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SOCIAL SECURITY ADMINISTRATION

Effective Leadership Needed to Meet Daunting Challenges

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The Honorable Jim Bunning
Chairman, Subcommittee on Social Security
Committee on Ways and Means
House of Representatives

Dear Mr. Chairman:

With a staff of 64,000, the Social Security Administration (SSA) administers the nation's largest federal program—Social Security—as well as the largest cash welfare program, Supplemental Security Income (SSI). SSA's expenditures totaled $363 billion in fiscal year 1995, nearly one-fourth of this nation's $1.5 trillion federal budget.

SSA's programs touch the lives of nearly every individual in this country. Social Security[1] provides benefits to retired and disabled workers and their dependents and survivors; SSI provides assistance to the needy aged, blind, and disabled. In 1995, 50 million beneficiaries—nearly one out of every five individuals in this country—received benefits from SSA each month. In addition to administering benefits, SSA records the wages of nearly every U.S. worker and issued almost 17 million Social Security cards in 1995. Moreover, SSA maintains a large and visible presence in communities nationwide. In 1995 alone, an estimated 24 million people visited SSA's 1,300 field offices, and SSA received 62 million calls on the agency's nationwide toll-free 800 number.

SSA recognizes that the American public depends on SSA to quickly and accurately provide benefits, properly record workers' earnings, and effectively safeguard benefit programs from fraud and abuse. Any failure to do so seriously undermines the public's confidence in government and its ability to efficiently and cost-effectively administer programs and protect taxpayer dollars. Yet as SSA acknowledges, public confidence in its programs is low and has been low for some time. Although much of this lack of confidence stems from concerns about the future solvency of the Social Security system, public confidence is also eroded by reports of fraud and abuse. Media accounts of prisoners erroneously receiving disability checks and allegations that immigrants and children are feigning mental illness to obtain SSI undermine the public's trust in SSA and in the federal government.

[1]The Social Security program has two parts—Old Age and Survivors Insurance (OASI) and Disability Insurance (DI).

To bolster SSA's ability to address critical policy issues and correct programmatic weaknesses, the Congress enacted legislation making SSA independent of the Department of Health and Human Services (HHS) as of March 31, 1995. In establishing SSA's independence, the Congress recognized the importance of strong and stable leadership for the agency. As we noted in our February 1995 report on SSA's transition to independence,[2] independence heightens the importance of SSA's playing a strong leadership role in addressing long-standing problems and preparing for future challenges.

In that report, we highlighted the challenges that SSA would face as an independent agency: the shortfall in funds to pay future Social Security benefits, growing and changing disability caseloads, and public concerns about SSI program growth. In testimony before the Subcommittee on July 25, 1996, we discussed SSA's progress in meeting the challenges of managing for results and accountability; funding future retirement benefits; rethinking disability programs; combating SSI fraud, waste, and abuse; handling increasing workloads with reduced resources; and establishing effective leadership.[3] This report is based on that testimony. You also requested additional information on SSA's status as an independent agency, which appears in appendix I. To do our work, we drew from completed and ongoing GAO work on Social Security issues. We also reviewed SSA documents and spoke with SSA officials, selected officials of the Social Security Advisory Council and Advisory Board, and other experts to determine SSA's progress so far, what problems remain, and what else is needed to make SSA a premier agency. We did our work from March to July 1996 in accordance with generally accepted government auditing standards.

Results in Brief

SSA is ahead of many federal agencies in managing for results and improving financial accountability. This gives the agency a sound base from which to manage its current and future challenges, which are significant. SSA, however, has not performed the research, analysis, and evaluation needed to inform the public debate on the future financing of Social Security—the most critical long-term issue facing SSA. The aging of the baby boom generation, coupled with increasing life expectancy and the declining ratio of contributing workers to beneficiaries, will place

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

[3]Social Security Administration: Effective Leadership Needed to Meet Daunting Challenges (GAO/T-OCG-96-7, July 25, 1996).

unprecedented strains on the Social Security program in the next century. Unless the Congress acts, the Social Security trust funds are expected to be exhausted by 2029. More than a year after gaining independence, SSA is just now strengthening its research, policy analysis, and evaluation capabilities to more actively participate in the financing debate.

Also challenging SSA have been disability caseloads that have grown by nearly 70 percent in the past decade. To its credit, SSA has undertaken an important effort to fundamentally redesign its inefficient disability claims process. However, while SSA has begun many of its planned initiatives, none is far enough along for the agency to know whether specific proposed process changes will achieve the desired results. Moreover, SSA has not sufficiently promoted return-to-work efforts in the administration and design of its disability programs. If even an additional 1 percent of the 6.6 million working-age people receiving disability benefits were to leave SSA's disability rolls by returning to work, lifetime cash benefits would be reduced by an estimated $3 billion. In addition, SSA has not done enough to combat fraud and abuse in the SSI program and address program weaknesses.

SSA faces increasing responsibilities in the future and must manage its growing workloads with reduced resources. SSA estimates that it would need over 76,000 workers to handle its growing workloads if it conducts business as usual. Instead, SSA expects to do this work with about 62,000 workers—fewer than it has today. To successfully meet its workload challenges, SSA knows that it must increasingly rely on technology and build a workforce with the flexibility and skills to operate in a changing environment. SSA faces significant challenges, however, in modernizing its information systems—a complex, multiyear effort that could easily cost billions of dollars. Compounding this challenge will be the possible loss of many senior managers and executives—over the next 5 years, nearly half of SSA's senior executives will be eligible to retire. Moreover, SSA faces difficult decisions on how best to deliver services in the future.

At this critical juncture, effective leadership is needed so the agency can take the following actions to better ensure its success in the 21st century: inform the national debate on Social Security financing issues, complete its redesign of the disability claims process and promote return to work in its disability programs, enhance efforts to ensure program integrity, and make the technology enhancements and workforce decisions needed to meet increasing workloads with fewer resources.

