

Office of the Inspector General

Fiscal Year 1999 Annual Audit Plan



October 1998



Office of the Inspector General

Social Security Administration

Fiscal Year 1999 Annual Audit Plan

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Office of the *Inspector General*

The Office of the Inspector General (OIG), authorized by the Inspector General (IG) Act and the Social Security Independence and Program Improvements Act of 1994, created the independent audit and investigative units.

OIG Mission

We improve the Social Security Administration's (SSA)¹ programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.

OIG Authority

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.
- Promote economy, effectiveness, and efficiency within the agency.
- Prevent and detect fraud, waste, and abuse in agency programs and operations.

¹ Throughout the Annual Audit Plan, the Social Security Administration will be referred to as SSA.

OIG Mission

OIG Authority

FY 1999 Staffing and Budget

OIG Authority (cont.)

- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

To ensure objectivity, the IG Act empowers the OIG with:

- Independence to determine what reviews to perform.
- Access to all information necessary for the reviews.
- Authority to publish findings and recommendations based on the reviews.

FY 1999 SSA/OIG Staffing and Budget

- **Total Staff:** 433 (Includes the Office of Audit, Office of Investigations, Council for the Inspector General, and the Office of Management Services)
- **Administrative Budget:**
\$56 Million

Office of Audit

Types of Studies

Financial Statement Audits
Financial Related audits
Economy and Efficiency
Audits/Evaluations
Program Audits/Evaluations
Development of Annual Audit
Plan

OA Issue Areas

Disability -- Supplemental
Security
Income/Disability Insurance
Disability Determination Services

—

Service Operations
Earnings
Enumeration
Financial Management
General Management
Office of Hearings and Appeals
Payment Accuracy Task Force
Performance Monitoring
Retirement and Survivors

Insurance
SSA Operations – Service Delivery
Supplemental Security Income –
Nondisability
Systems

As one component of the OIG, the Office of Audit (OA) conducts comprehensive audits and evaluations of SSA's programs and operations. Audits determine if the objectives of SSA's programs are being achieved and identify which programs or activities need to be performed more efficiently.

OA also conducts short-term management and program evaluations focusing on issues of concern to SSA, the Congress, and the public. These evaluations provide timely, useful, and reliable information and advice to decision-makers. Their findings and recommendations generate rapid, accurate, and up-to-date information on the efficiency, vulnerability, and effectiveness of SSA programs. The evaluations result in improvements in programs' efficiency and effectiveness, the quality of service provided to clients, and the laws and regulations governing the programs.

Types of Studies

Financial statement audits provide reasonable assurance about whether the financial statements of an audited entity present fairly the financial position, results of operations, and cash

flows in conformity with generally accepted accounting principles; and whether the entity has complied with laws and regulations that may have a material effect on the financial statements.

Financial related audits determine whether financial information is presented in accordance with established or stated criteria, the entity has adhered to specific financial compliance requirements, or the entity's internal control structure over financial reporting and/or safeguarding assets is suitably designed and implemented to achieve control objectives.

Economy and efficiency audits/evaluations determine whether the entity is acquiring, protecting, and using its resources economically and efficiently, the causes of inefficiencies, and whether the entity has complied with laws and regulations on matters of economy and efficiency.

Program audits/evaluations determine the extent to which the desired results or benefits established by the legislature or other authorizing body are being achieved, the effectiveness of organizations, programs, activities, or functions, and whether the entity has complied with significant laws and regulations applicable to the program.

Development of Annual Audit Plan

Our annual Audit Plan identifies trends, vulnerabilities, and special problems within SSA's programs and operations. Preparation includes prioritizing reviews focused on SSA's programs and activities most vulnerable to fraud and abuse. Taken into consideration are such factors as: 1) audit and review requirements established by law; 2) statutory and regulatory requirements; 3) current and potential dollars magnitude; 4) adequacy of internal control systems; 5) newness, changed conditions, or sensitivity of the program; 6) extent of Federal participation in terms of resources or regulatory authority; 7) management needs to be met; prior audits, investigations, and inspections; 8) timeliness, reliability, and scope of audits or evaluations performed by others and 9) Congressional requests.

We also obtain ideas and suggestions from a wide variety of sources, e.g.,

- Prior audits and inspections by OIG, the General Accounting Office, and Certified Public Accounting firms
- Legislatively mandated audits
- Office of Management and Budget (OMB) requests and initiatives
- Discussions/meetings with SSA management and staff
- Congressional inquiries and hearings
- Results of Federal Managers' Financial Integrity Act (FMFIA) reviews
- Press and media coverage
- Beneficiary inquiries.

We solicited suggestions from SSA's Deputy Commissioners to ensure that

our Audit Plan provides appropriate coverage to all areas vulnerable to fraud and abuse, or which would assist SSA in achieving its key service delivery goals. We received many important and relevant suggestions for inclusion in our Plan. Many of those suggestions have been incorporated into this document as planned audits/evaluations, and those not included at this time will be addressed as we add staff and as scheduling permits.

The Audit Plan is a fundamental tool for communicating our audit priorities to SSA, Congress, OMB, and other interested parties. Many of the activities described in the Audit Plan address the five fundamental goals related to SSA's mission to administer the Social Security programs effectively and efficiently.

OA Issue Areas

The OA focuses on issue areas organized around SSA's core business activities and five major goals. Additional issue areas include financial management, general management, systems, and payment accuracy. (See Appendices A - M for 1999 planned OA audits and evaluations.)

Disability -- Supplemental Security Income/Disability Insurance (SSI/DI)

The Disability Insurance (DI) program was established in 1956 under the Retirement, Survivors and Disability Insurance provisions of the Social Security Act. The program is designed to provide benefits to wage earners and their families in the event the family wage earner becomes disabled. In 1972, the Congress enacted the Supplemental Security Income (SSI) program (Public Law 92-603), providing income to financially needy individuals who are aged, blind or disabled. In 1997, SSA paid about \$41.4 billion in DI benefits to about six million disabled workers and their dependents. Under the SSI program, SSA paid about five million blind and disabled recipients approximately \$29 billion in SSI payments.

For this issue area, reviews will focus on vocational rehabilitation; presumptive eligibility; return-to-work pro-grams; and the continuing disability review process (see Appendix A).

Disability Determination Services (DDS)-- Service Operations

Disability determinations under SSA's Disability Insurance and Supplemental Security Income programs are performed by each State's Disability

Determination Services (DDS) in accordance with Federal regulations. DDSs determine if claimants' disabilities meet eligibility guidelines and ensure there is adequate supporting documentation. To assist in making proper disability deter-minations, DDSs

are authorized to purchase medical examinations, x-rays, and laboratory tests on a consultative basis to supplement evidence obtained from the claimants' physicians or other treating sources. SSA pays DDSs for 100 percent of allowable expenditures. During FY 1997, DDSs spent approximately \$2.3 billion to process 3.8 million disability claims.

For this issue area, OA reviews will focus on DDS service operations, including workload management, program integrity, purchased medical services, decisional accuracy, and disability resign (see Appendix B).

Earnings

SSA establishes and maintains a record of an individual's wages and/or self-employment income to determine entitlement to benefits and to calculate benefit payment amounts. Through Calendar Year 1995, SSA maintained over 375.2 million earnings records, containing total wages/self-employment income of \$42.6 trillion. SSA's maintenance workload on these records is expected to increase, due to the Omnibus Budget Reconciliation Act (1989). The Act mandated the issuance, by October 1, 1999, of account statements to everyone age 25 and over who has a Social Security number and who has wages or net earnings from self-employment. Most of the workload will include requests for corrections to earnings records. Our reviews focus on identifying ways to improve SSA's operational efficiency of

the earnings process and how to strengthen controls preventing lost or overposted wage data which could result in incorrect benefit computations and/or fraudulent data manipulation (see Appendix C).

Enumeration

Enumeration is the process by which SSA assigns Social Security numbers (SSN) to identify workers and beneficiaries, issues replacement cards to people with existing numbers, and verifies SSNs for employers and other Government agencies. An SSN is obtained by submitting an application (SS-5) and documentary evidence of age, identity and U.S. citizenship or legal alien status to SSA. While a majority of individuals choose to visit field offices to submit essential documentation in person, requests may be made by telephone. In such instances, the applicants must submit appropriate documentation by mail. In FY 1996, SSA processed 15.9 million requests for new or replacement cards. About 34 percent of all SSN requests were for original SSN cards and 66 percent were for replacement cards. About 3.5 percent of SSA's administrative resources are expended on enumeration activities.

SSA's business approach for improving the enumeration process focuses on increasing its ability to handle requests for SSNs in one contact, reducing the need for people to apply for SSNs in person at local field offices, and improving service for the particular service groups. Key SSA initiatives

which impact enumeration are: combating fraud, electronic service delivery, employment eligibility verification pilot project, improving security of the work environment, improving telephone service, interactive video training, IWS/LAN, policy process redesign, preparing for the Year 2000, and team operating environment (see Appendix D).

Financial Management

SSA must report annually to the Congress on its financial status and other information needed to fairly present the Agency's financial position and results of operations. The vehicle through which SSA meets this reporting requirement is its annual Accountability Report, which consists of an overview of the Agency; the principal financial statements; supplemental financial and management information, e.g., performance measures and Federal Managers' Financial Integrity Act initiatives; and the OIG report on SSA's annual financial statements (see Appendix E).

General Management

The SSA regards its 65,000 employees as one of its most valuable assets. When considered in the context of

streamlining, additional statutory responsibilities, and the increase in workloads, SSA has made a commitment to its employees to help them meet these challenges. In order to provide world-class service, SSA must have a flexible, well-trained workforce that can perform in a technologically advanced and productive environment. These changes require SSA to administer, manage, and support its workforce efficiently as SSA modifies the way it does business. The SSA has adopted a business strategy that will help accomplish these changes and make a strong commitment to the integrity and professional standards of the workforce, enabling them to more effectively deliver services and meet customer needs (see Appendix F).

Office of Hearings and Appeals (OHA)

SSA's Office of Hearings and Appeals (OHA) is responsible for conducting hearings when an applicant for benefits administered by SSA, or an individual already receiving benefits, is determined to be ineligible for those benefits and appeals that decision. Various SSA components and DDSs play a role in determining benefit eligibility for SSA programs. OA planned audits and evaluations demonstrate our commitment to ensuring that claimant and beneficiary appeal cases are processed accurately, efficiently, and are cost-effective.

Specifically, we will examine:
1) processing of appeals by OHA and how this process interacts with other reviews at the DDSs and field offices;

2) controls over administrative costs associated with appeals, such as OHA employee time and attendance, as well as contractor costs; and 3) controls over automated systems that are in place to protect claimant rights and assure that accurate information is posted between OHA systems and other SSA systems (see Appendix G).

Payment Accuracy Task Force

The Payment Accuracy Task Force was created through the cooperative efforts of SSA and the OIG to improve the accuracy of payments for SSA's Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs. To guide and support this initiative, an Associate Commissioner-level Steering Committee was formed. The Committee appointed a multi-disciplinary team, lead by OA, to identify previous SSI earned income-related initiatives, define problems and weaknesses in the process, formulate a cost-benefit analysis, and propose recommendations to improve payment accuracy (see Appendix H).

Performance Monitoring

In recent years, there has been an increasing demand from the Administration, the Congress, and the public for all Federal agencies to measure performance in implementing programs and core business processes. Specifically, the Congress passed and the President signed the Government

Performance and Results Act (GPRA) in August of 1993. This law calls for all Federal agencies to set performance goals, measure performance against these goals, and report publicly on their performance. The requirements of GPRA also call for agencies to develop strategic plans starting in FY 1998 and performance plans starting in FY 1999. Additionally, President Clinton issued Executive Order 12862, "Setting Customer Service Standards," in September 1993. This Executive Order calls for each Federal agency to identify its customers' needs and service expectations, establish service delivery standards, and measure and benchmark results against the "Best in Business."

SSA is implementing these two initiatives. In response to Executive Order 12862, SSA developed a "Customer Service Pledge." The pledge informs customers of the level of service they can expect from SSA. The Agency has also developed a strategic plan and a performance plan in response to GPRA. The strategic plan establishes service objectives and performance measures to gauge how successful SSA is in obtaining its goals. The performance plan has set specific performance goals that the Agency plans on meeting in the next few years (see Appendix I).

Retirement and Survivors Insurance (RSI)

The Retirement and Survivors Insurance program provides monthly

benefits to retired workers and their dependents and to survivors of insured workers. Benefits are paid as a matter of earned right to workers who gain insured status and to their eligible spouses and children. Retirement benefits were provided by the original Social Security Act of 1935.

Amendments to the Act in 1939 provided benefits for dependents and survivors. During FY 1997, SSA paid \$312.9 billion in retirement and survivors benefits to 37.8 million beneficiaries.

OA reviews will focus on program compliance and implementation issues, adequacy and equity of current entitlement criteria, and voluntary reporting of events by beneficiaries that affect their initial eligibility for or continuing entitlement to benefits (see Appendix J).

SSA Operations -- Service Delivery

The Office of Operations provides support to a nationwide delivery network of regional offices, area offices, field offices, teleservice centers (TSC), and program service centers (PSC). SSA's ten regional offices are responsible for implementing the national operation and management plans established for providing Social Security services to the public. The regional offices can issue supplemental regional operating policies and procedures to aid in implementing the various SSA programs through their individual region-wide

networks. In addition to management responsibilities for providing "world class" service delivery, each regional office has oversight responsibility to evaluate individual office performance and effectiveness in accomplishing established program objectives.

Service delivery through SSA's regional network of field offices, PSCs, TSCs and, externally, through authorized third parties and foreign service posts is the cornerstone of all Agency planning activities. However, SSA's ability to service its customers falls under continual attack. SSA has responded by redirecting human and material resources to field offices, emphasizing the use of third parties, and improving existing services; however, even with these recent efforts, criticism continues. It centers on whether SSA's short-term progress toward increasing the timeliness of field office operations and attaining other program measures is at the expense of the quality of the service provided.

OA reviews will focus on the delivery of services to SSA's customers. These include operations management, oversight, and controls over the service delivery process (see Appendix K).

Supplemental Security Income (SSI) -- Nondisability

The SSI program is a cash assistance program funded and administered by the Federal Government from general tax revenues. The law, enacted in 1972,

provides that payments are to be made to financially needy individuals who are aged, blind, or disabled. In FY 1996, SSA paid about 1.5 million aged recipients approximately \$5 billion in SSI benefits.

In 1997, the General Accounting Office (GAO) designated the SSI programs a high-risk area because it has been adversely affected by internal control weaknesses, complex policies and insufficient management attention. SSA's OIG is aware of the difficulties and is working with SSA to address and remedy the vulnerabilities in the SSI program.

Our audits in this area will encompass SSI in general, except for those audits specifically related to SSI disabled beneficiaries (see Appendix L).

challenge is to give the public the service they expect during a period of increasing demands for service without a corresponding increase in staff. To meet this challenge, SSA must increase reliance on automated systems. The sensitivity of the data maintained and the magnitude of funds expended make controls in automated systems critical to the integrity of SSA programs (see Appendix M).

Systems

Automated processing systems are a critical element in SSA's efforts to provide services to its clients. In today's environment, SSA's quality of service directly relates to the quality of its automated processing systems. The SSA is faced with huge increases in operational workloads over the next several years due to the demographic changes in our Nation's population. To meet the future demands, SSA is relying on technological changes. The SSA



Appendix A

Controls Over Impairment-Related Work Expenses

- Issue Team:** Disability (Supplemental Security Income/Disability Insurance)
- Planned Start:** Carry Over
- Objective:** To determine whether SSA has implemented adequate controls to prevent inappropriate reductions in Supplemental Security Income (SSI) countable income due to impairment-related work expenses (IRWE).
- Background:** SSI disability payments are designed to provide a basic level of support for disabled individuals who are unable to perform substantial gainful activity due to their impairments. A number of work incentive provisions have been incorporated into the SSI program. These provisions allow disabled individuals to return to work or to increase their level of work activity without the loss of SSI disability payments or status. The cost of certain impairment-related expenses that a disabled person needs in order to work can be deducted from earnings in determinations of substantial gainful activity even if these items and services are also needed for nonwork activities. IRWE are also excluded from earned income in determining monthly countable income. Countable income is the amount remaining after eliminating from consideration all items that are not income and after applying all appropriate exclusions to the items that are income. Countable income is determined on a calendar month basis. It is the amount actually subtracted from the Federal benefit rate to determine eligibility and to compute the monthly benefit amount.

