems. As a result, some combination of these two root causes may be present in each problem area. In some instances, the examples we cite as evidence of organizational culture are also applicable to our discussion of SSA's management approach. Our method of categorization served as a general framework for linking each problem area to its most likely root cause and for determining an appropriate course of action to better control program expenditures and protect program integrity.

Organizational Culture Has Perpetuated Several Long-Standing Problems and Affected the Financial Health of the SSI Program

SSA's organizational culture has historically placed a greater value on quickly processing and paying SSI claims than on controlling program expenditures. This culture has adversely affected SSA's ability to address several long-standing program problems and ultimately control program expenditures. To a significant extent, an agency's culture emanates from and is shaped by top management officials who are charged with establishing the priorities, objectives, and performance measures that drive day-to-day program operations. Thus, over time, what is regularly emphasized, measured, and rewarded by agency management becomes ingrained in the immediate workload priorities of line managers and field staff. To the extent that agency priorities are not adequately balanced, serious vulnerabilities may arise and continue to hinder performance. We reported in 1987 that SSA's agencywide operations had been heavily influenced by an organizational culture or value system that placed a greater emphasis on processing and paying claims than on controlling program costs or improving operational efficiency.⁷ As evidence of this, we cited the results of our survey of a random sample of almost 650 mid-level managers. Over 67 percent of these managers noted that the number one factor emphasized by upper management when assessing their work was timeliness.

More than a decade later, our current field work confirmed that little has changed, and SSA's organizational culture continues to pose a barrier to reducing SSI fraud, abuse, and mismanagement. More specifically, our work shows that, to a great extent, SSI program vulnerabilities are attributable to an agency culture that has tended to view the SSI program in much the same way as SSA's title II programs—where emphasis is placed on quickly processing claims and making payments to individuals with an earned right to benefits—rather than as a welfare program that requires stronger income and asset verification policies. Consequently, SSI program policies and internal controls do not adequately protect taxpayer dollars from being overspent or abused. SSA's underlying culture has been most evident as it relates to three long-standing problem areas affecting SSI program performance: (1) inadequate attention to verifying initial and continuing SSI eligibility, (2) lack of priority on recovering SSI overpayments, and (3) insufficient attention to addressing program fraud and abuse.

⁷Social Security Administration: Stable Leadership and Better Management Needed to Improve Effectiveness (GAO/HRD-87-39, Mar. 18, 1987).

Inattention to Verifying Recipients’ Initial and Continuing SSI Eligibility Has Affected Program Integrity

When determining SSI eligibility, SSA relies heavily on applicants and recipients to self-report important information relating to their financial status and disabling condition. Although SSA has procedures in place to verify this information, they are often untimely, incomplete, and subservient to the primary agency goal of quickly processing and paying claims. Data provided to us by SSA’s quality reviewers confirmed that the current system of self-reporting and inadequate verification of this information has been costly to the program. According to SSA, 77 percent of all payment errors resulting in overpayments between fiscal year 1991 and 1995 were attributable to recipients’ noncompliance with reporting requirements. And statistics show that once an SSI overpayment occurs, SSA’s success at recovering the overpayment is limited. Thus, effective initial and posteligibility verification policies are essential to avoiding or mitigating potential overpayment situations.⁸

Our prior work suggests that recipients do not always report required information when they should, and may not report it at all. For example, in 1996, we reported that about 3,000 current and former prisoners in 13 county and local jails had been erroneously paid \$5 million in SSI benefits, mainly because recipients or their representative payees did not report the incarceration to SSA as required, and SSA had not arranged for localities to report such information.⁹ In a report issued last year on SSI recipients admitted to nursing homes, we found that despite legislation requiring recipients and facilities to report such admissions, thousands of SSI recipients residing in nursing homes continued to receive full SSI benefits.¹⁰ These erroneous payments occurred because recipients and nursing homes did not report this information and SSA lacked timely and complete automated admissions data. We also found that some offices placed a much lower priority on investigating nursing home admissions information than on work responsibilities that are monitored by SSA management, such as processing claims. SSA has estimated that overpayments to recipients in nursing homes may exceed \$100 million annually.

To verify that recipient financial information is correct, SSA generally relies on computer matching of data from other federal and state agencies, such as the Internal Revenue Service, the Department of Veterans Affairs, and

⁸SSI overpayments include payments to individuals ineligible for the program as well as to those receiving higher benefit payments than their income and assets warrant.

⁹Supplemental Security Income: SSA Efforts Fall Short in Correcting Erroneous Payments to Prisoners (GAO/HEHS-96-152, Aug. 30, 1996).

¹⁰Supplemental Security Income: Timely Data Could Prevent Millions in Overpayments to Nursing Home Residents (GAO/HEHS-97-62, June 3, 1997).

state-maintained monthly earnings and unemployment benefits data. In many instances, these matches allow SSA to detect information recipients fail to report. However, SSA's data matches are not always the most effective means of verifying recipient financial status because the information is often quite old and sometimes incomplete. In 1996, we estimated that direct on-line connections (as opposed to computer matches) between SSA's computers and databases maintained by state agencies-welfare benefits, unemployment insurance, and workers' compensation benefits could have prevented or more quickly detected \$34 million in SSI overpayments in one 12-month period.¹¹

In March 1998, we reported that SSA's computer matches for earned income rely on state data that are from 6 to 21 months old, allowing overpayments to accrue for this entire period before collection actions can begin. We concluded that newly available Office of Child Support Enforcement (OCSE) databases maintained by SSA could prevent or more quickly detect about \$300 million in annual SSI overpayments caused by unreported recipient income.¹² These databases include more timely state-reported information on newly hired employees, as well as the quarterly earnings reported for these individuals. In the same report, we also concluded that opportunities existed for SSA to prevent almost \$270 million in overpayments by obtaining more timely financial account information on SSI beneficiaries. This could be accomplished if SSA moves to obtain access to a nationwide network that currently links all financial institutions. Such information would help ensure that individuals whose bank accounts would make them ineligible for SSI do not gain eligibility. On average, SSA collects only about 15 percent of outstanding SSI overpayments. Thus, it is paramount that SSA move forward in obtaining and utilizing more timely and complete recipient financial information to prevent overpayments from occurring. By doing so, SSA may reduce the likelihood of having to go through the often difficult and unsuccessful process of trying to recover overpaid SSI benefits.

Our recent work confirmed that recipient self-reporting and SSA's ineffectiveness at verifying this information remain a major SSI program weakness. During our visits to field offices, nearly 80 percent of staff and managers interviewed noted that recipient nonreporting remains a serious problem in the SSI program. In discussing how SSA could encourage

¹¹Supplemental Security Income: Administrative and Program Savings Possible by Directly Accessing State Data ([GAO/HEHS-96-163](#), Aug. 29, 1996).

¹²Supplemental Security Income: Opportunities Exist for Improving Payment Accuracy ([GAO/HEHS-98-75](#), Mar. 27, 1998).

individuals to better report important eligibility information, many staff believed SSA should require recipients to furnish additional documentation on their financial status, promote more frequent use of penalty provisions, and acquire more authority to suspend payments to those who chronically fail to report essential information. Staff and managers were particularly concerned that SSA had not addressed long-standing living arrangement verification problems, despite many years of SSA quality reviews denoting this as an area prone to error and abuse.

To determine SSI eligibility and benefit amounts, SSA staff apply a complex set of policies to document an individual's living arrangements and any additional support they may be receiving from others. This process depends heavily on self-reporting by recipients of whether they live alone or with others; the relationships involved; the extent to which rents, food, utilities, and other household expenditures are shared; and exactly what portion of those expenses the individual pays. In one field office we visited, staff identified a pattern of activity involving recipients who, shortly after becoming eligible for SSI benefits, claim that they have separated from their spouse and are living in separate residences. Staff suspected that these reported changes occurred as married recipients became aware that separate living arrangements would substantially increase their monthly SSI benefits. They also suspected that several local attorneys were preparing "boiler plate" separation agreements to help these individuals qualify for higher benefits. However, because of a lack of field representatives necessary to investigate these claims, only rarely were these cases closely reviewed or challenged.

Finally, in addition to inadequate verification of recipients' financial eligibility, SSA has historically placed little priority on determining whether SSI recipients continue to remain medically eligible for benefits. To determine medical eligibility, SSA must conduct continuing disability reviews (CDR). SSA recently estimated that conducting SSI CDRs on the 1.9 million recipients due or overdue for a CDR would remove from the rolls about 5 percent of those individuals. On the basis of this information, we estimated that these recipients would have received \$481 million in federal SSI benefits.¹³ However, since the program's inception, SSA conducted relatively few SSI CDRs until it was first mandated to do so by the Congress in 1994. This legislation required SSA to review one-third of the beneficiaries who reached age 18 and at least 100,000 additional

¹³Supplemental Security Income: SSA Is Taking Steps to Review Recipients' Disability Status (GAO/HEHS-97-17, Oct. 30, 1996).

beneficiaries annually for fiscal years 1996 to 1998.¹⁴ Subsequent legislation passed in 1996 required SSA to conduct additional CDRs for children who were likely to improve and low birth weight infants in their first year of life, as well as redeterminations for all SSI children beginning on their 18th birthday.¹⁵ SSA estimates that about 600,000 cases will be added to its CDR workloads between fiscal years 1998 and 2000 to meet these requirements. Agency management has attributed its past failure to conduct SSI CDRs to resource constraints and no legal requirement to do so. SSA's inaction likely resulted in continuing benefit payments to ineligible recipients and hundreds of millions of dollars in unwarranted program costs since the program began. However, SSA recently reported that during fiscal year 1997, it processed over 690,000 CDRs, a 38-percent increase over 1996. The agency expects to process 1.2 million CDRs in fiscal year 1998.

In a briefing with SSA management, we conveyed our finding that the eligibility verification aspects of the SSI program have not been adequately emphasized. SSA's Acting Principal Deputy Commissioner acknowledged that because of the rapidly rising workloads of prior years, SSA decided to emphasize and prioritize the expedient processing and payment of SSI claims rather than delay final decisions by requiring more thorough verification steps and risk hurting some recipients. More recently, however, SSA has begun to take more decisive action to protect the financial integrity of the SSI program. For example, SSA has started a program to identify SSI recipients in jail who should no longer receive benefits and is expanding its use of on-line state data to obtain more real-time applicant and recipient information. In accordance with our recommendation, SSA also plans to give field offices on-line access to OCSE wage data, new-hire data, and unemployment insurance data beginning in March 1999. This should allow field staff to better prevent SSI overpayments by identifying undisclosed earnings at the time of application. SSA's fiscal year 1999 budget also asks for an additional \$50 million to complete financial redeterminations for individuals who have been designated by SSA as having a high probability of being overpaid.¹⁶ SSA also told us that it is continuing to study SSI living arrangement policies and may ultimately consider proposing legislative changes to reduce the complexity of the verification process and protect program dollars from being overpaid to recipients. Finally, in its current strategic plan, SSA acknowledges that the needs of applicants and recipients have been the nearly singular focus of past strategic and

¹⁴Social Security Independence and Program Improvements Act of 1994.

¹⁵Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

¹⁶These redeterminations would be for nondisability factors of SSI eligibility.

business plans. The plan now calls for a better balance between SSA's traditional approach to its programs and the need to control program costs.