Background

SSA began as an independent agency with a mission of providing retirement benefits to the elderly. A three-member, independent Social Security Board was established in 1935 to administer the Social Security program. The Chairman of the Board reported directly to the President until July 1939, when the Board was placed under the newly established Federal Security Agency (FSA). At that time, the Social Security program was expanded to include Survivors Insurance, which paid monthly benefits to survivors of insured workers. In 1946, the Social Security Board was abolished, and its functions were transferred to the newly established SSA, which was still within FSA. The FSA administrator established the position of Commissioner to head SSA.

The FSA was abolished in 1953, and its functions were transferred to the Department of Health, Education and Welfare (HEW). In addition, the position of SSA Commissioner was designated a presidential appointee position requiring Senate confirmation. The Social Security program was expanded in 1956 to include the DI program, providing benefits to covered workers who became unable to work because of disability.

In 1965, amendments to the Social Security Act increased SSA's scope and complexity by establishing the health insurance program known as Medicare. The purpose of Medicare was to help the qualified elderly and disabled pay their medical expenses. SSA administered the Medicare program for about 12 years before Medicare was transferred to a new division within HEW, the Health Care Financing Administration.

Further amendments to the Social Security Act created the SSI program, effective in 1974. This program was designed to replace welfare programs for the aged, blind, and disabled administered by the states. The SSI program added substantially to SSA's responsibilities because the agency began dealing directly with SSI clients by determining recipients' eligibility based on income and assets. SSA remained a part of HHS (formerly HEW) from 1953 until its independence in 1995.

Since 1984, congressional committees responsible for overseeing SSA's activities had considered initiatives to make SSA an independent agency. Although the reasons for considering independence for SSA have varied over the years, such legislation was introduced in several sessions of the Congress. Statements by committee chairmen have shown a desire to make SSA more accountable to the public for its actions and more responsive to the Congress' attempts to address SSA's management and policy concerns. As noted earlier, legislation was enacted that made SSA independent as of March 31, 1995.

SSA Steps Ahead With Results-Oriented Management and Improved Financial Accountability

At this time of heightened attention to the costs and effectiveness of all federal programs, the Congress and the administration have acted to promote a more efficient federal government that stresses managing for results and accountability. These efforts include the Chief Financial Officers Act of 1990 (CFO Act), the Government Performance and Results Act of 1993 (GPRA), and the Government Management Reform Act of 1994 (GMRA). In addition, the administration has undertaken, under the Vice President's direction, the National Performance Review (NPR), aimed at making government work better and cost less. We strongly support these efforts as important and necessary steps to improving federal management.

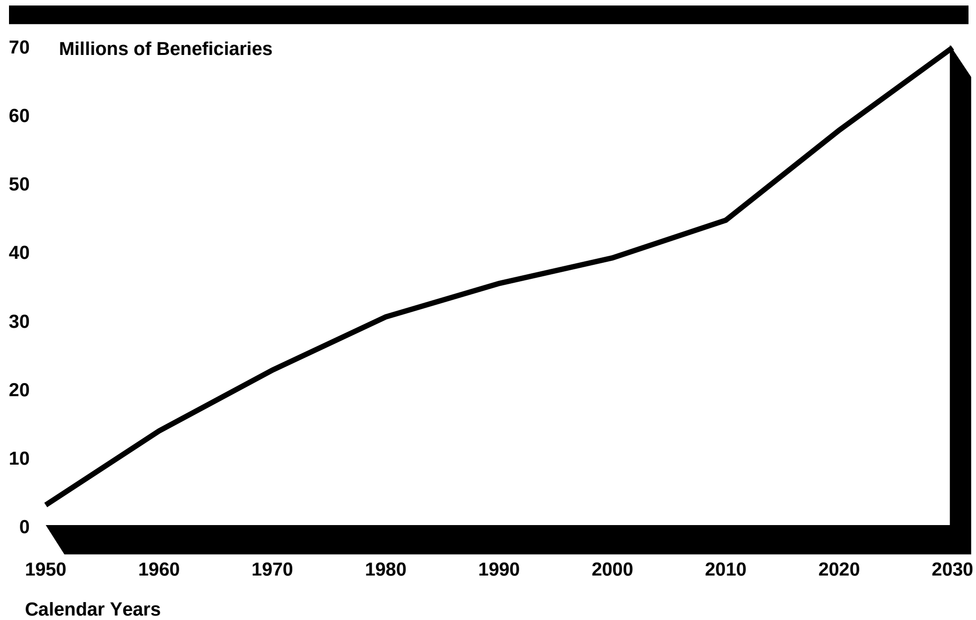
SSA has surpassed many other federal agencies in these areas. For example, as a pilot agency under GPRA, SSA has worked to strengthen its strategic management process and to identify and develop performance measures that help its managers, the Congress, and the public assess its performance. In addition, for several years now, it has measured satisfaction levels among some of its customers and used focus groups to understand its customers' and employees' views, reflecting the customer service focus promoted by NPR. SSA is also a leader among federal agencies in producing complete, accurate, and timely financial statements as required by the CFO Act and GMRA. For example, for fiscal year 1995, SSA issued audited financial statements 3 months before its legal mandate. Moreover, SSA was among the first federal agencies to produce an accountability report, which is designed to consolidate current reporting requirements under various laws and provide a comprehensive picture of an agency's program performance and its financial condition.

To be most effective, SSA's ongoing efforts in strategic management, performance measurement, and accountability reporting will need to be continually improved and integrated into the agency's daily operations and management. SSA has a foundation in place on which it can build to manage the significant policy and program challenges it faces in the future.

Long-Term Solvency Is Threatened; SSA Is Not Yet Actively Participating in Financing Debate

As the baby boom generation ages, growing numbers of people will receive Social Security retirement and survivors benefits in the years to come, as shown in figure 1. By the year 2015—as baby boomers begin entering their mid-60s—the numbers of individuals receiving benefits will reach an estimated 50.4 million: more than one-third greater than the 37.4 million people receiving Social Security retirement and survivors benefits in 1995. Once on the rolls, retirees can be expected to receive benefits for longer time periods than past recipients. A 65-year-old male who began receiving Social Security benefits in 1940—the first year SSA began paying monthly benefits—was expected to live, on average, about an additional 12 years. By 2015, a 65-year-old male will have a life expectancy of 16 years—a 35-percent increase. During that same time period, the life expectancy for women aged 65 will increase by almost 50 percent—from an average of over 13 years to an average of nearly 20 years. Meanwhile, the ratio of contributing workers to beneficiaries will decline. By 2015, an estimated 2.6 workers will be paying taxes into the Social Security system per beneficiary; in 1950, 16.5 workers were paying Social Security taxes per beneficiary.

