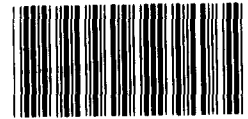


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STATEMENT OF
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BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY
OF THE HOUSE COMMITTEE ON
WAYS AND MEANS

TO

PRESENT GAO'S VIEWS ON THE REPORT OF THE CONGRESSIONAL
PANEL ON SOCIAL SECURITY ORGANIZATION CONCERNING
ESTABLISHMENT OF AN INDEPENDENT AGENCY FOR SOCIAL SECURITY

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Mr. Chairman and Members of the Subcommittee:

I am pleased to present our views on the report of the Congressional Panel on Social Security Organization. As the Subcommittee requested, we shall cite some of the key SSA operational problems our work has identified over the years and address the extent to which these problems appear to have been caused by SSA or by others. I shall also offer GAO's views on the Panel's recommendations.

KEY OPERATIONAL PROBLEMS AND THEIR CAUSES

SSA's primary mission is to make accurate and timely payments to eligible beneficiaries in the most efficient manner. During the past 10 years, SSA has had problems in meeting these objectives. For example, SSA has experienced significant delays in posting workers' earnings and is two to three years behind in recomputing and paying the higher benefit amounts due to about 2 million beneficiaries who have continued to work after retirement. Although most of SSA's information processing is automated, the volume of competing demands for ADP systems' resources (such as new legislative changes, benefit recomputations, claims processing, and post-entitlement changes to accounts) has caused SSA to increase its reliance on manual processing which is more time consuming, costly, and error prone.

The public has complained that repeated visits or inquiries to local SSA offices are sometimes necessary to satisfy requests for information. Some local offices have long waiting lines, poor phone service, and delays in claims processing. Some SSA

notices and letters are late and hard to read. The public is not always adequately informed of their rights and responsibilities under the SSA programs.

On the basis of our work at SSA over a number of years, we believe weaknesses in several key operational areas have contributed significantly to SSA's major problems. These involve (1) outdated ADP equipment and software deficiencies, (2) voluminous and poor quality instructions to field staff, (3) frequent turnover and slow filling of key top level positions, and (4) frequent reorganizations. The Panel report also recognized these areas as key problems and noted that, "Correction of widespread operational problems and planning for the future constitutes a major managerial challenge for the social security agency, whether it is made independent of DHHS or remains inside the Department."

SSA has been operating its ADP resources in a crisis-oriented, reactive mode leaving few ADP resources available to work on serious deficiencies in computer software, inadequate hardware capacity, and systems personnel deficiencies. In addition, many of its complex data processing operations are being handled by labor intensive manual processes. Continuing legislative changes to social security programs accompanied by short implementation times have increased systems backlogs and perpetuated the need for manual processing of workloads which should be automated.

SSA's field office personnel have been inundated with policy and procedural instructions that are often unclear and sometimes incorrect, yet essential to day-to-day program administration.

Resolution of these problems has been made more difficult because of the turnover in SSA's leadership. Since 1973, SSA has had nine Commissioners or Acting Commissioners. Since late 1980, SSA has experienced an average yearly vacancy rate of about 25% in its allocated SES positions. SES separations since 1980 have ranged from 9% per year to 27% per year. The turnover in key top level career positions together with the incessant changes in Commissioners has caused a lack of institutional memory, expertise, and continuity in problem solving. It also may have contributed to poor employee morale and a lack of commitment to the initiatives and organizational goals of previous Commissioners and executive staffs.

During the past 10 years, SSA has had at least 4 major reorganizations. As a result, operations were frequently disrupted, knowledgeable officials left or were reassigned leaving knowledge gaps in certain operations, and accountability was obscured. SSA's ADP systems problems are, we believe, largely due to the lack of attention by top management and to constantly changing management priorities and strategies.

OTHER COMPONENTS ALSO AFFECT SSA

Many of SSA's operational difficulties are a result of internal problems. But some may have occurred because of the

actions and policies of HHS, GSA, OPM and OMB. Over the past 5 years, HHS imposed one hiring freeze which kept SSA from filling all of its authorized full-time, permanent positions. In addition, SSA has been subject to two other government-wide hiring freezes imposed by the President during this same time period.