Despite SSA's planned and ongoing efforts, we continue to be concerned that, in many areas, progress has been limited. For example, SSA's negotiations with states to obtain expanded on-line access to their databases are moving slowly, and the agency still does not adequately use on-line access as an overpayment detection and prevention tool. In regard to SSI recipients residing in nursing homes, SSA plans to use a newly developed Health Care Financing Administration system to more effectively capture information on admissions to these and other facilities. However, we reported last year that automated nursing home data were already available in all state medicaid agencies and could have been used by SSA in the interim to identify SSI recipients living in nursing homes within 1 to 3 months of admission.¹⁷ SSA's failure to use this information while waiting for the implementation of an alternative system has left the SSI program open to continued abuse and millions of dollars in potential overpayments. Finally, despite SSA's plans to continue to study SSI living arrangement policies and problems, this costly program vulnerability remains unaddressed more than two decades after implementation of the program.

SSI Overpayment Recoveries Have Received Inadequate Agency Attention

In addition to problems associated with SSA's verification of important SSI eligibility information, SSA has not aggressively pursued the recovery of overpayments. Thus, over time, SSA's recovery efforts have been outpaced by outstanding SSI debt, which is becoming an increasingly larger portion of all debt owed to the agency. Between 1989 and 1997, outstanding SSI debt and annual overpayments more than doubled to about \$2.6 billion. Although overpayment recoveries also increased each year during this period, the gap between what is owed SSA and what is actually collected each year has continued to widen.

Insufficient Use of Debt Collection Tools

One reason overpayment recoveries remain low is that SSA has not adequately used the SSI overpayment recovery tools currently available to it. For example, SSA only this year began using the tax refund offset (TRO) to recover SSI overpayments from former SSI recipients, despite having had the authority to do so since 1984. The TRO has proven effective in another welfare program—Food Stamps—for collecting delinquent debt. In

¹⁷GAO/HEHS-97-62, June 3, 1997.

explaining why SSA did not act sooner to implement the TRO, agency officials told us that because the targeted population was generally poor, the expected recovery amounts—estimated at about \$6 million for fiscal year 1998—were relatively small compared with the total debt owed SSA. However, an official responsible for overseeing this initiative conceded that SSA has historically experienced little success recovering overpayments from former SSI recipients and, regardless of its dollar impact, the TRO represented one of the few tools available to SSA for increasing recoveries for this population. He also agreed that sustained use of the TRO could deter recipients from misreporting eligibility information to SSA in the future. So far this year, the TRO has far exceeded SSA's overpayment recovery estimates. In fact, SSA recently testified that, in the first 4 months of 1998, it had collected more than \$23 million.

Another reason SSI overpayment debt has increased is that SSA does not have, and has not adequately pursued authority to use more aggressive debt collection tools, including the ability to administratively intercept other federal payments recipients may receive, notify credit bureaus of an individuals' indebtedness, use private collection agencies, and charge interest on outstanding SSI debt. At present, SSA lacks statutory authority to use these tools to recover SSI overpayments. In 1995, we reported that welfare programs that used a broad range of collection tools, such as those listed, experienced better rates of overpayment recovery than programs that did not.¹⁸ In a recent testimony, SSA management also acknowledged that such tools are valuable in recovering program overpayments from individuals who have left the SSI rolls. Following a number of GAO briefings over the last year, and a recent testimony in which we noted SSA's continued reluctance to pursue more aggressive debt collection tools,¹⁹ SSA announced that it is now seeking authority to recover overpayments of title II benefits made to former SSI recipients, as well as use credit bureaus, collection agencies, interest levies, and so forth to strengthen its collection efforts.

To recover overpayments from current SSI beneficiaries, SSA relies primarily on withholding monthly SSI benefit payments. Before 1984, SSA could withhold up to 100 percent of an overpaid individual's benefit amount. However, pursuant to the Deficit Reduction Act of 1984 (P.L. 98-369), SSA was limited to offsetting a maximum of 10 percent of a

¹⁸Welfare Benefits: Potential to Recover Hundreds of Millions More in Overpayments (GAO/HEHS-95-111, June 20, 1995).

¹⁹Supplemental Security Income: Organizational Culture and Management Inattention Place Program at Continued Risk (GAO/T-HEHS-98-146, Apr. 21, 1998).

recipients' total monthly income, which includes SSI payments. Thus, SSA lost the discretion to withhold larger amounts, even for individuals who willfully and/or continually fail to report essential information. SSA also lost a valuable means of encouraging timely recipient reporting of information. In discussing the barriers to increased overpayment collections, headquarters officials told us that the 10-percent withholding ceiling has affected SSI collection efforts. However, SSA has not sought a change in this cap, even for individuals who chronically fail to report important eligibility information or abuse the program.

SSA also is not adequately utilizing overpayment penalties as a means of ensuring that recipients comply with reporting policies. Field office personnel may impose penalties on recipients who fail to submit timely reports of events that affect their eligibility for, or the amount of, SSI payments. Overpayment penalties range from \$25 to \$100. SSA's own reviews have noted that overpayment penalties, if enforced by SSA, could serve as a deterrent to untimely recipient reporting. However, the agency found that penalty provisions were almost universally ignored by field offices. In a sample review, analysts concluded that no penalty was considered in about 50 percent of overpayment cases in which the individual had a history of failure to make timely reports of earnings or living arrangements, or both.

During our visit to field offices, almost 80 percent of staff and managers interviewed told us that penalties are still rarely used in the field to encourage recipients to better report essential eligibility information. When asked why penalties were rarely used, staff commonly complained that SSA management did not encourage their use. Many others said that current penalty policies were unclear and too labor intensive to implement, and that dollar amounts were too low to change recipient behavior. Our analysis of data from all 10 of SSA's regions confirmed that penalties are still rarely levied. In one 12-month period, SSA detected about \$1.2 billion in erroneous payments. However, less than \$80,000 in penalties was assessed by SSA, and only about \$8,000 was actually collected. These infrequent penalty assessments are a concern, considering that SSA's own reviews have found that, on average, 77 percent of all overpayments are attributable to recipient noncompliance with reporting requirements.

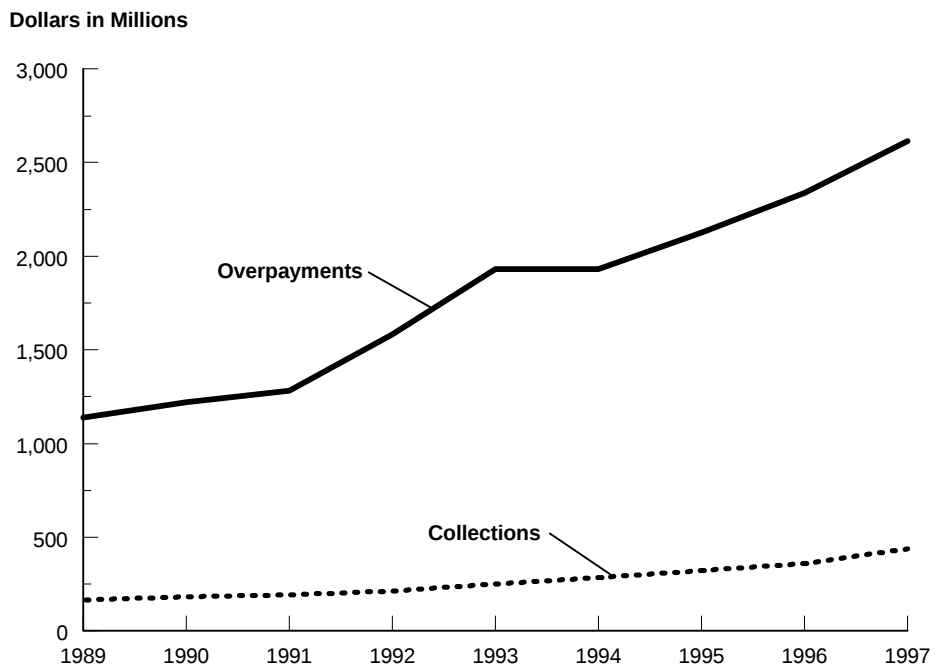
Unrecovered SSI Debt Is Mounting

Efforts to improve overpayment debt recoveries are particularly important because the gap between what is collected and what is owed the program is continuing to grow (see fig. 2.1). SSA's data show that in fiscal year 1989,

outstanding SSI debt and newly detected overpayments totaled \$792 million. During that year, SSA recovered about \$165 million. By fiscal year 1997, outstanding SSI debt and new overpayment detections grew to about \$2.6 billion. Of the total amount, SSI recovered \$437 million. Although annual overpayment recoveries have increased steadily, the amount of outstanding SSI debt has consistently outpaced SSA's collection efforts. Furthermore, as overpayment debt has grown, the amounts written off by SSA each year have also increased. Write-offs include overpayment waivers and debt deemed uncollectible by SSA. Policies governing the issuance of waivers take into account whether the recipient or SSA was at fault in creating the overpayment and the dollar amounts involved. In addition to waivers, SSA may deem some debts uncollectible for numerous reasons, including the inability to locate an individual for a prolonged period. Since 1989, SSI write-offs have totaled more than \$1.8 billion. This number includes \$562 million written off in 1997 alone (see fig. 2.2). According to SSA, the 1997 write-offs included about \$345 million in debt that had been carried on SSA's books for years and was determined to be not cost-effective to pursue. Regardless of the reason, these write-offs represent overpaid program benefit dollars that will likely never be recovered. More importantly, when these accumulated write-offs are added to the outstanding SSI debt after collections for 1997, the actual amount of unrecovered SSI debt since 1989 exceeds \$3.4 billion.

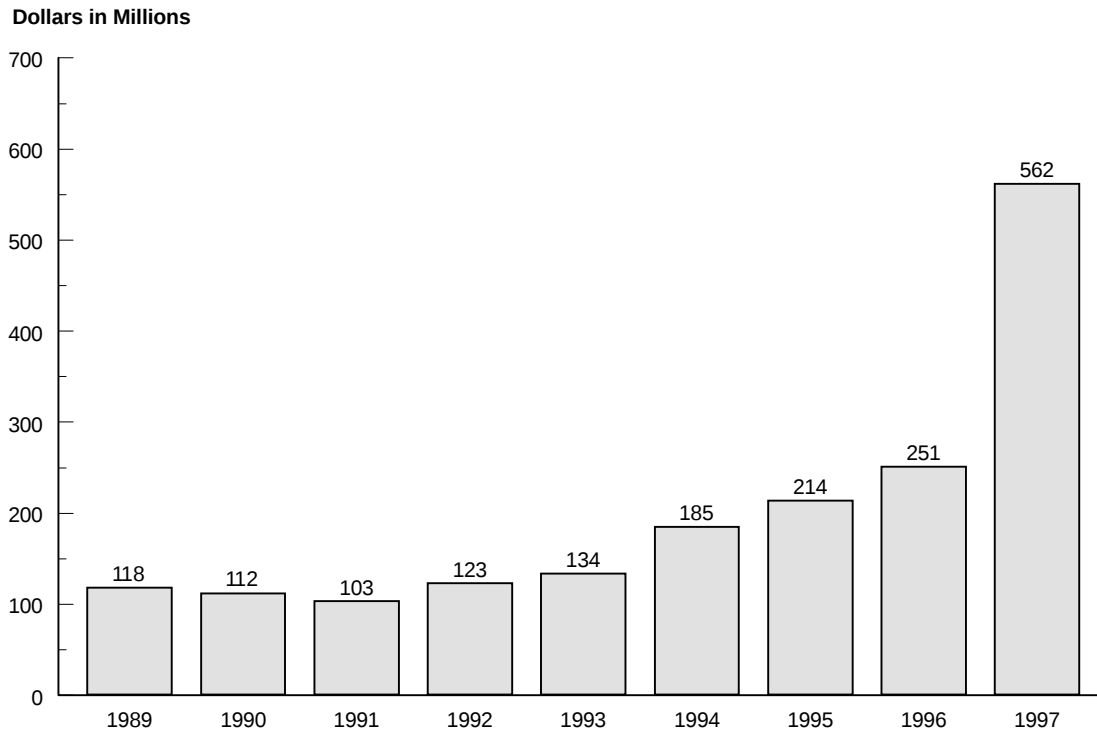
Chapter 2
Organizational Culture Has Perpetuated
Several Long-Standing Problems and
Affected the Financial Health of the SSI
Program

**Figure 2.1: Gap Between SSI
Overpayments and Recoveries
Continues to Widen, Fiscal Years
1989-97**



Source: SSA's Office of Finance, Assessment, and Management.