Controls Over Presumptive Disability Payments

- Issue Team:** Disability (Supplemental Security Income/Disability Insurance)
- Planned Start:** Carry Over
- Objective:** To determine the adequacy of SSA's policies, procedures and management controls over presumptive disability decisions.
- Background:** SSA may pay benefits to, or on behalf of, an individual on the basis of presumptive disability or presumptive blindness before a formal finding of disability or blindness has been made on a Supplemental Security Income claim. The payments may be made for a period of not longer than 6 months. These payments will not be considered overpayments if SSA later finds that the person was not disabled or blind. The finding of presumptive disability or blindness may be made if there is a high degree of probability that the person is disabled or blind. The regulations describe certain impairments which may result in a finding of presumptive disability without medical or other evidence. Field Office claims representatives may make a decision of presumptive disability if the claimant provides sufficient information demonstrating: 1) the alleged impairment is included in the listings contained in the regulations or 2) the medical source confirms that the disease manifestations are of listing-level severity. Also, Disability Determination Services (DDS) personnel have the authority to make a finding of presumptive disability for other impairments if they believe there is a high degree of probability that a favorable decision will be rendered.

Controls Over Recording of Supplemental Security Income Overpayments

- Issue Team:** Disability (Supplemental Security Income/Disability Insurance)
- Planned Start:** Fourth Quarter FY 1999
- Objective:** To determine whether SSA's internal controls are adequate to ensure that all Supplemental Security Income (SSI) overpayments are identified and pursued through collection activities.
- Background:** Collection activities are initiated when an SSI overpayment is recorded on the recipient's Supplemental Security Income Record (SSR). In many cases, the overpayment is recorded at the same time that the recipient becomes ineligible for SSI benefits and those benefits are suspended or terminated. Once a recipient's benefits are terminated, that recipient must reapply to receive benefits again in future periods. If the recipient is considered to be eligible for benefits when s/he reapplies, a new SSR is created and the prior SSR is retained for historical data only. When this occurs, any outstanding overpayments recorded on the prior SSR must be manually carried forward to the new SSR for collection activities to be initiated and for recoveries to be made against the benefits being paid under the new SSR.
- During a prior review, we found three cases where SSA did not adjust benefit payments on an SSR although a prisoner suspension and overpayment had been recorded on a prior SSR. In these cases, the three beneficiaries were receiving full benefits even though their overpayments remained unpaid. These errors occurred because the responsible employee did not manually carry forward the overpayment from the prior record of the recipient and the system will not carry forward prior overpayments automatically.

Identification of Individuals Confined to Mental Institutions Receiving Social Security Benefits

Issue Team: Disability (Supplemental Security Income/Disability Insurance)

Planned Start: Third Quarter FY 1999

Objective: Determine whether SSA is receiving information on Retirement, Survivors, and Disability Insurance (RSDI) and/or Supplemental Security Income (SSI) beneficiaries who are confined in mental institutions.

Background: Section 202(x)(1)(A) of the Social Security Act (the Act) states that no monthly title II benefits shall be paid to any individual for any month during which such individual is confined by court order in an institution at public expense in connection with: 1) a verdict or finding that the individual is guilty but insane, with respect to an offense punishable by imprisonment for more than 1 year; 2) a verdict or finding that the individual is not guilty of such an offense by reason of insanity; 3) a finding that such individual is incompetent to stand trial under an allegation of such an offense; or 4) a similar verdict or finding with respect to such an offense based on similar factors (such as mental disease, a mental defect, or mental incompetence). An individual confined in an institution as described above shall be treated as remaining confined until s/he is released from the institution's care and supervision, and the institution ceases to meet the individual's basic living needs.

Section 1611(e)(1)(A) of the Act states that no person shall be an eligible individual or eligible spouse for title XVI benefits with respect to any month if, throughout such month, s/he is an inmate of a public institution. Effective March 1, 1997, Public Law 104-193 provides for incentive payments to those mental health facilities/institutions who submit to SSA inmate information which results in the suspension of title XVI benefits within a specified time period.

Implementation of the Drug Addiction and Alcoholism Provisions of the Contract with America Advancement Act of 1996

- Issue Team:*** Disability (Supplemental Security Income/Disability Insurance)
- Planned Start:*** Carry Over
- Objective:*** To determine whether SSA properly terminated payments to beneficiaries for whom drug addiction and/or alcoholism (DAA) was a contributing factor material to the finding of disability.
- Background:*** The Contract with America Advancement Act of 1996 (Public Law 104-121) required SSA to conduct medical redeterminations by January 1, 1997 for beneficiaries for whom DAA was a contributing factor material to the finding of disability and who timely appealed their termination based on DAA. Of the 200,000 beneficiaries who were notified by SSA concerning medical redetermination, about 141,000 have had their benefits terminated. Of those notified and redetermined, SSA reported that about 57,000 persons were found to have other disabling impairments and will remain on the rolls. As a result of the implementation of this legislation, no one should be receiving disability benefits if DAA is the primary diagnosis. However, in an audit of SSA's financial statements, auditors found that some individuals listed with DAA as their primary diagnosis code were still receiving benefits. Our review will determine whether these individuals were redetermined and found to have another disabling impairment.

Medical Improvement Review Standard Effect on Continuing Disability Reviews

- Issue Team:*** Disability (Supplemental Security Income/Disability Insurance)
- Planned Start:*** Fourth Quarter FY 1999
- Objective:*** To determine whether the medical improvement review standard (MIRS) creates situations where medically ineligible beneficiaries continue to receive benefits after a continuing disability review (CDR).
- Background:*** Prior to implementation of the MIRS in 1984, SSA would reassess the disability of a beneficiary based on a "de novo" review of the medical condition at the time of a CDR. However, since implementation of the MIRS, SSA has been required only to assess whether there was an improvement in the medical condition when conducting a CDR. In this manner, the continuance of disability is based on the improvement of the medical condition of the beneficiary as compared to the beneficiary's condition during the last medical review. This review is to determine whether there has been any medical improvement in an individual's impairment and, if so, whether it is related to the ability to work. Medical improvement is any decrease in the severity of the impairment present at the most recent favorable medical decision and must be based on improvement in symptoms, signs, and/or laboratory findings associated with the impairment.
- If the impairment has not medically improved, SSA must consider whether one or more exceptions to the MIRS applies. At the time of a CDR, the MIRS (not the definition of disability) is the standard for determining termination of benefits. If there had been no change in the beneficiary's impairment, it will not be possible to show medical improvement when a CDR is conducted. Failure to properly apply MIRS may have resulted in continuance of benefits to individuals whose previous favorable decisions were in error.

Performance Measures: Conducting Continuing Disability Reviews

- Issue Team:*** Disability (Supplemental Security Income/Disability Insurance)
- Planned Start:*** Second Quarter FY 1999
- Objective:*** To assess the accuracy of the SSA's performance measure data for conducting continuing disability reviews (CDR).
- Background:*** The Government Performance Results Act (GPRA) requires Federal agencies to: 1) develop strategic plans which include a mission statement and strategic goals and objectives; 2) develop annual performance plans which include objective, quantifiable, and measurable performance indicators and goals; and 3) prepare yearly reports for Congress and the President that compare actual performance to the goals established in the annual performance plans.

The purpose of the periodic CDR is to determine whether a disabled beneficiary is still medically eligible to receive benefits. Recently, under separate Acts, Congress has mandated that specific CDRs be performed in addition to SSA's ongoing periodic CDR workload. As part of SSA's implementation of GPRA, SSA established the number of CDRs to be performed in a fiscal year as a performance measure. For FY 1997, SSA reported that 690,000 CDRs were conducted and for FYs 1998 and 1999, SSA set goals of CDRs to be performed at 1,245,000 and 1,637,000, respectively.

Performance Measures: Conducting Welfare Reform Childhood Reviews

Issue Team: Disability (Supplemental Security Income/Disability Insurance)

Planned Start: Third Quarter FY 1999

Objective: To assess the accuracy of SSA's performance measure data for conducting Welfare Reform childhood reviews.

Background: In August 1996, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193), also called the Welfare Reform law. Part of this law mandated that medical redeterminations be performed for children with a disability based on individual functional assessments or maladaptive behavior. SSA originally determined that of the one million disabled children in the Supplemental Security Income (SSI) program, approximately 288,000 children with a disability based on an individualized functional assessment and/or maladaptive behavior needed a redetermination under the Welfare Reform law. Under this law, individuals under age 18 are considered disabled if their impairment meets the statutory duration requirement and if they have a medically determinable physical or mental impairment which results in marked and severe functional limitations. This marked and severe functional limitations standard replaced the former comparable severity standard for childhood disability. The law also eliminated the use of individualized functional assessments for children and eliminated reference to maladaptive behavior in the prior personal/behavioral domain in specified listings.

As part of the Porter Commitments, SSA selected certain performance measures and corresponding levels of performance. One of the measures established related to childhood reviews processed as part of Welfare Reform. For Fiscal Year 1997, SSA reported that 229,000 childhood reviews were performed and for FY 1998 that 266,000 childhood reviews will be conducted.

Procedures for Ensuring Medical Listings Are Updated as Needed

- Issue Team:*** Disability (Supplemental Security Income/Disability Insurance)
- Planned Start:*** Carry Over
- Objective:*** To determine whether SSA periodically reviews the medical listings of disabilities as changes in medical technology and treatment occur.
- Background:*** SSA adjudicates claims of disability based on a listing of impairments at Step Three of the disability determination process. If a claimant can establish that s/he suffers from a condition that meets or equals in severity a listed impairment, the disability determination process ends and the claimant is awarded benefits. Because medicine is a dynamic science, the existing regulations anticipate the possibility that listed impairments may become non-disabling as treatment for those impairments changes and improves over time. For this reason, each listed impairment is to be reviewed and, where appropriate, revised in keeping with progress in medical science. Such review is to be performed every 3 to 8 years, depending on the nature of the particular listed impairment. A failure to update the medical criteria can result in persons being found disabled who, because of advances in medical and clinical procedures and treatment, would not be considered disabled if more up-to-date criteria were in place.

Reliability of Diagnosis Codes Contained in the Social Security Administration Data Bases

Issue Team: Disability (Supplemental Security Income/Disability Insurance)

Planned Start: First Quarter FY 1999

Objective: To determine whether diagnosis codes recorded in the Master Beneficiary Record (MBR) and the Supplemental Security Income Record (SSR) are reliable.

Background: The diagnosis code is an integral part of each disabled individual's permanent record. This code is used to indicate the primary disabling condition allowing an individual to receive benefits. This code, along with other fields, is used by SSA for a variety of purposes, such as determining the frequency of a continuing disability review (CDR). For example, a diagnosis of a bad back may be scheduled for a CDR more frequently than a diagnosis of kidney failure. The diagnosis code is also used by SSA managers to identify particular populations who may require additional scrutiny as a result of new legislation. For instance, when Congress decided to end payments to individuals receiving disability payments for drug addiction and/or alcoholism, SSA identified the individuals in this category, in part, through the use of the diagnosis code. As such, the diagnosis codes must be accurate and reliable.

Suspension of Benefits to Fugitives

- Issue Team:*** Disability (Supplemental Security Income/Disability Insurance)
- Planned Start:*** Carry Over
- Objective:*** To determine whether SSA has adequate procedures to identify fugitives receiving Supplemental Security Income (SSI) benefits.
- Background:*** The Social Security Act (the Act) specifically prohibits SSI benefit payments to fugitives. In this regard, section 1611(e)(5) of the Act was amended to prohibit SSI benefit payments for any month during which an individual is: 1) fleeing to avoid prosecution for a crime which is a felony; 2) fleeing to avoid custody or confinement after conviction for a crime which is a felony; or 3) violating a condition of probation or parole imposed under Federal or State law.
- The changes made to the SSI program regarding the suspension of benefits to individuals who flee to avoid prosecution, custody, or confinement after conviction have not been specifically adopted for title II benefits. However, section 202(x)(1) of the Act prohibits the payment of Retirement, Survivors and Disability Insurance (RSDI) benefits to prisoners. Under the RSDI program, SSA considers individuals to continue to be prisoners until they are released from prison. Individuals who escape from prison or fail to appear for sentencing are still considered prisoners and prohibited from receiving RSDI benefits.
- Prior audit work found that computerized fugitive data files exist that are not currently provided to SSA and could be used to suspend payments to RSDI and SSI recipients.

Vocational Rehabilitation Referral Process

- Issue Team:*** Disability (Supplemental Security Income/Disability Insurance)
- Planned Start:*** Fourth Quarter FY 1999
- Objective:*** To assess the referral process used by State agencies to identify disabled beneficiaries who are good candidates for vocational rehabilitation services.
- Background:*** A major objective of the disability program is to help restore disabled individuals to productive activity. Accordingly, all disability claimants are considered for referral to their State Vocational Rehabilitation agency for possible vocational rehabilitation (VR) services. In the interests of efficiency and economy, State Disability Determination Services (DDS) conduct a "gross screening" of disability applicants to identify those individuals who have rehabilitation potential.

Generally, the DDS examiner is responsible for evaluating rehabilitation potential in conjunction with each disability determination. In some States, responsibility for VR screening has been assumed by the State VR agency. In either case, persons who are identified as having rehabilitation potential must be referred for VR services. Guidelines have been developed to screen disability applicants for referral for VR services. The screening criteria provide guidance for increasing quality referrals to VR agencies and for ensuring that all disability applicants with rehabilitation potential are given the opportunity to receive services.



A**ppendix **B

Delayed Receipt of Medical Evidence of Record

Issue Team: Disability Determination Services (Service Operations)

Planned Start: First Quarter FY 1999

Objective: To determine the extent to which delayed receipt of a Medical Evidence of Record (MER) increased Disability Determination Services' (DDS) consultative examination costs and claims processing times.

Background: The DDS is responsible for obtaining and reviewing a MER from a claimant's medical sources to determine if the claimant is disabled. MER includes, but is not limited to, copies of laboratory reports, prescriptions, x-rays, ancillary tests, operative and pathology reports, consultative reports, and other technical information used in assessing the patient's health condition.

According to the SSA Program Operations Manual System (POMS) DI 22505.001B.5., DDSs should make every reasonable effort to obtain a MER from claimants' treating sources. This POMS reference defines every reasonable effort as: 1) making an initial request for MER from the treating source; 2) making a follow-up request any time between 10 and 20 calendar days after the initial request if the MER has not been received; and 3) allowing a minimum of 10 calendar days from the follow-up request for the treating source to respond. If a MER is not received within 10 calendar days from the follow-up request, the DDS can purchase a consultative examination (CE), an expensive and time consuming process.

We plan to determine the extent to which additional CE costs were incurred because a MER was not received timely. We also plan to determine the impact of delayed MER receipt on DDS claims processing times.

Disability Determination Services Use of Sanctioned Physicians

- Issue Team:*** Disability Determination Services (Service Operations)
- Planned Start:*** Carry Over
- Objective:*** To determine if Disability Determination Services (DDS) have procedures in place to prevent sanctioned physicians from being used in SSA's disability programs.
- Background:*** The Cumulative Sanction Report (CSR) and monthly updates are located on the Department of Health and Human Services, Office of Inspector General's World Wide Web site. The CSR contains names of physicians and health care providers whose services have been suspended for improprieties in the field of health care provided by other agencies, such as Medicare and Medicaid.
- Sanctioned physicians are not permitted to perform consultative examinations for the SSA disability programs. Accordingly, DDSs are responsible for accessing the CSR via the World Wide Web on a routine basis and using the CSR information to remove sanctioned physicians from the CE vendor listings.