Figure 1: Growth in Social Security Beneficiaries, 1950-2030



Note: Includes recipients of OASI only.

Source: 1996 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds.

This retirement explosion threatens the long-term solvency of the Social Security system. Beginning in 2012—16 years from now—program expenditures are projected to exceed tax income. By 2029, without corrective legislation, the trust funds are expected to be depleted, leaving insufficient funds to pay the expected level of retirement, survivors, and Disability Insurance (DI) benefits.

Concerns about the long-term solvency of the Social Security system are fueling a public debate about the fundamental structure of this system. The Advisory Council on Social Security,[4] for example, has put forth three different approaches to addressing the Social Security system's long-term deficit. All three approaches call for some portion of Social Security

[4]Before the independence legislation (P.L. 103-296), the Social Security Act provided for the appointment of a nonpartisan Advisory Council every 4 years to examine issues affecting the OASI, DI, and Medicare programs. P.L. 103-296 provided that the current Council will be the last.

payroll taxes to be invested in the stock market.[5] Two of these approaches, however, call for allowing individuals to invest some portion of their payroll taxes in individual retirement accounts. This would be a significant departure from the original program design, in which all trust fund monies are invested and managed centrally. Given the magnitude of the financial problems facing the Social Security system and the nature of the proposals for changing the system, we can expect the debate over the financing and structure of the Social Security system to continue and intensify in the coming years.

SSA Is Now Taking Steps to Be More Active

In our report on SSA's transition to independence, we noted that the agency's independence would heighten the need for it to work with the Congress in developing options for ensuring that revenues are adequate to make future Social Security benefit payments. More than a year after gaining independence, however, SSA is not yet ready to fully support policymakers in the current public debate on financing issues.

SSA has been involved in financing issues through its Office of the Actuary, which has provided data and analyses to the Advisory Council and policymakers developing financing options. The Office of the Actuary plays a unique role within the agency because it serves both the Congress and the administration.[6] SSA will also be providing assistance to the Social Security Advisory Board, which was established by the independence legislation to advise the Commissioner and make recommendations to the Congress and the President on SSA program policy.

These supportive roles represent SSA's major activities related to long-term financing issues. SSA has acknowledged that it has not undertaken the policy and research activities it needs to examine critical issues affecting its programs, including long-term financing, and to provide additional support to policymakers. The agency recognizes the need to be more active in these areas and in May 1996 took steps to reorganize and strengthen its policy analysis, research, and evaluation offices. It believes this reorganization will better position it to take a leadership role in critical policy and research issues related to its programs. At the time of our review, however, the reorganization had just begun, and the office

[5]Social Security payroll taxes that accumulate in the trust fund reserves are currently invested in U.S. Treasury bonds.

[6]In recognition of this, in March of this year, the Contract with America Advancement Act of 1996, P.L. 104-121, established the Actuary as a permanent position within SSA and required that the Actuary report directly to the Commissioner. The Actuary had previously reported to a Deputy Commissioner; this change is expected to better ensure the Actuary's objectivity and independence.

responsible for coordinating all policy planning activities was only partially staffed. Although SSA did not have a specific time frame for when the reorganized policy office would be fully staffed and operational, it did expect to be better prepared to join the public debate over the next year.

SSA is in a unique position to inform policymakers and the public about the critical nature of long-term financing issues. Focus groups conducted by SSA have demonstrated that the public's knowledge of Social Security programs is generally low and the public's confidence in the Social Security system is undermined by its future financing problems. To address these issues, SSA is conducting a public education campaign that discusses what the current system offers in disability, retirement, and survivors benefits. It also emphasizes that the Social Security system can pay benefits for many more years and that the Congress has time to act before the trust funds are depleted. SSA, however, is not discussing options for maintaining or changing the current system. Feedback SSA has received from its focus groups indicates that addressing the public's lack of knowledge without also discussing possible options for ensuring the system's future solvency does not instill confidence and weakens the agency's credibility with the public.

We are concerned that SSA has not seized the opportunity as an independent agency to speak out on the importance of addressing the long-term financing issues sooner rather than later. As we have noted in our previous work,[7] the sooner action is taken to resolve the future funding shortfall, the smaller the changes to the system need to be and the more time individuals will have to adjust their financial and retirement plans.

SSA Is Redesigning Its Disability Claims Process but Has Placed Little Priority on Return-to-Work Efforts

In recent years, disability caseloads have faced unprecedented growth. To manage this caseload growth and the resulting slow processing times, SSA plans to redesign and dramatically improve its disability claims process. However, SSA's redesign effort has encountered serious implementation problems. Moreover, while SSA is taking steps to improve the process for moving eligible individuals onto the disability rolls more quickly, it has not sufficiently emphasized helping beneficiaries return to work and leave the disability rolls.

[7] Deficit Reduction: Opportunities to Address Long-Standing Government Performance Issues (GAO/T-OCG-95-6, Sept. 13, 1995).

Disability Caseloads Continue to Grow

During the past decade, SSA has faced significant increases in caseloads and expenditures for its two disability programs—DI and SSI. DI, enacted in 1956 and funded through payroll taxes, provides monthly cash benefits to severely disabled workers and their families; SSI was enacted in 1972 and provides assistance to needy individuals with insufficient work histories to qualify for DI. Unlike DI, SSI is funded through general revenues.[8] DI and SSI caseloads and expenditures increased dramatically between 1986 and 1995, and the pace of this growth accelerated in the early 1990s. In 1986, 4.4 million blind and disabled people under age 65 received DI or SSI benefits; by 1995, this number had soared to 7.5 million—a 69-percent increase.[9] As the number of DI and SSI beneficiaries increased, so did the amount paid in cash benefits. The combined DI and SSI cash benefits increased from $25 billion to $57 billion in 10 years.[10] Adjusted for inflation, the increase in the value of these cash benefits was 66 percent.