GSA has been slow in securing adequate space for social security field offices. In September 1981, the House Appropriations Subcommittee, in its report on the FY 1982 Labor/HHS Appropriations, requested the Administrator of GSA to delegate to HHS full authority to acquire, alter, and maintain leased space for SSA field offices. The GSA Administrator stated that rather than delegate leasing authority to SSA, GSA would take action to resolve SSA's outstanding requests.

While some progress has been made, our observations during visits to field offices over the past year indicate that many of the office space problems cited in the past (lack of privacy, crowded waiting areas, noisy and distractive environment, and inaccessibility for the handicapped) persist in some offices, and GSA delays in meeting SSA requirements continue. In September 1981, there were 451 outstanding requests from SSA to GSA for space. That was reduced to 295 in October 1982, but increased to 363 in September 1983 and was 353 in April 1984.

SSA has experienced difficulty in hiring and retaining qualified field office personnel partly due to OPM's inability

to provide a list of qualified personnel from which SSA could recruit claims representatives. OPM has given SSA authority to recruit college graduates as claims representatives, but people hired for these positions cannot progress beyond the entry level without taking a competitive exam. Thus, while these employees may be able to become permanent employees, this is not the most effective way to attract qualified people interested in a progressive career with social security. I cannot emphasize too strongly our belief that recruiting and retaining quality people is essential to the success of the organization.

OPM did grant SSA the authority to design and conduct its own examinations and to directly hire qualified applicants for ADP positions. This improved SSA's ability to recruit ADP programmers, but not such ADP experts as computer scientists or systems analysts. We reported in May 1982 that SSA was still having difficulty attracting many highly technical experienced ADP personnel. The salaries SSA could pay these experts were substantially below those offered by private industry. While special provisions of existing federal law allow OPM to permit agencies to pay more competitive salaries to shortage categories of new ADP hires, OPM has been reluctant to grant such authority. SSA, on the other hand, did not ask OPM to grant it such authority.

VIEWS ON PANEL RECOMMENDATIONS

I would now like to turn to the Panel's recommendations. The Panel did an excellent job given its mandate. It is clear that the Panel was concerned with achieving some separation

of the policy issues surrounding the social security program from the management of the social security agency in trying to define the role of both the Administrator and the social security advisory board. We are not confident, however, that the Panel's solution will achieve a key goal--the effective, efficient management of the Social Security Administration.

The dilemma we see with the Panel's recommendation is that the administrator of an independent agency must, of necessity, wear two hats. The Administrator must be a good manager, but also will be looked to as the key spokesperson for policy issues relating to the social security program. Experience suggests that the key criteria for selecting an individual for the administrator's position will be the extent to which the person's views are compatible with the policy views of the President.

It may not be necessary to have an independent social security agency to achieve the dual goals of effectively managing the agency as well as securing a more bipartisan development of social security policies. For example, the Social Security Administration's relationship with HHS could be developed along the lines of the current relationship between the IRS and the Treasury Department. In that relationship it is clear that the Commissioner of Internal Revenue's primary responsibility is to effectively administer the tax laws. The Secretary of the Treasury and the Assistant Secretary for Tax Policy are the key officials responsible for developing

tax policy initiatives and working with the Congress in that regard. Adoption of this model for social security would explicitly recognize that the primary role of the Administrator of social security should be the effective and efficient management of the agency. Policy initiatives would be focused in the immediate office of the Secretary of HHS through possibly an Assistant Secretary for Income Security Matters.

If social security were to be an independent agency, we believe that political reality suggests that other alternatives be explored to assure the proper management focus within the agency. It is very difficult to expect that a single administrator can carry out both a policy and managerial role given the types of management problems social security must solve. One alternative that might be considered is the statutory establishment of a Deputy Administrator for Management with a fixed term whose primary responsibility would be to focus on the management of the agency, thereby allowing the Administrator to focus more on the policy arena.

Under either alternative we would still support the establishment of a social security advisory board, as recommended by the Panel, as an appropriate way to provide institutional memory on policy issues, as well as a way to give the Administration and Congress an opportunity to receive bipartisan views on policy issues. Our concern with the Board, as recommended by the Panel, is the nature of its relationship with the Administrator in areas dealing with the management of the social security agency.