Duplicate Medical Procedures Purchased by Disability Determination Services

Issue Team: Disability Determination Services (Service Operations)

Planned Start: Third Quarter FY 1999

Objective: To ensure SSA is not incurring excessive consultative examination costs as a result of Disability Determination Services (DDS) purchasing duplicate medical procedures.

Background: Medicare has established nationwide fee schedules to be paid by the Health Care Financing Administration (HCFA) for medical examinations, laboratory tests, and radiological services. Some DDSs use the Medicare fee schedules to reimburse medical providers for consultative examinations (CE).

HCFA regularly publishes instructions related to the Medicare fee schedules. Instructions issued by HCFA and effective January 1, 1994, disallowed separate payment for certain medical procedures when the procedures were part of another service being performed at the same time. This action is referred to as duplicate medical procedures.

A recent OIG audit of the Maine DDS disclosed instances of duplicate medical procedure billings. OIG found that hospitals billed the DDS for a medical procedure that was also a subpart of another medical procedure being performed at the same time. For example, the hospital billed the DDS for both single and multiple knee x-rays performed on the same claimant. Under HCFA instructions, billing for the single x-ray was unallowable.

Fees Paid by State Disability Determination Services to Purchase Consultative Examinations

Issue Team: Disability Determination Services (Service Operations)

Planned Start: First Quarter FY 1999

Objective: To determine the financial impact to SSA of State Disability Determination Services (DDS) purchasing consultative examinations at fees higher than those paid under Medicare.

Background: When sufficient medical evidence does not exist to make a disability determination, DDSs purchase consultative examinations (CEs). The CEs include physical and mental examinations, radiological tests, laboratory tests, and special diagnostic studies. Each State is responsible for determining the fees to be paid by the DDS to purchase CEs. However, the fees paid by the DDS for CEs cannot exceed the highest fees paid by Federal or other public agencies in the State for the same or similar service.

Medicare has established nationwide fee schedules to be paid by the Health Care Financing Administration (HCFA) for medical examinations, laboratory tests, and radiological services. Medicare fees are accepted by most doctors, hospitals, and laboratories nationwide. In purchasing CEs, DDSs use either the Medicare fee schedule or a State agency fee schedule. The State agency fee schedule may result in higher CE fees than those allowable under Medicare.

We plan to determine which State DDSs adhere to Medicare or Medicaid fees to purchase CEs and which do not. For those DDSs that do not adhere to either Medicare or Medicaid fees, we will determine the financial impact to SSA.

Processing of Nonfederal Workloads by Disability Determination Services

Issue Team: Disability Determination Services (Service Operations)

Planned Start: Carry Over

Objective: To determine the impact on SSA's disability programs when State Disability Determination Services' (DDS) process nonfederal workloads.

Background: Some DDSs perform medical determinations for programs other than SSA, such as Medicaid. Accordingly, they enter into a Memorandum of Understanding (MOU) with SSA that allows the DDS to perform non-SSA work. The MOU outlines the cost allocation methodology for the nonfederal workload.

We will determine which DDSs process nonfederal workloads. For those DDSs, we will ensure that SSA did not incur the costs of DDSs' processing the nonfederal workloads. We also plan to determine the impact of the nonfederal workload on DDS productivity, including staffing, backlogs, and processing times.

SSA-Related Single Audit Findings

- Issue Team:*** Disability Determination Services (Service Operations)
- Planned Start:*** Carry Over
- Objective:*** To review SSA-related findings reported under the Single Audit Act and report those findings to SSA management, as well as the Audit and Program Support Staff for audit resolution.
- Background:*** The Single Audit Act Amendments of 1996 require that each nonfederal entity spending a total amount of Federal awards equal to or greater than \$300,000 must have either a single audit or program-specific audit each fiscal year. Fifty-two of the 54 State Disability Determination Services receive single audit coverage.

Use of Outdated Equipment in Evaluating Impairments

Issue Team: Disability Determination Services (Service Operations)

Planned Start: Third Quarter FY 1999

Objective: To ensure that equipment required by SSA's Listing of Impairments reflects current medical technology.

Background: SSA adjudicates claims based on a listing of impairments. The listing of impairments describes for each of the major body systems, impairments which are considered severe enough to prevent a person from doing any gainful activity. Disability benefits are awarded when a claimant is proven to suffer from a listed impairment. Current regulations provide that the listing of impairments be reviewed every 3 to 8 years, depending on the nature of the listed impairment. If appropriate, the listing is to be revised to reflect advancements in medical and clinical procedures and treatment.

In some cases, the listing of impairments requires the use of certain equipment in evaluating an impairment regardless of whether the equipment is currently used in the medical field. The required use of outdated equipment causes Disability Determination Services difficulty in finding medical providers who still use the outdated equipment and results in increased claims processing times.



Appendix C

Composition of the SSA Earnings Suspense File

- Issue Team:** Earnings
- Planned Start:** Fourth Quarter FY 1999
- Objective:** To reduce SSA's Suspense File for processing errors and invalid Social Security numbers (SSN).
- Background:** SSA's Suspense File contains over 200 million individual earnings items with a \$240 billion dollar value for which the name and SSN do not match. According to SSA, about 55 percent of the suspended wage items have either no name, no SSN, or no valid SSN. OIG/OA work indicates there likely are a large number of suspended wage items that should not have entered the Suspense File to begin with because of disconnects between SSA's policies and practices in dealing with other agencies and within SSA. Our work will determine if any of the following reasons contribute to the problem. One reason could be that the file likely contains summary earnings subtotals that were mistakenly recorded as wage data and which could not be associated with a SSN. Another reason could be that under what is referred to as the "H2A" program, aliens admitted to this country to work for brief periods are not required to have SSNs. Their employers are supposed to put an "I" in the first position of the SSN box when reporting wages. However, SSA's system converts the "I" to numerics and places the item in suspense. Another reason could be that the Suspense File contains thousands of unissued SSNs (including 900-series numbers), which SSA refers to as "Impossible" numbers.

Duplicate Postings of Earnings Data

Issue Team: Earnings

Planned Start: Second Quarter FY 1999

Objective: Determine the extent and causes of reported duplicate postings of earnings data, including tip income.

Background: As part of its review of SSA's financial statements, PriceWaterhouseCoopers (PWC) projected over \$1.9 billion in potential duplicate postings to individuals' earnings records for 1995 and part of 1996. SSA assumes that any such duplicate postings will be detected when people apply for benefits and a claims representative reviews the earnings history. However, PWC found that about 3 percent of the individuals in the sample who had duplicate earnings posted were also receiving title II benefits, indicating that SSA's control technique is ineffective. To determine the actual effect, we will identify and recompute the benefit payments for the 3 percent who had duplicate earnings posted and were also receiving benefits.

In addition, PWC noted apparent problems with duplicate postings for tips which would not be detected by SSA's current duplicate checking algorithm; the Detail Earnings "Type of Employment" field is not part of the duplicate match criteria.

Electronic Wage Reporting

Issue Team: Earnings

Planned Start: Third Quarter FY 1999

Objective: To monitor SSA's progress in implementing an Electronic Wage Reporting System (EWRS).

Background: EWRS would give employers the option to transmit wage reports to SSA electronically using personal computers or high-speed transmission lines. Although a market analysis performed for SSA by Lockheed-Martin (L-M) predicted that demand for electronic wage reporting would be about 20 million W-2s for Tax Year (TY) 1998 and 26 million for 1999, SSA's performance goals do not envision having a system in place until approximately September 2000. In the meantime, local and national payroll preparation firms contacted by L-M already electronically submit approximately 45 million W-2s to the Internal Revenue Service, but not to SSA.

Force Processing Magnetic Media Wage Reports with Validation Problems

Issue Team: Earnings

Planned Start: First Quarter FY 1999

Objective: To determine 1) the extent to which "force processing" increases the size of SSA's Suspense File; 2) if SSA's controls ensure an employer is permitted to "force process" its wage report one time only and whether SSA is enforcing this procedure; 3) if SSA's controls to ensure employers do not resubmit their wage reports on paper are implemented; 4) whether employers whose wage reports were "force processed" for one tax year used the Enumeration Verification System (EVS) the following year; and 5) whether SSA requests the Internal Revenue Service (IRS) to assess penalties on employers who continue to submit wage reports with incorrect names/social security numbers (SSNs) or who resubmit them on paper.

Background:

Social Security benefits are based on an individual's earnings as reported to SSA annually. Employers who have 250 or more employees are required to submit their annual wage reports (AWR) on magnetic media. For Tax Year (TY) 1995 and prior, SSA would accept AWRs where as many as 90 percent of the W-2s did not match against the NUMIDENT. Based on that criteria, SSA returned about 11,500 submittals to employers for correction and resubmission for TY 1994. SSA lowered the rejection threshold to 70 percent (1996), then 50 percent or a numeric cap of 5,000 items (1997), if the incorrect items are less than 50 percent of the report, and plans to lower it further in the future.

Concurrent with lowering the rejection threshold in TY 1996, SSA began force processing magnetic media wage reports with validation problems. That is, when SSA rejects a magnetic media wage report for not meeting the validation threshold, the submitter can call SSA to certify that they cannot correct it. SSA will then "force process" the report. However, SSA is supposed to notify the employer that 1) "force processing" is permitted one time only; 2) the employer cannot resubmit wage reports on paper and is subject to penalties for noncompliance; 3) the employer should use the EVS for the next tax year to avoid SSN validation problems.

For TY 1996, SSA "force processed" 1,615 reports. Because individual W-2s that fail validation are placed in the Suspense File, "force processing" has the potential to significantly increase the Suspense File. It also undermines SSA's effort to reduce the rejection threshold for magnetic media wage reports and has the potential to increase costs for both SSA and employers in reprocessing reports if SSA does not enforce its procedures.

Identify Problem Employers Responsible for Most Suspended Wage Items

Issue Team: Earnings

Planned Start: Second Quarter FY 1999

Objective: To provide SSA and OIG's Office of Investigations (OI) with information on the 100 employers who are responsible for the most suspended wage items, including instances where many of their employees report having the same address. We will also identify routine edits SSA can use in the future to key on the problem.

Background: We have obtained Earnings Suspense File information for 1993-1996 that will specifically identify those employers who are responsible for the most suspended wage items, for each year and the entire period. In addition, during a recent visit to SSA's Wilkes-Barre Data Operations Center (WBDOC), employees there provided us with information on the suspended wage items of over 50 people who used the same mailing address, used other persons' or invalid SSNs, and worked for the same employer. Some additional analysis showed this single employer was responsible for over 1,800 wage items valued at \$6.4 million that ended up in the Suspense File during a 2 year period.

We suspect there are many similar cases, and that they frequently involve employers who hire large numbers of illegal aliens. We will identify and report on the 100 worst such employers and also determine the extent to which these employers have large numbers of people who supposedly live at the same address. We will refer any identified cases for further investigation and follow-up by SSA and OI.

Review of SSA's Suspense File Pilot Studies

Issue Team: Earnings

Planned Start: Carry Over

Objective: To review SSA's recent Earnings Suspense File (ESF) pilot studies and related activities whose intended purpose is to reduce the number of earnings items and dollars already in suspense and to prevent future earnings from going into suspense. We are reviewing SSA's progress toward implementing the results of these studies and activities.

Background: The ESF is the repository for wages and self-employment income that fail to post to a number holder's Master Earnings File due to nonmatching name and/or Social Security number (SSN). Through 1996, the Suspense File contained over 200 million wage items with about \$240 billion in covered wages. In March 1996, SSA formed a Suspense File Task Force to address concerns over the impact of suspended wages on customer service. Simultaneously, Suspense File issues raised by SSA's San Bernardino District Office drew media attention and congressional interest. As a result, SSA has undertaken several pilot studies and taken other actions, such as enhancements to its Operation 30 Program and validation procedures, to reduce the number of wage items in the Suspense File. In addition, SSA has developed an overall Earnings Vision Plan that incorporates the major elements of the Suspense File Tactical Plan.

The Wilkes-Barre Data Operations Center's Document Processing System

- Issue Team:*** Earnings
- Planned Start:*** Carry Over
- Objective:*** To evaluate the efficiency and accuracy of the hardware/software infrastructure of the Wilkes-Barre Data Operations Center (WBDOC) image and data capture subsystem.
- Background:*** SSA processes about 235 million wage items annually. Thirty percent are submitted on paper reports processed at the WBDOC. The document processing system at the WBDOC was developed by the Computer Sciences Corporation (CSC) to provide an Integrated Image Based Data Capture System to process Annual Wage Reports (AWR) submitted by employers on paper W-3/W-2s. The system consists of an Image and Data Capture Subsystem, Data Base and Workflow Subsystem, workstation, printers, and communications hardware.
- There have been problems with the operation that SSA staff must continually overcome. The long-term prospects for continual successful operation may be questionable. Some of the equipment is no longer manufactured and associated software is usable only on existing equipment. There are problems caused by external factors, such as misprinted or changed W-2 format, sometimes requiring costly software changes by CSC that maintains the software.



Appendix D

Controls Over Hospital Participation in the Enumeration at Birth Process

Issue Team: Enumeration

Planned Start: Carry Over

Objective: To determine whether hospitals accurately record information on Social Security number (SSN) applications during the enumeration at birth (EAB) process and SSA's internal controls adequately protect the integrity of this process.

Background: In 1988, SSA implemented a program in which, upon parental approval, a hospital can file SSN applications for newborns. In 1995, the program was implemented in all 50 states; and, in 1996, more than 50 percent of all original SSNs were assigned through the EAB process. Current tax laws require that all individuals claimed as dependents must have a SSN. As such, a strong incentive exists for parents of newborns to seek a SSN as early as possible. The EAB program provides a simplified mechanism for both parents and SSA to process SSN applications for the millions of children born in the United States every year. SSA projects that 60 percent of all future SSNs will be assigned through the EAB process.

Effectiveness of Internal Controls Over the Modernized Enumeration System

Issue Team: Enumeration

Planned Start: Carry Over

Objective: To determine if controls in SSA's Modernized Enumeration System (MES) provide reasonable assurances of detection and/or prevention of error, fraud, and misuse in the issuance of Social Security numbers (SSNs) to United States citizens age 18 and older, to aliens authorized to work in the United States, and in the resolution of Enumeration Feedback Messages that are vulnerable to erroneous SSN assignment.

Background: MES assigns SSNs and sends Social Security cards to persons for whom applications are processed. SSNs are used by SSA as identifiers to record earnings information, to administer benefit programs, and confirm individual identities in connection with other government systems. The enumeration process has become one of SSA's largest workloads; therefore, it is important that SSA accurately assign and maintain SSNs.

A 1993 Department of Health and Human Services, Office of Inspector General audit report disclosed weaknesses in SSA's verification, management review, and exception processing procedures.

Fraudulent Use of Social Security Numbers Within the Agriculture (Poultry) Industry

Issue Team: Enumeration

Planned Start: Carry Over

Objective: To identify employers within the agriculture (poultry) industry who frequently employ individuals who use fraudulent Social Security numbers (SSN); and, also, to assess SSA's controls for detection and prevention of fraudulent use of SSNs.

Background: Many employers file annual employee wage reports showing workers' names and SSNs that do not match SSA's records. Wages for these employees are posted to SSA's Earnings Suspense File. Poor reporting practices by employers account for the majority of wage items transferred to SSA's Suspense File. Nevertheless, we believe that within certain industries the frequency of erroneous or incorrect reporting of employees' names/SSNs may be indicative of fraudulent SSN use. More specifically, employers may have intentionally provided incorrect SSNs when reporting earnings because the employees were not legally in this country or not authorized to work. An SSA official estimated that a large percentage of the Suspense File postings were related to illegal aliens.