As these programs have grown, the characteristics of new beneficiaries have changed in ways that pose additional challenges for SSA. Beneficiaries are, on average, younger and more likely to have longer lasting impairments. Increases in beneficiaries with mental illness or mental retardation, especially, have driven this trend. Between 1982 and 1992, for example, mental impairment awards to younger workers increased by about 500 percent. This growing proportion of younger beneficiaries with longer lasting impairments means that the beneficiary population, on average, is likely to spend more time on the disability rolls. In 1992, for example, new DI awardees were, on average, 48 years old. Depending on the type of impairment that qualified them for benefits, these beneficiaries could spend nearly one-third of their adult lives on disability before reaching age 65.

Implementation of Redesigned Claims Process Faces Problems

As more and more people have filed for disability benefits, SSA has been slow to process initial claims, and appeals and backlogs have grown. To manage the disability caseload growth, increase efficiency, and improve service to its customers, SSA has started a massive effort to fundamentally change how disability decisions are made. Making disability decisions is one of the agency's most important tasks; it accounted for more than half of SSA's total administrative budget—about $3 billion—in fiscal year 1995.

[8]Some states supplement federal SSI funds with their own funds.

[9]This number includes about 900,000 children receiving SSI disability benefits.

[10]This includes DI payments to disabled workers aged 18 to 64 and federal-only SSI payments to all SSI blind and disabled beneficiaries regardless of age.

Even so, claimants face long waits for disability decisions. As of June 1996, the wait for initial decisions averaged 78 days for DI claims and 94 days for SSI claims, with an additional 373-day wait for appealed decisions. Overall, the current disability claims process is not meeting the needs of claimants, the agency, or taxpayers.

To deal with these problems, in 1993 SSA formed a team to fundamentally rethink and develop a proposal to redesign the disability claims process. This labor-intensive and paper-reliant process has changed little since the DI program began in the 1950s.[11] Efforts like SSA's—business process reengineering—have been used successfully by leading private-sector organizations to dramatically improve their operations. In April 1994, we informed the Congress that the agency's redesign proposal was its first valid attempt to address the fundamental changes needed to cope with disability workloads. At that time, however, we also acknowledged that implementing this needed change would be difficult and that we would be monitoring SSA's progress.[12]

During this past year, we have been reviewing various aspects of SSA's redesign effort for this Subcommittee and have identified several implementation problems. SSA's redesign plan includes 83 initiatives to be started during a 6-year period (1995-2000), with 40 of these to be completed or under way in the first 2 years. On the basis of our ongoing work, we have found that the scope and complexity of many initiatives have limited SSA's progress toward its redesign goals. Although SSA has begun many of its planned initiatives, none is far enough along for SSA to know whether specific proposed process changes will achieve the desired results. Moreover, we are concerned that SSA has undertaken too many complex tasks and has not given sufficient priority to those redesign initiatives most likely to reduce processing times and administrative costs.

Some of its planned initiatives require extensive design and years of development before full implementation can begin. For example, a key initiative of the redesign involves consolidating the duties, skills, and knowledge of at least two current positions into a new Disability Claim Manager (DCM) position. SSA plans to establish over 11,000 DCM positions in about 1,350 federal and state locations, recruiting these DCMs from its current workforce of federal claims representatives and state disability examiners. SSA is currently struggling to resolve stakeholder

[11]The same disability claims process is used for the SSI program.

[12]Social Security Administration: Major Changes in SSA's Business Processes Are Imperative (GAO/T-AIMD-94-106, Apr. 14, 1994).

disagreements among representatives of federal and state employees about how to proceed with testing this new position. SSA must also develop training plans, conduct tests at pilot sites, post vacancy announcements for positions, and select and train DCMs.

Developing software designed to allow SSA to move from its current manual, labor-intensive process to an automated process is critical to the success of SSA's disability redesign. The scheduled implementation of this new software, however, has been delayed by more than 2 years. Moreover, although SSA has separate implementation schedules for its various redesign initiatives and for its systems development activities, these two schedules are not linked. In addition, although SSA has developed individual plans for its redesign initiatives and for its system development activities, it has not developed a comprehensive detailed plan that integrates these two efforts. Such a plan should reflect priorities, resource allocations needed, key milestones, and decision points and identify relationships among ongoing and planned process and systems changes. For example, SSA cannot effectively develop software to support its key DCM position until it has completed a pilot for this position and determined in more detail what its duties will be and what information will be needed by the new claims manager. Although SSA officials recognize the need to develop such a plan, in June 1996 they noted that the testing of process redesign features involved too many uncertainties for SSA to develop an integrated plan.

Weak Return-to-Work Efforts

Although SSA has focused on improving its processes for moving eligible claimants onto the disability rolls, it has placed little priority on helping them move off the rolls by obtaining employment. This spring, we reported that policies guiding SSA's disability programs are out of sync with today's view of the capabilities of individuals with disabilities.[13] At one time, the common business practice was to encourage someone with a disability to leave the workforce. Today, however, a growing number of private companies have been focusing on enabling people with disabilities to return to work.

In contrast, SSA's programs lack a focus on providing the support and assistance that many people with disabilities need to return to work. Eligibility requirements, for example, focus on applicants' inabilities, not their abilities; once on the rolls, beneficiaries receive little encouragement

[13]See SSA Disability: Program Redesign Necessary to Encourage Return to Work (GAO/HEHS-96-62, Apr. 24, 1996) and Social Security: Disability Programs Lag in Promoting Return to Work (GAO/T-HEHS-96-147, June 5, 1996).

to use rehabilitation services. A greater emphasis on beneficiaries' returning to work is needed to identify and encourage the productive capacities of those who might benefit from rehabilitation and employment assistance. Although the main reason for emphasizing returning to work is so that people maximize their productive potential, it is also true that an estimated $3 billion could be saved in subsequent years if only an additional 1 percent of the 6.6 million working-age people receiving disability benefits in 1995 were to leave the rolls by returning to work.

