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SOCIAL SECURITY ADMINISTRATION

Continuing Leadership Focus Needed to Modernize How SSA Does Business

Statement of Elizabeth Curda, Director
Education, Workforce, and Income Security

GAO Highlights

SOCIAL SECURITY ADMINISTRATION

Continuing Leadership Focus Needed to Modernize How SSA Does Business

Why GAO Did This Study

SSA provides vital benefits and services that affect the lives of many Americans. In fiscal year 2017, it paid out nearly $1 trillion in retirement and disability benefits to 67 million beneficiaries, and an average of 420,000 people call or visit one of its 1,200 field offices each day.

However, SSA has struggled to manage its disability workloads, maintain program integrity, and modernize its service delivery and information technology systems. GAO has issued a number of reports on these challenges, and placed SSA's disability programs on GAO's High Risk List, in part due to challenges with workloads and claims processing.

GAO was asked to testify on challenges facing SSA. This statement summarizes ongoing SSA challenges described in SSA's strategic plan and past GAO work in three areas: 1) managing disability workloads and ensuring program integrity; 2) modernizing physical infrastructure and service delivery methods; and 3) modernizing information technology.

Although GAO is not making recommendations in this statement, our prior work included recommendations to help SSA address these challenges, many of which SSA has agreed with and initiated actions on. SSA provided technical comments on a draft of this statement, which we incorporated, as appropriate.

What GAO Found

GAO's prior work and Social Security Administration's (SSA) strategic plan for fiscal years 2018-2022 highlight significant demographic and technological challenges facing the agency. For example, SSA's workloads are increasing due to 80 million baby boomers entering their disability-prone and retirement years, and institutional knowledge and leadership at SSA will be depleted due to an expected 21,000 employees retiring by the end of fiscal year 2022. GAO's prior work has identified related management challenges and opportunities for SSA to further modernize and improve its disability programs, service delivery, and information technology (IT) systems.

- **Managing disability workloads and program integrity.** SSA has long struggled to process disability claims and, more recently, appeals of denied claims, in a timely manner. Consistent with our 2013 recommendation, SSA produced a broad vision for improving service delivery, including ensuring prompt and accurate disability decisions. However, SSA is still developing concrete plans to implement its vision. Although SSA has initiatives underway to improve appeals backlogs, GAO reported that some of SSA's appeals initiatives are either contingent on additional funding or have met with limited success when tried in the past. GAO's prior work also identified other challenges related to SSA's disability programs, and actions SSA could take, for example, to modernize disability criteria, prevent and recover overpayments, and manage fraud risks.

- **Modernizing physical infrastructure and service delivery.** Advances in technology have the potential to change how and where SSA delivers its services. For example, individuals can now apply for some disability benefits online rather than in person. However, GAO found that SSA did not have readily available data on problems customers had with online applications or why staff support was needed. Additionally, the agency had not established performance goals to determine whether new service delivery options, such as off-site kiosks, are succeeding. In addition, we found that SSA has not developed a long-term plan for its building space that, among other things, includes a strategy for downsizing offices to better reflect changes in service delivery. We recommended SSA improve building plans and do more to assess and monitor service delivery, with which SSA agreed.

- **Modernizing information technology.** SSA's legacy IT systems are increasingly difficult and expensive to maintain and GAO identified SSA's needed investment in infrastructure operations and maintenance as among the 10 largest expenditures at federal agencies in fiscal year 2015. GAO recommended SSA identify and plan to modernize or replace legacy systems, in accordance with forthcoming Office of Management and Budget guidance. SSA agreed, and reported that it is finalizing its Information Technology Modernization Plan.

Continuing focus by SSA leadership is critical to addressing these broad and long-term challenges and effectively delivering benefits and services to the many Americans who depend on SSA programs.

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United States Government Accountability Office

Chairman Johnson, Ranking Member Larson, and Members of the Subcommittee:

I am pleased to be here to discuss the significant management challenges and structural issues currently facing the executive leadership of the Social Security Administration (SSA).

SSA is a vast enterprise responsible for providing benefits and services that affect nearly every American at some point in their lives. In fiscal year 2017, SSA paid out nearly $1 trillion in Social Security retirement, disability, and Supplemental Security Income benefits to 67 million beneficiaries. While the services it provides are vitally important, SSA faces significant demographic and technological challenges. For example, as SSA noted in its 2018-2022 strategic plan and as we have previously reported, SSA is experiencing increasing workloads due to 80 million members of the baby boom generation entering their most disability-prone and retirement years.[1,2] At the same time, SSA projects 21,000 of its employees will retire by the end of fiscal year 2022, resulting in a loss of institutional knowledge and impediments to succession management and knowledge transfer. In addition, SSA noted that Americans are increasingly relying on technology to access services while information technology (IT) advances create opportunities for SSA to use substantially different tools and approaches than it has in the past.

We have issued a number of reports with recommendations addressing shortcomings in how SSA has addressed these challenges. While SSA has agreed with and taken action on many of our recommendations, many others remain open, some of which we have suggested to SSA should be given high priority.[3] In addition, Social Security disability programs are on our High Risk List due to persistent workload and other challenges with processing disability claims.[4] A common theme that cuts across these issues is the need to modernize how SSA does business. SSA has acknowledged the importance of modernization in its new

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[1] See Social Security Administration, Fiscal Years 2018 – 2022, Agency Strategic Plan.

[2] GAO, *Social Security Administration: Long-Term Strategy Needed to Address Key Management Challenges*, GAO-13-459 (Washington, D.C.: May 29, 2013).

