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SOCIAL SECURITY ADMINISTRATION

Significant Challenges Await New Commissioner



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

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The Honorable William V. Roth, Jr.
Chairman
The Honorable Daniel Patrick Moynihan
Ranking Minority Member
Committee on Finance
United States Senate

The Honorable Bill Archer
Chairman
The Honorable Charles B. Rangel
Ranking Minority Member
Committee on Ways and Means
House of Representatives

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

SSA's programs touch the lives of almost every individual in this country. Social Security's Old Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs provide benefits to retired and disabled workers and their dependents and survivors; SSI provides assistance to the needy aged, blind, or disabled. In 1995, 50 million beneficiaries—about one out of every five individuals in this country—received benefits from SSA each month. With a staff of 65,000, SSA also records the wages of nearly every U.S. worker each year 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 it 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 also has been eroded by reports of fraud and abuse. Media accounts of problems such as 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.

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,¹ such independence heightens the importance of SSA's playing a strong leadership role in addressing long-standing problems and preparing for future challenges.

After SSA's first year as an independent agency, we reported on its progress in meeting current and future challenges.² These challenges included 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. This report updates and expands on the challenges facing SSA's new commissioner and the agency.³

To do our work, we drew from completed and ongoing GAO work on Social Security issues and reviewed recent legislation affecting SSA. We also reviewed SSA documents and spoke with SSA officials, selected officials of the Advisory Council on Social Security and the Social Security Advisory Board, and other experts to determine SSA's progress in addressing its challenges and what else is needed to make SSA a premier agency. We did our work from October 1996 to February 1997 in accordance with generally accepted government auditing standards.

Results in Brief

SSA is ahead of many federal agencies in developing strategic plans; measuring its service to the public; and producing complete, accurate, and

¹Social Security Administration: Leadership Challenges Accompany Transition to an Independent Agency (GAO/HEHS-95-59, Feb. 15, 1995).

²Social Security Administration: Effective Leadership Needed to Meet Daunting Challenges (GAO/T-OCG-96-7, July 25, 1996, and GAO/HEHS-96-196, Sept. 12, 1996).

³The current commissioner is scheduled to leave office on Feb. 28, 1997.

timely financial statements. This gives the agency a sound base from which to manage significant current and future challenges. These challenges include the aging of the baby boom generation, coupled with increasing life expectancy and the declining ratio of contributing workers to beneficiaries, which will place unprecedented strains on the Social Security program in the next century. Unless the Congress acts, Social Security funds will be inadequate to pay all benefits by 2029. 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 the agency. SSA has recently taken initial steps to more actively participate in the financing debate by reorganizing and strengthening its research, policy analysis, and evaluation activities.

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 its SSI program, SSA has not done enough to combat fraud and abuse and address program weaknesses.

SSA faces increasing responsibilities in the future and must manage its growing workloads with reduced resources. In early 1996, SSA estimated that it would need about 76,000 work-years to handle its growing workloads if it conducts business as usual. It expected to do this work with fewer work-years 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, about 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, while quickly and effectively implementing many reforms; and make the technology enhancements and workforce decisions needed to meet increasing workloads with fewer resources.

Background

The three major programs that SSA administers—OASI, DI, and SSI—provide cash income support to diverse populations. The Social Security Act established the OASI program to protect workers and their dependents and survivors from wages lost due to retirement. DI, enacted in 1956, provides monthly cash benefits to disabled workers and their families. The OASI and DI programs are funded through payroll taxes and are based on the contributions of individual workers and their employers. About 90 percent of all U.S. jobs are covered by these insurance programs. In 1995, the OASI and DI programs paid over \$326 billion in benefits to more than 43 million eligible beneficiaries.

SSI, enacted in 1972, provides cash assistance to aged, blind, or disabled individuals with limited income and assets. The federal SSI program replaced federal grants to state-administered programs, which varied substantially in benefit levels. The Congress intended SSI as a supplement to the OASI and DI programs for those with little or no Social Security coverage. Federal SSI benefits are funded by general revenues and based on financial need. In 1995, over 6 million recipients received about \$25 billion in federal benefits, including 2 million individuals aged 65 and over and almost 1 million children.