SSA needs to develop a comprehensive return-to-work strategy that includes providing return-to-work assistance to applicants and beneficiaries and changing the structure of cash and medical benefits. As part of an effort to place greater priority on beneficiaries' returning to work, we recommended that SSA identify legislative changes required to implement such a strategy. Although evaluating any SSA response to our recommendations would be premature, we will be assessing SSA's efforts to help beneficiaries return to work.

SSA has also missed opportunities to promote work among disabled beneficiaries where it has the legislative authority to do so. In 1972, the Congress created the Plan for Achieving Self-Support (PASS) program as part of SSI to help low-income individuals with disabilities return to work.[14] However, SSA has not translated the Congress' broad goals for the PASS work incentive into a coherent program design. We recently reported that SSA needs to improve PASS program management, and it has taken steps to better manage the program in accordance with our recommendations.

Inadequate Oversight of SSI Undermines Public Confidence

Limiting opportunities for fraud, waste, and abuse in government programs is an important goal and essential to promoting public confidence in the government's ability to wisely use taxpayer dollars. Moreover, problems in any one of the programs that SSA administers can undermine confidence in all of its programs. Recent media reports on SSI fraud and abuse have focused attention on SSA's management of this program. Several of our recent reviews of the SSI program have shown that SSA's oversight and management of SSI have been inadequate and that the agency is not aggressively pursuing opportunities to increase program efficiencies. Although quantifying the extent of fraud, waste, and abuse is

[14]The PASS program provides for work-related expenses, such as training or transportation, to be excluded when an individual's eligibility or benefit amount is determined. In some cases, this allows DI beneficiaries who would not otherwise be eligible for SSI to receive SSI benefits in addition to their DI benefits. See PASS Program: SSA Work Incentive for Disabled Beneficiaries Poorly Managed (GAO/HEHS-96-51, Feb. 28, 1996).

difficult, we have repeatedly identified program weaknesses that SSA needs to address either on its own or with the Congress to better control these problems.

For example, the media have reported allegations that some parents coach their children to fake mental impairments so that they can qualify for cash benefits. These benefits can total almost $5,500 per year for each disabled child. Our review of SSI for children with disabilities found that part of the process for determining eligibility is overly subjective and susceptible to manipulation. We asked the Congress to consider legislation to improve eligibility determinations for children with disabilities.[15] Recently enacted legislation incorporates changes addressing this problem.[16]

In addition, in our review of the fraudulent use of translators to help individuals become eligible for SSI, we reported that SSA could reduce this type of fraud if it had a more comprehensive, programwide strategy for keeping ineligible applicants from ever receiving benefits.[17] Moreover, we have several reviews under way of other program weaknesses. For example, in our ongoing work for the Subcommittees on Human Resources and Oversight of the House Committee on Ways and Means, we have found that even though prisoners are ineligible for SSI if they have been in jail for 1 calendar month or longer, prisoners in many large county and local jail systems have received millions of dollars in cash benefits. This means that taxpayers have been paying twice to support these individuals—both for SSI benefits and the cost of imprisonment. SSA has taken steps to review information on current prisoners to stop inappropriate payments; however, it is not taking action to develop information that would allow it to recover benefits paid to those who may have been incarcerated and received benefits in prior years, although this information is available.

SSA acknowledges that it needs to do more to prevent and detect fraud, waste, and abuse. It has several initiatives under way to accomplish this, and we will be monitoring these efforts. In addition, the new SSA Inspector General's Office, created when SSA gained independence from HHS, is increasing its emphasis on fraud and abuse.

[15] Social Security: New Functional Assessments for Children Raise Eligibility Questions (GAO/HEHS-95-66, Mar. 10, 1995).

[16] See title II of the Personal Responsibility and Work Opportunity Reconcilliation Act of 1996, enacted on Aug. 22, 1996.

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

SSA Faces Difficult Challenges in Preparing for Future Workloads

In addition to its policy and program challenges, SSA will need to meet customer expectations in the face of growing workloads and reduced resources. SSA expects to redesign inefficient work processes and modernize its information systems to increase productivity, knowing that its customer service will deteriorate to unacceptable levels if it continues to conduct business as in the past. In addition, it faces the urgent need to complete year 2000 software conversion to avoid major service disruption at the turn of the century. SSA will also need to effectively manage its workforce and consider what service delivery structure will work best in the future.

SSA Must Manage Growing Workloads With Reduced Resources

As the baby boom generation ages, more and more people will be applying for and receiving SSA program benefits. In addition to increasing retirement and disability caseloads, SSA's other workloads will grow because of increasing responsibilities. For example, SSA must meet a legislative requirement that most workers be mailed annual statements of their earnings and estimated retirement benefits,[18] called Personal Earnings and Benefit Estimate Statements. The creation and mailing of these annual statements to all workers aged 60 and older, begun in 1995, must be expanded to those aged 25 and older—about 123 million individuals—by the year 2000. We are currently reviewing whether the usefulness of these statements can be improved and what impact they will have on SSA's workloads.

Moreover, SSA has been unable to fully meet legislative requirements to periodically review the status of disabled beneficiaries to ensure that those who are no longer disabled are removed from the rolls. SSA now has plans to review the status of more than 8 million beneficiaries in the next 7 years. To accomplish this, SSA would have to conduct about twice as many reviews as it has conducted over the past 20 years combined.[19]

SSA knows that it must meet these increasing demands in an era of federal downsizing and spending reductions. SSA has estimated that it would need the equivalent of about 76,400 workers to handle its workloads by the end of the century if it conducted business as usual. Instead, it expects to handle this work with about 62,000 workers—fewer than it has today.

[18]Under the legislation, SSA must provide individuals aged 50 and over estimates of their potential monthly retirement benefits, beginning no later than Oct. 1, 1999.

[19]Special funding has been authorized for 7 years for SSA to complete these reviews.

Technology Critical to SSA's Future Success

To handle increasing workloads and improve public service, SSA has begun to redesign inefficient work processes and develop supporting modernized information systems. SSA is in the process of a multiyear, multibillion dollar systems modernization effort expected to support new ways of doing business and improve productivity. SSA's Automation Investment Fund of $1.1 billion supports its 5-year plan, from fiscal years 1994 to 1998, of moving from reliance on computer terminals hooked to mainframe computers in its Baltimore headquarters to a state-of-the-art, nationwide network of personal computers. The new network is expected to improve productivity and customer service in field offices and teleservice centers and allow for further technology enhancements.