Figure 2.2: Write-Offs of SSI Overpayment Debt Have Increased, Fiscal Years 1989-97



Source: SSA's Office of Finance, Assessment, and Management.

Despite Recent Agency Actions, SSI Program Remains Vulnerable to Fraud and Abuse

The SSI program remains vulnerable to abuse, despite agency initiatives to address it. Shortly after SSA began administering SSI in 1974, a study group was commissioned to evaluate the program and recommend changes to improve effectiveness and fiscal accountability. The study group noted that a well-designed program with built-in integrity safeguards would hold opportunities and occurrences of fraud to a minimum. However, they ultimately concluded that the SSI program was originally implemented without adequate attention to program integrity considerations and suffered from serious shortcomings in the areas of fraud detection, prevention, and prosecution. Over the ensuing years, reports of program fraud and abuse have often centered on recipients' failure to report their

financial status, the faking of disabilities, and fraudulent residence reporting.

For example, we reported in 1995, that “middlemen” were facilitating fraudulent SSI claims while providing translation services to non-English-speaking individuals applying for SSI.²⁰ These individuals often coached claimants on appearing to be mentally disabled, used dishonest health care providers to submit false medical evidence to SSA, and provided false information on claimants’ medical and family history. The following year, we reported that between 1990 and 1994, approximately 3,500 SSI recipients admitted transferring ownership of resources such as cars, cash, houses, land, and other items valued at an estimated \$74 million in order to qualify for benefits.²¹ This number represents only resource transfers that recipients actually reported to SSA. The SSI program is designed to help individuals who have limited resources meet basic needs. Although these transfers are not prohibited under current law, using them to qualify for SSI benefits has become an abusive practice that raises serious questions about SSA’s ability to protect taxpayer dollars from waste and abuse. We estimated that for the cases mentioned, eliminating asset transfers would have saved \$14.6 million in program expenditures. The Congressional Budget Office (CBO) has estimated that more than \$20 million in additional savings could be realized through 2002 by implementing an asset transfer restriction.

Although SSI represents less than 8 percent of SSA’s total program expenditures, the prevalence of fraud in the program is significant. In 1997, SSA’s OIG noted that the income and resource requirements associated with determining SSI eligibility created additional opportunities for fraud and abuse. The OIG generally receives allegations of fraud directly from the general public, the Congress, other government agencies, SSA personnel, and through its hot line, which began operation in November 1996. Through mid-July 1997, the hot line received 12,680 allegations of fraud. When compared with SSA’s other programs—OASI and DI—SSI fraud represented about 37 percent of all allegations received and about 24 percent of the fraud convictions obtained.

Since becoming an independent agency in 1995, SSA has begun to take more decisive action to address SSI program fraud and abuse. For example,

²⁰Supplemental Security Income: Disability Program Vulnerable to Applicant Fraud When Middlemen Are Used (GAO/HEHS-95-116, Aug. 31, 1995).

²¹Supplemental Security Income: Some Recipients Transfer Valuable Resources to Qualify for Benefits (GAO/HEHS-96-79, Apr. 30, 1996).

the number of OIG investigators has nearly tripled from 76 to 227 headquarters and field agents, and in 1997, combatting fraud and abuse became a key agency goal. Last year, SSA also created national and regional anti-fraud committees to better identify, track, and investigate patterns of fraudulent activity. In addition, several OIG pilot investigations are also under way that are aimed at detecting fraud and abuse earlier in the SSI application process. One such pilot involves the creation of special units located in DDS offices in several states. As a preventive measure, these units review disability applications, document evidence of fraudulent transactions and identify pervasive patterns of fraud. According to SSA, this new emphasis on early prevention represents a major shift away from how the agency has traditionally dealt with fraud and abuse. SSA also recently established procedures to levy civil monetary penalties against recipients and others who make false statements to obtain SSI benefits. Following our briefings with SSA's Deputy Commissioner and our two testimonies over the last year that identified asset transfers as an area subject to abuse by recipients, SSA also recently submitted a proposal to the Congress aimed at preventing individuals from transferring assets in order to qualify for SSI benefits.²² Finally, in its new annual performance plan, SSA has made a commitment to complete a comprehensive action plan to improve the management of the SSI program during fiscal year 1998. This step links to SSA's strategic goal of making its programs the "best in the business, with zero tolerance for fraud and abuse."

It is too early to tell what immediate and long-term effects SSA's activities will have on preventing fraud and abuse in the SSI program. However, many years of inadequate attention to program integrity issues has fostered a strong skepticism among both headquarters and field staff that fraud prevention is an agency priority. In fact, SSA's own studies show that many staff believe the OIG does not adequately investigate fraud referrals or provide adequate feedback on the status of investigations. Other staff noted that constant agency pressure to process more claims impeded the thorough verification of recipient-reported information and the development of fraud referrals. SSA also found that staff were concerned that the agency had not developed office work-credit measures, rewards, and other incentives to encourage staff to devote more time to developing fraud cases—a process that often takes many hours. SSA's Field Office Work Measurement System is used by management to determine what employees are working on, the volume of work completed, and how much time staff spend on particular activities. SSA assigns numerical values to

²²This draft bill is entitled the Supplemental Security Income Program Integrity Act of 1998 and was submitted to the Congress on May 4, 1998.

certain tasks, such as processing disability claims, that are based on the average time it takes to accomplish them. For example, for an initial SSI claim for an aged person SSA determined that it should take about 3.24 hours. Any additional time spent verifying information or investigating suspected fraud for this claim would not receive credit. SSA ultimately uses these data to estimate resource needs, assess component productivity, and justify budget and staffing levels.

Our review of SSA's office work-credit system confirmed that adequate measures of the activities and time necessary to develop fraud referrals have not been developed. Nor has SSA developed a means of capturing fraud activity data or recognizing staff for additional time spent developing fraud cases. This weakness in the current work-credit system was noted by a speaker at SSA's annual Anti-Fraud Conference. In a speech advocating a better balance between customer service and protecting the public trust, this field office manager voiced concern that staff have been sent the message that "timeliness and volume are the top priorities." As a result, few staff may be willing to devote significant time to more thorough claims verification because they fear production—cases processed and paid—will be negatively affected. Thus, SSA's new anti-fraud activities and its current work-credit system may be working against each other.

SSA's Management Approach Has Hindered Adequate Program Direction

In addition to long-standing problems attributable to SSA's organizational culture, our work suggests that SSA's management of the program has often led to untimely and flawed SSI program policies and inadequate program direction. Proactive program management requires a willingness on the part of an agency to identify and decisively address problems before they reach crisis levels. Where internal operational remedies are insufficient to address a particular program weakness, the agency should then suggest and sponsor legislative proposals for addressing underlying policy weaknesses. Proactive management also requires a willingness to identify short- and long-term program priorities and goals and to develop a clearly defined plan for meeting those goals. But SSI program direction and problem resolution have been hindered by SSA's continued reluctance to take a leadership role in SSI policy development before major program crises occur and the subsequent tendency to react to these crises through a series of often ad hoc and piecemeal initiatives. Program direction has been further impaired by a strategic planning process that has not sufficiently focused on the specific characteristics and needs of the SSI program and its recipients.

Insufficient Agency Involvement in SSI Policy Development

As the nation's SSI program expert, SSA is uniquely positioned to assess the program impacts of trends in the SSI population. It is also in the best position to initiate internal policy "fixes" to address specific problems. If internal revisions would not be effective, SSA is best qualified to identify areas where new legislation is needed to address program weaknesses and to assist policymakers in exploring and developing legislative options for change. However, SSA has not been sufficiently aggressive in this regard. Instead, SSA's approach to policy development has often been reactive in nature, resulting in several missed opportunities to address flawed operational policies and to play a key role with policymakers in addressing critical issues affecting SSI program performance and integrity. Recent examples of SSA's management approach include its reluctance to develop policy options to address problems associated with assessing the SSI eligibility of children and substance abusers, helping SSI recipients enter the workforce, and determining recipient living arrangements. SSA management has acknowledged the need to take a more proactive policy development role, and in the last few years has initiated several reorganizations of its policy component to strengthen its capacity. In fact, SSA is currently restructuring its research and policy component in a way that it believes will facilitate a stronger focus on SSI program vulnerabilities and address our concerns in this area. In 1997, SSA also made conducting effective policy development, research, and program

evaluation a key goal of its strategic plan. However, SSA only recently developed and submitted its first significant package of SSI policy proposals—draft legislation entitled the “Supplemental Security Income Integrity Act of 1998”—to the Congress.

In 1984, a Congressional Panel on Social Security noted that it was SSA's responsibility to contribute to policy-making with advice, information, expert analysis, and the kind of judgment that results from the experience of program operations. However, the panel concluded that SSA's policy-making had often taken place in an atmosphere of crisis and improvisation rather than as part of a comprehensive strategy for addressing SSA's major program challenges. In 1995, we also criticized SSA for not taking a more active role in analyzing and suggesting policy options for its programs.²³ More specifically, in monitoring SSA's transition from a component of the Department of Health and Human Services to a separate and independent agency, we noted that SSA needed to take a more active role in addressing its major program challenges, including those related to its SSI caseloads. In 1997, SSA's Advisory Board issued a report with similar conclusions. The board noted that SSA should take a leadership role in the initiation of major policy changes rather than continue its pattern of reacting to short-term crises. The board also found that SSA has had an overly cautious attitude toward initiating the analysis of controversial policy issues. Their report concluded that improving program leadership would require SSA to revise its long-standing tendency to focus on operational issues and paying benefits to recipients at the expense of much needed program policy and research activities.

As discussed in chapter 1, between 1984 and 1991, legislative changes and a major court decision greatly expanded the SSI eligibility criteria for children. Rapid growth in the number of children receiving SSI disability payments, questions about SSA's ability to adjudicate claims consistently, and allegations that some parents were coaching their children to fake mental impairments to qualify for benefits, elevated public and congressional concern that the program was being abused. In 1996, the Congress passed welfare reform legislation, which tightened SSI eligibility for children and restricted eligibility to those with the most severe impairments. In this example, SSA possessed several years of program data documenting explosive growth in childhood disability caseloads, changes in the types of impairments qualifying for benefits, and the impacts of legislative and court-mandated program changes. However, the agency

²³Social Security Administration: Leadership Challenges Accompany Transition to an Independent Agency (GAO/HEHS-95-59, Feb. 15, 1995).

failed to take a leadership role in developing and communicating this information to policymakers. Nor did SSA develop formal proposals for addressing identified weaknesses in the childhood eligibility criteria, despite the fact that SSA had information that eligibility guidelines—in particular, the IFA—for determining the severity of childhood mental and behavioral impairments, were difficult to interpret, unclear, and too subjective. At a much earlier time, this information could have been shared with the Congress for its consideration in reassessing whether SSI was meeting the needs of the most severely disabled children.