[3] See appendix I for our February 2018 letter to SSA's Commissioner, in which we call attention to open recommendations that should be given high priority.

[4] GAO, *High Risk Series: Progress on Many High-Risk Ares, While Substantial Efforts Needed on Others*, GAO-17-317 (Washington, D.C.: February 15, 2017)

strategic plan. The actions SSA leadership will need to take to modernize the management of disability programs, facility planning and service delivery, and information technology will require vision and sustained, long-term attention.

My testimony today summarizes the results from a number of our past reports on SSA's operations and will focus on management challenges and structural issues facing SSA in three key areas: 1) managing its disability workloads and ensuring program integrity; 2) modernizing its physical infrastructure and service delivery methods; and 3) modernizing its information technology.

In developing this testimony, we relied on reports that we have previously issued. These reports, cited throughout this statement, include detailed information on the scope and methodology for our reviews.[5] The work on which this statement is based was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. We believe that the evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objectives.

Background

SSA Programs and Functions

The scope of SSA's operations and responsibilities is vast. One of SSA's key responsibilities is to provide financial benefits to eligible individuals through three benefit programs:

- Old-Age and Survivors Insurance (OASI)—provides retirement benefits to older individuals and their families and to survivors of deceased workers.

- Disability Insurance (DI)—provides benefits to eligible individuals who have qualifying disabilities, and their eligible family members.

- Supplemental Security Income (SSI)—provides income for aged, blind, or disabled individuals with limited income and resources.

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[5] We asked SSA to review and provide technical comments on a draft copy of our statement, and incorporated SSA's comments where appropriate.

In support of its mission, SSA maintains workers' earnings information and in fiscal year 2017 posted over 279 million earnings items to workers' records. SSA also determines if claimants are eligible for benefits, completing 10 million claims and more than 680,000 hearings decisions in fiscal year 2017. SSA also maintains birth and death records and issues Social Security Numbers. In fiscal year 2017, SSA issued almost 17 million new and replacement Social Security cards.

Beyond administering its programs and core missions, SSA provides key administrative support to the Medicare program, partners with the Department of Homeland Security in verifying employment eligibility for new hires, and assists with the administration of other programs, such as the Supplemental Nutrition Assistance Program and programs administered by the Railroad Retirement Board.

SSA's workforce is large, as is its physical footprint. About 62,000 federal employees and 15,000 state employees administer SSA programs in about 1,500 facilities nationwide. These facilities include regional offices, more than 1,200 field offices, teleservice centers, processing centers, hearings offices, the Appeals Council offices, and SSA's headquarters in Baltimore, Maryland.

Customers can access SSA services in-person at an SSA field office; by phone with field office staff or through a National 800 number; or online.[6] In 2018, SSA reported that, each day, about 170,000 people visit and 250,000 call one of its field offices for various reasons, such as to file claims, ask questions, or update their information. SSA also reported that its national 800 number handles over 30 million calls each year.

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[6] SSA also receives communications from and sends communications to customers by mail. For example, in fiscal year 2017, SSA mailed nearly 250 million notices.

Challenges to Managing SSA's Disability Workloads and Ensuring Program Integrity

Complex eligibility rules and multiple handoffs and potential layers of review make SSA's disability programs complicated and costly to administer.[7] Program complexity arguably has made it challenging for SSA to make significant advances in efficiently managing high disability workloads, ensuring timely and consistent disability decisions, preventing benefit overpayments, and mitigating fraud risks.

Our recent work highlighted some of the challenges SSA faces in making disability decisions that are timely, consistent and based on current concepts of disability, while also preventing and deterring fraud and ensuring that only beneficiaries who are entitled to benefits receive them. These findings underscore the need for SSA leadership to approach these challenges strategically and follow through with rigorous plans in order to achieve significant improvements in its disability programs.

Making Timely Disability Decisions

In recent years, SSA made noteworthy strides in reducing its backlog of initial disability claims, but delays in deciding disability appeals continue to worsen. SSA has reduced the number of pending claims each fiscal year since 2010—from about 842,000 in fiscal year 2010 to about 523,000 in fiscal year 2017. However, the number of appealed claims pending at the end of 2017 was approximately 1.1 million compared to about 700,000 in fiscal year 2010, and the average time needed to complete appeals increased from 426 days to 605 days during that same time.

In our 2017 High Risk Update, we reported that SSA had taken some steps to address its growing appeals backlog, such as hiring additional administrative law judges (ALJ).[8] SSA also published a plan in 2016 to improve appeals timeliness that called for further hiring, improving business processes, sharing workloads across offices, and making better use of IT resources, such as increasing the number of video hearings. However, SSA's Office of Inspector General (OIG) found that many of the initiatives in SSA's plan duplicated past efforts that had met with limited

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[7] SSA field offices and state Disability Determination Services both play a role in initially determining eligibility for disability benefits. Claimants who are dissatisfied with their initial determination have multiple levels of appeal available to them. We reported in 2013 that, although SSA's disability programs account for only about 23 percent of its total benefit outlays for its three benefit programs, they represent 66 percent of the administrative expenses.

[8] GAO-17-317.

success. SSA also noted that some efforts, such as additional hiring, will depend on resource availability. We also reported that SSA is still developing plans to implement its broad vision for service delivery, *Vision 2025*, which addresses SSA's capacity to provide timely initial claims and appeals decisions.[9] To address its appeals backlog and position itself to effectively provide timely disability decisions at all levels, SSA leadership will need to continue to operationalize *Vision 2025*, plan and implement systems support for initial claims, and implement and monitor the success of its appeals initiatives.