Although this new computer network environment may yield productivity improvements, it poses significant challenges for SSA. The usefulness of new computer systems will depend on the software developed for them. Software development has been identified by many experts as one of the most risky and costly aspects of systems development. To mitigate the risk of failing to deliver high-quality software on time and within budget, SSA must have a disciplined and consistent process for developing software. SSA has already experienced problems, however, in developing its first major software application for use in its new network. These problems include (1) using programmers with insufficient experience, (2) using software development tools that have not performed effectively, and (3) developing initial schedules that were too optimistic. As we noted earlier, these problems have collectively contributed to a delay of over 2 years in implementing this new software. Although SSA has begun to take steps to better position itself to successfully develop and maintain its software, it faces many challenges as it works to develop software in its new computer network environment.

Year 2000: Converting Software Top Priority to Avoid Benefits Disruption

SSA faces another systems challenge—one of the highest priority—that affects not only its new network but computer programs that exist for both its mainframe and personal computers. Most computer software in use today is limited to two-digit date fields, such as 96 for 1996. Consequently, at the turn of the century, computer software will be unable to distinguish between 1900 and 2000 because both would be designated "00." By the end of this century, SSA must review all of its computer software—about 30 million lines of computer code—and make the changes needed to ensure that its systems can handle the first change to a new century since the computer age began.

This year 2000 software conversion must be completed to avoid major service disruption such as erroneous payments or failure to process benefits at the turn of the century. Errors in SSA programs could also cause difficulties in determining who is eligible for retirement benefits. For example, an individual born in 1920 could be seen as being 20 years old—not 80—and therefore ineligible for benefits. Similarly, someone born in 1980 could be seen as 80 years old—not 20—and therefore entitled to receive Social Security benefits.

Beginning work on this problem as early as 1989, SSA has reviewed and corrected about 20 percent of the computer code that must be checked, according to its Deputy Commissioner for Systems. To complete the job, SSA estimates that it will take 500 work-years, the equivalent of about $30 million. Agency officials reported that the amount of resources dedicated to the year 2000 effort could impact staff availability for lower priority projects and SSA's ability to tackle new systems development work.

Developing a Trained and Flexible Workforce Is Essential

SSA recognizes that to maximize the effectiveness of its reengineered work processes and investments in technology, it must invest in ongoing employee training and career development. Ultimately, SSA envisions a less specialized workforce with a broader range of technical skills that can be flexibly used in areas of greatest need. In addition, SSA has taken steps to reduce its number of supervisors, as part of the administration's efforts to eliminate unnecessary bureaucracy by working with fewer supervisory layers. To manage these changes, SSA is training some of its headquarters employees on the concepts and techniques of teamwork. To manage with fewer supervisors in its field operations, SSA also plans to work with its unions to test a number of team concepts.

Complicating SSA's efforts is its aging workforce: 47 percent of SSA's senior executives and 30 percent of its grade 13 to 15 personnel are eligible to retire over the next 5 years. In the 2 fiscal years ending this September alone, SSA will have lost, and have needed to replace, two of its seven Deputy Commissioners to retirement.[20] SSA has acknowledged the importance of having skilled managers to prepare for the demands of heavier workloads, new technology, and expected changes in its employee and client base. However, it has been 4 years since SSA participated in HHS' executive-level management development program, and it has not

[20]SSA currently has seven Deputy Commissioners who oversee the following functions: operations; systems; finance, assessment, and management; programs and policy; communications; human resources; and legislation and congressional affairs.

announced its own program since becoming an independent agency. SSA also has not selected candidates for its mid-level management development program since 1993. The agency recognizes the need for management development programs but has not yet scheduled future programs.

Difficult Restructuring Decisions Lie Ahead

Although SSA has begun to discuss its use of improved technology and a more flexible workforce to conduct its business in new ways in the future, it has maintained its traditional service delivery structure, including 1,300 field offices. Given the significant changes facing SSA, it has not adequately considered whether its current service delivery structure is really what is needed for the future. This important issue needs serious consideration.

According to SSA officials, the agency has not developed specific plans for restructuring its organization and redeploying staff in response to demographic and workforce changes and shifting customer expectations. The demand for SSA's 800-number telephone service continues to grow, and SSA's surveys show that callers prefer to use the telephone for more and more of their business. Customer feedback also indicates that customers would like to complete their business in a single contact. Over time, SSA will likely need to restructure how it does business to cost-effectively meet changing customer preferences; this may ultimately involve office closures. Issues of where, how, and by whom work will be done entail sensitive human resources issues and may have negative impacts on local communities; to resolve these, SSA will need to work closely with its unions, employee groups, and the Congress.

To improve its 800-number service, for example, SSA has many initiatives under way, which we are reviewing at your request. SSA currently has 39 teleservice centers. Studies indicate that this is far too many teleservice centers to operate SSA's 800-number system in the most cost-effective way. A 1990 report from HHS' Inspector General, for example, indicates that SSA could operate more efficiently and cost-effectively with one-third the number of centers it currently has. SSA is studying and plans to work with employee groups on this issue but has not developed specific plans for reducing the number of teleservice centers.

Observations on Leadership Needed to Manage Challenges

As the 21st century approaches, SSA faces dramatic challenges: funding future retirement benefits, rethinking disability processes and programs, combating fraud and abuse, and restructuring how work is performed and services delivered. How SSA performs in these areas can have a powerful effect on its success in fulfilling its mission and on the public's confidence in this agency and the federal government.

To help SSA meet these challenges, the Congress took steps through the independence legislation to build public confidence in and strengthen the agency. The independence legislation provides that SSA's Commissioner be appointed by the President with the advice and consent of the Senate for a fixed 6-year term, with removal from office by the President only for a finding of neglect of duty or malfeasance in office. As the Congress was considering the legislation, we testified that a fixed term of several years for Commissioner would help stabilize and strengthen SSA's leadership. We continue to support the need for a fixed term. The legislation also calls for a fixed 6-year term for a Deputy Commissioner, also to be appointed by the President with the Senate's advice and consent.

