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**United States Government Accountability Office
Washington, DC 20548**

November 16, 2011

The Honorable Sam Johnson
Chairman
Subcommittee on Social Security
Committee on Ways and Means
House of Representatives

The Honorable Geoff Davis
Chairman
Subcommittee on Human Resources
Committee on Ways and Means
House of Representatives

Thank you for the opportunity to testify before the Committee on Ways and Means, Subcommittees on Social Security and Human Resources on September 23, 2011 during the hearing on Work Incentives in Social Security Disability Programs. The attached enclosure is GAO's response to the subcommittees' question for the record. If you have any questions, please contact Daniel Bertoni at (202) 512-7215.

Sincerely,

Daniel Bertoni

Director, Education, Workforce, and Income Security Issues

Enclosure

In 1980 Congress provided the Social Security Administration (SSA) temporary authority to conduct demonstration projects to test the impact of waiving program rules. This authority was extended multiple times and expired in December 2005. The Government Accountability Office (GAO) has released two reports, one in 2004 and the other in 2008, criticizing the agency for its administration of demonstration projects. The President's FY 2012 budget request included a legislative proposal reauthorizing this authority for five years and requiring SSA to test a Work Incentives Simplification Proposal.

Would you further explain GAO's previous findings for us and tell us whether the agency has addressed GAO's concerns?

In September 2008, we reported that SSA had initiated 14 demonstration projects under its authority to test possible DI and SSI policy and program changes.¹ At that time, we found SSA had spent about \$155 million on its projects, yet these projects had yielded limited information on the impacts of the program and policy changes they were testing. We also reported that while SSA had taken steps to improve its projects, in part, by applying more rigorous methodologies and contracting with external experts, SSA continued to lack certain management controls, such as written procedures for its project officers to follow as they design, implement, and evaluate its demonstration projects, nor had they fully implemented our recommendations from 2004. We also found that several projects had experienced delays and cancellations, partly because newly appointed officials made significant changes to some projects or determined that because others faced significant limitations or potential challenges it was not in the agency's interest to continue them. Because government operating conditions continually change, we noted that agencies should have mechanisms in place to identify and address any special risks arising from such changes, especially those caused by hiring new personnel to occupy key positions in the agency.² While we acknowledged that certain management actions may have been reasonable, we were concerned that SSA's lack of written policies and procedures governing how such steps should be taken left current and future projects vulnerable to disruption.

To improve SSA's management of its demonstration projects, we recommended that the Commissioner of Social Security establish written policies, procedures, and mechanisms for managing and operating its demonstration projects that are consistent with standard research practices and internal control standards in the federal government, including those for coordinating with internal and external stakeholders and sharing information with Congress. In response, SSA noted existing processes and written procedures for managing and reviewing its programs, including the demonstration project program, and generally agreed with the need to develop a guidebook to assist staff in the design, implementation, and evaluation phases of demonstration projects and the value of piloting demonstration projects before proceeding with full implementation. In May 2011, SSA provided GAO with a copy of its revised "Demonstration Project Guidebook," which outlines the agency's policies, procedures, and mechanisms for managing and operating its demonstrations projects. GAO determined that it was consistent with research practices and GAO standards and that the guidebook addressed our recommendation regarding coordinating with internal and external stakeholders. While SSA has implemented the management controls we recommended, it is

¹ GAO, *Social Security Disability, Management Controls Needed to Strengthen Demonstration Projects*, GAO-08-1053 (Washington, D.C.: Sept. 26, 2008).

² GAO, *Standards for Internal Control in the Federal Government*, GAO-AIMD-00-21.3.1., (Washington, D.C.: Nov. 1999).

vital that the agency continue to monitor the management of these projects to ensure the quality of their performance, and that potential problems are promptly resolved. Without such monitoring, future projects may not yield reliable information similar to some projects in the past.