SSA posts about 5 million irreconcilable name and SSN wage items to the Suspense File each year. According to SSA, wage reports submitted by the following five industries represent 52 percent of the items in suspense: agriculture (17 percent); services (16 percent); bars and restaurants (13 percent); special trade contractors (4 percent); and food services (2 percent).

We have performed preliminary research and development on employers within the poultry industry who have frequently reported annual wage information that could not be posted to SSA's Master Earnings File.

Fraudulent Use of Social Security Numbers Within the Bar/Restaurant Industry

Issue Team: Enumeration

Planned Start: Third Quarter FY 1999

Objective: To identify employers within the bar/restaurant industry who frequently report wages paid to individuals using fraudulent Social Security numbers (SSN).

Background: Many employers file annual employee wage reports showing workers' names and SSNs that do not match SSA's records. Wages for these employees are posted to SSA's Earnings Suspense File. Poor reporting practices by employers account for the majority of wage items transferred to SSA's Suspense File. Nevertheless, we believe that within certain industries the frequency of erroneous or incorrect reporting of employees' names/SSNs may be indicative of fraudulent SSN use. More specifically, employers may have intentionally provided incorrect SSNs when reporting earnings because the employees were not legally in this country or not authorized to work. An SSA official estimated that a large percentage of the Suspense File postings were related to illegal aliens. The Immigration and Naturalization Service (INS) regularly conducts inspections of employers to determine compliance with the Immigration and Nationality Act. During 1997, INS assessed a \$1 million fine against a restaurant chain headquartered in San Antonio, Texas for knowingly and continually employing illegal aliens. SSA's OIG/OI participated in this action.

SSA posts about 5 million irreconcilable name and SSN wage items to the Suspense File each year. According to SSA, wage reports submitted by the following five industries represent 52 percent of the items in suspense: agriculture (17 percent); services (16 percent); bar and restaurants (13 percent); special trade contractors (4 percent); and food services (2 percent).

Hotline Allegations of Social Security Number Misuse to Commit Identity Theft

Issue Team: Enumeration

Planned Start: Carry Over

Objective: To identify fraudulent uses of Social Security numbers (SSN) of legitimate number holders for purposes of assuming another identity in violation of the Social Security Act; and, also, to assess SSA's controls for detection and prevention of fraudulent attainment of SSNs.

Background: SSNs are frequently used by criminals and undocumented aliens to assume the identities of other valid number holders for unlawful purposes. Although not SSA's initial intent, the SSN has become the de facto universal identifier for Federal, State, and local government agencies, as well as private sector entities. This situation has created an undue potential for fraud and risk of loss.

In March 1998, the Inspector General testified before Congress that fraud in this area is a major concern. He noted that more serious levels of fraud are found involving identity theft crimes that are perpetrated with fraudulently obtained Social Security cards. The magnitude of SSA's programs has resulted in sizable volumes of fraud within SSA.

SSA's policy states that misuse of the SSN for any purpose constitutes a violation of the Social Security Act regardless of whether the potential violation was related to a claim for benefits. Utilization of SSA/OIG Hotline data on identity theft can help to prevent or detect fraud in SSA's programs. SSN fraud was alleged in 44 percent of all SSA/OIG Hotline complaints received in FY 1997. The figure declined slightly to 36 percent in the first half of 1998. A November 1997 Washington Post article reported that a thousand people a day lose their identities in the United States, with the SSN being one of the primary numbers used to commit identity theft.

Identification of Nonwork Social Security Numbers in the Social Security Administration's Suspense File

Issue Team: Enumeration

Planned Start: Carry Over

Objective: To identify nonwork Social Security numbers (SSN) in SSA's Suspense File.

Background: In 1974, SSA began assigning nonwork SSNs to aliens not authorized to work while in the United States. Since inception of this program, approximately six million such numbers have been issued. Available information indicates that approximately 25 percent of these individuals have worked illegally while in this country. Current laws require that SSA provide the Congress and the Attorney General with information on aliens who have illegally worked while in this country. It is generally agreed that SSN cards issued to aliens have a high-risk of being fraudulently used. The number holders sometimes fraudulently use the cards to obtain work. There is also a possibility that illegal aliens in this country could obtain some of these cards, via theft or other illegal means, and use them to obtain employment or carry out other fraudulent activities.

When SSA obtains information regarding an individual's earnings, it attempts to post this information to the number holder's established earnings records. Sometimes SSA cannot post reported earnings to the earnings records because the name and/or SSN shown for the reported earnings do not agree with its records. In such instances, the earnings are recorded in the Suspense File. The Suspense File currently contains about \$217 billion in earnings.

Issuance of New Social Security Numbers

Issue Team: Enumeration

Planned Start: Third Quarter FY 1999

Objective: To determine whether adequate controls are in place to prevent the improper assignment of new Social Security numbers (SSN) and identify cases in which the process has been misused. SSA refers to second SSNs as "new" SSNs.

Background: Effective June 1995, field offices (FO) were authorized to approve or deny all requests for SSNs, except if the request was based on an allegation of harassment/abuse or life endangerment. FOs must send requests based on harassment, abuse or life endangerment with all required documentation to Central Office for approval/denial. Certain reasons new SSNs should not be approved include, but are not limited to: 1) avoidance of the law or legal responsibilities; 2) poor credit; 3) replacement of a lost or stolen SSN or card when no evidence can be presented indicating that the number has been misused; 4) holder objection to certain numerical digits contained in the assigned SSN; or 5) holder objection to government or private sector use of SSNs.

Review of SSA Enumeration Verification Services

Issue Team: Enumeration

Planned Start: First Quarter FY 1999

Objective: To review SSA's progress in implementing Enumeration Verification Services (EVS) and meeting the National Performance Review's (NPR) goal of providing overnight EVS to employers.

Background: Each year, SSA receives millions of employee earnings reports from employers across the United States. These earnings are posted to workers' earnings records for later use in determining eligibility for Social Security benefits. The majority (91.2 percent) of these reports contain names and Social Security numbers (SSN) that match SSA's enumeration files. Nevertheless, approximately 1.5 percent of the reports cannot be matched to the name and SSN of any worker's record and have never been resolved. These earnings are reflected in SSA's Earnings Suspense File. In 1997, the Suspense File contained approximately \$217 billion in earnings that had not been properly attributed to the correct individual.

Although poor reporting practices account for many of the wage items transferred to SSA's Suspense File, SSA representatives believe that a preponderance of Suspense File items have resulted from the intentional misuse of SSNs by aliens not authorized to work in the United States. As such, in 1992, SSA implemented a pilot EVS study as an effort to assist employers in improving annual wage reporting. Through the EVS program, SSA periodically accepts magnetic media payroll records from certain employers in an effort to validate SSNs reported by employees. The goal of SSA's EVS is to provide a means by which employers can verify the SSN and employment eligibility of newly hired employees on a real-time basis. Additionally, through this program, SSA anticipates that the number of wage items posted to the Suspense File each year will be reduced.

EVS has been named as one of SSA's key initiatives (KI) for

Fiscal Year 2000. The KI is targeted to increase the use of EVS prior to the annual wage reporting period, with a special focus on getting increased use by problem employers. SSA also plans to use this initiative to ensure that it meets the NPR 4-year goal of providing overnight EVS to employers. Despite the importance placed on this program, we have received information from certain employers that significant weaknesses exist in SSA's EVS process. For example, one employer reported that although SSA initially identified 700 of its employees as having exceptions in names and/or SSNs, further research found that all of the names/SSNs were actually valid. Additionally, the employer reported that it took SSA almost 4 months to respond to its second EVS request.

SSA Procedures for Verifying Evidentiary Documents Presented with Original Social Security Number Applications

Issue Team: Enumeration

Planned Start: Carry Over

Objective: To determine whether: 1) SSA procedures for examining evidentiary documents are sufficient to ensure proper issuance of original Social Security numbers (SSNs) and 2) SSA personnel are complying with existing procedures.

Background: Prior reviews by SSA and OIG's Office of Investigations (OI) have disclosed numerous instances in which multiple SSN cards were mailed to the same address. Although there may be legitimate reasons for these occurrences, it is possible that the locations are being used as mail drops for individuals improperly obtaining SSNs. In fact, OI has identified instances in which a common address has been used in such a manner. During one investigation, OI determined that SSA personnel who processed SSN applications had not sufficiently verified the evidence that the individuals presented to support SSN requests.

We initiated this audit in February 1998 and analyzed information resulting from an OI investigation where an individual was prosecuted and imprisoned for fraudulently obtaining over 1,100 SSNs for non-existent children. OI found that the individual presented fraudulent Arkansas birth certificates at approximately 100 California SSA offices as evidence supporting the SSN applications. Our preliminary analysis focused on weaknesses in SSA procedures that allowed the individual to successfully acquire these SSNs. We also visited 11 SSA field offices to observe and discuss the verification process for evidentiary documents. We plan to perform further examination of this process by determining addresses at which over ten original SSN cards were sent between September 1997 and March 1998 and review the legitimacy of these transactions.

Three or More Replacement Cards in One Year

Issue Team: Enumeration

Planned Start: Second Quarter FY 1999

Objective: To identify individuals who requested three or more replacement cards in a 1-year period and determine whether the requests were legitimate and justifiable; and to assess SSA's controls for detection and prevention of fraudulent use of Social Security numbers (SSN).

Background: Many SSA officials have expressed concern regarding the number of replacement Social Security cards obtained by some number holders. For example, the Acting Regional Commissioner in Boston alleged that individuals who request three or more replacement SSN cards in a 1-year period, without requesting any changes in NUMIDENT data, may be involved in the fraudulent use of SSNs. Accordingly, during this audit, we will review a sample of cases to determine whether the requests were legitimate and justifiable.



A*ppendix ***E**

Best Implementation Practices for the Debt Collection Improvement Act

Issue Team: Financial Management

Planned Start: Third Quarter FY 1999

Objective: To identify the best practices employed by other Federal agencies regarding the implementation of debt management tools authorized under the Debt Collection Improvement Act of 1996 and prior debt management legislation.

Background: Prior to the Omnibus Budget Reconciliation Act of 1990 (OBRA), SSA lacked the authority to use certain debt collection tools. SSA could not use the collection tools specified in the Debt Collection Act of 1982 (DCA) for the Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs. In addition, the Tax Refund Offset Program authorized by the Deficit Reduction Act of 1984 could not be used for the OASDI programs.

OBRA enabled SSA to use the Tax Refund Offset Program to collect OASDI debts. In 1994, the Domestic Employment Reform Act granted SSA limited authority to use three of the five DCA collection tools. The Debt Collection Improvement Act of 1996 (DCIA) granted SSA limited authority to use the two remaining DCA debt collection tools it had been precluded from using.

Follow-Up on Supplemental Security Income Fiscal Year 1996 Management Letter Issues

Issue Team: Financial Management

Planned Start: First Quarter FY 1999

Objective: To determine if States participating in the Supplemental Security Income (SSI) program have received undue credit for amounts due to the States' portion of SSI accounts receivables.

Background: In the Inspector General's FY 1996 Management Letter, the Office of Audit identified a problem in SSA's methodology for allocating State and Federal SSI Accounts Receivable. In SSA's accounting records and its financial statements, the Agency records a corresponding accounts payable for the States' portion of SSI accounts receivable. As a result, SSA's financial statements and accounting records show an overstated payable. Because the amounts payable to States are used to reduce the amount due for SSI benefits, the OIG questioned whether the States received undue credit for approximately \$200 million that should go to the General Fund.

SSA does not believe the States have benefited at the expense of the General Fund and does not intend to perform an analysis of the impact as recommended in the management letter. This audit will attempt to quantify the financial impact of the allocation methodology.

Internal Review of the Office of Acquisition and Grants Contract Voucher Payment

Issue Team: Financial Management

Planned Start: Second Quarter FY 1999

Objective: Review the Office of Acquisition and Grants (OAG) oversight of the voucher payment process. Specifically, assess the adequacy and acceptability of OAG voucher payments.

Background: OAG serves as the Agency's principal buyer of goods and services, and the administrator of all SSA grant programs. OAG requested audits of several contracts for Referral and Monitoring Agency services to refer, assess and monitor drug addicts and alcoholics receiving Supplemental Security Income benefits. During the incurred cost audits of the State of Michigan and the State of Illinois, we question whether certain costs claimed were allowable, allocable and reasonable. Such conditions raise questions concerning voucher payments made by OAG.

National Disability Determination Services Indirect Cost Review

Issue Team: Financial Management

Planned Start: Fourth Quarter FY 1999

Objective: To determine some basis of commonality between Disability Determination Services' (DDS) indirect cost rate agreements.

Background: OIG audits have cited problems with DDS's indirect costs. Such audits have identified variances in DDS indirect rates. For example, the District of Columbia DDS indirect rate is 38 percent of salaries; Ohio DDS indirect rate is 21.6 percent of salaries; and Pennsylvania DDS indirect rate is 3.5 percent of salaries and fringe benefits. Pennsylvania and Ohio have nearly identical authorization levels, but a great variance in indirect cost rates. This review will ascertain the reasons for these disparities.

Performance Measures: Debt Collection

Issue Team: Financial Management

Planned Start: First Quarter FY 1999

Objective: To determine whether the performance measurement data for the percent of debt collected (i.e., annual increase in debt collection and overpayment dollars collected) is accurate and appropriately measures performance.

Background: The Government Performance and Result Act (GPRA) requires all Federal agencies to create performance indicators and goals. Agencies are to monitor and report on their success in reaching these goals. Agencies need reliable and accurate data for GPRA performance measure reporting. SSA developed 67 GPRA related performance indicators. Two of the indicators measure debt collection performance. This review will determine whether the performance measurement data is valid.

SSA's Cash Management Controls (2 assignments)

Issue Team: Financial Management

Planned Start: First Quarter FY 1999

Objective: To determine the adequacy of SSA's controls over cash and/or cash equivalents received in the field offices and program service centers across the Nation.

Background: To ensure proper handling of cash, check, and cash equivalent remittances, SSA's internal controls must provide adequate separation of duties and various quality control checks. As such, our review will assess the adequacy of controls for safeguarding such liquid assets and assuring proper accounting.

SSA's Fiscal Year 1998 Financial Statements and Related Management Letter

Issue Team: Financial Management

Planned Start: First Quarter FY 1999

Objective: To render an opinion on the fair presentation of SSA's Fiscal Year 1998 financial statements, to review the internal control structure, and report any weaknesses that may materially affect the financial statements taken as a whole. Also, to bring to SSA management's attention those items which do not materially impact the financial statements, but warrant management's attention.

Background: The Chief Financial Officers (CFO) Act of 1990 requires agencies to annually prepare audited financial statements. Each agency's Inspector General is responsible for auditing these financial statements to determine if they provide a fair representation of the entity's financial position. This annual audit also includes an assessment of the Agency's internal control structure and its compliance with laws and regulations. The audit work to support this opinion of SSA's financial statement will be performed by an independent contractor. OIG will monitor the contract to ensure reliability of the contractor's work to meet our statutory requirements for auditing the Agency's financial statements.

The OIG's annual audit of SSA's financial statements sometimes identifies conditions that do not have a material impact on the financial statements. As such, the management letter is OIG's vehicle for communicating such matters to SSA management. For FY 1997, the fieldwork for the financial statement audit and any related management letter reporting will be performed by an independent CPA firm. The OIG will function in a monitoring capacity to ensure that all relevant issues are brought to management's attention.

State Disability Determination Services Administrative Costs for Arizona

Issue Team: Financial Management

Planned Start: Third Quarter FY 1999

Objective: To review the State's Disability Determination Services (DDS) administrative costs to: 1) determine whether costs claimed on the SSA financial reports (State Agency Report of Obligations for SSA Disability Programs Form SSA-4513) are allowable and properly allocated; 2) determine if the aggregate of the Federal funds drawn down agreed with total expenditures for the fiscal year's (FY) disability determinations; and 3) evaluate internal controls over the accounting and reporting of the administrative costs claimed, as well as of the draw down of Federal funds.