SSA's reluctance to take a more proactive policy development role was also evident in regard to the recent debate surrounding SSI eligibility for drug addicts and alcoholics (DA&A). In prior work, we reported that DA&A caseloads had increased more than 150 percent between 1989 and 1994. We also raised serious questions about SSA's payment controls and its ability to prevent recipients from purchasing drugs and alcohol with SSI benefit payments. Despite congressional concern and growing media criticism surrounding this issue, SSA did not take aggressive action to revise operational policies that were subject to abuse by recipients, or suggest legislative options for change. SSA also failed to develop adequate data on the reasons for growth in the DA&A caseloads, the number of substance abusers actually in treatment, and the percentage of individuals who had left the rolls as a result of treatment and rehabilitation. More importantly, however, SSA did not adequately share the information it did have with the Congress to assist it in addressing identified problems. Thus, program abuses continued longer than they should have and the Congress ultimately acted on its own to tighten the eligibility criteria in this area.

Our work has also shown that SSA has not provided adequate leadership in regard to helping recipients return to work and promoting economic independence. Thus, few recipients leave the SSI rolls. In several reports and testimonies issued over the last several years, we have faulted SSA's administration of SSI work incentives,²⁴ and documented the need for a comprehensive return-to-work strategy that includes earlier intervention, return-to-work assistance, and changes in the structure of cash and health benefits to encourage work.²⁵ We have also documented SSA's reluctance

²⁴PASS Program: SSA Work Incentive for Disabled Beneficiaries Poorly Managed ([GAO/HEHS-96-51](#), Feb. 28, 1996). SSA's plan for achieving self-support (PASS) program allows SSI recipients to exclude income and resources from benefit calculations that otherwise would result in a reduction in SSI benefits, as long as the assets are used to pay expenses associated with reaching employment goals.

²⁵Social Security: Disability Programs Lag in Promoting Return to Work ([GAO/HEHS-97-46](#), Mar. 17, 1997) and Social Security Disability: Improving Return-to-Work Outcomes Important, but Trade-Offs and Challenges Exist ([GAO/T-HEHS-97-186](#), July 23, 1997).

to play a leadership role in devising a return-to-work plan. SSA management told us that it is only one player among many in the complex VR process, and that it does not have the ability to develop a comprehensive strategy on its own. However, in its strategic plan, SSA has now pledged to pursue the objective of helping people return to work. As a first step, SSA has developed a proposal, currently under consideration by the Congress, that would expand recipients' choices of VR providers. In this instance, recipients would receive a "ticket" (similar to a voucher), which they could use to obtain services from public or private VR providers of their choice. Although all pertinent players should be involved in formulating a comprehensive VR strategy, we continue to believe SSA has the fiduciary responsibility and is the appropriate agency to take the lead in ensuring that returning to work receives much greater emphasis.

A final example of SSA's reluctance to address important program policy issues involves the policies and procedures SSA uses to determine recipient living arrangements and in-kind support and maintenance. As discussed previously, when determining living arrangements, claims processors are required to apply a complex set of policies designed to document an individual's living situation and any additional support they may be receiving from others. These numerous rules and policies have made living arrangement determinations one of the most complex and error-prone aspects of the SSI program, and a major source of SSI overpayments. During our review, staff and managers told us that living arrangement policies needed reassessment and change. SSA quality reviewers have also consistently identified living arrangement calculations as a major source of benefit payment errors. During our review, we identified several internal and external studies of SSI living arrangement issues conducted over many years. Some of these studies recommended ways to simplify the process by eliminating many complex calculations and thereby making it less susceptible to manipulation by recipients. Others contained recommendations for making the SSI program less costly to taxpayers by requiring that benefit calculations be subject to maximum family caps or economies of scale or both when two or more recipients reside in the same household. In 1989, SSA's OIG reported that a more simplified process that applied an economies-of-scale rationale to all SSI recipients living with another person would result in fewer decision errors and reduce annual overpayments by almost \$80 million. The OIG also concluded that such a change would require legislative action. Despite these studies, and the potential cost savings associated with addressing this issue, we could find no evidence that SSA has ever acted on the recommendations or submitted proposals for changing laws governing living arrangement policies.

Agency Planning Efforts Do Not Provide Adequate SSI Program Direction

Our work has shown that SSI program direction has suffered as a result of SSA's failure to develop program-specific goals, priorities, and associated plans for addressing program weaknesses. In this report, we have discussed a number of long-standing problems that the SSI program continues to experience. The continuation of these problems demonstrates SSA's inability to focus agency attention on its most significant program challenges and ensure that corrective actions are carried out and sustained over time. To a significant degree, this may be due to SSA's strategic planning efforts, which generally involve agencywide goals and concerns, with no programmatic focus. Thus, SSA still lacks a plan that lays out the SSI program areas most in need of attention in order to ensure effective service to the public and control program expenditures, both of which are critical to the Congress, oversight entities, and SSA's employees. Typically, organizations rely on their planning processes to document long- and short-term programmatic priorities. The planning process also facilitates organizational agreement as to where efforts will be focused, what resources (both personnel and budgetary) will be devoted to initiatives, what the time frames for action will be, and how managers will be held accountable for meeting the stated objectives of each effort. If the planning process fails to provide adequate management direction for a program, the organization tends to take ad hoc measures to address program problems when they become critical.

In 1987, we noted that because of SSA's passivity in the area of program planning, it (1) lacked a top management focus on surfacing important program and operational issues, (2) was largely reactive to external pressure from the Congress and the courts to improve its programs, and (3) often addressed program challenges in an uncoordinated or inefficient manner. SSA developed its first agencywide strategic plan in 1988 and then significantly revised it in 1991. As required by the Results Act, SSA developed and submitted its current strategic plan in 1997. This plan outlines SSA's strategic goals and objectives for the next 5 years. As also required by the Results Act, SSA recently published its fiscal year 1999 performance plan. This plan provides more detailed information on how SSA intends to achieve its goals and the measures it will use to hold itself accountable over the next year. Together, these two documents chart SSA's future course.

In reviewing SSA's strategic and performance plans, we found that the manner in which SSA has framed them may undermine SSA's ability to address its most significant program vulnerabilities. In particular, SSA's plans still do not adequately address the specific needs and problems of

the SSI program, as well as the unique characteristics of its recipient population. Instead, SSA's approach to planning has remained at the agencywide level, resulting in general goals and objectives, for SSA's three major programs. Although macro-level goals and objectives are essential to SSA's operations, the absence of an SSI-specific strategy and the fact that few goals, initiatives, and performance measures are targeted to the program have impeded the establishment of clear program-specific priorities. For example, we designated SSI a high-risk program primarily because of the magnitude of SSI overpayments. Despite noting that SSA faces considerable SSI program challenges, the current strategic plan and annual performance plan contain few specifics as to how SSA intends to reduce the more than \$1 billion in overpayments the program incurs annually.

Furthermore, despite SSA's acknowledgement that SSI overpayments are difficult to recover and are becoming an increasingly greater portion of outstanding debt owed to the agency, SSA's plans do not include future SSI overpayment recovery targets or other measures to gauge whether debt collection rates are increasing or decreasing for this program. Instead, SSA's current plans call for increasing debt collection agencywide by a total of 7 percent annually through 2002. Using this aggregate measure, however, could mask a worsening in future SSI debt collection levels if they were offset by slightly increased debt collections in the much larger OASI program. Consequently, SSA could meet its goal of increasing debt collection agencywide without establishing new initiatives to address SSI debt collection or actually recovering more SSI overpayments. In addition, SSA has also acknowledged that the SSI program is highly susceptible to fraud and abuse. However, SSA's plans contain no measures or goals specifically targeted to SSI fraud prevention and detection, such as the number of SSI fraud referrals received, cases developed, convictions obtained, or penalties levied. Without these elements, it may be difficult for SSA to determine the true extent of fraud and abuse in the SSI program and the impact its new fraud prevention initiatives will ultimately have on the program. Although agencies may appropriately choose to aggregate such data in order to monitor agencywide progress, long-standing weaknesses in the SSI program argue for more closely monitoring debt collection and anti-fraud activities on a program-specific basis.

Without a comprehensive strategy or plan for addressing specific SSI program problems, it is uncertain whether SSA will focus adequately on those areas that put SSI at the greatest risk or that corrective actions will be sustained over time. In its new annual performance plan, SSA has

committed to developing a comprehensive SSI action plan in fiscal year 1998. However, such a plan has not yet been completed, so it is still unclear whether SSA will focus adequately on its most significant SSI challenges. In many areas, substantive program improvement may depend on the degree to which SSA succeeds in separately identifying SSI program needs, goals, and performance measures from those of its other programs, and targeting its efforts to the specific long-standing SSI problems discussed in this report.

Conclusions, Recommendations, and Agency Comments and Our Evaluation

After more than 20 years of operation, the SSI program still faces significant problems. To a large extent, these long-standing problems and SSA's inability to address them are attributable to an ingrained organizational culture that has historically placed a greater value on quickly processing and paying SSI claims than on controlling program costs, and a management approach that has been reluctant to address SSI program problems requiring long-term solutions and/or legislative change. Together, these two underlying themes have allowed long-standing SSI program problems to continue and have contributed to the growth in SSI overpayments and outstanding debt.

As noted in chapters 2 and 3, SSA has not always struck an adequate balance between meeting the needs of program recipients and fiscal accountability for its programs. Often SSA's actions to address SSI program weaknesses have been ad hoc and crisis-driven, rather than part of a comprehensive strategy for improving program performance in the long term. Thus, for many years, billions of program dollars have been erroneously paid to ineligible individuals, and SSA has not always dealt proactively with its most pressing program problems. In its most recent strategic plan, SSA acknowledges the role of management leadership in shaping SSA's programs and the need to rebalance its program priorities in a way that improves accountability. Significantly revising SSA's underlying organizational culture and management approach will likely take many years of concerted effort at the highest levels of the agency. However, we believe such a change is important to restoring public confidence in a program that provides critical assistance to so many needy, aged, and disabled recipients.

More specifically, to address the issue of SSA's underlying culture and its effect on the financial health of the SSI program, sustained emphasis should be placed on reassessing SSA's traditional program priorities and better controlling program expenditures. This will require SSA to revise and strengthen its approach to verifying SSI eligibility, deterring and recovering SSI overpayments, and combatting program fraud and abuse. At present, many of the difficulties experienced by the SSI program are the result of more than 20 years of inattention to payment controls and SSA management's failure to make them a significant workload priority. As a result, financial verification and program integrity issues receive inadequate emphasis, and continued abuse of the program by recipients often goes unchallenged by field staff. A significant step in addressing SSA's prevailing culture is management's acknowledgement in its strategic plan that a rebalancing of SSI program priorities is overdue and in recent

agency-sponsored proposals to address SSI program integrity issues. However, SSA's management must be willing to direct change by providing sustained programmatic leadership, enhancing its commitment to the verification aspects of claims processing, implementing more stringent payment controls and debt collection tools, holding staff and managers accountable for protecting program funds, and finding better ways to reward those who do so. If successful, SSA's actions should serve to reduce SSI overpayments, improve the financial integrity of the program, and ultimately reshape SSA's prevailing culture and value system.

Regarding SSA's management approach, our work shows that SSA needs to demonstrate a greater willingness to identify and actively address emerging issues, and to provide a longer-term vision for the SSI program through its policy development and strategic planning activities. As the acknowledged expert on the SSI program, SSA possesses myriad performance data and more than two decades of experience serving this often changing population. Thus, the agency is in a unique position to lead and inform public debate on the range of issues affecting program performance and to establish an agencywide program vision. SSA is also in the best position to offer long-term policy solutions for its most significant management and operational challenges before they reach crisis levels. However, our work suggests that SSA has not yet maximized its research and policy development role, nor has it developed adequate SSI program plans to serve as a blueprint for managing the program more strategically, focusing long-term program priorities and defining specific program goals.