It is important that the social security Administrator clearly have the responsibility and authority to develop and preserve the capability of the Social Security Administration to effectively carryout its operations. Accountability and oversight of the Administrator's managerial actions are built into our governmental structure. The President can exercise such accountability through the policy development and oversight roles of the central management agencies, as well as through the budgetary process carried out by OMB. The Congress can directly assure accountability through the legislative and appropriation processes. In addition, the GAO, as an independent arm of the Congress, can carry out reviews of how well social security is being managed.

Internal to social security, a strong Inspector General could provide the Administrator with independent analyses of the adequacy of management efforts within the agency.

Thus, we believe the Subcommittee should assess the need for a managerial oversight role of the advisory board in the context of the information and processes already available to assure oversight and the need to not impair the authority of the Administrator.

In any case, we support the Panel's recommendation that SSA be headed by a single Administrator with a fixed term. We agree with the Panel that strong leadership possessing authority commensurate with its responsibility is vital. Continuity of

leadership is also essential. A 4-year renewable term, as recommended by the Panel, should provide for improved continuity and stability of SSA's leadership. More continuity is needed for the senior career policy and management officials.

We agree with the Panel that raising the level of pay and status of the SSA Administrator and key technical and executive staff should aid in attracting and retaining quality people. However, we recognize that even the levels of pay suggested by the Panel may not be sufficient, given the size and complexity of SSA's programs, to attract individuals with the desired managerial and technical abilities unless they are willing to suffer some personal financial sacrifice to work in the Federal sector.

We agree with the Panel's recommendation that Medicare and Medicaid should not be included in the new social security agency. We believe there will be extensive national debate on health cost containment issues during the next several years. HHS should take the lead in the Executive branch in this area and have direct responsibility for carrying out the policies in programs dealing with health care. To include two of the major health programs in SSA would dilute HHS' authority and divert the attention of top SSA officials to these issues and undermine their ability to concentrate on issues vital to effective and efficient operation of the social security agency.

We support, in principal, the Panel's recommendations that delegations of specific management authorities be given to an

independent SSA for ADP procurement, personnel management, and administrative services. But the central management agencies must exercise their policy development and oversight responsibilities effectively in such cases.

Moreover, these authorities should not be delegated until SSA has shown that it has the requisite management expertise to effectively carry out these new responsibilities. In the ADP area, SSA already has substantial responsibility for managing its own procurements, but has not demonstrated the capability to follow prescribed procedures and existing requirements to effectively complete the procurement actions. Formal delegation should not occur until SSA, among other things, improves its technical reviews of ADP acquisition proposals, and strengthens its systems organizational structure.

While delegating the authority for administrative services may improve SSA's ability to take care of its space needs, some of the difficulty experienced by GSA in acquiring space will more than likely also be experienced by SSA. For example, in our past work we found that many of the least acceptable SSA offices were located in the inner cities. GSA experienced great difficulty in locating rental space that met all or most of SSA's unique needs. We have no reason to believe that SSA will not have the same experience.

We support the Panel's recommendation that SSA be allowed to submit its budget biennially due to the predictable nature of

program administrative costs, SSI payments, and general fund reimbursements to the social security trust funds. These would be the only SSA costs subject to annual appropriation action if it were an independent agency as recommended by the Panel. On the other hand, we support the need for close congressional review of proposed expenditures and are thus somewhat concerned that the OASDI trust fund will be placed outside the overall budget review process as early as FY 1992.

We support the Panel's recommendation that certain long-term projects, such as computer purchases and facilities construction, be funded for the life of the projects, but only after SSA's financial controls have been deemed to be adequate. While such funding may increase the likelihood that projects will be completed without interruptions once they have been approved, there is no assurance that the government will get what it pays for without good and reliable financial information and reporting on costs and performance.

The Panel's recommendation may not be necessary for funding construction projects. OMB Circular A-11 requires that all requests for construction provide full funding for costs. It is current practice for the Congress to approve the total funds needed for construction in the first year.

We support the Panel's recommendation that SSA's requests in its budget submissions be based on a work force plan rather than on arbitrary personnel ceilings. Although ongoing work by us shows that SSA's work measurement system needs improving to

be a reliable basis for work force planning, we believe SSA can make these improvements. Enactment of this recommendation could provide the needed incentive to SSA to act.

Mr. Chairman, this concludes my prepared statement. We would be pleased to respond to any questions.