To administer these three programs, SSA must perform the following essential tasks: issuing Social Security numbers to individuals; maintaining earnings records for workers by collecting wage reports from employers, which are used to determine the dollar amount of OASI and DI benefits; and processing benefit claims for all three programs. SSA must also determine which applicants for disability benefits under DI and SSI meet the federal definition of disability;⁴ for SSI, the agency must also determine applicants' levels of income and assets. In addition, SSA performs many actions to maintain accurate records for program recipients once they are enrolled. Moreover, SSA must periodically conduct reviews of the health status of disabled beneficiaries to ensure that those no longer eligible are removed

⁴The Social Security Act generally defines disability as the inability to engage in substantial gainful activity by reason of any medically determinable physical or mental impairment expected to last for a continuous period of at least 12 months or result in death.

from the rolls. For SSI recipients, SSA must also review their financial status. Table 1 gives an overview of the three programs.

Table 1: Overview of SSA's Programs

	OASI	DI	SSI
Eligibility criteria	Age 62 or over with insured status ^a	Disabled persons with insured status ^a	Low-income aged, blind, or disabled adults with limited work history; blind or disabled low-income children
Funding source	Payroll taxes	Payroll taxes	General revenues
Average monthly benefit for December 1995	\$688 ^b	\$703 ^c	\$334 ^d
Recipients in December 1995 (in millions)	37.5	5.9	6.2
Total benefit outlays in 1995 (in millions)	\$290,776	\$36,014	\$24,652 ^d

^aInsured status is defined in quarters of coverage. An individual must earn 40 quarters of coverage to be insured by OASI and 20 quarters of coverage (within the last 40) to be insured by DI. In 1996, for example, 1 quarter of coverage was earned for each \$640 of income; thus, 4 quarters of coverage were earned if the worker's total income was at least \$2,560.

^bNumber reflects retired workers only.

^cFor disabled workers only.

^dSome states supplement SSI payments; this amount is the federal share only.

SSA Steps Ahead With Customer Service Focus and Results-Oriented Management

At this time of heightened attention to the costs and effectiveness of all federal programs, the Congress and the administration have supported efforts to promote a more efficient federal government that is responsive and accountable to the public. This is especially critical at SSA because the agency deals with thousands of individuals daily and nearly 90 percent of its employees directly serve the public. SSA has surpassed many federal agencies in these efforts by assessing and improving its service to the public, gaining experience in managing for results, and emphasizing financial accountability.

Two federal efforts, the Government Performance and Results Act of 1993 (GPRA) and the National Performance Review (NPR), promote cost-effective service delivery governmentwide. To ensure that it is meeting the needs of the public and the requirements of GPRA and NPR, SSA regularly seeks customer feedback through mail and telephone surveys, comment cards in its field offices, focus groups, and special studies. It has also taken steps to

use this information to improve its services. As demand for its 800-number telephone service increased, for example, SSA found its service lacking. Customer feedback indicated that this convenient telephone service was important to the public, yet SSA's performance data showed that in fiscal year 1995, the "busy" rate for the 800 number was almost 49 percent; only about 74 percent of callers were able to get through within 5 minutes of their first try. SSA set a goal of answering 85 percent of its 800-number calls within 5 minutes of a caller's first try in fiscal year 1996 and made operational changes to increase public access. As a result, the busy rate decreased to 34 percent, and 83 percent of calls were answered within 5 minutes. For fiscal year 1997, SSA's goal is to answer 95 percent of its 800-number calls within 5 minutes of a caller's first try. We are currently reviewing SSA's efforts to improve this service.

SSA has also worked under GPRA to strengthen its strategic management process and to identify and develop performance measures to help its managers, the Congress, and the public assess how well it is accomplishing its mission. During SSA's recently completed participation as a pilot agency under GPRA, SSA gained experience in developing specific and quantifiable annual performance goals and measures.⁵ On the basis of this experience, it expects to develop performance measures for fiscal year 1998 that focus more on outcomes and results than in previous years. For SSA's fiscal year 1997 goals and performance measures, see appendix I.