Modernizing Disability Criteria

While SSA has made significant progress in updating the outdated occupational and medical criteria it uses to make disability eligibility decisions, some of these efforts are multi-year and will require the continued focus of top leadership. Most significantly, SSA has made strides updating a decades old Dictionary of Occupational Titles with a new Occupational Information System (OIS), which contains occupational data to make disability determinations.[10] SSA expects to have OIS in place by 2020, and currently plans to update OIS information every 5 years thereafter. Regarding the medical criteria used to make disability decisions, we reported in our 2017 high risk update that SSA had published final rules for nearly all of the 14 body systems for adults and was on track to update criteria for all body systems every 3 to 5 years.[11] While SSA has addressed all our recommendations in this area, other opportunities exist for updating aspects of SSA's disability decision process. For example, SSA officials have acknowledged that the vocational rules it uses to determine eligibility may no longer accurately reflect the nature and scope of work available in the national economy and stated that the agency is conducting a review to determine if changes to vocational factors are necessary. Agency leadership will play a key role in ensuring SSA pursues these opportunities to further modernize its

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[9] SSA issued its *Vision 2025* in response to our 2013 recommendation that SSA should prepare for wide-ranging management challenges by developing a long-term strategy for service delivery. See GAO-13-459.

[10] As part of its disability determination process, SSA may determine whether the individual is able to perform past relevant work or any work that exists in the national economy. To inform these determinations, SSA uses a Department of Labor database—known as the Dictionary of Occupational Titles—which is an inventory of occupations performed in the national economy.

[11] GAO-17-317

Enhancing the Accuracy and Consistency of Disability Decisions

Our recent work analyzed variation in the rate that different ALJs grant disability benefits when claimants appeal an earlier denial, and found that SSA's efforts to monitor the consistency of appeal hearing decisions are incomplete. In 2017 after analyzing data on hearings decisions, we estimated that the allowance (approval) rate could vary by as much as 46 percentage points between different judges with respect to a typical claim.[12] SSA conducts various reviews to monitor the accuracy and consistency of ALJ decisions, but SSA has not systematically evaluated whether its reviews are effective. SSA has also struggled to sustain all of its quality review efforts, in part, because SSA reassigned staff to help expedite claims decisions.[13] We also reported on shortcomings in SSA's Compassionate Allowance initiative (CAL)—which fast tracks disability claims for severe medical conditions that are most likely to be approved— that could prevent claims from being consistently and accurately identified for expedited processing.[14] These shortcomings include lacking a systematic approach and clear criteria for designating medical conditions for inclusion in CAL.

With about one in three beneficiaries being granted benefits at SSA's appeals hearing level, it remains crucial that SSA leadership commit to ensuring appeal applications receive fair and consistent treatment,

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[12] A typical claim had average values on all other factors we analyzed (related to the claimant, judge, other participants in the process, hearing office, and economic characteristics). Our analysis was purely statistical in that we did not conduct the legal analysis needed to reach conclusions about what legal factors might have affected a judge's decision or whether the decision that was reached in any particular case was correct. Similarly, we were not making any predictions about the correct outcome of future individual decisions. Each case is unique in both its facts and circumstances and must be examined on its own merits. GAO, *Social Security Disability: Additional Measures and Evaluation Needed to Enhance Accuracy and Consistency of Hearing Decisions*, GAO-18-37 (Washington, D.C.: December 7, 2017).

[13] In its technical comments on our draft statement, SSA stated that, effective October 1, 2017, the Acting Commissioner moved offices with responsibilities for oversight of disability decisions into the agency's Office of Analytics, Review, and Oversight, in order to use data collected from quality reviews at all levels of adjudication to improve policy compliance of disability decisions.

[14] GAO, *SSA's Compassionate Allowance Initiative: Improvements Needed to Make Expedited Processing of Disability Claims More Consistent and Accurate*, GAO-17-625 (Washington, D.C.: August 11, 2017).

including assessing persistent and unexplained variations in ALJ allowance rates. Ensuring oversight and scrutiny of SSA's CAL initiative is also essential to avoid potential equity issues with regards to SSA's most vulnerable claimants.

Preventing and Collecting Overpayments

Benefit overpayments represent avoidable losses to the DI trust fund and, for the individual who may have incurred an overpayment despite conscientiously reporting wages, a financial hardship when required to repay and a disincentive to pursue work. In fiscal year 2015, the most recent year for which we have data, SSA identified $1.2 billion in new overpayments in its DI program, and had $6.3 billion in total overpayment debt outstanding. In 2015, we reported that the SSA process for beneficiaries to report earnings (and consequently inform whether they remain eligible for DI benefits) had a number of weaknesses, including staff not following established procedures, limited oversight, and a lack of automated reporting options for beneficiaries, such as an automated telephone system or smart phone app.[15] SSA has made progress expanding electronic work reporting, but these efforts will not eliminate vulnerabilities caused by SSA's multi-faceted processes for receiving and handling work reports, and will require additional management focus to shore up internal controls and avoid unnecessary overpayments.

Once overpayments do occur, SSA will endeavor to recover those overpayments. However, we recently found that the collection of overpayment debts warrants more attention than SSA has demonstrated to date. In 2016, we reported that SSA's largest source of debt recovery is withholding a portion of beneficiaries' monthly benefits payments.[16] However, we found that amounts withheld may not consistently reflect individuals' ability to pay, and that many repayment plans could take decades to complete. We recommended SSA improve oversight and pursue additional debt recovery options—recommendations that SSA has yet to implement. Absent clear policies and oversight procedures for establishing and reviewing withholding plans—SSA's main tool for recovering overpayments—SSA cannot be sure that beneficiaries are repaying debts in appropriate amounts within appropriate time frames.