Background: The Disability Insurance (DI) program was established in 1956 under title II of the Social Security Act (the Act). The program is designed to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, the Congress enacted the Supplemental Security Income (SSI) program (Public Law 92-603). Title XVI of the Act (the SSI program) provides a nationally uniform program of income to financially needy individuals who are aged, blind or disabled.

Disability determinations under both DI and SSI are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligation, each State agency is responsible for determining the claimants' disabilities and ensuring that adequate evidence is available to support its determinations.

Arizona has received \$40.4 million for disability determinations from FY 1994 to FY 1996.

State Disability Determination Services Administrative Costs for Delaware

Issue Team: Financial Management

Planned Start: First Quarter FY 1999

Objective: To review the State's Disability Determination Services (DDS) agency's administrative costs to: 1) determine whether costs claimed on the SSA financial reports (State Agency Report of Obligations for SSA Disability Programs Form SSA-4513) are allowable and properly allocated; 2) determine if the aggregate of the Federal funds drawn down agreed with total expenditures for the fiscal year's (FY) disability determinations; and 3) evaluate internal controls over the accounting and reporting of the administrative costs claimed, as well as of the draw down of Federal funds.

Background: The Disability Insurance (DI) program was established in 1956 under title II of the Social Security Act (the Act). The program is designed to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, the Congress enacted the Supplemental Security Income (SSI) program (Public Law 92-603). Title XVI of the Act (the SSI program) provides a nationally uniform program of income to financially needy individuals who are aged, blind or disabled.

Disability determinations under both DI and SSI are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligation, each State agency is responsible for determining the claimants' disabilities and ensuring that adequate evidence is available to support its determinations.

Delaware has received \$8.2 million for disability determinations from FY 1994 to FY 1996.

State Disability Determination Services Administrative Costs for Georgia

Issue Team: Financial Management

Planned Start: First Quarter FY 1999

Objective: To review the State's Disability Determination Services (DDS) agency's administrative costs to: 1) determine whether costs claimed on the SSA financial reports (State Agency Report of Obligations for SSA Disability Programs Form SSA-4513) are allowable and properly allocated; 2) determine if the aggregate of the Federal funds drawn down agreed with total expenditures for the fiscal year's (FY) disability determinations; and 3) evaluate internal controls over the accounting and reporting of the administrative costs claimed, as well as of the draw down of Federal funds.

Background: The Disability Insurance (DI) program was established in 1956 under title II of the Social Security Act (the Act). The program is designed to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, the Congress enacted the Supplemental Security Income (SSI) program (Public Law 92-603). Title XVI of the Act (the SSI program) provides a nationally uniform program of income to financially needy individuals who are aged, blind or disabled.

Disability determinations under both DI and SSI are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligation, each State agency is responsible for determining the claimants' disabilities and ensuring that adequate evidence is available to support its determinations.

Georgia has received \$97.6 million for disability determinations from FY 1994 to FY 1996.

State Disability Determination Services Administrative Costs for Massachusetts

Issue Team: Financial Management

Planned Start: Fourth Quarter FY 1999

Objective: To review the State's Disability Determination Services (DDS) agency's administrative costs to: 1) determine whether costs claimed on the SSA financial reports (State Agency Report of Obligations for SSA Disability Programs Form SSA-4513) are allowable and properly allocated; 2) determine if the aggregate of the Federal funds drawn down agreed with total expenditures for the fiscal year's (FY) disability determinations; and 3) evaluate internal controls over the accounting and reporting of the administrative costs claimed, as well as of the draw down of Federal funds.

Background: The Disability Insurance (DI) program was established in 1956 under title II of the Social Security Act (the Act). The program is designed to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, the Congress enacted the Supplemental Security Income (SSI) program (Public Law 92-603). Title XVI of the Act (the SSI program) provides a nationally uniform program of income to financially needy individuals who are aged, blind or disabled.

Disability determinations under both DI and SSI are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligation, each State agency is responsible for determining the claimants' disabilities and ensuring that adequate evidence is available to support its determinations.

Massachusetts has received \$87.4 million for disability determinations from FY 1994 to FY 1996.

State Disability Determination Services Administrative Costs for Texas

Issue Team: Financial Management

Planned Start: Second Quarter FY 1999

Objective: To review the State's Disability Determination Services (DDS) agency's administrative costs to: 1) determine whether costs claimed on the SSA financial reports (State Agency Report of Obligations for SSA Disability Programs Form SSA-4513) are allowable and properly allocated; 2) determine if the aggregate of the Federal funds drawn down agreed with total expenditures for the fiscal year's (FY) disability determinations; and 3) evaluate internal controls over the accounting and reporting of the administrative costs claimed, as well as of the draw down of Federal funds.

Background: The Disability Insurance (DI) program was established in 1956 under title II of the Social Security Act (the Act). The program is designed to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, the Congress enacted the Supplemental Security Income (SSI) program (Public Law 92-603). Title XVI of the Act (the SSI program) provides a nationally uniform program of income to financially needy individuals who are aged, blind or disabled.

Disability determinations under both DI and SSI are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligation, each State agency is responsible for determining the claimants' disabilities and ensuring that adequate evidence is available to support its determinations.

Texas has received \$217.6 million for disability determinations from FY 1994 to FY 1996.

State Disability Determination Services Administrative Costs for Utah

Issue Team: Financial Management

Planned Start: Fourth Quarter FY 1999

Objective: To review the State's Disability Determination Services (DDS) agency's administrative costs to: 1) determine whether costs claimed on the SSA financial reports (State Agency Report of Obligations for SSA Disability Programs Form SSA-4513) are allowable and properly allocated; 2) determine if the aggregate of the Federal funds drawn down agreed with total expenditures for the fiscal year's (FY) disability determinations; and 3) evaluate internal controls over the accounting and reporting of the administrative costs claimed, as well as of the draw down of Federal funds.

Background: The Disability Insurance (DI) program was established in 1956 under title II of the Social Security Act (the Act). The program is designed to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, the Congress enacted the Supplemental Security Income (SSI) program (Public Law 92-603). Title XVI of the Act (the SSI program) provides a nationally uniform program of income to financially needy individuals who are aged, blind or disabled.

Disability determinations under both DI and SSI are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligation, each State agency is responsible for determining the claimants' disabilities and ensuring that adequate evidence is available to support its determinations.

Utah has received \$12.0 million for disability determinations from FY 1994 to FY 1996.

Supplemental Security Income Program's Accounts Receivable (Overpayments) Balance and Its Collections

Issue Team: Financial Management

Planned Start: First Quarter FY 1999

Objective: To assess the effectiveness of the Supplemental Security Income (SSI) program's accounts receivable (overpayments) accounting and collection process.

Background: The SSI program provides a minimum income level for the aged, blind and disabled who have limited income or resources. SSA pays about 6.6 million recipients about \$25 billion in benefits and uses about 33 percent of its \$6 billion annual administrative expenses administering this program. SSI recipients often work intermittently during the year which often causes incorrect payment and, thus, overpayments. Historically, SSA has not been very successful in either identifying or accurately recording the overpayments. In addition, since SSI recipients are without significant resources, SSA has not been successful in collecting a substantial portion of the recorded overpayments.



Appendix F

Assessment of Internal Controls for Third Party Drafts

Issue Area: General Management

Planned Start: Second Quarter FY 1999

Objective: To ensure that there are adequate internal controls to provide that third party drafts are physically safeguarded, used for authorized purposes, and supported by appropriate documentation.

Background: The third party draft account is an alternative payment method for making benefit and nonbenefit payments and covering other special situations requiring immediate payment action. Drafts offer administrative convenience and flexibility. All payments may be made for the exact amount when policy guidelines are met and funds are available. This feature is important for emergency benefit payments to SSA claimants.

Assessment of Property Accountability and Equipment Inventory

Issue Area: General Management

Planned Start: Fourth Quarter FY 1999

Objective: To follow up on a Browne and Company report issued June 10, 1998 regarding property accountability and equipment inventory and assess Property Plus, a new system used to track property and equipment.

Background: SSA implemented the Property and Accountability System (PAS) in 1990 for better accuracy and control over capitalized, accountable and sensitive property and to comply with property management regulations for annual physical inventories. The scope of the Browne and Company review was to evaluate PAS in terms of management control risks; compliance with laws and regulations; and the policies and procedures pertaining to its ability to record, process, summarize and report financial data. Browne and Company found that PAS was inaccurate and incomplete and recommended SSA ensure an accurate and complete data base. In FY 97, the financial statement amount for property and equipment was \$301 million. We will initiate work in this area at the end of the third quarter in order to allow SSA time to take corrective action on Browne and Company recommendations.

Effectiveness of SSA's Organizational Alignment to Meet Its Strategic Goals

Issue Area: General Management

Planned Start: Third Quarter FY 1999

Objective: To determine if SSA's current organizational structure provides for effective management and oversight of its programs.

Background: As stated in the SSA Strategic Plan for 1997-2000, SSA has developed a unified planning system to encompass its business planning activity. The planning system has evolved into a comprehensive system of strategic management that now guides Agency decision making and actions to meet its stated goals. SSA continues to make changes in its organizational structure to support its strategic plan. We will contract with an independent consultant to determine whether SSA's current structure is the most effective and efficient structure to meet its strategic goals.

Evaluating the Role of the Office of Workforce Analysis

Issue Area: General Management

Planned Start: First Quarter FY 1999

Objective: To evaluate the role of the Office of Workforce Analysis (OWA) in providing SSA leadership that 1) supports Agency decision making; 2) optimizes the use of resources; and 3) results in the highest level of services to the public.

Background: OWA is located in the Office of Human Resources and performs studies and analyses of performance management. OWA's primary function is to perform management analyses, conduct special studies, and develop tools and techniques that can be used to assist in Agency-level decision making. Our evaluation will examine the work products produced by OWA and how such products are used in meeting management needs in accordance with OWA's stated role as described in its mission.

Federal Personnel and Payroll System Internal Controls

Issue Area: General Management

Planned Start: Second Quarter FY 1999

Objective: To determine if the new Federal Personnel and Payroll System (FPPS) has adequate internal controls.

Background: SSA's Commissioner selected the Department of Interior (DOI) Administrative Service Center as SSA's new personnel and payroll services provider. As of March 30, 1998, DOI's FPPS replaced the Department of Health and Human Services personnel and payroll system. FPPS is an integrated data base, i.e., a single source for all personnel and payroll data. It provides for real-time, on-line editing and updating of data. It has extensive query capabilities, giving managers and personnel specialists the ability to produce and save simple or complex personnel reports. The system is used in the Federal Government for the processing of all personnel and payroll data actions. The system operates on an IBM mainframe computer in a data base environment in which data is updated immediately. FPPS contains security controls that allow users to access only the data within their area of responsibility. We will focus on reviewing the adequacy and accuracy of SSA's procedures for entering personnel and payroll actions into the FPPS system.

Physical Security at SSA Headquarters

Issue Area: General Management

Planned Start: Second Quarter FY 1999

Objective: To determine the adequacy of physical security at SSA Headquarters.

Background: Since the 1995 bombing of the Murrah building in Oklahoma City, SSA has upgraded security at Headquarters. SSA has installed such devices as metal detectors and improved security procedures to protect against acts of terrorism. Although Headquarters seems to be secure from acts of terrorism and vandalism, previous OIG reviews of physical security at the National Computer Center and SSA field offices have shown that, despite security enhancements, security was weak in some areas and still exposed SSA to certain vulnerabilities and risks.

We will review previous studies relating to physical security at Headquarters. We will also review procedures for emergencies, operations, computers, and guard forces, as well as building access files for SSA employees and contractors. We will interview guard personnel responsible for physical security, conduct site inspections (day and night) of the Headquarters buildings and grounds, and conduct tests of security devices and controls.

SSA's Adherence to the Federal Employees' Compensation Act

Issue Area: General Management

Planned Start: Second Quarter FY 1999

Objective: To review SSA's current internal controls for verifying the accuracy of Federal Employee Compensation Act (FECA) billings, whether employees return to work as soon as possible, the timeliness of claims processing, and whether third-party liabilities are investigated.

Background: FECA is administrated by the Department of Labor (DOL) and authorizes the payment of medical expenses and compensation for wages to all Federal employees disabled by job-related injuries or illness. DOL is responsible for providing overall guidance for FECA policy, including decisions to award benefits and case management. As part of case management, DOL reviews medical information, pays claims, and monitors employee medical status. DOL coordinates with the employee's agency to determine whether the employee is able to return to work.

SSA's Internal Controls Over Its Time and Attendance Payroll Records at Field Offices

Issue Area: General Management

Planned Start: Fourth Quarter FY 1999

Objective: To evaluate the adequacy and effectiveness of SSA field office internal controls over its time and attendance and payroll record systems.

Background: SSA paid over \$3.5 billion in salaries and benefits to almost 67,000 employees during Fiscal Year 1997. Many of these employees were stationed in over 1300 field offices nationwide. Vital to ensuring the reliability of reported time and attendance data is an internal control system which provides reasonable assurance that employees have reported both hours they have worked, as well as those hours they were absent from work. The General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, title 6, Chapter 3, discusses such internal controls to include ensuring that time and attendance transactions are properly authorized and approved, and that time and attendance data is completely and accurately recorded and retained.

SSA's Methods of Determining Training Program Effectiveness

Issue Area: General Management

Planned Start: Fourth Quarter FY 1999

Objective: To evaluate SSA's training program in meeting the needs of its employees based on new technology and changes in legislation.

Background: SSA has established training programs to expand the skills of its workforce by providing new training resources, e.g., interactive video training, computer-based training, interactive distance learning, and interactive video tele-training (pilot). Our review will focus on SSA's efforts to evaluate its training programs. We will also examine the training programs of other agencies and how their programs are evaluated to determine whether SSA can use these programs as a benchmark to improve its current training processes.



A**ppendix **G

Adequacy of Controls to Effectuate Decisions Rendered by Administrative Law Judges

Issue Team: Office of Hearings and Appeals

Planned Start: Fourth Quarter FY 1999

Objective: To determine whether controls over award or denial decisions are adequate to ensure accurate and timely posting to a claimant's record.

Background: Administrative Law Judges (ALJ) review cases appealed after the Disability Determination Services reconsideration level. The ALJs perfect the evidentiary record; conduct a face-to-face, nonadversarial hearing with the claimant; and render a decision to either deny or award benefits. Hearing Offices (HO) send the written decisions to a field office (FO) for title XVI cases or to a Program Service Center (PSC) for title II cases. FO or PSC staff then enter the HO decision in the appropriate system to effectuate payment. The system may be vulnerable to abuse if the written decision is the only mechanism used to trigger a payment or denial action. For example, an erroneous decision could go undetected if there is no automated system to reconcile effectuated decisions with HO information.

Administrative Law Judges' Handling of Remanded Cases

Issue Team: Office of Hearings and Appeals

Planned Start: Third Quarter FY 1999

Objective: To determine if Administrative Law Judges (ALJ) are addressing issues raised during the Appeals Council review process on remand.

Background: If a claimant is dissatisfied with an ALJ's decision regarding his or her claim, s/he may appeal the case to the Appeals Council (AC). In granting the review, the AC may remand the case to the ALJ, who may follow all the instructions in the remand order. If the ALJ finds appropriate evidence supporting the award of benefits without addressing all the instructions, the ALJ need not complete all the steps prescribed in the remand order. However, a recent Office of Quality Assurance and Performance Assessment report shows that 7 percent of the cases had errors even after going through the remand process.

Controls Over Office of Hearings and Appeals' Time and Attendance Recording and Reporting

Issue Team: Office of Hearings and Appeals

Planned Start: Carry Over

Objective: To determine whether the Office of Hearings and Appeals' (OHA) controls over its time and attendance and payroll records system comply with applicable Federal rules and regulations.

Background: OHA has a field structure of approximately 1,100 Administrative Law Judges (ALJ) and 4,800 support staff in 132 hearings offices and 10 regional offices. In addition, another 1,000 individuals are employed in OHA headquarters in Falls Church, Virginia. In FY 1997, OHA costs in salaries and benefits were about \$473.5 million.