In addition, SSA is a leader among federal agencies in producing complete, accurate, and timely financial statements that promote accountability to taxpayers.⁶ For fiscal years 1995 and 1996, 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. In addition, for fiscal year 1996, as a pilot project, SSA and its Office of Inspector General collaborated to further streamline financial reporting by including the Inspector General's Semiannual Report to Congress as part of the Accountability Report.

⁵As a pilot agency, SSA had to prepare GPRA performance plans for fiscal years 1994 to 1996. By the end of fiscal year 1997, GPRA requires each federal agency to develop a strategic plan that covers at least 5 years. GPRA also requires each agency to develop annual performance plans beginning with a plan for fiscal year 1999. The first plan is due to the Office of Management and Budget in the fall of 1997.

⁶This financial reporting is required under the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994.

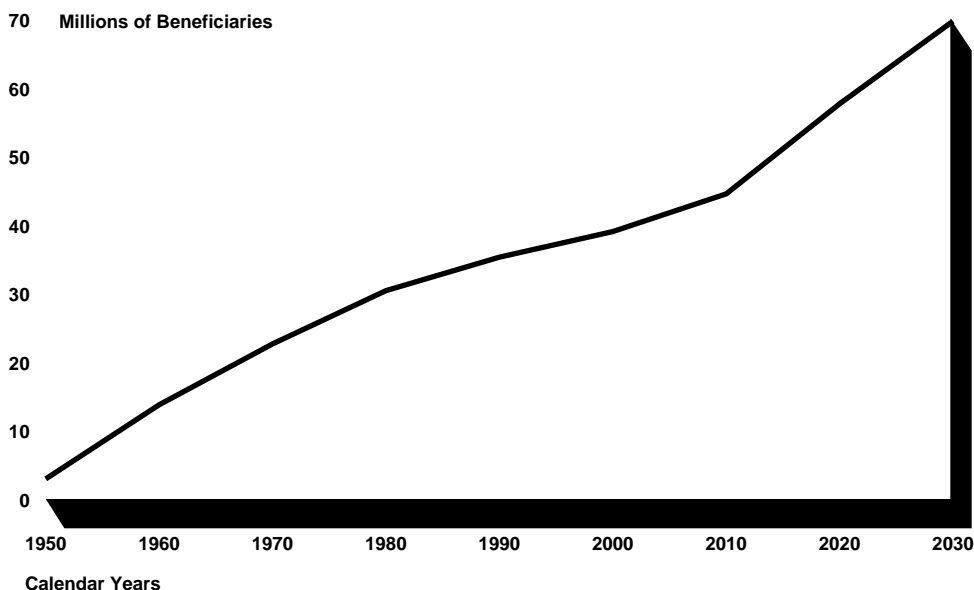
To be most effective, SSA's ongoing efforts to cost effectively serve its customers and be accountable to taxpayers will need to be well coordinated and continually improved. The agency has taken steps to better integrate its strategic planning, performance measurement, and customer service efforts and to improve the ways that it collects and uses customer feedback. SSA faces challenges, however, as do all federal agencies, in integrating results-oriented management into its agency culture and daily activities.⁷ Moreover, SSA must determine how to balance its customers' needs and expectations with those of taxpayers by assessing the cost-effectiveness of its customer service improvements.

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 through OASI 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 be expected to live about an additional 16 years—a 33-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.

⁷For information on successful GPRA implementation practices, see Executive Guide: Effectively Implementing the Government Performance and Results Act (GAO/GGD-96-118, June 1996).

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—15 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 OASI and DI benefits. (In an upcoming report, we will discuss in greater detail the issues affecting the major sources of retirement income—Social Security, private pensions, savings, and earnings.)