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[15] GAO, *Disability Insurance: SSA Could Do More to Prevent Overpayments or Incorrect Waivers*, GAO-16-34 (Washington, D.C.: October 29, 2015).

[16] GAO, *Disability Insurance: SSA Needs to Better Track Efforts and Evaluate Options to Recover Debt and Deter Potential Fraud*, GAO-16-331 (Washington, D.C.: April 13, 2016).

Further, by not implementing additional debt collection tools that would speed up repayment, which can extend past the beneficiaries' lifetimes and is diminished in value by inflation, SSA is missing opportunities to restore debts owed to the DI trust fund.

Strategic Approach to Managing Fraud Risks

Although the extent of fraud in SSA's benefit programs is unknown, high-profile cases—such as one case reported by SSA's OIG involving 70 individuals and $14 million in fraudulent benefits—underscore the importance of continued vigilance on the part of SSA leadership in managing fraud risks to prevent fraud. We reported in 2017 that SSA established a new office responsible for coordinating antifraud programs across the agency, and had taken steps to gather information on some fraud risks.[17] However, we also found that SSA had not fully assessed its fraud risks, had not developed an overall antifraud strategy to align its efforts with those risks, and did not have a complete set of metrics to determine whether its antifraud efforts are effective. SSA has already taken action on one of our recommendations by producing a fraud risk assessment, which we will evaluate, and has stated its intent to take action on our other recommendations. Nevertheless, leadership will be essential for developing and implementing an antifraud strategy aligned with the risk assessment and ensuring that SSA's efforts to prevent and detect fraud are effective, thereby helping to safeguard the integrity of its programs and its delivery of benefits to only eligible individuals.

Challenges to Modernizing SSA's Physical Footprint and Service Delivery

With one of the largest physical footprints of any federal agency, and in light of rising facility costs, SSA may be able to achieve efficiencies by reducing the size of its footprint and pursuing additional, cost effective service delivery options. However, as we reported in 2013, rightsizing SSA's physical infrastructure can be complex, politically charged, and costly; expanding service delivery options is also challenging due to the complexity of SSA's disability programs and the varying needs of SSA's customers.[18] Our recent review of SSA's plans to reconfigure its physical footprint and expand how it delivers services confirmed a number of

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[17] GAO, *SSA Disability Benefits: Comprehensive Strategic Approach Needed to Enhance Antifraud Activities*, GAO-17-228 (Washington, D.C.: April 17, 2017).

[18] GAO-13-459.

challenges SSA must navigate.[19] It also highlighted the importance of approaching these challenges strategically and systematically, through strong leadership that guides robust planning, data collection, and assessment efforts.

Reconfiguring SSA's Physical Footprint

In our 2017 work, we identified several challenges that could hinder SSA's ability to readily reconfigure its footprint, align it with evolving needs and potentially achieve desirable cost savings.[20] For example, we found that despite progress reducing its square footage and the number of occupied buildings, SSA's inflation-adjusted rental costs have remained steady. SSA's ability to further reduce or enlarge its physical space is constrained by rental markets, and by union and community concerns. According to SSA officials, high rents, limited building stock and complicated federal leasing processes present difficulties and community needs and union concerns may further complicate relocating offices. We also found that, even though SSA is expanding its remote delivery of services—online and through new technologies—overall demand for field office services has not decreased, although demand varied greatly across SSA's offices.

Expansion of online service—such as the SSI application, which became available online in 2017—present opportunities for SSA to further reduce or reconfigure its physical footprint. However SSA may miss those opportunities because we found that SSA had not fully integrated its strategic planning and facility planning, despite leading practices that indicate facility plans should align with an agency's strategic goals and objectives.[21] We recommended that SSA develop a long-term facility plan that explicitly links to its strategic goals for service delivery, and includes a strategy for consolidating or downsizing field offices in light of increasing use of and geographic variation in remote service delivery.

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[19] GAO, *Social Security Administration: Improvements Needed in Facilities Planning and Service Delivery Evaluation*, GAO-17-597 (Washington, D.C.: July 25, 2017).

[20] GAO, *Social Security Administration: Improvements Needed in Facilities Planning and Service Delivery Evaluation*, GAO-17-597(Washington, D.C.: July 25, 2017).

[21] We recommended in 2013 that SSA determine if realigning its facilities structure, including field offices, could yield increases in the agency's effectiveness and efficiency by assessing the utility and feasibility of such a realignment or consolidation. At the time, SSA officials said they would begin exploring their office structure to find ways to increase efficiency and effectiveness; however, as of May 2017, this recommendation remains unimplemented. See GAO-13-459.

SSA agreed with our recommendation, and has since formed a Space Acquisition Review Board to consider space reductions in light of operational changes. SSA executive leadership will remain an important factor in ensuring a concerted effort to align the agency's physical footprint with its vision for future service delivery.

Expanding Remote Service Delivery

Our recent work also found that while the complexity of SSA's programs can make it challenging for customers to use online services, the agency lacked data to identify and address challenges with online applications. The online disability applications in particular can be confusing and challenging for customers to complete, according to many SSA managers and staff we interviewed.[22] Applications that are submitted online often require follow-up contacts with applicants to obtain missing information, according to SSA front-line staff. However, while SSA has taken steps to make its online services more user-friendly, such as adding a click-to-chat function for customers who run into problems, the agency does not routinely collect data on the reasons for staff follow-ups with online applicants. Such data are critical to SSA's efforts to further improve its online applications and ultimately allow SSA to shift more of its business online and further reconfigure its physical footprint.