In order to determine whether OHA maintains adequate time and attendance procedures to account for the activities of the approximately 7,000 ALJs and staff, we expect to look at internal controls related to: 1) authorizing work hours and leave, including overtime; 2) segregation of duties; 3) designing and using records to account for transactions and events; 4) safeguarding time and attendance records; and 5) independent checks to monitor time and attendance performance. A similar audit in 1994 found that OHA employees, particularly those located in remote sites, needed additional training on time and attendance procedures.

Due to time and attendance concerns expressed by both Congress and the OIG, we expect to begin our survey work immediately and initiate fieldwork during FY 1998.

Field Office Denial of Supplemental Security Income Cases Allowed by Administrative Law Judges

- Issue Team:*** Office of Hearings and Appeals
- Planned Start:*** Fourth Quarter FY 1999
- Objective:*** To review the process and procedures that enable the Administrative Law Judges (ALJ) to render a favorable decision even though a claims representative has determined that an individual is no longer eligible for Supplemental Security Income (SSI) benefits.
- Background:*** SSI is a needs-based program that provides assistance to aged, blind or disabled adults, and children who are citizens or eligible aliens. During the appeals process, an ALJ might issue a favorable decision on a case even though the claims representative has determined, after the case went forward to OHA, that the claimant no longer meets the basic eligibility requirements. In some cases, an eligibility redetermination performed at the end of the appeals process may determine that a claimant is no longer eligible. For example, both during and/or immediately following the appeals process, the claimant may no longer meet income/resources, residency, or other eligibility criteria. In other cases, an individual could have been incarcerated while awaiting the appeal results. A review of cases denied by the field offices before or after an ALJ has rendered a decision, including when an eligibility review is performed and how its timing impacts the OHA process, could find ways to reduce the number of pending appeals cases and minimize the chance that a claimant may be paid incorrectly.

Inconsistencies Between Administrative Law Judges and Disability Determination Services Decisions

- Issue Team:*** Office of Hearings and Appeals
- Planned Start:*** First Quarter FY 1999
- Objective:*** To review the process and procedures that contribute to the inconsistencies between the Administrative Law Judge (ALJ) and the Disability Determination Services (DDS) decisions.
- Background:*** Applicants and claimants of Social Security disability benefits (title II and Supplemental Security Income) who do not receive fully favorable decisions from the DDS are able to appeal the decision. According to a 1997 General Accounting Office (GAO) report, two-thirds of all cases appealed to ALJs have resulted in favorable decisions. Additionally, GAO reports that: 1) ALJs cannot rely on DDS evidence; 2) in 75 percent of the appealed cases, new evidence is submitted; and 3) in 10 percent of the new cases, the impairment is switched from a physical to a mental condition. In addition, the Office of Quality Assurance and Performance Assessment has reported on numerous accuracy problems in DDS cases being sent to the Office of Hearings and Appeals. These accuracy problems may further impact on the decision rendered by the ALJ. Congressman Jim Bunning, Chairman of the Subcommittee on Social Security, Committee on Ways and Means, has expressed concerns about the inconsistencies in decisions between the ALJs and the DDSs. Further, we informed Senator Charles Grassley, Chairman, Senate Special Committee on Aging, that we will include this issue in the OIG 1999 Annual Audit Plan and will keep him informed of the progress of the audit once it begins.

Medical Expert and Vocational Expert Usage and Fees for Services

Issue Team: Office of Hearings and Appeals

Planned Start: Second Quarter FY 1999

Objective: To determine the appropriateness of payments for services rendered by medical and vocational experts.

Background: Administrative Law Judges (ALJ) can seek the advice of medical experts (ME) when a case file contains conflicting or confusing medical evidence or when there is a need to better understand or document the case. An ALJ may obtain a vocational expert's (VE) opinion to determine whether the claimant's impairment prevents performance of past relevant work or any other work. MEs and VEs are paid for services in accordance with a published schedule.

Overall policy and procedures for the use of MEs and VEs are established by the Office of Hearings and Appeals' (OHA) Immediate Office of the Chief ALJ. OHA's 10 regional offices recruit and maintain rosters of MEs and VEs, prepare purchase documents and perform oversight. Hearing office staff arrange for ME/VEs services and prepare vouchers for payment.

Open Records Impact on Office of Hearings and Appeals Backlog of Cases

Issue Team: Office of Hearings and Appeals

Planned Start: Third Quarter FY 1999

Objective: To review the open record process and its impact on backlog and productivity.

Background: During the hearings process, as long as the case is open, the claimant or the claimant's representative may introduce new evidence. According to the General Accounting Office, new evidence is submitted in about 75 percent of the appealed cases. Additionally, in about 10 percent of the cases, claimants switch their primary impairment from a physical to a mental condition. This practice contributes to the backlog of the Office of Hearings and Appeals' cases. In some instances, hearings must be postponed when additional evidence is submitted to give the Administrative Law Judge (ALJ) adequate time to review the case. This action delays the hearing.

There has been some discussion about closing the case to new evidence; consequently, the ALJ's decision would be based on the evidence in the record submitted by the Disability Determination Service office. If a client has new evidence, s/he would be instructed to reapply.

Process Unification: Impact on Hearing Level Allowance Rates

Issue Team: Office of Hearings and Appeals

Planned Start: First Quarter FY 1999

Objective: To assess the impact of Process Unification on Office of Hearings and Appeals' (OHA) hearing level allowance rates.

Background: SSA is redesigning the disability program because of concerns with how the process deals with some of the several million claimants each year and its cost to taxpayers. The perceived existence of two substantially different approaches to the process used for deciding eligibility for disability benefits has manifested in OHA allowing a high percentage of appealed cases that Disability Determination Services (DDS) have reviewed twice and denied.

Process unification, a cornerstone in the foundation of the redesign, seeks to ensure uniformity in the adjudicative process by achieving similar results on similar cases at all stages of the disability process through consistent applications of laws, regulations, and rulings. This process includes: 1) assuring cases are allowed as early as possible, 2) having a substantial reduction in OHA and allowance rates, and 3) having no significant change in program costs.

Congress has expressed concern about this issue. We have informed Senator Charles E. Grassley, Chairman, Senate Special Committee on Aging, that we will be including this issue in the OIG 1999 Annual Audit Plan, and will keep him informed of the progress on this audit once started.

We will measure the effectiveness of the Disability Redesign initiative by comparing the reversal rates before and after implementation of the "one-book" criteria by the DDS and OHA.



A**ppendix **H

Payment Accuracy Task Force: SSI Unearned Income Issue Team

Issue Team: Payment Accuracy

Planned Start: Second Quarter FY 1999

Objective: Improve the accuracy of SSA's title XVI payments through an agencywide cooperative effort.

Background: The Payment Accuracy Task Force was created to improve the accuracy of payments for SSA's Old-Age, Survivors and Disability Insurance and Supplemental Security Income programs. Over the last several years, SSA's payment accuracy rates have remained relatively constant and little attention has been given to address the specific causes for these payment inaccuracies.

OIG initiated the Payment Accuracy Task Force in 1996 and established a high-level Steering Committee of Associate Commissioners from SSA's major components to guide the initiative. Through a cooperative effort, the Steering Committee establishes multi-disciplinary issue teams to analyze the causes of payment errors and recommend corrective actions to SSA's Executive Staff.

This team is scheduled to address SSI payment inaccuracies that occur as a result of unearned income. We will perform an in-depth examination of SSA's payment processes to identify the aspects of those processes that result in inaccurate payments. We will also explore solutions for improving SSA's ability to issue accurate payments and produce a consolidated report of proposed solutions to be presented to Agency decision-makers. We are expected to complete a written report within 120 days of its start.



Appendix I

Performance Measures: Office of Hearings and Appeals

Issue Team: Performance Monitoring

Planned Start: Carry Over

Objective: To evaluate SSA's process used to measure the Office of Hearings and Appeal's (OHA) performance.

Background: The Government Performance and Results Act requires all Federal agencies to create performance indicators and goals and to monitor and report on their success in reaching these goals. Agencies need to have data that provide a reasonable assessment of performance so they can report to Congress and the public on progress in achieving their goals.

SSA has developed 68 different performance indicators and goals. Four of these indicators and goals are related to OHA performance. This review will evaluate the processes and systems being used to measure progress in these areas to ensure that they provide reasonable assessments of performance.

Performance Measures: Payment and Service Accuracy of 800-Number Calls

Issue Team: Performance Monitoring

Planned Start: Third Quarter FY 1999

Objective: To evaluate SSA's process to measure the payment and service accuracy of 800-number calls

Background: The Government Performance and Results Act requires all Federal agencies to create performance indicators and goals and to monitor and report on their success in reaching these goals. Agencies need to have data that provide a reasonable assessment of performance so they can report to Congress and the public on progress in achieving their goals.

SSA has developed 68 different performance indicators and goals. It has established as two of its performance measures the payment and service accuracy of 800-number calls handled. This review will evaluate the processes and systems being used to measure progress in these areas to ensure that they provide reasonable assessments of performance.

Performance Measures: Supplemental Security Income Nonmedical Redeterminations

Issue Team: Performance Monitoring

Planned Start: Second Quarter FY 1999

Objective: To evaluate SSA's process used to measure the number of Supplemental Security Income (SSI) nonmedical redeterminations completed.

Background: The Government Performance and Results Act requires all Federal agencies to create performance indicators and goals and to monitor and report on their success in reaching these goals. Agencies need to have data that provide a reasonable assessment of performance so they can report to Congress and the public on progress in achieving their goals.

SSA has developed 68 different performance indicators and goals. It has established as one of its performance measures the number of SSI nondisability redeterminations completed. This review will evaluate the processes and systems being used to measure progress in this area to ensure that they provide a reasonable assessment of performance.

Performance Measures: Timely Processing of Disability Insurance Claims

Issue Team: Performance Monitoring

Planned Start: Second Quarter FY 1999

Objective: To evaluate SSA's process used to measure the timely processing of Disability Insurance (DI) claims.

Background: The Government Performance and Results Act requires all Federal agencies to create performance indicators and goals and to monitor and report on their success in reaching these goals. Agencies need to have data that provide a reasonable assessment of performance so they can report to Congress and the public on progress in achieving their goals.

SSA has developed 68 different performance indicators and goals. It has established as one of its performance measures the timely processing of DI claims. This review will evaluate the processes and systems being used to measure progress in this area to ensure that they provide a reasonable assessment of performance.

Performance Measures: Timely Processing of Old-Age and Survivors Insurance Claims

Issue Team: Performance Monitoring

Planned Start: Fourth Quarter FY 1999

Objective: To evaluate SSA's process used to measure the timely processing of Old-Age and Survivors Insurance (OASI) claims.

Background: The Government Performance and Results Act requires all Federal agencies to create performance indicators and goals and to monitor and report on their success in reaching these goals. Agencies need to have data that provide a reasonable assessment of performance so they can report to Congress and the public on progress in achieving their goals.

SSA has developed 68 different performance indicators and goals. It has established as one of its performance measures the timely processing of OASI claims. This review will evaluate the processes and systems being used to measure progress in this area to ensure that they provide a reasonable assessment of performance.

Performance Measures: Timely Processing of Supplemental Security Income Aged Claims

Issue Team: Performance Monitoring

Planned Start: Third Quarter FY 1999

Objective: To evaluate SSA's process used to measure the timely processing of Supplemental Security Income (SSI) aged claims.

Background: The Government Performance and Results Act requires all Federal agencies to create performance indicators and goals and to monitor and report on their success in reaching these goals. Agencies need to have data that provide a reasonable assessment of performance so they can report to Congress and the public on progress in achieving their goals.

SSA has developed 68 different performance indicators and goals. It has established as one of its performance measures the timely processing of SSI aged claims. This review will evaluate the processes and systems being used to measure progress in this area to ensure that they provide a reasonable assessment of performance.

Performance Measures: Timely Processing of Supplemental Security Income Disability Claims

Issue Team: Performance Monitoring

Planned Start: First Quarter FY 1999

Objective: To evaluate SSA's process used to measure the timely processing of Supplemental Security Income (SSI) disability claims.

Background: The Government Performance and Results Act requires all Federal agencies to create performance indicators and goals and to monitor and report on their success in reaching these goals. Agencies need to have data that provide a reasonable assessment of performance so they can report to Congress and the public on progress in achieving their goals.

SSA has developed 68 different performance indicators and goals. It has established as one of its performance measures the timely processing of SSI disability claims. This review will evaluate the processes and systems being used to measure progress in this area to ensure that they provide a reasonable assessment of performance.

Review of SSA's Performance Measurement Data

Issue Team: Performance Monitoring

Planned Start: Carry Over

Objective: To survey and identify weaknesses with SSA's performance measurement data sources.

Background: The Government Performance and Results Act requires all Federal agencies to create performance indicators and goals and to monitor and report on their success in reaching these goals. Agencies need to have data that provide a reasonable assessment of performance so they can report to Congress and the public on progress in achieving their goals.

SSA has developed 68 different performance indicators and goals. This review will evaluate the processes and systems being used to measure progress in these areas to ensure that they provide reasonable assessments of performance.



Appendix J

Adequacy of Child In-Care Requirements

Issue Team: Retirement and Survivors Insurance

Planned Start: First Quarter FY 1999

Objective: To evaluate the adequacy of child in-care requirements for young spouses and widows/widowers without custody of the children.

Background: Young spouses (under age 62) and widows/widowers (under age 60) may qualify for retirement or survivors benefits, respectively, if they have a child in-care. Generally, when the youngest child reaches age 16, the benefits of the spouse or widow/widower are terminated. Benefits are also terminated if the child leaves the care of the spouse or widow/widower. However, as long as "parental control" is exercised over the child, a parent may continue to receive benefits even if the child no longer lives with the parent. The nature and extent of "parental control" over the child is critical in determining the eligibility of parents without custody of the children.

Auxiliary and Survivor Benefits for Noncitizens Living Outside the United States

Issue Team: Retirement and Survivors Insurance

Planned Start: Fourth Quarter FY 1999

Objective: To evaluate the implementation of residency requirements for noncitizens receiving auxiliary and survivor benefits while living outside the United States.

Background: The Social Security Act requires that most noncitizens meet residency requirements in order to receive benefits while living outside the United States. Generally, the residency requirements are met if the noncitizen resided in the United States for a period of 5 years during which time a relationship (e.g., marriage) existed with the qualifying wage earner. However, auxiliary and survivor benefits are no longer allowed if the noncitizen is continuously absent from the United States for more than 6 consecutive months. Under current law, these individuals may continue to receive Social Security benefits by simply returning to the United States at least once every 30 days.

Controls Over Questionable Retirements

Issue Team: Retirement and Survivors Insurance

Planned Start: Third Quarter FY 1999

Objective: To determine if controls over questionable retirements are adequate to prevent unauthorized payments to ineligible beneficiaries.

Background: Upon retirement, Social Security beneficiaries may continue to work and arrange their business affairs to maximize the combined income from benefits and earnings. Questionable retirement arises when the reported or estimated earnings are not the correct earnings for the actual work performed by the beneficiary. In these instances, the beneficiary is 1) continuing to perform services in employment or self-employment, or 2) in a position to directly or indirectly control or influence the amount of reported earnings. The popularity and complexity of these arrangements may create significant challenges in determining the worker's initial and continuing entitlement to benefits.

Detection of Unreported Marriages Through the Financial Crimes Enforcement Network

Issue Team: Retirement and Survivors Insurance

Planned Start: Fourth Quarter FY 1999

Objective: To determine if the Financial Crimes Enforcement Network (FinCEN) is an effective resource to identify beneficiaries who have not reported their marriages.

Background: Marriage is a terminating event for beneficiaries who receive surviving spouse or child benefits. Generally, SSA relies on beneficiaries to voluntarily report any changes in their marital status. The Department of the Treasury established FinCEN to detect and prevent money laundering and to foster interagency cooperation to that end through information collection, analysis, and sharing. Computer matches with FinCEN records may be useful to identify unreported marriages resulting in the termination of Social Security benefits.