In implementing the Results Act, SSA recently committed to developing an SSI action plan in fiscal year 1998. To be effective, this plan should include a carefully designed set of initiatives aimed at addressing the long-standing problems affecting SSI program performance as well as specific measures to evaluate progress and hold the agency accountable. Without such a plan, SSA risks continuing the policies and procedures that have allowed SSI overpayments to grow and perpetuating its often piecemeal approach to addressing program problems. It also may forgo a valuable opportunity to communicate to its employees, the Congress, and other oversight entities its commitment to operating a more efficient and fiscally responsible program.

Recommendations to the Commissioner of Social Security

Revising SSA's organizational culture will likely take several years of sustained effort at the highest levels of the agency. To facilitate such a

change, we recommend that the Commissioner of Social Security take the following actions:

- Enhance SSA's ability to verify applicant- and recipient-reported eligibility information and deter overpayments by accelerating efforts to identify more timely and complete sources for verifying SSI financial eligibility information.
- Sustain efforts to obtain and implement additional SSI overpayment deterrence and debt collection tools commonly available to other means tested programs. These include using credit bureau reporting, collection agencies, intercepts of other state and federal benefit payments, and interest levies to recover more SSI debt.
- For recipients who chronically and willfully abuse SSI reporting requirements, seek legislative authority to withhold higher amounts than the current 10-percent maximum.
- Reassess current policies for imposing penalties on recipients who do not report important eligibility information. This may include examining whether current penalty usage is sufficient to deter recipient nonreporting and removing any external or agency-created obstacles to using penalties.
- Reevaluate SSA's field office work-credit and incentive structure at all levels of the agency and make appropriate revisions to encourage better verification of recipient information and greater staff attention to fraud prevention and detection. For improved accountability, line staff and middle management expectations, as well as senior executive contracts, should include specific requirements and performance measures in this area.

To facilitate a change in SSA's management approach and improve SSI program direction, we recommend that the Commissioner of Social Security take the following actions:

- Better utilize SSA's policy development component to address SSI program policies that, for many years, have placed the program at risk of fraud, waste, and mismanagement. This would include, but not be limited to, the development and advancement of legislative proposals aimed at simplifying complex SSI living arrangement and in-kind support and maintenance policies and continuing SSA's sponsorship of legislation restricting the transfer of valuable assets and resources to qualify for SSI benefits.
- Move forward in developing an SSI-focused strategy or plan with clearly defined priorities, goals, and performance measures to gauge SSA's progress in addressing its most significant SSI program challenges. This

document should be consistent with the Results Act and include specific initiatives, goals, and performance measures aimed at addressing long-standing SSI program problems and facilitating a change in SSA's organizational culture and management approach to the SSI program.

Agency Comments and Our Evaluation

In providing comments on this report, SSA agreed that the SSI program faces significant challenges. However, the agency disagreed with our conclusion that it has historically placed a greater emphasis on processing and paying SSI claims than on controlling program expenditures. SSA was also concerned that the draft report did not adequately acknowledge a number of initiatives it has undertaken to improve the financial integrity of the SSI program. Accordingly, SSA's comments include a discussion of several key initiatives. Finally, SSA either fully or partially concurred with five of our seven recommendations. SSA did not agree with our recommendation that it should seek legislative authority to withhold higher benefit amounts than the current 10-percent limit from individuals who chronically and willfully abuse reporting requirements. SSA also disagreed with our recommendation that it reassess current penalty provisions for recipient nonreporting and remove any barriers to their use. According to SSA, its newly submitted administrative proposal requesting authority to impose a period of ineligibility for individuals who provide false information to the agency is a more effective approach than reassessing current penalty provisions. SSA agreed that its current field office work-credit and incentive structure should be reassessed to better ensure that payment accuracy and fraud prevention receive adequate staff attention. However, the agency was concerned that incorporating specific requirements and performance measures for collections and fraud prevention into managers' performance plans could be misperceived both within and outside the organization.

In regard to SSA's disagreement with our conclusion that it has historically placed inadequate emphasis on controlling program expenditures, we believe our audit work was sufficient to reach such a conclusion. Our review involved an extensive analysis of 200 studies of the SSI program dating back to its inception, more than 100 interviews with staff and managers at all levels of the agency, and an assessment of performance data encompassing nearly a decade of program operations. Throughout this report, we have also provided numerous examples drawn from this evidence to demonstrate how SSA's focus on quickly processing and paying SSI claims has allowed long-standing problems to continue and contributed to a program environment in which program policies and internal controls

have not adequately protected taxpayer dollars from being overspent or abused. In interviews with us and in a recent testimony, SSA's Principal Deputy Commissioner also acknowledged that, because of the rapidly rising workloads of prior years, SSA made a conscious decision to prioritize expedited claims processing over instituting additional steps to better ensure payment accuracy and verify benefit eligibility. Thus, we believe there is ample evidence to support our conclusion that SSI claims processing has historically received greater management emphasis. However, this report also acknowledges the recent steps SSA has begun to take to address its most significant program challenges, and in the future, strike a better balance between meeting the needs of SSI recipients and protecting the financial integrity of the program.

We also disagree with SSA's concern that we have not adequately recognized its initiatives to address long-standing SSI program vulnerabilities. Although our primary audit work was conducted through February 1998, we frequently updated program performance data and the status of SSA's initiatives as information was provided to us by the agency. To the extent that SSA's initiatives were either in the planning stages, partially initiated, or fully operational, we have fairly characterized them in this report. We recognize that since the SSI program was designated a high-risk area by GAO, SSA has begun numerous initiatives to address the problems discussed here. We will continue to monitor SSA's progress in this area and relevant program performance data to determine whether its efforts to address identified SSI program vulnerabilities are successful.

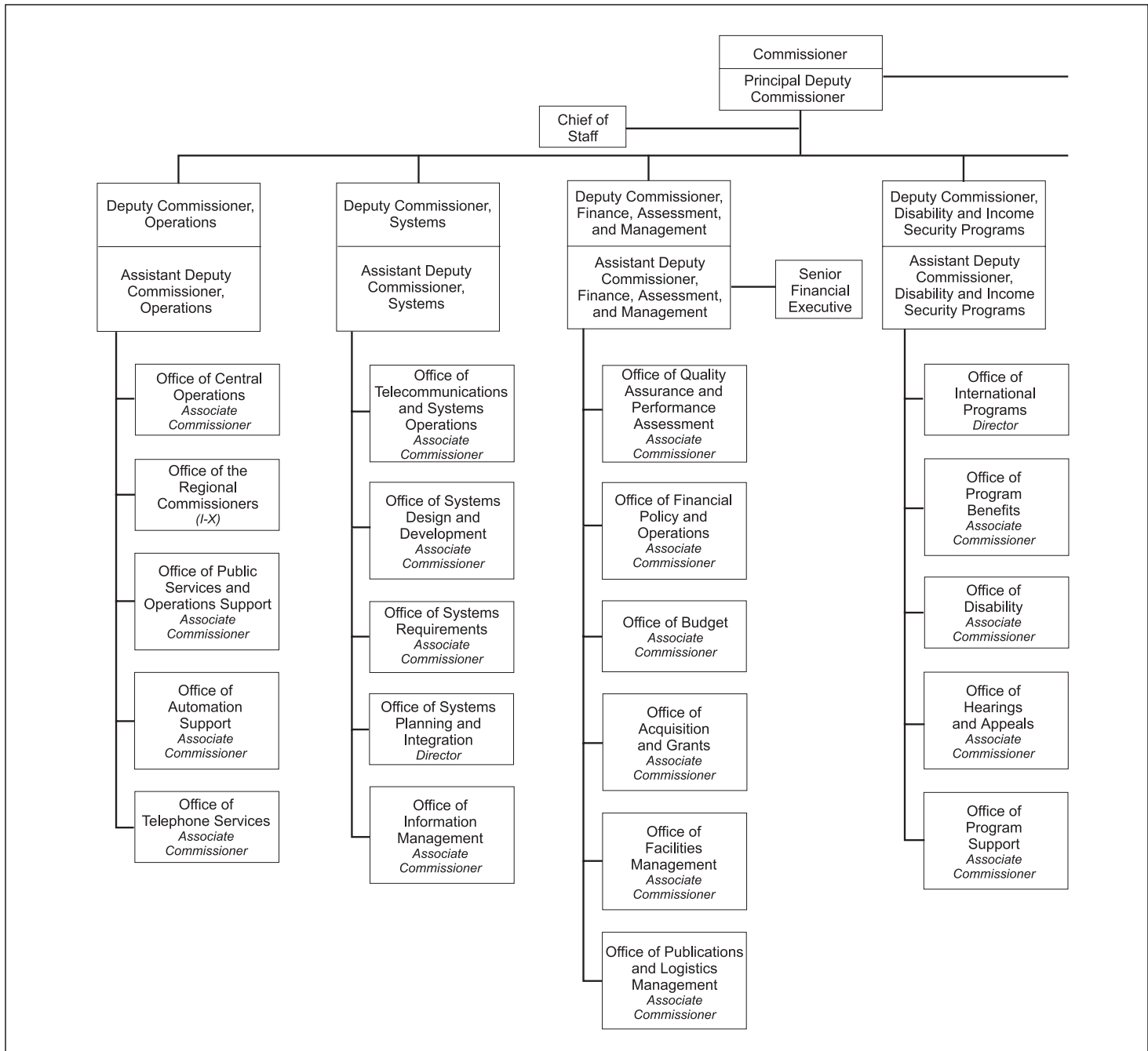
In regard to SSA's response to our specific recommendations, we continue to believe SSA should seek legislative authority to recover larger amounts than the current 10-percent limit from overpaid recipients who chronically fail to report important eligibility information. We believe that providing field staff with the discretion to recover larger amounts from overpaid recipients who regularly fail to report information relevant to their disability or financial status will provide SSA with an additional deterrent against future instances of nonreporting. Statistics also show that SSA collects only about 15 percent of overpaid benefits. For those recipients who leave the rolls because they become employed or die, recovery becomes even less likely. SSA's 1997 write-off of \$562 million in outstanding debt provides a clear example of how overpayments that are carried on SSA's books for many years become extremely difficult to recover. Increasing the 10-percent limit should improve SSA's debt collection efforts by allowing it to more quickly recover a greater portion of overpaid benefits from individuals who abuse program requirements before leaving

the SSI rolls. However, it should be noted that our recommendation is designed to address chronic non-reporting by recipients. For the majority of SSI recipients, we continue to believe that field staff should have the discretion to calculate repayment amounts for overpayments on the basis of an individual's ability to pay, rather than on a specified percentage of his or her monthly benefit payment or a specified dollar amount as determined by law.