SSA would also benefit from establishing performance goals to help it determine whether new service delivery options are succeeding. To help address access challenges such as limited broadband internet in some rural areas, SSA has rolled out self-service personal computers in field offices, icons to link to SSA services on computers in public libraries and video services accessed from senior centers. SSA also recently completed a trial of customer service kiosks in seven SSA offices and third-party locations. SSA staff in field offices reported some positive impacts from these initiatives in terms of extending remote access to certain populations, but also cited challenges, such as with customers' varying ability to use self-service computers. While SSA collects some data on usage, it has not developed performance targets or goals that could help it assess these initiatives' success or identify problems.

We recommended that SSA develop a cost-effective approach to identifying the most common issues with online benefit claims, and

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[22] According to a survey conducted by SSA, the most common reason that applicants started but failed to complete a disability application online was that they did not understand what the questions meant. See GAO-17-597.

develop performance goals and collect performance data for alternate service delivery approaches. SSA agreed with our recommendations, and has since reported taking steps to implement them. As SSA continues to expand its service delivery options, the agency's leadership will need to encourage data driven approaches to ensure high quality and effective alternative service delivery.

Challenges to Modernizing Information Technology

In 2016, we reported that SSA faces challenges with IT planning and management, based on over a decade of prior work that identified weaknesses in system development practices, IT governance, requirements management, strategic planning, and other aspects of IT.[23] For example, in 2012, a GAO review reported that SSA did not have an updated IT strategic plan to guide its efforts and its enterprise architecture lacked important content that would have allowed the agency to more effectively plan its IT investments.[24] In addition, SSA and others have reported substantial difficulty in the agency's ability to implement its Disability Case Processing System—intended to replace 54 disparate systems used by state Disability Determination Services—citing software quality and poor system performance as issues. Consequently, in June 2016, the initiative was placed on the Office of Management and Budget's (OMB) government-wide list of 10 high-priority programs requiring attention. In February 2018, the SSA OIG completed an assessment of an independent contractor's analysis of options for the system. The SSA OIG concluded that several factors that limited the analysis supporting the contractor's recommendation for SSA to continue investing in a new, custom-build version of the Disability Case Processing System.[25]

Because OMB is no longer identifying high-priority programs, in November 2017, we recommended OMB resume identifying these programs.[26] We also recommended OMB ensure that the Federal Chief

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[23] GAO, *Social Security Administration: Effective Planning and Management Practices Are Key to Overcoming IT Modernization Challenges*, GAO-16-815T (Washington, D.C.: July 14, 2016).

[24] GAO, *Social Security Administration: Improved Planning and Performance Measures Are Needed to Help Ensure Successful Technology Modernization*, GAO-12-495 (Washington, D.C.: April 26, 2012).

[25] SSA OIG, *Contractor's Market Research and Analysis for the Disability Case Processing System*, A-14-18-50506 (February 5, 2018).

[26] GAO, *Information Technology: OMB Needs to Report On and Improve Its Oversight of the Highest Priority Programs*, GAO-18-51 (Washington, D.C.: November 21, 2017).

Information Officer is directly involved in overseeing these high-priority programs as past experience has shown that this oversight could improve accountability and achieve positive results. OMB neither agreed nor disagreed with our recommendations, and has not indicated whether it will take action on these recommendations.

Beyond the challenges identified in these previous reports, GAO's May 2016 report on federal agencies' IT legacy systems highlighted the increasing costs that agencies, including SSA, may face as they continue to operate and maintain at-risk legacy systems.[27] We identified SSA's investment in IT infrastructure operations and maintenance as being among the 10 largest expenditures of federal agencies in fiscal year 2015. Further, we pointed out that legacy systems may become increasingly expensive as agencies have to deal with issues such as obsolete parts and unsupported hardware and software, and potentially have to pay a premium to hire staff or engage contractors with the knowledge to maintain outdated systems. For example, SSA reported re-hiring retired employees to maintain its systems that include many programs written in Common Business Oriented Language (COBOL).[28] We highlighted a group of systems for determining retirement benefits eligibility and amounts which were over 30 years old, with some written in COBOL. We also noted that the agency had ongoing efforts to modernize the systems but was experiencing cost and schedule challenges due to the complexity of the legacy systems. We recommended that the agency identify and plan to modernize or replace legacy systems, in accordance with forthcoming OMB guidance.[29] SSA agreed, and reported that it is finalizing its Information Technology Modernization Plan.

To its credit, SSA has made progress in consolidating and optimizing its data centers. Specifically, in August 2017, we reported that, as of February 2017, SSA was one of only two agencies that had met three of

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[27] GAO, *Information Technology: Federal Agencies Need to Address Aging Legacy Systems*, GAO-16-468 (Washington, D.C.: May 25, 2016).

[28] COBOL is a programming language developed in the late 1950s and early 1960s. The Gartner Group, a leading IT research and advisory company, has reported that organizations using COBOL should consider replacing the language, as procurement and operating costs will steadily rise, and because there is a decrease in people available with the proper skill sets.

[29] See GAO-16-468.

the five data optimization targets established by OMB[30] pursuant to provisions referred to as the Federal Information Technology Acquisition Reform Act.[31] Meeting these targets increases SSA's ability to improve its operational efficiency and achieve cost savings.