The Commissioner and Deputy Commissioner head the leadership team needed to address the agency's existing problems and manage its future challenges. SSA's efforts to maintain an effective cadre of leaders are complicated by the impending retirement of many of its executives and managers and by the absence of a Commissioner and Deputy Commissioner with the stability of fixed terms.[21] This leadership must be in place for SSA to progress on the four fronts we have highlighted.

First, SSA must step up to its role as the nation's expert on Social Security issues; it is uniquely positioned to inform the public policy debate on the future financing and structure of Social Security.

Second, SSA must redesign the disability claims process and place greater emphasis on return to work in its disability programs. To increase the redesign project's likelihood of success, SSA needs to ensure that those initiatives most likely to save significant costs and time are implemented. Because of the scope and duration of SSA's redesign, it should report on an annual basis the extent to which it is meeting its processing time reduction goals. It must also sustain its efforts to build and maintain stakeholder support. In addition, SSA must develop a comprehensive detailed plan that integrates its redesign initiatives and systems development activities. The Commissioner also needs to act immediately to place greater emphasis on return to work by changing both the design and the administration of the disability programs.

[21]The current Commissioner was appointed by the President and confirmed by the Senate before the agency gained independence; the current Deputy Commissioner serves in an acting capacity.

Third, SSA must better protect taxpayer dollars. As the administrator of the nation's largest cash welfare program, SSA must ensure program integrity in SSI. Reports of fraud and abuse trigger public perceptions that SSA is not making cost-effective and efficient use of taxpayer dollars.

Finally, SSA must manage technology investments and its workforce, and—when needed—make difficult decisions about handling increasing workloads with reduced resources. It must also continue to focus on and closely manage its year 2000 conversion to help ensure that SSA will move into the 21st century with systems that function correctly. Moreover, as SSA prepares to meet greater demands and changes in its employee and client base, it may have to make difficult workforce decisions to better respond to customer needs. For example, SSA may need to close offices and move its workers to different locations to better meet growing demand. In an environment of shrinking budgets and increased expectations for government agency performance, ensuring that agency decisions are based on comprehensive planning and sound analyses will be even more essential.

SSA's success in meeting these challenges is critical. The agency is all important, accounting for one-fourth of federal spending and touching the lives of almost all Americans. How it meets its challenges as it moves into the next century can make a significant difference in the well-being of America's vulnerable populations—the aged, disabled, and poor—and in how the public feels about its government.

Agency Comments

We requested but did not receive comments from SSA on a draft of this report. However, in testimony delivered before the Subcommittee,[22] SSA acknowledged the importance of addressing the programmatic problems we identified. SSA also agrees that it must be better prepared for future challenges. SSA stressed, for example, the importance of intensifying its focus on policy planning and development to better enable the agency to develop long-range policy options. It also stated that it has made progress in redesigning its disability claims process and in returning disabled beneficiaries to work.

We believe, however, that SSA has overstated its achievements to date in improving its disability programs. SSA concluded that it has made major strides in implementing several initiatives for the redesign of its disability

[22]Statement on SSA as an Independent Agency, Dr. Shirley S. Chater, Commissioner of Social Security, before the Subcommittee on Social Security, Committee on Ways and Means, House of Representatives, July 25, 1996.

claims process and setting the stage for future implementation efforts. As we noted in this report, however, while SSA has begun many of its planned initiatives, none is far enough along for SSA to know whether specific proposed process changes will achieve the desired results. SSA also believes it has made major progress in returning disabled beneficiaries to work. Our recent work clearly shows, however, that SSA's disability programs lack a focus on providing the support and assistance that many people with disabilities need to return to work.

We are sending copies of this report to the Commissioner of the Social Security Administration and other interested parties. Copies also will be available to others on request. If you or your staff have any questions concerning this report, please call me on (202) 512-7215 or Cynthia M. Fagnoni, Assistant Director, at (202) 512-7202. Other major contributors include Patricia T. Taylor, Director, Information Resource Management for Health, Education, and Human Services, Accounting and Information Management Division, and Gale C. Harris and Daniel Bertoni, Senior Evaluators.

Sincerely yours,

Jane L. Ross

Jane L. Ross
Director, Income Security Issues

Contents

Abbreviations

CFO Act	Chief Financial Officers Act of 1990
DCM	Disability Claim Manager
DI	Disability Insurance
FSA	Federal Security Agency
GMRA	Government Management Reform Act of 1994
GPRA	Government Performance and Results Act of 1993
HEW	Department of Health, Education and Welfare
HHS	Department of Health and Human Services
NPR	National Performance Review
OASI	Old Age and Survivors Insurance
OMB	Office of Management and Budget
OGC	Office of General Counsel
OIG	Office of Inspector General
OPM	Office of Personnel Management
PASS	Plan for Achieving Self-Support
SES	Senior Executive Service
SSA	Social Security Administration
SSI	Supplemental Security Income

Additional Information on SSA's Status as an Independent Agency

In addition to the issues covered in the letter, the Subcommittee asked us to assess SSA's progress in specific areas related to its transition to independence. To function as an independent agency, SSA has taken several actions, including establishing new offices, that the independence legislation[23] required or that relate to the agency's ability to operate independently. This appendix summarizes SSA's progress in these areas.

Adequacy of Senior Executive Service (SES) Positions

Under the independence legislation, the Office of Personnel Management (OPM) was to authorize a substantially greater number of SES positions than authorized for SSA immediately before the legislation's date of enactment (Aug. 15, 1994).[24] Authorized SES positions numbered 91 before enactment; they numbered 104 upon SSA's gaining independence, an increase of 14 percent.

In May 1995, SSA identified a need for a total of 113—rather than 104—SES positions. SSA concluded, however, that at this early stage of its independent status, five additional positions would be minimally sufficient for successful performance and still in keeping with the administration's efforts to streamline management and supervisory positions. OPM denied the request, citing a firm commitment to governmentwide SES reduction goals.