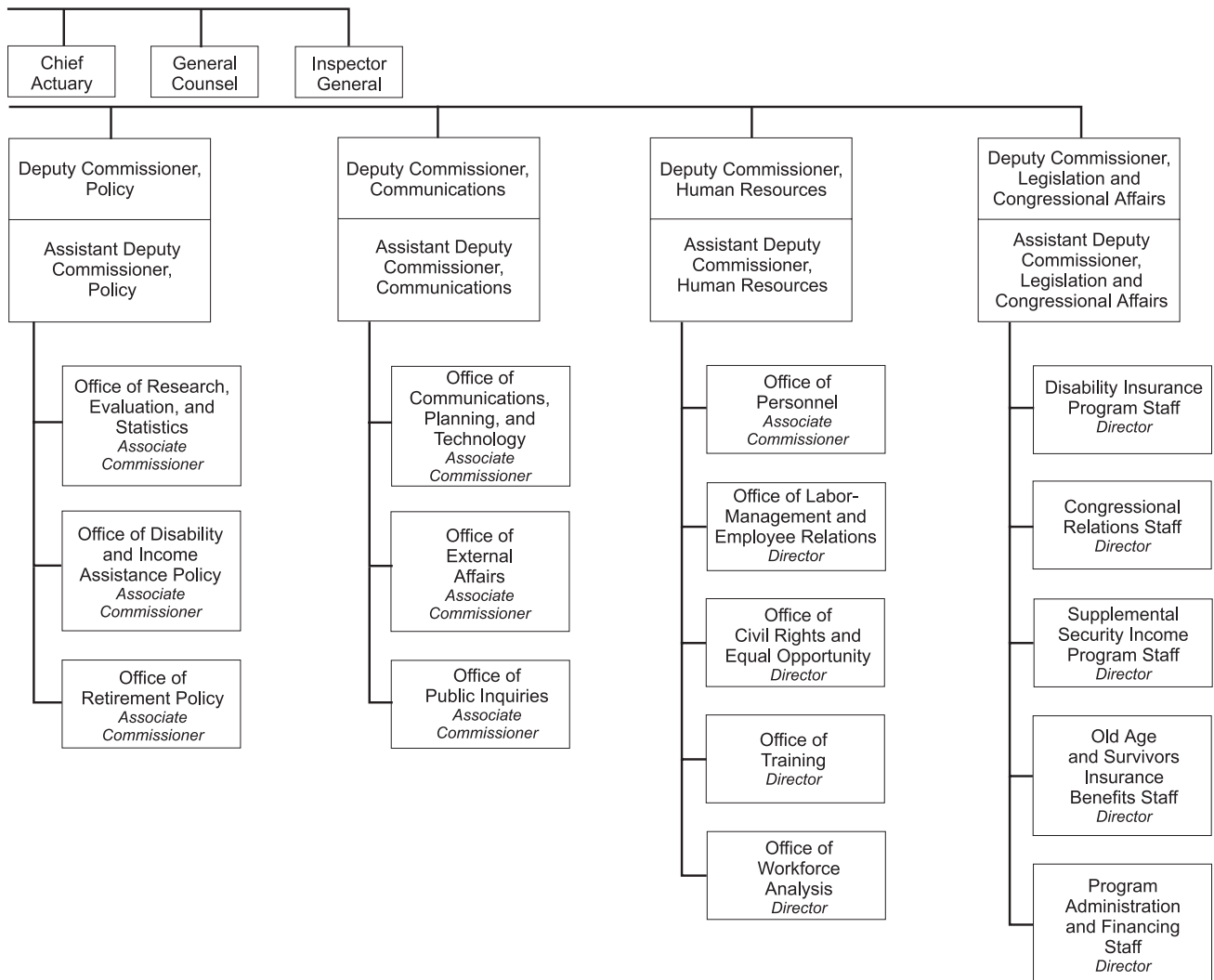
We have similar concerns about SSA's statement that a review of current overpayment penalty policies is unnecessary, despite the infrequent use of penalties and field staff complaints that the process is administratively burdensome. By failing to act on this issue, SSA is forgoing a valuable opportunity to both demonstrate its commitment to deterring future instances of recipient nonreporting and to internally address agency policies that may be ineffective or difficult for staff to implement. In its comments, SSA contends that its current legislative proposal seeking authority to suspend the benefits of individuals who knowingly fail to report important eligibility information renders our recommendation to reassess its penalty process unnecessary. While we do not dispute the value of SSA's proposal, it is unclear whether such authority will ultimately be granted, and we continue to believe that improving SSA's existing penalty process to allow staff to quickly sanction individuals who regularly fail to comply with program reporting requirements will provide SSA with a deterrent against future overpayments. In short, SSA's overpayment penalty process was intended to be an important internal control mechanism that should be fully utilized by the agency. If SSA's legislative proposal is enacted into law, field staff will have another valuable tool, in addition to penalties, to control SSI payments.

Finally, we believe SSA's decision to reevaluate its current field office work-credit and incentive system represents a positive step toward rebalancing SSI program priorities. However, we do not agree with SSA's objection to developing specific performance measures to hold managers accountable for thoroughly verifying recipient information and combatting program fraud and abuse. If properly designed and managed, these measures would provide much-needed incentives to encourage staff to devote more time to program integrity issues while servicing their daily workloads. Such performance measures would also further demonstrate to field staff SSA management's commitment to protecting SSI benefits from being overpaid. The full text of SSA's comments and our response are included in appendix II.

SSA Organizational Chart



Appendix I
SSA Organizational Chart



Source: SSA, 1998.

Comments From the Social Security Administration and Our Evaluation

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



SOCIAL SECURITY

Office of the Commissioner

July 24, 1998

Ms. Cynthia M. Fagnoni
Director, Income Security Issues
U.S. General Accounting Office
Washington, D.C. 20548

Dear Ms. Fagnoni:

Enclosed are two copies of the Social Security Administration's (SSA) comments on the U.S. General Accounting Office's (GAO) Draft Report, "Supplemental Security Income: Decisive Action Needed to Address Long-standing Problems Affecting Program Integrity" (GAO/HEHS-98-75) dated June 18, 1998.

The Supplemental Security Income (SSI) program is a vital program that provides a basic level of income support to approximately 6.5 million of this country's most vulnerable population: aged, blind, and disabled individuals who have very limited income and resources. As with any means-tested program that is designed to respond to the changing circumstances of people's lives, there are complexities within the SSI program that present administrative challenges. Over the years, legislation and court decisions have increased that complexity. Even so, SSA has always aimed to administer the SSI program in a way that protects the rights of the individuals it serves, while protecting the interests of the general public whose taxes support the program.

While we agree with your finding that the SSI program faces significant challenges, we are disappointed that the report inadequately reflects the major administrative initiatives SSA has underway to strengthen the integrity of the SSI program. These initiatives, which have been well documented, clearly demonstrate SSA management commitment to take the actions necessary to deal with program integrity issues. SSA is currently developing a comprehensive report on these and other activities that addresses the vulnerabilities identified in GAO's prior report and your current draft report.

In addition, we have already submitted a legislative proposal to Congress, entitled the *Supplemental Security Income Program Integrity Act of 1998*, which responds to most of the legislative recommendations in your report. The proposal includes provisions that would: (1) permit the use of computer exchange information to reduce benefits promptly when admissions to medical facilities occur; (2) facilitate on-line access to financial account information; (3) facilitate the sharing of data with States for

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

Appendix II
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purposes of eligibility verification; (4) accelerate reports of death data from States; (5) mandate State reporting of prisoners receiving SSI; and (6) provide SSA with additional authorities for use in recovering SSI debt. We believe that, if enacted, these proposals will provide us with stronger tools to help fulfill our stewardship role.

Finally, contrary to the impression some readers might derive from your draft report, the Agency has made management of the SSI program a high priority. Our intention is to fulfill SSA's commitment of providing strong leadership for the SSI program into the 21st century.

SSA will continue working with GAO as we strive to meet what we perceive as our mutual interest in ensuring that the: (1) SSI program is administered as efficiently as possible; (2) future of the program is directed by vigorous program leadership; and 3) needs of the program's highly vulnerable populations of financially-limited, aged individuals and severely disabled children and adults, are carefully reflected in program rules and administration.

Our specific responses to your recommendations and further elaborations on some of the points in this letter may be found in the enclosure.

Sincerely,



Kenneth S. Apfel
Commissioner
of Social Security

Enclosure

Appendix II
Comments From the Social Security
Administration and Our Evaluation

COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION (SSA) ON THE GENERAL ACCOUNTING
OFFICE (GAO) DRAFT REPORT, "SUPPLEMENTAL SECURITY INCOME: DECISIVE ACTION
NEEDED TO ADDRESS LONGSTANDING PROBLEMS AFFECTING PROGRAM INTEGRITY"
(GAO/HEHS-98-158)

Thank you for the opportunity to comment on this draft report and its content. While we appreciate GAO's time and effort in conducting this review, we are unable to concur with all of the report's criticisms and recommendations.

Our general comments on the report and specific comments on its recommendations follow.

GENERAL COMMENTS

We disagree with your conclusion that we have placed a greater priority on processing and paying claims than on controlling program expenditures. The draft report fails to acknowledge that SSA has taken actions to both (1) make timely eligibility determinations and pay timely benefits and (2) exercise appropriate control over Supplemental Security Income (SSI) program expenditures.

SSI applicants are among the poorest and most vulnerable persons in the country. While SSA must be responsive to these individuals, we also are cognizant of our fiduciary responsibilities to the American taxpayer to ensure that ongoing benefit payments are both timely and accurate. SSA believes that ensuring the accuracy of ongoing payments is a major priority.

The Draft Report's Assertion that Inattention to Verifying Recipients' Initial and Continuing SSI Eligibility Has Affected Program Integrity

The report does not credit the Agency for the actions it has taken in the past several years to control overpayments. GAO has not cited the many examples of SSA initiatives or actions the Agency has taken, or will take, to improve program management. These include significantly increasing the Inspector General's investigative resources, increasing the number of computer matches for wages and nursing home admissions, and establishing a plan to perform a marked increase in continuing disability reviews (CDR). We also are concerned that in this report GAO assumes credit for SSA-sponsored initiatives. Specifically, on page 26, the report states that the Agency pursued matches with the Office of Child Support Enforcement's (OCSE) database "in accordance with recommendations" from GAO. In fact, SSA's efforts to improve its enforcement activities by accessing the OCSE database began before, and independent of, the GAO recommendations. Moreover, SSA, under agreement with OCSE, established and currently maintains the databases for OCSE.

In the area of overpayment prevention, GAO suggests that SSA, in addition to pursuing a new computer match with the Health Care Financing Administration (HCFA) for nursing home admissions data, should have pursued, in the interim, matches with all State Medicaid agencies. This suggestion implies that the State data would have been available prior to the 1998 effective date of the HCFA match and that SSA could have secured such State matches with minimal resource output. As SSA previously reported to GAO, securing separate agreements with each State would have required significant resource expenditures and would have produced available data no earlier than SSA's more efficient approach of pursuing the data from the single HCFA source.

See comment 1.

See comment 2.

Now on p. 23.

See comment 3.

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Comments From the Social Security
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With respect to continuing disability reviews (CDRs), both SSA and GAO agree that SSA has a most important fiduciary responsibility of ensuring that only those who continue to be disabled remain eligible for payments. With the funding specifically appropriated for these most important reviews, SSA has developed a plan for conducting CDRs that will eliminate overdue SSI CDRs by fiscal year (FY) 2002. We understand that GAO's preliminary assessment is supportive of our plan and we await the draft report on this subject.

The Draft Report's Assertion that SSI Overpayment Recoveries Have Received Inadequate Agency Attention

SSA is developing a comprehensive plan that attacks the growth of outstanding overpayment debt, and we disagree with the characterization that the SSI program environment produces overpayments due to chronic and willful nonreporting by recipients. We believe it is a disservice to the vast majority of people receiving and depending on SSI payments to cast them in such a light. The SSI program is a complex program, which bases eligibility and payment amounts on factors that can change from month to month. For example, fluctuations in monthly wages can produce different monthly payment amounts. A single parent who works and cares for a severely disabled child and whose wages vary due to an additional payday in a month or sporadic overtime typically does not deliberately misreport.

This section of the report creates an impression that the level of outstanding overpayments is a function of SSA's failure to aggressively pursue debt collection. It contains no discussion of the fact that these are overpayments owed by poor people who often lack the resources to repay them. Nor does the report refer to the Administration's bill, submitted to the Congress on May 4, 1998, which would strengthen our authority to prevent, detect and recover SSI debt.