In conclusion, many of the challenges facing SSA today are neither new nor fleeting because they are inherent in the complexity and massive size of SSA's programs and the scope of broad demographic and societal changes over time. Our past work has pointed to the need for rigorous solutions to these complex problems, such as strategic planning, evaluation efforts, measuring for impact, and leveraging data—solutions that invariably require leadership attention and sustained focus.

Chairman Johnson, Ranking Member Larson, and Members of the Subcommittee, this concludes my prepared statement. I would be pleased to respond to any questions that you or other members of the Subcommittee may have.

GAO Contact and Acknowledgements

If you or your staff have any questions about this testimony, please contact Elizabeth Curda, Director, Education Workforce and Income Security Issues, at (202) 512-7215 or curdae@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this testimony statement. GAO staff who made key contributions to this statement are Michele Grgich (Assistant Director), Daniel Concepcion (Analyst-in-Charge), Susan Aschoff, Alex Galuten, Jean McSween, Sheila McCoy, Lorin Obler, Sabine Paul, Almeta Spencer, and Erin McLaughlin Villas.

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[30] OMB, *Data Center Optimization Initiative (DCOI),* Memorandum M-16-19 (Washington, D.C.: August 1, 2016).

[31] GAO, *Data Center Optimization: Agencies Need to Address Challenges and Improve Progress to Achieve Cost Savings Goals*, GAO-17-448 (Washington, D.C.: August 15, 2017). The five OMB optimization targets are 1) server utilization and automated monitoring, 2) energy metering, 3) power usage effectiveness, 4) facility utilization, and 5) virtualization.

GAO U.S. GOVERNMENT ACCOUNTABILITY OFFICE

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Comptroller General
of the United States

February 26, 2018

Nancy A. Berryhill
Acting Commissioner
U.S. Social Security Administration
6401 Security Boulevard
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Baltimore, MD 21235

Dear Acting Commissioner Berryhill:

The purpose of this letter is to provide you with an update on the overall status of the Social Security Administration's (SSA) implementation of GAO's recommendations and to call your personal attention to areas where open recommendations should be given high priority. In November 2017, we reported that on a government-wide basis, 76 percent of our recommendations made 4 years ago were implemented.[1] SSA's recommendation implementation rate was 80 percent. As of January 16, 2018, SSA had 94 open recommendations. Fully implementing these open recommendations could significantly improve agency operations.

Since our June 2017 letter, SSA has implemented one priority recommendation related to modernizing disability programs. The agency has undertaken a study on advancements in assistive technology and work accommodations to inform its policy regarding disability determinations. Although the findings of the study did not support changes in SSA's decision making policy, SSA reported that it plans to capture information on accommodations offered by employers as part of its national data collection on job requirements, and would consider job requirements that include accommodations in making disability determinations. These steps will help SSA target its resources efficiently, ensure equitable disability decisions, and assist individuals with disabilities in re-engaging with the workforce.

We ask your continued attention on the remaining seven open priority recommendations identified in the 2017 letter. (See the enclosure for the list of these recommendations.) These priority recommendations fall into the two major areas listed below.

Realizing Cost Savings and Reducing Fraud, Waste, and Abuse

Six of the seven priority recommendations could result in cost savings and reduce fraud, waste and abuse. In August 2013, we recommended that SSA assess the costs and feasibility of establishing a mechanism to detect potentially disqualifying earnings during the waiting period for Disability Insurance (DI) cash benefit payments. As of January 2018, SSA had not conducted this assessment. We think this assessment could provide SSA with more comprehensive information with which to decide on potential revisions to its enforcement operation.

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[1]GAO, *Performance and Accountability Report: Fiscal Year 2017*, GAO-18-2SP (Washington, D.C.: Nov.15, 2017).

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In November 2014, we recommended that SSA improve its efforts to detect and prevent physician-assisted fraud using data analytics by developing an implementation plan to identify short- and long-term actions. While SSA is taking steps to enhance its fraud detection and prevention efforts broadly—including developing a risk assessment of its disability program—it has yet to release an implementation plan that specifically addresses employing data analytics to detect potential fraud involving physicians. This plan should build on existing activities to coordinate anti-fraud efforts across the agency. Such detailed planning is critical to ensuring the agency can address this specific threat.

In July 2015, we made two recommendations that SSA (1) evaluate alternatives to the agency's current approach for reducing DI overpayments stemming from the concurrent receipt of federal workers' compensation payments and (2) strengthen its internal controls over these DI overpayments by implementing the alternative approach to self-reporting that yields the greatest net benefits. SSA agreed with both of these recommendations. As of January 2018, SSA had not fully implemented its plans to use Federal Employees' Compensation Act (FECA) data to reduce DI benefits in accordance with federal law or implement an alternative approach that provides greater net benefits.

In October 2015, we recommended that SSA develop a timetable for implementing updates to its Debt Management System to (a) align system controls with SSA policy, so that waivers over $1,000 cannot be administratively waived, and (b) ensure that evidence supporting waiver decisions is sufficiently maintained to allow for subsequent monitoring and oversight. Although SSA implemented the second part of the recommendation, continuing limitations in SSA's Debt Management System could allow staff to administratively approve waivers greater than $1,000 without review or detection by managers in violation of SSA policy. SSA should finalize changes to its Debt Management System to prevent administrative waivers over $1,000, in alignment with SSA policy.