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,⁸ 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

⁸Before 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 this Council would be the last.

payroll taxes to be invested in the stock market.⁹ Two of these approaches call for allowing individuals to invest some portion of their payroll taxes in individual retirement accounts. This would be a significant departure from the current program design, in which benefits are based on past earnings and trust fund moneys 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 Taking Initial 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. SSA could, for example, analyze options and assess their possible effects on individuals and on SSA's operations. Nearly 2 years after gaining independence, however, SSA is not yet ready to fully support policymakers in the current public debate on 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 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. By November 1996, SSA's reorganized Office of Research, Evaluation, and Statistics had formed new links with outside experts to strengthen its research and evaluation capabilities. In addition, it had created an office to coordinate all policy planning activities. Although this is a positive first step, SSA officials also acknowledge that they are just beginning to focus on Social Security's long-term solvency.

SSA is in a unique position to inform policymakers and the public about the 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

⁹Social Security payroll taxes that accumulate in the trust fund reserves are currently invested in U.S. Treasury bonds.

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,¹⁰ 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, the scope and complexity of its many redesign initiatives risk the likelihood that SSA will accomplish its redesign goals. 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.

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 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.¹¹ As the number of DI and SSI beneficiaries increased, so did the amount paid in cash benefits. The combined DI and SSI cash benefits

¹⁰Deficit Reduction: Opportunities to Address Long-Standing Government Performance Issues (GAO/T-OCG-95-6, Sept. 13, 1995).

¹¹This number includes about 900,000 children receiving SSI disability benefits.

increased from \$25 billion to \$57 billion in 10 years.¹² 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.

Success of Disability Redesign Is at Risk

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

¹²This 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.

would have to be addressed.¹³ These include new staffing and training demands, developing and installing technology enhancements, and confronting entrenched cultural barriers to change.

SSA's redesign plan, released in late 1994, had an extensive scope and complexity. It included 83 initiatives to be accomplished during a 6-year period (fiscal years 1995 to 2000), with 38 of these to be completed or into a research and development or testing phase by September 30, 1996. In a recent report on the implementation challenges SSA faces as it redesigns its disability claims process,¹⁴ we concluded that SSA's disability redesign is proving to be overly ambitious. Undertaking many initiatives at one time is likely to limit the chances for success and has already led to implementation delays. Although SSA has begun many of its planned initiatives, none are complete and many are behind schedule. Consequently, SSA has not progressed as intended in determining whether specific initiatives will achieve their desired results. Without concrete and measurable results, stakeholder support is hard to maintain.

SSA has faced significant challenges in implementing some of the more complex initiatives. For example, SSA considers technology vital to redesign; it has, therefore, undertaken a technology initiative to more fully automate the processing of disability claims. Completion of this initiative, however, has been delayed by more than 2 years due to software development problems and the need for additional testing to assess redesign changes.

Another complex initiative involves consolidating two distinct jobs, federal claims representative and state disability examiner, into a new disability claim manager (DCM) position. SSA is considering the establishment of about 11,000 DCM positions in more than 1,350 federal and state locations, recruiting these DCMs from its current workforce. Before fully implementing the DCM position, SSA must first provide several critical support features, including technology enhancements and a simpler method for making disability decisions, that SSA does not expect to be available for several years. Moreover, SSA has struggled to resolve stakeholder disagreements among representatives of federal and state employees about this new position. SSA has determined that it will not

¹³Social Security Administration: Major Changes in SSA's Business Processes Are Imperative (GAO/T-AIMD-94-106, Apr. 14, 1994).

¹⁴SSA Disability Redesign: Focus Needed on Initiatives Most Crucial to Reducing Costs and Time (GAO/HEHS-97-20, Dec. 20, 1996).

decide to implement the DCM until valid and reliable testing demonstrates that the position is viable.

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. We have reported that SSA's disability programs are out of sync with societal attitudes, as embodied in the Americans With Disabilities Act, that have shifted toward goals of economic self-sufficiency and the right of people with disabilities to fully participate in society.¹⁵

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 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 continue to assess 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

¹⁵See 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).

Congress created the plan for achieving self-support (PASS) program as part of SSI to help low-income individuals with disabilities return to work.¹⁶ 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 the agency has taken steps to better manage the program in accordance with our recommendations.

Inadequate Management and Oversight of SSI Program

Limiting opportunities for fraud, waste, and abuse in government programs is essential to promoting public confidence in the government's ability to wisely use taxpayers' 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 difficult, we have repeatedly identified program weaknesses that SSA needs to address. This suggests more pervasive problems with SSA's overall management of, and attention to, the SSI program.