Moreover, the draft report fails to point out that the Congress has repeatedly chosen to preclude SSA's use of certain tools to recover debt from former SSI recipients. When Congress passed the Debt Collection Act of 1982, it specifically excluded SSA from use of general administrative offset, collection agencies, credit bureaus, interest charging and Federal salary offset. Again in 1994, when Congress passed the Domestic Employment Reform Act and granted SSA the authority to use general administrative offset, credit bureaus, and collection agencies, it granted those authorities only for debts arising under title II of the Social Security Act, thereby excluding SSI. And, most recently, the Debt Collection Improvement Act of 1996 (DCIA) granted SSA the authority to use interest charging and Federal salary offset only for title II debts. It also should be noted that Administration drafts of DCIA included provisions providing these authorities for recovery of title XVI debts.

The Draft Report's Assertion that the Program Remains Vulnerable to Fraud and Abuse

GAO fails to describe the steps taken by SSA to solve persistent problems or which demonstrate program leadership in the fight against fraud and abuse. SSA has established zero tolerance for fraud as one of its five major goals in the strategic plan.

See comment 4.

See comment 5.

SSA and its Inspector General have entered into a partnership to develop a comprehensive anti-fraud plan, which we call "Zero Tolerance for Fraud." The plan has three goals: (1) to change programs, systems, and operations to reduce instances of fraud; (2) to eliminate wasteful practices that erode public confidence in SSA; and (3) to prosecute vigorously, individuals or groups who challenge the integrity of SSA's programs. These activities fall generally under the categories of fraud prevention and detection, referral and investigation, and enforcement. We have testified before Congress with regard to these activities and a discussion of them should have appeared more prominently in the draft GAO report rather than being discounted by discussion of skepticism by some employees. The issues being dealt with are complex and it is natural for some to be skeptical. However, the Agency is resolved to deal with these problems and has asked for additional enforcement authority in the bill SSA sent to the Congress in May, the *Supplemental Security Income Program Integrity Act of 1998*.

To facilitate the implementation of the plan and otherwise ensure the stewardship of the program, SSA has significantly increased the investigative resources of the Office of the Inspector General (OIG). The OIG is charged with protecting the integrity of SSA's programs, as well as promoting their economy, efficiency and effectiveness. The OIG uses a combination of audits, investigations and inspections to detect, prevent and prosecute fraud, waste and abuse in SSA's programs and operations.

SSA will not tolerate fraud, but it recognizes that attempts will be made to defraud the program. For example, the draft report cites one of the schemes SSA uncovered which involved middlemen who represented themselves as third parties helping aged, blind, and disabled individuals apply for SSI benefits. What it did not provide was a clear indication that SSA has been successful in reducing the program's vulnerability to this type of fraud through actions like increasing the number of bilingual employees in its field offices.

The Draft Report's Assertion that There is Insufficient Agency Involvement in SSI Policy Development

We agree with GAO that SSA needs to play a greater role in policy development and planning. It should be noted, however, that the Commissioner has shown his commitment to broad-based SSI policy planning by his creation of the Office of Policy.

In addition, SSA's strategic plan contains an objective with respect to the long-term future of the SSI program: to support an SSI program that provides appropriate benefits to the nation's most needy, aged, blind and disabled people and links effectively with other assistance programs. To carry out this objective, the Office of Policy is developing a comprehensive policy development and research agenda aimed at long-term program improvements. Topics for treatment include the demographics of the future SSI population as well as health and disability issues. As we progress on this research and analysis, SSA will not only be better positioned to recommend policy changes that deal with the current SSI population, but also changes that make sense for the projected SSI population of the future.

In the area of returning or placing SSI recipients into the workforce, we agree with the GAO assertion that "SSA has the fiduciary responsibility and is the appropriate Agency to take the lead in ensuring that return-to-work receives much greater emphasis." Also, as GAO noted, "...in its strategic plan, SSA has pledged to pursue the objective of helping people return to work."

We developed a comprehensive employment strategy and submitted it to Congress in the President's FY 1998 Budget. We remain confident that Congress will enact solid return-to-work legislation (based in large part on that strategy) to provide choice and incentives for beneficiaries who want to work and lessen their dependence on the disability benefit rolls. We take seriously our role in exerting leadership in this important part of the SSI program. However, we must reiterate our prior statements that SSA is one player among many in the Federal/State/local structure of programs for people with disabilities. We also look forward to the leadership opportunity presented to the entire Federal Government by the recent signing of an Executive Order on Employment of People with Disabilities, and the naming of a Federal Task Force in support of that Executive Order. As a member of the Task Force, we are currently conducting a wide-ranging policy analysis to determine approaches to broaden the scope of our employment strategy.

RESPONSES TO SPECIFIC GAO RECOMMENDATIONS

GAO Recommendation

Enhance SSA's ability to verify applicant and recipient reported eligibility information and deter overpayments by accelerating efforts to identify more timely and complete sources for verifying SSI financial eligibility information.

SSA Comment

We agree. SSA already depends heavily on verification and documentation as evidenced by extensive sets of detailed program development instructions, and refined, ongoing redetermination and matching processes.

SSA is aggressively pursuing a series of actions to improve payment accuracy on three fronts: prevention, detection, and collection. These actions include improvements in computer matching, online access to data, internal instructions and training, targeting reviews of nonmedical factors of eligibility, debt collection actions, systems enhancements, and legislative proposals to obtain authorities to access financial information.

GAO Recommendation

Sustain efforts to obtain and implement additional SSI overpayment deterrence and debt collection tools commonly available to other means-tested programs. These include such actions as using credit bureau reporting, collection agencies, intercepts of other state and federal benefit payments, and interest levies to recover more SSI debt.

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SSA Comment

We agree that the above mentioned debt collection tools will assist SSA in collecting overpayments. As mentioned earlier, SSA has already submitted a bill to the Congress that includes a provision authorizing SSA to use these additional debt collection authorities to recover SSI overpayments.

GAO Recommendation

For recipients who chronically and willfully abuse SSI reporting requirements, seek legislative authority to withhold higher amounts than the current 10 percent maximum limit.

SSA Comment

To address willful abuse, SSA is already pursuing a legislative proposal to authorize the imposition of a period of ineligibility for individuals who provide false information or withhold information they know or should have known would affect their benefits. Moreover, since the average SSI overpayment is about \$870 and can easily be recovered from current SSI recipients in fewer than 2 or 3 years, authority to withhold higher amounts of benefits is unnecessary.

GAO Recommendation

Reassess current policies on imposing penalties for recipient non-reporting of important eligibility information. This may include examining whether current penalty usage is sufficient to deter recipient non-reporting and removing any external or Agency created obstacles to their use.

SSA Comment

As indicated above, SSA has developed a proposal for "administrative sanctions," and is already pursuing legislative authority. We believe that focusing on those who intentionally attempt to withhold information (as opposed to those who unintentionally fail to report) is a wiser approach.

GAO Recommendation

Reevaluate SSA's field office work credit and incentive structure at all levels of the Agency and make appropriate revisions to encourage better verification of recipient information and greater staff attention to fraud prevention and detection. For improved accountability, line staff and middle management expectations, as well as senior executive contracts should include specific requirements and performance measures in this area.

SSA Comment

We agree in general. SSA has initiated a review (which we expect to complete in mid-1999) of our existing work measurement system with a specific focus on what work is counted and how time values are assigned to the units of work. This is a major undertaking that will highlight the data that line managers need to perform management functions, including the allocation of resources. The outcome of this effort will be the preparation of requirements for a new

See comment 6.

See comment 7.

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system. Implementation of the system will follow and will be subject to the availability of resources for system design and development.

SSA management is assessing the most effective means to communicate to SSA employees the importance of payment accuracy and fraud prevention and detection activities; however we cannot agree with the recommendation to include, "specific requirements and performance measures" into managers' performance plans. Specific performance measures related to collections and fraud activities could be misperceived both within and outside the organization.

GAO Recommendation

Better utilize SSA's policy development component to address SSI program policies that, for many years, have placed the program at risk of fraud, waste, and mis-management. This would include, but not be limited to the development and advancement of legislative proposals aimed at simplifying complex SSI living arrangement and in-kind support and maintenance policies and continuing its sponsorship of legislation restricting the transfer of valuable assets and resources to qualify for SSI benefits.

SSA Comment

Included in the bill SSA submitted to the Congress in May were proposals regarding the establishment of trusts by SSI recipients and disposal of assets in order to establish eligibility for SSI. In addition, SSA's newly established Office of Policy will be exploring other options to address issues in this area.

GAO Recommendation

Move forward in developing an SSI focused strategy or plan with clearly defined priorities, goals, and performance measures to gauge SSA's progress in addressing its most significant SSI program challenges. This document should be consistent with the Results Act and include specific initiatives, goals, and performance measures aimed at addressing long-standing SSI program problems and facilitating a change in SSA's organizational culture and management approach to the SSI program.

SSA Comment

SSA is developing a comprehensive plan that contains action-based steps to enhance the overall management of the SSI program.

As previously mentioned, SSA's strategic plan contains a significant objective with respect to the long-term future of the SSI program: to support an SSI program that provides appropriate benefits to the nation's most needy, aged, blind and disabled people and links effectively with other assistance programs. In addition, SSA's Strategic Plan set targets for reducing SSI overpayment rates and increasing Agency debt collections.

See comment 8.

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OTHER COMMENTS

We have additional comments on the following specific items in the report:

The first paragraph on page 3 (repeated on page 13 and again on page 27) states that in FY 1997 SSA had more than \$2.6 billion in overpayments including debt detections of more than \$1 billion. The beginning balance owed in FY 1997 was \$1.6 billion and the ending balance was \$1.7 billion. At no time during the fiscal year did the balance exceed \$1.9 billion. It appears that GAO calculated the \$2.6 billion by adding debt detections during the year to the opening balance without taking into consideration clearances that were occurring at the same time that detections were taking place. Therefore, while \$2.6 billion is the sum total of the opening balance plus detections during the year, at no time during the year was SSA owed \$2.6 billion.

In that same paragraph GAO correctly states that SSA wrote-off \$562 million in outstanding debt in 1997. However, GAO fails to point out that this included a one-time write-off of debt that was more than 13 years old totaling \$345 million and determined to be not cost-effective to pursue.

Page 29, Unrecovered SSI Debt is Mounting. The second sentence states that FY 1989 outstanding debt was \$792 million and included about \$346 million in newly detected debt. This is incorrect. The opening debt balance in FY 1989 was \$792 million. During that year SSA detected an additional \$346 million and cleared \$284 million, leaving an ending balance of \$855 million.

The paragraph then goes on to compare this to FY 1997 using the \$2.6 billion that represents both the opening balance plus new detections. The description of each year needs to be consistent in order to make any comparison.

This same paragraph continued on page 30 states that waiver decisions are based on Agency policies. While this is true, it is misleading. The policies that govern the waiver of overpayments are based on statutory requirements of the Social Security Act, not discretionary policies.

The last section in that paragraph discusses overpayment activity since 1989. It adds together the amounts that have been written-off since 1989 with the outstanding debt balance owed in 1997. We have already commented on the validity of the value of debt owed in 1997, but this analysis further confuses the issue because the amount written-off in 1997 is contained in both numbers GAO is adding together. The 1997 write-off is part of the total write-off since 1989. The amount of outstanding debt in 1997, as GAO calculates it, also contains the 1997 write-off.