In April 2016, we recommended SSA increase the minimum amount that it recoups from overpaid DI beneficiaries from $10 to 10 percent withholding from their monthly benefit amount. This change would increase scheduled collections and reduce the amount of time to fully recover overpayments, while minimizing the effect on beneficiaries receiving the lowest monthly benefits. It would also promote equity in how SSA deals with overpayments across its disability benefit programs. SSA agreed with this recommendation and has submitted legislative proposals in the President's fiscal year 2017 - 2019 budgets to establish a minimum withholding for overpayments of 10 percent of a beneficiary's monthly benefit.

Improving Financial Information for the Aging Population

This area involves the information SSA provides to clients on their estimated benefits to help improve financial information for the aging population.

Our September 2016 priority recommendation called for SSA claims specialists to consistently provide information to potential claimants for retirement benefits that delaying claiming will result in permanently higher monthly benefit amounts, in accordance with the SSA Program Operations Manual System. As of 2013, most older Americans relied on Social Security for the majority of their income and individuals who claim early risk losing tens of thousands of dollars in reduced benefits over their lifetime. Understanding this information is central to making informed decisions about when to claim Social Security benefits, ultimately affecting older Americans' lifetime benefit amounts and retirement security. To fully implement this recommendation, SSA should continue to take steps to ensure that claims specialists know to

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provide this information, such as additional periodic reminders and possibly having field managers discuss best practices for providing this information to claimants.

In addition to these priority recommendations, since 1990, we have maintained a High Risk program to call attention to operations and programs that are high risk due to their greater vulnerabilities to fraud, waste, abuse, and mismanagement, or the need for transformation to address economy, efficiency, or effectiveness challenges.[2] Our High Risk program has served to identify and help resolve serious weaknesses in areas that involve substantial resources and provide critical service to the public. Progress on high risk issues has been possible through the concerted actions and efforts of Congress, OMB, and the leadership and staff in agencies, including within SSA.

Along with these high priority recommendations, we also wanted to call your attention to four government-wide high risk areas: Strategic Human Capital Management; Managing Federal Real Property; Ensuring the Security of Federal Information Systems and Cyber Critical Infrastructure and Protecting the Privacy of Personally Identifiable Information; and Improving Management of Information Technology (IT) Acquisitions and Operations. Regarding IT Security, we especially encourage you to give attention to any recommendations that your Inspector General may have related to implementing a comprehensive information security program. To assist agencies in their efforts, we have issued work on actions needed to improve cybersecurity and agency information security programs.[3] Regarding IT acquisitions, we have identified the need for federal agencies to continue to expeditiously implement the requirements of December 2014 IT acquisition reform legislation, known as the Federal Information Technology Acquisition Reform Act (FITARA), and to report all data center consolidation cost savings to OMB and address weaknesses in their management of software licenses.[4]

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I appreciate SSA's continued commitment to these important issues. If you have any questions or would like to discuss any of the issues outlined in this letter, please do not hesitate to contact me or Barbara Bovbjerg, Managing Director, Education, Workforce, and Income Security at

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[2]GAO, *High-Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others*, GAO-17-317 (Washington, D.C.: Feb. 15, 2017).

[3]See, for example, GAO, *Federal Information Security: Weaknesses Continue to Indicate Need for Effective Implementation of Policies and Practices*, GAO-17-549 (Washington, D.C.: Sept. 28, 2017).

[4]FITARA was enacted into law as a part of the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2015, Pub. L. No. 113-291, div. A, title VIII, subtitle D, §§ 831-837, 128 Stat. 3292, 3438-3450 (2014). See, for example, GAO, *Data Center Optimization: Agencies Need to Complete Plans to Address Inconsistencies in Reported Savings,* GAO-17-388 (Washington, D.C.: May 18, 2017) and *Federal Software Licenses: Better Management Needed to Achieve Significant Savings Government-Wide,* GAO-14-413 (Washington, D.C.: May 22, 2014).
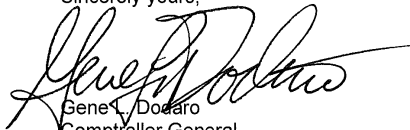
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bovbjergb@gao.gov or 202-512-7215. Our teams will continue to coordinate with your staff on all 94 open recommendations, as well as those additional recommendations in the high-risk areas for which SSA has a leading role.

Sincerely yours,

Gene L. Dodaro
Comptroller General
of the United States

Enclosure

cc: The Honorable Mick Mulvaney, Director, OMB

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Enclosure

Priority Open Recommendations to SSA

Realizing Cost Savings and Reducing Fraud, Waste, and Abuse

*Disability Insurance: Work Activity Indicates Certain Social Security Disability Insurance
Payments Were Potentially Improper,* GAO-13-635 (Washington, DC: August 15, 2013).

Recommendation: To improve SSA's ability to detect and prevent potential Disability Insurance
(DI) cash benefit overpayments due to work activity during the 5-month waiting period, the
Commissioner of Social Security should assess the costs and feasibility of establishing a
mechanism to detect potentially disqualifying earnings during all months of the waiting period,
including those months of earnings that the agency's enforcement operation does not currently
detect and implement this mechanism, to the extent that an analysis determines it is cost-
effective and feasible.

Actions Needed: SSA agreed with this recommendation. However, as of January 2018, SSA
has not fully assessed the costs and feasibility of establishing a mechanism to detect potentially
disqualifying earnings during all months of the waiting period. Instead, SSA concluded that
conducting a study at this time would yield unreliable information because the agency's ability to
obtain and track earnings from alternative sources is changing due to several requirements of
the Bipartisan Budget Act of 2016, which SSA believes will likely affect GAO's concerns.