SSA has awarded SSI benefits, for example, to unknown numbers of non-English-speaking immigrants who are actually ineligible for SSI benefits.¹⁷ These awards are very costly to the government, accounting in each case for thousands of dollars in improper payments over the years. And even though individual SSA field offices have developed their own creative approaches to this problem, SSA's programwide efforts for ensuring that only people who are eligible for SSI benefits receive them have been limited.

SSA has also lacked an effective program to prevent erroneous payments to prisoners. 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

¹⁶The 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).

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

local jail systems have received millions of dollars in cash benefits.¹⁸ This means that taxpayers have been paying twice to support these individuals—both for SSI benefits and the cost of imprisonment. SSA has begun to obtain information on current prisoners; however, it has not tried to develop information that would allow it to recover benefits paid to incarcerated or formerly incarcerated individuals who may have received benefits in prior years, although this information is available.

In addition, SSA's PASS program internal controls have been inadequate, compromising the program's integrity. SSA's internal program controls provide only limited guarantees that program moneys are being used appropriately and taxpayer dollars spent judiciously. For example, the lack of adequate guidance on acceptable PASS expenditures has resulted in inconsistent decisions on purchases. In one instance the proposed purchase of a \$13,000 automobile was denied because the applicant did not provide sufficient evidence to justify the car's cost; in other instances, however, purchases of similarly expensive vehicles were approved or less justification was provided for purchases.

SSA is also missing opportunities to more efficiently administer the SSI program and to prevent or more quickly detect overpayments to recipients.¹⁹ Millions of dollars could be saved, according to our estimates, if SSA field offices had and used direct online access to computerized state income information during initial and subsequent assessments of eligibility. Although SSA has begun to develop and expand online access in several field offices, it has not aggressively sought to use this technology to reduce benefit overpayments.

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.

¹⁸Supplemental Security Income: SSA Efforts Fall Short in Correcting Erroneous Payments to Prisoners (GAO/HEHS-96-152, Aug. 30, 1996).

¹⁹Supplemental Security Income: Administrative and Program Savings Possible by Directly Accessing State Data (GAO/HEHS-96-163, Aug. 29, 1996).

SSA Faces Difficult Challenges in Preparing for Future Workloads

While SSA is grappling with policy and program challenges, it will also 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

The need to effectively balance public service needs with costs will become even more important in the future. 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 the following increasing responsibilities:

- SSA's workloads over the next few years will increase substantially as a result of recent congressional efforts to overhaul the nation's welfare system. The Congress has made changes that eliminate disability benefits for drug addicts and alcoholics, restrict noncitizens' SSI benefit eligibility, and tighten the SSI eligibility criteria for disabled children. SSA will have to manage the large influx of appeals and reapplications that is expected following the changes in benefit eligibility. SSA has already received appeals for more than half of the over 200,000 drug addicts and alcoholics who were notified in June 1996 that their benefits would be terminated, according to SSA officials.²⁰ These workloads will also have an impact on SSA's capacity to meet other workload challenges.
- SSA must meet a legislative requirement that most workers be mailed annual statements of their earnings and estimated retirement benefits,²¹ 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 recently recommended that these statements be improved to more effectively communicate important

²⁰Legislation was enacted in March 1996 that eliminated drug and alcohol abuse as a basis, or a material contributing factor, for receiving disability benefits. Individuals who received benefit termination notices were given the option to reapply but could remain eligible for SSI or DI on the basis of another disabling condition.

²¹Under the legislation, SSA must provide individuals aged 50 and over estimates of their potential monthly retirement benefits, beginning no later than Oct. 1, 1999.

information to the public; improving these statements could result in fewer inquiries about them, reducing the impact on SSA workloads.²²

- SSA has not fully met legislative requirements to periodically review the status of disabled beneficiaries to ensure that those who are no longer disabled are removed from the rolls. About 4.3 million DI and SSI beneficiaries were due or overdue for continuing disability reviews in fiscal year 1996.²³ 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.