Effectiveness of SSA's Death Termination Process

- Issue Team:*** Retirement and Survivors Insurance
- Planned Start:*** First Quarter FY 1999
- Objective:*** To evaluate the effectiveness of controls and procedures for the processing of death notices.
- Background:*** The death of a beneficiary results in the termination of Social Security benefits. SSA receives death notices from a variety of sources including, but not limited to, relatives, friends, funeral homes, postal authorities, State Bureaus of Vital Statistics, welfare agencies, financial institutions, and Federal agencies. Upon receipt of a death notice, SSA must promptly terminate benefit payments for beneficiaries in the month of death and recover any payments made after the date of death. Recent investigations conducted by the Office of the Inspector General have disclosed many instances of fraud involving individuals who continued to receive benefits after the death of the beneficiary. These problems often went undetected for a number of years.

Effectiveness of SSA's Modernized Claims System

- Issue Team:*** Retirement and Survivors Insurance
- Planned Start:*** Carry Over
- Objective:*** To evaluate the effectiveness of the Modernized Claims System (MCS) in automating the initial claims for title II benefits.
- Background:*** In 1985, SSA released the MCS software to provide the initial automation for processing initial claims for title II benefits from data collection through payment determination. In a series of incremental releases, SSA has used batch and on-line processing to reportedly achieve an 82 percent automation rate for processing initial claims. About 18 percent of initial claims must be forwarded to a processing center for manual processing. Through MCS, field offices may input claims data, resolve edit checks, perform benefit computations, and complete final adjudication of most title II claims in an on-line, interactive environment.

Inequitable Taxation of Title II Benefits for Dependent Family Members

Issue Team: Retirement and Survivors Insurance

Planned Start: First Quarter FY 1999

Objective: To determine if families are taxed consistently and equitably for Social Security benefits received based on family income, with emphasis on benefits of dependent family members.

Background: Based on the Social Security Amendments of 1983, title II benefits are subject to Federal income taxes for families with substantial other income. However, families are not taxed on benefits that they receive on behalf of children, regardless of the amount of other family income. These benefits are intended to provide assistance to families who lose the income support of deceased wage earners. Medium and upper-income families who receive Social Security benefits for children pay no income taxes on those benefits because children are treated under the law as separate taxpayers. Most of these children live with their parents who, in turn, claim them as dependents on their income tax returns. On the other hand, retired and disabled workers and their spouses pay income taxes on as much as 85 percent of their benefits.

Processing of Title II Nonresponder Representative Payee Alerts

- Issue Team:*** Retirement and Survivors Insurance
- Planned Start:*** Carry Over
- Objective:*** To evaluate the actions taken by field offices to process nonresponder alerts and identify the reasons why representative payees do not always complete their annual accounting requests.
- Background:*** Agency representatives and advocates have criticized the annual accounting process which asks representative payees how they spent and saved benefits received on behalf of beneficiaries. As part of this process, SSA provides field offices with nonresponder alerts, that identify payees who have not returned the annual accounting forms as required. This review is a follow-up to the OIG review entitled, "Monitoring Representative Payee Performance: Nonresponding Payees." SSA has requested more detailed information on the accounting process and nonresponding payees.

Use of Fraud Referrals to Identify Title II Benefit Control Weaknesses and Deficiencies

Issue Team: Retirement and Survivors Insurance

Planned Start: First Quarter FY 1999

Objective: To "profile" the recent investigations conducted by the Office of the Inspector General (OIG) and identify weaknesses in existing controls and procedures that are vulnerable to fraud, waste, and abuse.

Background: SSA has adopted a policy of "zero tolerance for fraud." Despite a number of initiatives to combat fraud, allegations of individuals who committed fraud to obtain title II benefits have been the subject of media reports, congressional hearings, and legislative actions for many years. These allegations involved errors and irregularities which generally occurred because adequate controls were not established or existing controls had been circumvented. An analysis of recent OIG investigations for trends and patterns may be useful to determine 1) how the fraud was perpetrated, 2) why the fraud was allowed to occur, and 3) what could have been done to prevent the fraud.



A**ppendix **K

Agency Process for Paying Title II Appointed Attorney Representative Fees Involving Workers' Compensation

- Issue Team:*** SSA Operations (Service Delivery)
- Planned Start:*** First Quarter FY 1999
- Objective:*** To determine if SSA accurately and timely processed fees for title II beneficiaries' appointed representatives involving workers' compensation (WC).
- Background:*** The Social Security Act directs SSA to remit a portion of the claimant's benefit to the appointed attorney representative assisting a claimant during any or every step in the proceedings before SSA, i.e., initial determination, reconsideration, and hearing and/or Appeals Council Review. SSA can remit fee payments only to attorneys. For appointed representatives who are not attorneys, SSA can approve fees, but cannot pay the fee and cannot withhold benefits for that purpose. For "other qualified persons" who are not appointed as representatives, SSA can neither approve nor pay fees. However, the appointed attorney representative usually may charge no more than 25 percent of the past due benefits, or \$4,000 under the fee agreement process. Past due benefits are the amount of benefits accruing to the primary and all related beneficiaries under title II because of a favorable administrative determination or decision up to, but not including, the month SSA effectuates the determination or decision. When determining past due benefits, SSA must consider any WC offset amount because SSA excludes benefits that a claimant will not receive because of a deduction event. Therefore, the computation for reducing past due benefits by the WC payments must be accurate in order for the attorney fee to be accurately paid.

Controls Over Title II Alerts and Diaries

Issue Team: SSA Operations (Service Delivery)

Planned Start: Fourth Quarter FY 1999

Objective: To determine whether SSA's title II alert and diary system is administered and operated effectively, and whether the system enhances the reliability and effectiveness of operations.

Background: There are numerous alerts and diaries affecting title II claims processing and post-entitlement actions. SSA management officials are unaware of how many diaries and alerts are in the system. Working the diary and alert activity impinges on primary operations activities, such as processing claims. It is not clear how frequently or under what circumstances management will review the process to determine how operations benefit from the continuing processing of the active alerts and diaries. Certain alerts and diaries are processed timely either to remove a barrier effectuating payment or to comply with a management priority situation. Other alerts and diaries remain unprocessed, but may have an effect on the accuracy and continuing eligibility for benefits or on the accuracy of the Master Beneficiary Record.

Controls Over Title XVI Alerts and Diaries

Issue Team: SSA Operations (Service Delivery)

Planned Start: Second Quarter FY 1999

Objective: To determine whether SSA's title XVI alert and diary system is administered and operated effectively, and whether the system enhances the reliability and effectiveness of operations.

Background: The Social Security Administration utilizes a system of alerts and diaries to review claims and post-entitlement actions. There are almost 300 alerts and diaries for the Supplemental Security Income program. Although the number of alerts and diaries has been increasing, the number of field office personnel available to handle the workload has been decreasing. The alerts and diaries are produced from a number of SSA systems and are worked based on priorities and management initiatives.

We will focus on the management and operational controls over the alert and diary process at field offices. The review will include analysis of management and operational controls for identifying and tracking alerts and diaries. Also, we will review the workload process, how priorities are established, and how outputs and outcomes are measured. We will also analyze the effect on claims and payments for alerts that are not processed.

Cost vs. Benefit of Services Provided Through Contact Stations

Issue Team: SSA Operations (Service Delivery)

Planned Start: Second Quarter FY 1999

Objective: To analyze SSA's business decisions for locating and maintaining over 1,500 contact stations.

Background: SSA's ten regional offices direct a region-wide network of area director offices and field offices. The area director offices are usually small (4-6 persons). The Area Directors report directly to the Regional Commissioner and are directly responsible for the oversight of a network of 1,300 field offices. The local field office is the center of the SSA service delivery network providing public information for a designated geographical service area. In addition to the permanent field offices, Social Security representatives regularly visit over 1,500 outlying contact stations to serve those SSA customers who live a distance from a local office or who can not visit an office due to illness. While access to services is a critical measure of how well SSA's service delivery interface is performing, some managers contend that the cost of regularly staffing outlying contact stations exceeds the benefits derived. These managers believe that contact station visits could be scaled back or eliminated entirely without adversely impacting the overall quality of the service being provided in these communities.

Effects from Waiving Overpayments of \$500 or Less on SSA Trust Funds

Issue Team: SSA Operations (Service Delivery)

Planned Start: First Quarter FY 1999

Objective: To determine: 1) the effect of waiving overpayments of \$500 or less on the Supplementary Security Insurance [SSI] program and the Retirement, Survivors and Disability Insurance [RSDI] trust funds; 2) whether the procedures followed by the field offices to waive overpayments of \$500 or less adequately protect the integrity of the SSI program and the RSDI trust funds; and 3) whether the criteria used by SSA to establish the overpayment waiver policy of \$500 or less adequately protects the integrity of the SSI program and the RSDI trust funds.

Background: Millions of title II trust funds and title XVI program funds may be lost because SSA's policy to waive overpayments of \$500 or less is too high. Our initial analysis of \$500 or less waivers from October 1, 1992 through May 31, 1997 identified dollars waived by SSA totaling \$136.7 million--\$22.7 for title II and \$114.0 for title XVI. The model SSA used as part of the justification to elevate the waiver threshold from \$100 to \$500 may not have contained actual data but, instead, was based on estimates.

Teleservice Center Determination of Caller Identity Before Disclosing Information

- Issue Team:*** SSA Operations (Service Delivery)
- Planned Start:*** Fourth Quarter FY 1999
- Objective:*** To examine SSA's procedures for identifying callers prior to discussing their employment earnings histories.
- Background:*** This review will focus on SSA's security measures concerning how teleservice center (TSC) callers are identified as the same person making the inquiry. We will examine if: 1) the telephone's automated menu features verify a caller identity without having to talk with a service representative; 2) TSCs use the same security measures as the Internal Revenue Service in handling sensitive information over the telephone; and 3) SSA needs to issue personal identification numbers to its beneficiary population.



A**ppendix **L

Effectiveness of Supplemental Security Income Nonmedical Redeterminations

- Issue Team:*** Supplemental Security Income (Nondisability)
- Planned Start:*** Third Quarter FY 1999
- Objective:*** To determine whether Supplemental Security Income (SSI) nonmedical redeterminations are adequate and effective and selection requirements are appropriate.
- Background:*** The eligibility of each SSI recipient must be redetermined periodically to ensure that eligibility continues and that payments are in the proper amount. Redetermination covers all eligibility factors except age, citizenship, and continuing disability or blindness. Redeterminations may be conducted by mail, phone, or personal interview. All active cases in the Supplemental Security Record (SSR) are screened monthly for potential redetermination selection. SSA officials informed us that redeterminations are conducted a minimum of every 6 years. Factors considered in selecting a case are current payment status, date of last redetermination, current profile code and exclusion codes. SSA conducted 1.7 million redeterminations during FY 1997, although the Agency commitment was to conduct 1.8 million. SSA is planning to increase funding for nonmedical redeterminations in FY 1999.

Efforts to Remove the Supplemental Security Income Program from General Accounting Office's List of High-Risk Areas

- Issue Team:*** Supplemental Security Income (Nondisability)
- Planned Start:*** Third Quarter FY 1999
- Objective:*** To assess the adequacy of SSA efforts to take corrective actions needed to remove the Supplemental Security Income (SSI) program from the General Accounting Office's (GAO) list of high-risk areas.
- Background:*** In 1997, GAO identified the SSI program as high-risk. In May 1998, SSA submitted a draft bill to Congress which included provisions to: 1) improve SSA's ability to gather critical eligibility information; 2) improve efforts to recover overpayments by expanding collection efforts; 3) tighten eligibility criteria by not allowing individuals to transfer assets or dispose of resources for less than fair market value to qualify for SSI payments; and 4) authorize SSA to impose administrative sanctions. SSA also submitted proposals to Congress in March 1998 to increase funding for SSI nonmedical redeterminations and to allow collection of SSI overpayments owed by former recipients from title II benefits.

Exclusions from Countable Resources to Receive Supplemental Security Income Benefits

Issue Team: Supplemental Security Income (Nondisability)

Planned Start: Fourth Quarter FY 1999

Objective: To determine SSA's effectiveness in identifying whether Supplemental Security Income (SSI) recipients fail to disclose countable resources to become (or remain) eligible for SSI benefits.

Background: The amount of an individual's resources is used to determine whether that person is eligible for SSI benefits. To be eligible, an individual's countable resources must be within the required specified amount (currently \$2000 for an individual; \$3000 for a couple). Certain resources do not count against the statutory limit and are excluded regardless of value. These resources include: 1) a home serving as the principal place of residence; 2) a car providing essential transportation; and 3) other personal property that may be considered necessary for self-support.

SSA officials informed us that claimants may not disclose resources, such as the value of life insurance policies, bank accounts, foreign property and foreign pensions. Other resources which may not be disclosed are those claimed as loans (e.g., rents or subsidies). SSA indicated that 25 to 33 percent of SSI overpayments are a direct result of income and resource factors. By concealing countable resources, individuals could be improperly receiving SSI.

Procedures for Eligibility and Deeming of Income to Supplemental Security Income Applicants

- Issue Team:*** Supplemental Security Income (Nondisability)
- Planned Start:*** Carry Over
- Objective:*** To determine if SSA has adequate controls over the deeming of income process for Supplemental Security Income (SSI) applicants.
- Background:*** Income is anything a person receives in cash or in-kind that s/he can use to meet his/her needs for food, clothing and shelter. Deeming of income is the process of considering part of another person's income to be the SSI-eligible person's own unearned income.

Review of Controls Over Processing Income Alerts Impacting Supplemental Security Income Payments

- Issue Team:*** Supplemental Security Income (Nondisability)
- Planned Start:*** Carry Over
- Objective:*** To evaluate the timeliness and effectiveness of SSA procedures for processing income alerts which impact Supplemental Security Income (SSI) payments.
- Background:*** To determine if an SSI applicant is financially eligible, SSA performs an initial determination at the time of application and conducts periodic reviews to determine whether the recipient remains eligible. SSI recipients are required to report significant events that may affect their financial eligibility for benefits, including changes in income, resources, marital status, or living arrangements, such as incarceration or residence in a nursing home. To verify that the information is correct, SSA generally relies on matching data from other Federal and State agencies. When SSA finds discrepancies between income and assets claimed by a recipient and the data from other agencies, notices are sent to SSA field offices (FO) to investigate further. Such notices are known as alerts.
- Alerts may be either uncontrolled or controlled. Controlled alerts are maintained within the SSA computer system and reappear each month until they are resolved by the FO. An uncontrolled alert simply appears once and does not reappear on the SSA computer system whether or not the FO works the alert.
- Alerts are classified by their priority. Alerts which are "Limited Issues" must be worked within 6 months. Other alerts are expected to be worked within 1 year. The "Limited Issues" are designated for earlier resolution because these have a greater likelihood of impacting SSI payments.

SSA Notification of Changes in Living Arrangements

- Issue Team:*** Supplemental Security Income (Nondisability)
- Planned Start:*** Fourth Quarter FY 1999
- Objective:*** To determine SSA effectiveness in identifying whether Supplemental Security Income (SSI) recipients report living arrangement changes, including transfers to Medicaid-funded institutions.
- Background:*** There are about 1.5 million aged recipients (500,000 over age 80); and yet, all but 130,000 are paid as living in their own household. Living arrangement determinations are complex and open to abuse. Individuals may not report changes that affect payments. SSI recipients who reside in another person's household are subject to benefit reductions. Those in Medicaid-funded institutions are only eligible for a \$30 living allowance in SSI benefits.



A**ppendix **M

Administration of TOP SECRET at the National Computer Center

Issue Team: Systems

Planned Start: Second Quarter FY 1999

Objective: To evaluate the efficiency and effectiveness of SSA's TOP SECRET access security application to mitigate threats to SSA systems posed by unauthorized accesses.