On page 40 is another example of a statement that while factual on its face creates a false impression. The second paragraph on that page criticizes SSA for aggregating its collection performance goal by combining title II and title XVI. GAO's concern is that this can mask worsening performance in the SSI program. The truth is that SSA met the goal in both programs. Title XVI collections increased 21 percent over collections in 1996.

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See comment 12.

Now on p. 30.

Page 31, Regarding Transfer of Assets--The sentence--"Although these transfers are not prohibited under current law, using them to qualify for SSI benefits has become an abusive practice that raises serious questions about SSA's ability to protect taxpayer dollars from waste and abuse." SSA has addressed this concern by submitting a legislative proposal in the draft bill that was sent to Congress on May 4, 1998, the *Supplemental Security Income Integrity Act of 1998*, which would address the issue of transfer of resources. Also, a similar proposal was included in an Administration bill that was submitted to the Congress in 1996. The report fails to mention these facts.

Now on p. 35.

Page 36--Disabled Children--We disagree with the statements on this page, that SSA did not share with the Congress information about the growth in the SSI childhood disability workloads, the number of disabled children on the SSI rolls and the impact of legislation and court decisions on program changes, including the types of impairments qualifying for benefits. Congress has been kept informed, not only through congressional hearings, but also in written communications to congressional committees and periodically published statistical summaries of program trends.

The following are GAO's comments on the Social Security Administration's letter dated July 24, 1998.

GAO Comments

1. SSA disagreed with our conclusion that it has historically emphasized processing and paying SSI claims over controlling program expenditures. SSA was also concerned that we did not accurately recognize initiatives it has taken to address SSI program integrity issues. In regard to SSA's first point, we believe that the evidence presented in this report supports our conclusion. Our review involved an extensive analysis of 200 internal and external studies of the SSI program dating back to its inception, more than 100 interviews of staff and managers at all levels of the agency, and an assessment of performance data encompassing nearly a decade of program operations. Throughout this report we have also provided numerous examples of how SSA's historical emphasis on quickly processing and paying SSI claims has led to internal control weaknesses, overpayments to ineligible recipients, and has contributed to a program environment in which operating policies have not adequately protected taxpayer dollars from fraud and abuse. We also disagree with SSA's claim that the draft report does not adequately reflect the initiatives SSA has recently undertaken to address long-standing SSI program vulnerabilities. We believe the report fairly characterizes SSA's initiatives and accurately portrays their implementation status.

2. As noted above, we believe SSA's initiatives to control overpayments have been characterized fairly and accurately in this report. In regard to SSA's efforts to better verify recipients' financial information by accessing the OCSE database, we do not fully agree with SSA's characterization that corrective actions were already under way before we made our recommendations. Our March 1998 report recommended that in addition to SSA's plans to use the OCSE database to recover overpaid SSI benefits, SSA should also develop automated field office interfaces to prevent overpayments by identifying undisclosed earnings at the time of application.²⁶ At the time of our review, SSA had not begun developing these interfaces and did not appear to have any concrete plans to do so. However, on the basis of information received from SSA in July 1998, we have revised our report to note that, in accordance with our recommendation, SSA plans to provide such interfaces by March 1999.

²⁶Supplemental Security Income: Opportunities Exist for Improving Payment Accuracy (GAO/HEHS-98-75, Mar. 27, 1998).

3. The HCFA example was intended to illustrate SSA's historical reluctance to take a more proactive approach to overpayment detection and recoveries. Consistent with our prior recommendation, we continue to believe that SSA should have taken immediate action to pursue interim agreements with state Medicaid agencies to obtain nursing home admissions data. We also continue to believe that SSA's decision to wait for an alternative system when other data sources were already available has likely cost the program a significant amount in overpaid benefits. From the time we made our recommendation on this issue until SSA begins using the HCFA system in November 1998, at least another 18 months will have passed without more timely identification of SSI recipients residing in nursing homes. Furthermore, SSA plans only semiannual matches with the data, rather than monthly matches as we recommended. This will permit overpayments to routinely accrue and go undetected for a significant amount of time.

4. In chapter 1 of this report we emphasize that SSI is a complex program that has changed significantly over time. We also acknowledge the administrative difficulties SSA faces in determining eligibility and payment amounts for recipients whose financial circumstances change frequently. However, our audit work and SSA's own quality reviews show that recipient nonreporting of essential eligibility information remains a significant and costly program vulnerability. Thus, it is essential that more effective financial eligibility procedures be established and overpayment recoveries receive enhanced attention. The fact that SSA says it is now developing a "comprehensive plan that attacks the growth in outstanding overpayment debt" appears to support our conclusion that additional focus is needed in this area. Finally, we are aware that current laws preclude SSA from using more aggressive debt collection tools, such as credit bureaus, interest levies, and federal salary offsets to recover overpaid SSI benefits. However, our point in this report is that, consistent with SSA's reactive approach to managing the SSI program, the agency did not take a leadership role in prior years to develop and sponsor legislative changes that would have provided SSA with additional recovery tools. In fact, it was only after a number of GAO briefings over the last year, and a recent testimony in which we noted SSA's continued reluctance to pursue more aggressive debt collection tools, that SSA recently submitted a legislative proposal requesting additional recovery authorities.

5. In our report's section on the SSI program's vulnerability to fraud and abuse, we note that since becoming an independent agency, SSA has begun to take more decisive action to address fraud and abuse in the SSI program.

We also acknowledge the substantial increase in OIG investigative resources and the numerous agency initiatives designed to combat program fraud and abuse. However, many of the initiatives were barely under way at the time of our review and it was too early to determine their impacts. Our audit work and SSA's own recent studies did find that many years of inadequate attention to program integrity issues has fostered a strong skepticism among both headquarters and field staff that fraud prevention is an agency priority. Overcoming this perception remains a significant challenge for SSA.

6. SSA's comments note that its recent legislative proposal requesting authority to suspend recipients who fail to report eligibility information negates our recommendation that SSA should seek authority to recover greater amounts than the current 10-percent limit from individuals who chronically abuse program reporting requirements. While we do not dispute the potential value of SSA's legislative proposal, we believe that obtaining authority to withhold higher amounts would give field staff an additional means for deterring recipient nonreporting. Currently, staff do not have this discretion, regardless of the number of times an individual fails to comply with program reporting requirements. During our review, the 10-percent limit was also noted by SSA management as a barrier to increased collections. Thus, in some cases, increasing the limit would likely improve SSA's recovery efforts by allowing it to more quickly recover overpayments before recipients leave the SSI rolls because they have become employed or died and recovery from the individual or his or her survivors becomes less likely.

7. We disagree with SSA's view that a reassessment of current policies on imposing penalties for recipient nonreporting is unnecessary. SSA's own quality reviews show that, on average, 77 percent of all overpayments are attributable to recipient noncompliance with reporting requirements. SSA has also reported in prior years that penalties are rarely used, even for individuals with a history of failing to comply with reporting requirements. Given the infrequent use of penalties documented during our review and staff complaints that penalties are administratively burdensome to levy and too low to deter future nonreporting, we believe a review is necessary.

8. We do not agree with SSA's objection to developing specific requirements and performance measures to hold managers accountable for better verifying recipient eligibility information and combatting fraud and abuse. If properly designed and managed, these measures would provide much needed incentives to encourage staff to devote more time to

program integrity issues while servicing their daily workloads. Such performance measures would also further demonstrate to field staff SSA management's commitment to protecting SSI benefits from being overpaid.

9. SSA's data show that outstanding SSI debt carried over from previous years was about \$1.6 billion at the start of fiscal year 1997. New overpayment detections during the course of the year totaled about \$1 billion dollars. In response to SSA's comments, we have revised the report to more accurately reflect that outstanding debt and new detections totaled \$2.6 billion in 1997. Our report also notes that, during that year, SSA actually collected about \$437 million in overpayments owed the agency.

10. Between fiscal years 1989 and 1997, SSA wrote off about \$1.8 billion in overpaid benefits, including \$562 million in 1997 alone. In response to SSA's comments, we have noted that the 1997 write-off included debt that SSA has carried on its books for many years and deemed not cost-effective to pursue. In response to SSA's technical comments, we have also revised the report to more accurately reflect the total amount of unrecovered SSI overpayments experienced since fiscal year 1989.

11. As noted in our report, annual SSI overpayment collections have increased steadily. However, the amount of outstanding SSI debt owed the agency has consistently outpaced its collection efforts. Thus, we continue to believe that specific performance measures for the SSI program should be developed and included in SSA's programmatic plans for the purpose of monitoring SSA's progress in addressing critical areas of vulnerability. At present, adequate measures are not included in SSA's plans, and by aggregating collection goals across all of its programs, SSA may lack the necessary management information to target future resources to problem areas in the SSI program. In addition, aggregated performance data may also make it difficult for oversight entities such as SSA's OIG and GAO to assess SSA's progress in addressing its most significant SSI program vulnerabilities.

12. On the basis of a review of SSA's May 1998 legislative proposal—the Supplemental Security Income Integrity Act of 1998—we have incorporated into the body of this report SSA's recent efforts to restrict asset transfers. Despite our requests to SSA, we have been provided no evidence to document the 1996 formal legislative proposal SSA refers to in its comments.

GAO Contacts and Staff Acknowledgments

GAO Contacts

Roland H. Miller III, Project Manager, (202) 512-7246
Dan Bertoni, Deputy Project Manager, (202) 512-5988

Staff Acknowledgments

In addition to those named above, the following individuals made important contributions to this report: Nancy Cosentino, Deputy Project Manager; Jeremy Cox, Senior Evaluator; James P. Wright, Assistant Director (Study Design and Analysis); and Jill Yost, Evaluator.

Related GAO Products

Supplemental Security Income: SSA Needs a Uniform Standard for Assessing Childhood Disability ([GAO/HEHS-98-123](#), May 6, 1998).

Supplemental Security Income: Opportunities Exist for Improving Payment Accuracy ([GAO/HEHS-98-75](#), Mar. 27, 1998).

SSA's Management Challenges: Strong Leadership Needed to Turn Plans Into Timely, Meaningful Action ([GAO/T-HEHS-98-113](#), Mar. 12, 1998).

Supplemental Security Income: Timely Data Could Prevent Millions in Overpayments to Nursing Home Residents ([GAO/HEHS-97-62](#), June 3, 1997).

High Risk Program: Information on Selected High-Risk Areas ([GAO/HR-97-30](#), May 16, 1997).

Supplemental Security Income: Long-Standing Problems Put Program at Risk for Fraud, Waste, and Abuse ([GAO/T-HEHS-97-88](#), Mar. 4, 1997).

High Risk Series: An Overview ([GAO/HR-97-1](#), Feb. 1997).

High Risk Series: Quick Reference Guide ([GAO/HR-97-2](#), Feb. 1997).

Supplemental Security Income: SSA Is Taking Steps to Review Recipients' Disability Status ([GAO/HEHS-97-17](#), Oct. 30, 1996).

Supplemental Security Income: SSA Efforts Fall Short in Correcting Erroneous Payments to Prisoners ([GAO/HEHS-96-152](#), Aug. 30, 1996).

Supplemental Security Income: Administrative and Program Savings Possible by Directly Accessing State Data ([GAO/HEHS-96-163](#), Aug. 29, 1996).

Supplemental Security Income: Some Recipients Transfer Valuable Resources to Qualify for Benefits ([GAO/HEHS-96-79](#), Apr. 30, 1996).

Supplemental Security Income: Disability Program Vulnerable to Applicant Fraud When Middlemen Are Used ([GAO/HEHS-95-116](#), Aug. 31, 1995).

Social Security Administration: Leadership Challenges Accompany Transition to an Independent Agency ([GAO/HEHS-95-59](#), Feb. 15, 1995).

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