SSA knows that it must meet these increasing demands in an era of federal downsizing and spending reductions. In early 1996, SSA estimated that it would need the equivalent of about 76,000 work-years to handle its workloads by the end of the century if it conducted business as usual. It expected to handle this work with fewer work-years than it has today. SSA is in the process of revising these estimates.

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 linked to mainframe computers in its Baltimore headquarters to a 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.

²²SSA Benefit Statements: Well Received by the Public but Difficult to Comprehend (GAO/HEHS-97-19, Dec. 5, 1996).

²³Social Security Disability: Alternatives Would Boost Cost-Effectiveness of Continuing Disability Reviews (GAO/HEHS-97-2, Oct. 16, 1996).

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. We have reported that 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 “97” for 1997. 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 in 1989, SSA has reviewed and corrected about 50 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 about 350 work-years. 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 in 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: 51 percent of SSA's senior executives and 35 percent of its mid-level managers are eligible to retire over the next 5 years. In the last 2 fiscal years, SSA has lost two of its seven Deputy Commissioners to retirement.²⁴ 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 nearly 5 years since SSA has conducted an executive-level management development program. 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.

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. As noted earlier, 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

²⁴SSA 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.

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. SSA currently has 37 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 has studied 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 are 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 the 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. 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 focus on those initiatives most crucial to producing significant measurable reductions in claims-processing time and administrative cost. SSA also needs to place greater emphasis on return to work by changing both the design and administration of the disability programs.

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 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, 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

In commenting on a draft of this report, SSA discussed the accomplishments of Commissioner Chater during her tenure and stated that many challenges remain. The agency also made technical comments

on our report, which we incorporated where appropriate. See appendix II for a copy of the agency's comment letter.

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 to this report include Gale C. Harris and Valerie A. Rogers.



Jane L. Ross
Director, Income Security Issues

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Abbreviations

CDR	continuing disability review
DCM	disability claim manager
DI	Disability Insurance
GPRA	Government Performance and Results Act of 1993
HHS	Department of Health and Human Services
NPR	National Performance Review
OASI	Old Age and Survivors Insurance
PASS	Plan for Achieving Self-Support
SSA	Social Security Administration
SSI	Supplemental Security Income

SSA's Goals and Performance Measures, Fiscal Year 1997

Goal	Performance measure	Fiscal year 1997 target
Rebuild public confidence		
	Percent of public "very well informed" or "fairly well informed" about Social Security	62 percent
	Number of personal earnings and benefit estimate statements issued upon request and automatically	14,000,000
Provide world-class service		
Overall	Percent of people who rate SSA service as "courteous" or "very courteous"	90 percent
	Percent of people who rate SSA service as "good" or "very good"	82 percent
Enumeration	Percent of Social Security numbers issued within 5 calendar days after receipt of needed information	97 percent
Earnings	Percent of earnings items posted correctly	98.8 percent
OASI/SSI aged claims	Percent of OASI claims paid when due or within 15 days from effective filing date	83 percent
	An OASI initial payment accuracy rate	95.2 percent
	An SSI initial payment accuracy rate	94 percent
OASI/SSI/DI claims	Percent of DI claims decided within 6 months after onset or within 60 days after the effective filing date, whichever is later	55 percent
	Percent of SSI disability claims decided within 60 days of filing	30 percent
	Number of DI and SSI initial disability claims processed	2,415,000
	Percent of Disability Determination Service decisional accuracy	97 percent
	Percent of hearings decisions made and notices sent within 120 days of filing	15 percent
	Number of hearings processed	650,000
Postentitlement	Percent of budgeted continuing disability reviews (CDR) processed to completion	100 percent
	Number of CDRs processed	864,000
Face-to-face service	Percent of people with an appointment who have waiting times of 10 minutes or less in a field office	84 percent
	Percent of people without an appointment who have waiting times of 30 minutes or less in a field office	72.7 percent
800-number telephone service	Percent of callers who reach 800 number within 5 minutes	95 percent
	Percent of calls handled accurately	97.2 percent

(continued)

**Appendix I
SSA's Goals and Performance Measures,
Fiscal Year 1997**

Goal	Performance measure	Fiscal year 1997 target
Mail	Percent of people who find SSA mail "easy" or "very easy" to understand	75 percent
Provide supportive environment for employees		
	Percent of direct service employees with intelligent workstations connected to a local area network	Yet to be determined
	Number of underrepresented equal opportunity groups that came closer to parity with civilian labor force	Six of six

Source: Social Security Administration Business Plan: Fiscal Years 1997-2001, SSA, Pub. No. 01-008 (Apr. 1996).