GAO continues to believe that undertaking an analysis to assess costs and feasibility could
provide SSA with more comprehensive information with which to decide on potential revisions to
its enforcement operation. To fully implement this recommendation, SSA will need to assess the
cost and feasibility of a mechanism to detect beneficiaries' work activity that is beyond program
limits and suspend benefits appropriately.

Director: Seto Bagdoyan, Forensic Audits and Investigative Service
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*SSA Disability Benefits: Enhanced Policies and Management Focus Needed to Address
Potential Physician-Assisted Fraud,* GAO-15-19 (Washington, DC: November 10, 2014).

Recommendation: To improve the ability of the agency to detect and prevent potential
physician-assisted fraud, and to help ensure new initiatives that use analytics to identify
potential fraud schemes are successful, SSA should develop an implementation plan that
identifies both short- and long-term actions, including: (1) timeframes for implementation; (2)
resources and staffing needs; (3) data requirements, e.g., the collection of unique medical
provider information; (4) how technology improvement will be integrated into existing technology
improvements such as the Disability Case Processing System and National Vendor File; and (5)
how different initiatives will interact and support each other.

Actions Needed: SSA agreed with this recommendation. To fully implement this
recommendation, SSA will need to develop an implementation plan for anti-fraud efforts that

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addresses how it will employ data analytics to detect potential fraud involving physicians. This plan should build on existing activities to coordinate anti-fraud efforts across the agency.

Director: Elizabeth Curda, Education, Workforce, and Income Security
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Disability Insurance: Actions Needed to Help Prevent Potential Overpayments to Individuals Receiving Concurrent Federal Workers' Compensation, GAO-15-531 (Washington, DC: July 8, 2015).

Recommendation: To improve SSA's ability to detect, prevent, and recover potential DI benefit overpayments due to the concurrent receipt of Federal Employees' Compensation Act (FECA) benefits, the Commissioner of Social Security should, in accordance with OMB guidance, compare the costs and benefits of alternatives to SSA's current approach for reducing the potential for overpayments that result from the concurrent receipt of FECA benefits, which relies on beneficiaries to self-report any FECA benefits they receive. These alternatives could include, among others, routinely matching Department of Labor's (DOL) FECA program data with DI program data to detect potential DI overpayments.

Recommendation: To improve SSA's ability to detect, prevent, and recover potential DI benefit overpayments due to the concurrent receipt of FECA benefits, the Commissioner of Social Security should strengthen internal controls designed to prevent DI overpayments due to the concurrent receipt of FECA benefits by implementing the alternative that provides the greatest net benefits.

Actions Needed: SSA agreed with these recommendations. To implement these recommendations, SSA needs to fully implement its plans to use FECA data to reduce DI benefits in accordance with federal law, or implement an alternative approach that provides greater net benefits.

Director: Seto Bagdoyan, Forensic Audits and Investigative Service
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Disability Insurance: SSA Could Do More to Prevent Overpayments or Incorrect Waivers to Beneficiaries, GAO-16-34 (Washington, DC: October 29, 2015).

Recommendation: To improve compliance with waiver policies, SSA should develop a timetable for implementing updates to its Debt Management System to: (a) align system controls with SSA policy, so that waivers over $1,000 cannot be administratively waived; and (b) ensure that evidence supporting waiver decisions is sufficiently maintained to allow for subsequent monitoring and oversight.

Actions Needed: SSA agreed with this recommendation. In January 2018, SSA reported that in August 2017, the agency's Investment Review Board approved the Overpayment Redesign Project. This multi-year project will include functionality to ensure technicians cannot administratively waive overpayments over $1,000. However, until SSA finalizes changes to its Debt Management System to align with policy, SSA lacks assurance that staff will appropriately process waivers greater than $1,000.

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Director: Elizabeth Curda, Education, Workforce, and Income Security
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Disability Insurance: SSA Needs to Better Track Efforts and Evaluate Options to Recover Debt and Deter Potential Fraud, GAO-16-331 (Washington, DC: April 13, 2016).

Recommendation: To ensure effective and appropriate recovery of DI overpayments and administration of penalties and sanctions, the Acting Commissioner of the Social Security Administration should adjust the minimum withholding rate to 10 percent of monthly DI benefits to allow quicker recovery of debt.

Actions Needed: SSA agreed with this recommendation. SSA needs to increase the amount of DI overpayments it recovers by adjusting its minimum benefit withholding rate from $10 per month to 10 percent of monthly benefits. We reported that this change would result in an additional $276 million in overpayment debt recovered over a 5-year period.

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Improving Financial Information for the Aging Population

Social Security: Improvements to Claims Process Could Help People Make Better Informed Decisions about Retirement Benefits, GAO-16-786 (Washington, DC: September 14, 2016).

Recommendation: To ensure that key information provided by claims specialists to potential claimants of Social Security retirement benefits is clear and consistent with SSA's Program Operations Manual System (POMS), the Commissioner of the SSA should take steps to ensure, when applicable, claims specialists inform claimants that delaying claiming will result in permanently higher monthly benefit amounts, and at least offer to provide claimants their estimated benefits at their current age, at full retirement age (FRA) (unless the claimant is already older than FRA), and age 70.

Actions Needed: SSA agreed with this recommendation. On October 19, 2016, SSA issued an administrative message reminding technicians (including claims specialists who discuss claiming with potential claimants) to (1) inform claimants filing for retirement insurance benefits that delaying results in permanently higher benefit amounts; and (2) provide claimants with estimated benefits at different claiming ages. To fully implement this recommendation, SSA will need to take additional periodic actions to ensure that claims specialists inform potential claimants, when applicable, that delaying claiming will result in permanently higher retirement benefits.

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