Adequacy of Resources for Office of the Actuary

As the result of recent legislation, the Office of the Actuary will report directly to the Commissioner of Social Security rather than to a Deputy Commissioner. The Chief Actuary told us that, although the office is extremely busy, it will have enough staff and automation resources to carry out its responsibilities. He anticipated that because of the organizational change, the office would have its own budget in the next fiscal year, providing an opportunity to acquire additional staff and automation resources to handle its heavy workloads.

[23]The Social Security Independence and Program Improvements Act of 1994 (P.L. 103-296) created SSA as an independent agency as of March 31, 1995.

[24]More specifically, the legislation required that OPM authorize additional positions to the extent that the increased number of positions were specified in a comprehensive workforce plan that the SSA Commissioner was to establish.

Progress in Establishing Offices of Inspector General and General Counsel

In gaining independence from HHS, SSA had to create its own Offices of Inspector General and General Counsel. SSA's Office of Inspector General (OIG), charged with conducting investigations and audits of SSA's programs and operations, is operational and assessing whether additional resources are needed to accomplish its mission. The OIG is building its capacity to better detect and prevent fraud, waste, and abuse; it plans to increase by 25 percent the number of criminal investigators in its office by September 30, 1996. The OIG is also studying the need for additional resources and assessing whether OIG and other SSA offices are duplicating some audit functions, but no final decisions have been made. Identifying and eliminating duplication of audit efforts throughout the agency could free up resources for other uses.

Throughout the federal government, Inspectors General play a key role in ensuring financial accountability and program integrity. In addition to investigative staff, it is important that SSA's OIG have in place a sufficient number of technically qualified personnel to conduct financial audits and to evaluate computer controls and assess system development efforts.

SSA's Office of General Counsel (OGC), charged with providing legal advice and litigation services for the programs SSA administers, is also operational and in the process of acquiring additional staff and organizing its operations. Since SSA's independence, OGC officials have noted improved coordination with agency officials and greater involvement in agency issues, which have improved SSA's ability to address policy and operational issues.

Office of Management and Budget's (OMB) Continuing Budget, Legislative, and Policy Role

The independence legislation had a provision affecting SSA's annual budget process; however, OMB continues its budgetary oversight role. The legislation states that "the Commissioner shall prepare an annual budget for the Administration which shall be submitted by the President to the Congress without revision, together with the President's annual budget for the Administration."

Traditionally, executive agencies—including SSA—receive budget guidance from OMB and prepare budget proposals for OMB. OMB reviews the proposals, and agencies revise them by incorporating OMB's input and changes. Once approved by OMB, the budgets are sent to the Congress as part of the President's budget for executive agencies. Presumably, the new budget provision for SSA was intended to illuminate differences between the budget SSA proposes and the President's budget for the agency. As noted in our report on SSA's transition to independence,[25] this new budget provision does not restrict OMB from continuing to exercise its traditional budgetary oversight role. SSA and OMB officials have reported no substantive changes in OMB's oversight role in the budget process under independence.

To be in compliance with the new budget provision, the President's fiscal year 1997 budget included, in addition to OMB's budget totals for SSA, SSA's budget proposal to OMB. SSA's budget proposal was for $6.3 billion; the President's budget proposal for SSA was for $6.6 billion. According to SSA officials, the difference was due to additional funds allocated to SSA for handling increasing workloads associated with welfare reform and required reviews of disabled beneficiaries' status.

In addition to its role in SSA's budget process, OMB continues to review SSA's legislative and policy proposals. Although OMB's role in SSA's budget, legislative, and policy matters remains substantively unchanged, SSA officials noted that as an independent agency, SSA now works directly with OMB rather than through HHS. These officials believe that removing HHS as a layer of approval is an important outcome of independence, saving time and heightening attention to SSA issues.

Advisory Board Operations

The newly established Social Security Advisory Board is in the early stages of operation. Created by the independence legislation, the Board—composed of four members appointed by the Congress and three members appointed by the President—will advise the Commissioner of Social Security on policies concerning OASI, DI, and SSI. All members of the Board have been appointed, and a staff director, selected in May 1996, manages its day-to-day operations. Board members are currently receiving briefings on SSA program and operational issues. In addition to Board members and the staff director, plans call for Board personnel to include three SES-level professional staff, clerical personnel, and two SSA employees on detail to the Board.

Board staff are currently working with the Commissioner's office to determine the types and levels of resources the Board needs. SSA has provided approximately $350,000 to the Board for its expenses from its 1996 appropriation; the staff director does not believe the Board will use the entire amount before the end of this fiscal year. SSA estimated that

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

funding for the Advisory Board would total $300,000 in fiscal year 1997. The staff director noted, however, that in SSA's 1997 legislative appropriation, $1.5 million has been allocated to the Board. She believes that this amount will be adequate for the Board to carry out its responsibilities.

Related GAO Products

Social Security Administration: Effective Leadership Needed to Meet Daunting Challenges (GAO/T-OCG-96-7, July 25, 1996).

Social Security: Disability Programs Lag in Promoting Return to Work (GAO/T-HEHS-96-147, June 5, 1996).

Social Security: Union Activity at the Social Security Administration (GAO/T-HEHS-96-150, June 4, 1996).

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

SSA Disability: Program Redesign Necessary to Encourage Return to Work (GAO/HEHS-96-62, Apr. 24, 1996).

PASS Program: SSA Work Incentive for Disabled Beneficiaries Poorly Managed (GAO/HEHS-96-51, Feb. 28, 1996).

Deficit Reduction: Opportunities to Address Long-Standing Government Performance Issues (GAO/T-OCG-95-6, Sept. 13, 1995).

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

The Deficit and the Economy: An Update of Long-Term Simulations (GAO/AIMD/OCE-95-119, Apr. 26, 1995).

Social Security: New Functional Assessments for Children Raise Eligibility Questions (GAO/HEHS-95-66, Mar. 10, 1995).

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

Social Security Administration: Major Changes in SSA's Business Processes Are Imperative (GAO/T-AIMD-94-106, Apr. 14, 1994).

Social Security: Sustained Effort Needed to Improve Management and Prepare for the Future (GAO/HRD-94-22, Oct. 27, 1993).

The Budget Deficit: Outlook, Implications, and Choices (GAO/OCG-90-5, Sept. 12, 1990).

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