Comments From the Social Security Administration



SOCIAL SECURITY

Office of the Commissioner
January 28, 1997

Ms. Jane L. Ross
Director, Income Security Issues
U.S. General Accounting Office
Washington, D.C. 20548

Dear Ms. Ross:

Thank you for the opportunity to comment on your proposed report entitled, "Social Security Administration: New Commissioner Will Face Major Challenges."

As I complete my tenure as Commissioner, I am pleased to reflect on the accomplishments we have made and the challenges we face in the future. As you know, when I leave I will have served as Commissioner for nearly three and a half years, longer than anyone who has held this position in more than 20 years. I believe my time here has provided the necessary stability in executive leadership that has allowed the Agency to make significant strides in addressing the challenges we face in the programs we administer.

Establishing the Social Security Administration (SSA) as an independent agency was perhaps the most significant development during my time in office. The General Accounting Office (GAO) has praised the transition and has stated that the foundations we have in place "...give(s) the agency a sound base from which to manage significant current and future challenges."

During my tenure, we have charted a course based on the principle of providing world-class service to the American people. As GAO correctly identifies, SSA is a leader in the Federal Government in taking the necessary steps to provide improved customer service at less cost. These efforts are reflected in your assessments of the Agency's priorities and progress in such areas as strategic management, financial accountability, the toll-free 800 number system, redesign of the disability process, and information systems technology to support our work processes. In addition, we have taken significant steps to improve program integrity by providing increased investigative resources to our Inspector General and through improvements to our own internal processes, which are essential to maintaining the public's trust and confidence in our programs.

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

**Appendix II
Comments From the Social Security
Administration**

2

Finally, we have taken steps to strengthen the Agency's education and policy functions, which are critical to the development and evaluation of new ideas. We have accomplished a great deal in a relatively short period of time. I am enclosing a listing of our most significant accomplishments which highlights the progress we have made to date.

SSA is arguably the most visible of Federal Government agencies. For many Americans, SSA is the agency with which they are most likely to personally interact throughout their lifetimes, as they apply for Social Security numbers, request earnings statements for financial planning, file for retirement, survivors or disability benefits, or call us over our 800 number for general information. The public thinks of these experiences as they make personal evaluations on the efficiency, effectiveness and quality of service provided by the Federal Government. For that reason, SSA must strive to provide the best customer service any organization--public or private--can offer.

Nevertheless, many challenges remain. As SSA continues to mature as an independent agency, I believe that, with the help of the President, the Congress and the American people, it will be able to meet future challenges. SSA is staffed by 65,000 of the finest employees in the Federal Government. With GAO continuing to take a positive and supportive role in identifying problems and developing solutions, we will ensure that Social Security continues to remain this nation's most successful, Federal domestic program.

Sincerely,


Shirley S. Chater
Commissioner
of Social Security

Enclosure

**Appendix II
Comments From the Social Security
Administration**

**Appendix II
Comments From the Social Security
Administration**

Related GAO Products

SSA Disability Redesign: Focus Needed on Initiatives Most Crucial to Reducing Costs and Time (GAO/HEHS-97-20, Dec. 20, 1996).

SSA Benefit Statements: Well Received by the Public but Difficult to Comprehend (GAO/HEHS-97-19, Dec. 5, 1996).

Social Security Disability: Alternatives Would Boost Cost-Effectiveness of Continuing Disability Reviews (GAO/HEHS-97-2, Oct. 16, 1996).

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

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

Social Security Administration: Effective Leadership Needed to Meet Daunting Challenges (GAO/T-OCG-96-7, July 25, 1996 and GAO/HEHS-96-196, Sept. 12, 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).

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).

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