Background: Risk of compromising the confidentiality, integrity, and availability of sensitive information in a distributed processing environment is high. Inadequate access controls diminish the reliability of computerized data and increase the risk of destruction or inappropriate disclosure of data. To maintain an effective defense against external intruders, SSA should implement cost-effective access security controls within its nationwide network architecture. The existing TOP SECRET system access security application should be efficient and effective to meet system protection requirements, and must be properly configured to enable optimal protection. Strong controls over issuance of authorized user and administration accounts, assignment of access levels, as well as monitoring of security audit logs for fraud and misuse, must be in place and functioning.

Effective Implementation of Windows NT Security

Issue Team: Systems

Planned Start: Fourth Quarter FY 1999

Objective: To evaluate the security over servers and work stations comprising SSA's Windows NT network and the information assets shared within the network.

Background: With the change to an Intelligent Work Station/Local Area Network (IWS/LAN) environment, SSA has implemented Windows NT operating systems. It is imperative that controls over the protection of access to Windows NT work stations and servers be examined because of the sensitivity of the information processed on the LAN; the increasing dependence upon the IWS/LAN environment; the newness of the Windows NT product on the market and within SSA; and the complexity of the proper security configuration of Windows NT.

Effectiveness of SSA's Comprehensive Integrity Review Process as an Internal Control

Issue Team: Systems

Planned Start: Carry Over

Objective: To analyze the process followed to develop and deploy releases 1.1, 1.2 and 2.0. Also, to review the effectiveness of the integrity reviews performed for releases 1.1 and 1.2 that have been completed.

Background: The purpose of the Comprehensive Intergrity Review Process (CIRP) is to combine the existing integrity reviews that are application-specific into a single utility. An integrity review is a business function used to deter fraud by selecting and reviewing transactions with the highest fraud profile. Integrity reviews ensure the legitimacy of selected transactions and may serve as a replacement for separation of duties.

CIRP's release 1.1 was deployed in December 1996 and release 1.2 was deployed in October 1997. Release 2.0 is in the requirements phase. Release 1.1 addressed ALPHIDENT queries and detailed earnings queries. CIRP release 1.2 address the identification queries such as the NUMIDENT, Query Response Selection List, and the Customer Help Information Program. CIRP release 2.0 will be implemented as a pilot to provide the foundation for the agencywide CIRP. Release 2.0 addresses alpha query responses and enumeration.

Effectiveness of SSA's Computer Security Program

Issue Team: Systems

Planned Start: First Quarter FY 1999

Objective: To evaluate the effectiveness of SSA's computer security program to protect sensitive information in SSA's automated systems, and to assess compliance with the Office of Management and Budget (OMB) Circular A-130 and other regulatory requirements for Federal agency computer security programs.

Background: The Computer Security Act of 1987 and OMB Circular A-130 require a program to be in place and functioning cost-effectively. The confidentiality, integrity, and availability of sensitive information in Federal computer systems has to be assured. SSA has self-identified 13 sensitive SSA systems requiring specific documentation and special protection to ensure compliance. The entity-wide computer security program should provide a framework for managing the risk, developing security policies, assigning responsibilities, and monitoring the adequacy of SSA's general computer controls.

Expediting Data Exchanges Between SSA and Other Entities

Issue Team: Systems

Planned Start: First Quarter FY 1999

Objective: To determine if data exchanges could be expedited between SSA and other entities and, if so, what impact they would have on Agency programs.

Background: SSA has thousands of data exchanges with outside entities. These include data that the Agency receives from Federal, State, and local governments, such as prisoner data, enumeration at birth data, death data from Bureaus of Vital Statistics, Veterans' Administration pension data, saving bond ownership information from the Bureau of Public Debt, etc. Other data is sent from the Agency, such as State Data Exchange data that transmits information about Supplemental Security Income (SSI) recipients to the States.

Delays in receipt of data from these entities can result in the following: 1) overpayments due to continued payments to those in prisoner status; 2) overpayments due to delays in death terminations; 3) overpayments to SSI beneficiaries who are receiving Veterans pensions or who have not reported all their income to SSA; 4) delays in issuance of Social Security numbers to newborns, perceived by the public as the Agency's fault, not the State's; and 5) States not having the information needed to properly administer programs.

The initial review would focus on Federal exchanges and cover what impediments there are to prompt exchange of data and its impact on the Agency. It would also cover steps that could be taken to eliminate the delays.

Financial Statement Contractor's Audit of Electronic Data Processing Application Controls

Issue Team: Systems

Planned Start: Carry Over

Objective: To evaluate the sufficiency of the financial statement contractor's audit of SSA's application and general controls. Also, to assess the Agency's internal control structure over its accounting and other automated systems that are considered material to the financial statements.

Background: The Chief Financial Officers (CFO) Act of 1990 requires agencies to annually prepare audited financial statements. For FY 1998, OIG has hired an independent public accounting firm to conduct the annual audit of the Agency's financial statements and related review of automated systems. The Government Auditing Standards require an assessment of Electronic Data Processing (EDP) application controls.

This audit will be combined with the Systems General Controls audit for presentation to SSA management.

Financial Statement Contractor's Audit of Electronic Data Processing General Controls

Issue Team: Systems

Planned Start: Carry Over

Objective: To evaluate the sufficiency of the financial statement contractor's audit of SSA's general controls. Required areas include a part of the financial statement audit by the Federal Information Systems Control Audit Manual (FISCAM) relating to the systems-wide controls being addressed by the contractor.

Background: The Chief Financial Officers (CFO) Act of 1990 requires agencies to annually prepare audited financial statements. For the FY 1998 audit, OIG has hired Price Waterhouse Coopers to conduct the annual audit in accordance with government auditing standards. These standards include a requirement to assess general controls using the FISCAM.

Follow-Up Review of Physical Security at the National Computer Center

Issue Team: Systems

Planned Start: Carry Over

Objective: To determine what efforts SSA has made to improve physical security at its National Computer Center (NCC) since our last review.

Background: An effective plan for physical security is necessary for SSA's NCC to prevent inadvertent or malicious damage to sensitive computer resources that could cause disruption to operations and public service. Such a plan must be reviewed regularly. We will revisit our earlier review to identify any recommended corrections or enhancements to the NCC's physical security posture that have not been implemented. We will also determine if any additional safeguards should be implemented.

Human Resource Management Information System Interface with CA-TOP SECRET to Update Access Privileges

Issue Team: Systems

Planned Start: Fourth Quarter FY 1999

Objective: To determine if improvements can be made in how the Human Resource Management Information System (HRMIS) interfaces with CA-TOP SECRET to update TOP SECRET access privileges.

Background: HRMIS is the system that contains all personnel actions, e.g., terminations, transfers, promotions, etc. In the mid-1990s, SSA's Systems Security Officer began using HRMIS to identify security actions that needed to be taken into TOP SECRET, the software that grants access to SSA's Systems. Certain HRMIS actions, e.g., terminations, are automatically handled in TOP SECRET, while others, e.g., transfers, are sent out to the regional security officer for follow-up. From a previous review, we judgmentally selected 50 HRMIS transfers and found that in about 10 percent of the cases the security officer had not changed the employee's profile in TOP SECRET.

Identifying and Validating Agency Intelligent Work Station/Local Area Network and Client/Server Hardware and Software for Y2K Compliance

Issue Team: Systems

Planned Start: First Quarter FY 1999

Objective: To determine if IWS/LAN and Client/Server hardware and software has been identified and is being validated as Y2K compliant.

Background: SSA has been working on the year 2000 problem since 1989 and has made good progress on identifying, tracking, and correcting centralized, agency mission critical, mainframe based production applications. But SSA is also in transition from using centralized mainframe software solutions to using distributed software on the IWS/LAN and Client/Server platforms. Although most of this hardware and software is considered "Agency Non-Mission Critical" it is relied on by employees to: deliver world-class service; meet growth in customer expectations; meet expanding workloads; and improve service. With much of the hardware and software acquisition, licensing, tracking and control occurring at an organizational level, there is considerable concern that it may not be identified and validated for year 2000 compliance.

Implementation of SSA's Reengineered Disability System

Issue Team: Systems

Planned Start: Fourth Quarter FY 1999

Objective: To determine if SSA is efficiently administering the software implementation of the Reengineered Disability System (RDS) Project by also reviewing SSA's functional requirements development, inclusion of internal controls, and implementation schedule.

Background: The current disability business process within SSA is paper-intensive and requires many contacts with claimants, SSA representatives, and medical providers. It is estimated that the average processing times are 84 days for title II disability claims and 105 days for title XVI disability claims. A major factor for this lengthy claims process is transit time for claims to move from one component to another and transit time for responses from providers of medical reports and evaluations. The RDS software will allow for electronic case processing and for on-line transfer of information from all case processing components, including the hearing offices. The RDS software will streamline the process and reduce transit and overall case processing time.

Intelligent Work Station/Local Area Network and Telecommunications Security

Issue Team: Systems

Planned Start: Second Quarter FY 1999

Objective: To review security features implemented to protect the Intelligent Work Stations/Local Area Networks (IWS/LAN) hardware that makes up the lower level of SSA's multi-platform, distributed data processing architecture. Also, to evaluate safeguards for the numerous telecommunications links that join these components in SSA's operational components.

Background: SSA's data processing operations have been moving from a centralized to a multi-platform distributed data processing architecture over the past several years. The IWS/LAN hardware that makes up the lower level of this architecture, as well as the telecommunications links that join these components, have become increasingly important with this change. Since the architecture is integrated, compromises at the lower-level can affect the entire system. The number, dispersion, and widespread use of the lower level devices and telecommunications links make them inherently more risky and more prone to security compromises.

Intelligent Work Station/Local Area Network Contract Review

Issue Team: Systems

Planned Start: First Quarter FY 1999

Objective: To evaluate the effectiveness of SSA's Intelligent Work Station/Local Area Network (IWS/LAN) contract; specifically, its acquisition and maintenance provisions.

Background: In June, SSA awarded the IWS/LAN contract. Stage 1 involved pilot activity at 15 IWS/LAN sites. The second stage involved the interim IWS and LAN acquisitions for the installation of 9,900 work stations and 165 LANs. The third stage provided for the acquisition and maintenance of 56,500 work stations and 1,742 LANS. The fourth stage, or Phase II of National IWS/LAN, will consist of a series of multiple acquisitions involving software, data base hardware, and many other items. Articles and hearings have questioned the effectiveness of this contract.

Justification of SSA's Budget Estimates

- Issue Team:*** Systems
- Planned Start:*** Second Quarter FY 1999
- Objective:*** To evaluate the accuracy of cost savings SSA claims in its budget estimates made to the Office of Management and Budget (OMB) and to Congress.
- Background:*** Each year as part of its annual budget justification effort, SSA provides OMB with a summary of initiatives. These initiatives are designed to reduce cost and improve service. In SSA's FY 1999 budget justification, it claimed workyear savings of 1,881 for FY 1998 and 5,442 for FY 1999. SSA's workyear savings come from the budget impact of its key initiatives, disability process redesign and the Reinventing Government II initiatives. SSA also reports cost savings in its Business Plan. The Clinger/Cohen Act requires that these Information Technology (IT) savings be measured and compared to the cost of the IT initiative.

Monitoring of Network Security and Performance

Issue Team: Systems

Planned Start: Fourth Quarter FY 1999

Objective: To evaluate the performance and cost-effectiveness of the National Computer Center's (NCC) program for monitoring of SSA's networks for system anomalies and performance. Also, to evaluate the adequacy of the NCC's response to anomalies identified, including identification of possible fraud, waste, abuse, or misuse of systems.

Background: Monitoring SSA's network security and performance indicators is an important activity for ensuring that the network is functioning properly for continuity of distributed operations. SSA has distributed cooperative processing operations involving SSA Headquarters, field offices, and external entities, such as the State Disability Determination Services, as well as six Remote Operations Communications Centers located nationwide, which provide relational data base management systems processing capability for the Intelligent Work Stations/Local Area Network systems in the field. Network logs of system activity, including network log-ons and traffic flows, should be configured to capture as much audit information as practical, monitored on a regular basis, and exception reports should be produced to flag unusual activity which may indicate performance degradation, or fraud, waste, abuse, and misuse.

Production Dataset Access to Title XVI Applications

Issue Team: Systems

Planned Start: First Quarter FY 1999

Objective: To determine whether employee access to title XVI production datasets is appropriate.

Background: SSA controls access to production mainframe computer resources through the use of TOP SECRET, a commercial access control software package that protects computer resources. TOP SECRET has several mechanisms for assigning and controlling access privileges for individual users. These mechanisms include profiles, transactions, and datasets. Profiles are defined as sets of common access authorizations for groups of users, and are often assigned according to job position. The transaction identifications (ID) are access authorizations that allow specific data entry transactions and query capabilities for each screen. These transactions can be assigned through profiles or directly to a user. The access to datasets, electronic files containing either programs or data, are normally assigned to analysts and programmers.

During a recent review of profiles in the Office of Systems, we found programmers and other systems personnel have access to sensitive Supplemental Security Income production datasets. This access was granted through direct assignment of datasets and transaction IDs to individual TOP SECRET user records. In this review, we will determine if this access is excessive.

Remote Access/Firewall Security at SSA

Issue Team: Systems

Planned Start: Third Quarter FY 1999

Objective: To evaluate the effectiveness of security over automated devices used by SSA's employees to remotely access sensitive systems in SSA's internal networked environment, and the efficiency and effectiveness of SSA's firewall technology to mitigate network threats posed by external intruders.

Background: To efficiently process transactions in SSA's decentralized nationwide network, some remote locations, as well as employees (such as programmers and network administrators), are equipped to remotely access or transmit up-to-date sensitive information contained in systems processed and stored at SSA's National Computer Center. The widespread use of communications networks has made controls over remote access devices difficult. Risk of compromising the confidentiality, integrity, and availability of sensitive information in this type of environment is high. Inadequate access controls diminish the reliability of computerized data and increase the risk of destruction or inappropriate disclosure of data. To maintain an effective defense against external intruders, SSA should implement cost-effective firewalls at strategic network demarcation points within its nationwide network architecture as recommended by the President's Commission on Critical Infrastructure Protection. The existing firewall technology should be efficient and effective to meet protection requirements, and the firewall must be configured for optimal protection. Strong controls over authorizing use of the firewall by internal users, and monitoring firewall usage for misuse by authorized and unauthorized users, must be in place and functioning. This area is also being reviewed by OA's contractor performing the audit of SSA's financial statements. The scope of our review will be determined based upon the results of the contractor's work.

SSA's Efforts to Provide Management Information Using the Intelligent Work Station/Local Area Network

Issue Team: Systems

Planned Start: Fourth Quarter FY 1999

Objective: To determine if SSA is making adequate progress in implementing Management Information (MI) initiatives through the Intelligent Work Station/Local Area Network (IWS/LAN) infrastructure.

Background: The purpose of the MI initiative is to improve the delivery of MI throughout the Agency utilizing the new technologies made available through the IWS/LAN infrastructure. This project is expected to increase the availability of MI to the customer base in Central Office, the regional offices, processing centers and field offices as legacy and new MI systems are moved to a modernized architecture. Additionally, we understand that customers will be given the tools and training to be able to tailor their MI data to meet their unique requirements and reporting requirements under the Government Performance and Results Act of 1993 (GPRA).

TOP SECRET Access to the Earnings Record Maintenance System

Issue Team: Systems

Planned Start: First Quarter FY 1999

Objective: To determine if access to the Earnings Record Maintenance System (ERMS) using TOP SECRET is appropriate.

Background: ERMS is the software used for processing earnings transactions to SSA's Master Earnings File (MEF). TOP SECRET is the software that controls access to SSA's systems.

SSA has been criticized in the media recently for allowing too many employees access to sensitive information. This finding was the result of PriceWaterhouseCoopers' work. In a review that we are currently completing titled, "TOP SECRET Access to Title XVI Applications," we identified users who had more access than needed to perform their duties. Recommendations were made to correct the deficiencies. This review would take a similar audit approach to determine if excessive access to earnings records is allowed.



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