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SSA's MANAGEMENT CHALLENGES

Strong Leadership Needed to Turn Plans Into Timely, Meaningful Action

Statement of Jane L. Ross, Director
Income Security Issues
Health, Education, and Human Services Division

SSA's Management Challenges: Strong Leadership Needed to Turn Plans Into Timely, Meaningful Action

Messrs. Chairmen and Members of the Subcommittees:

I am pleased to be here to discuss the challenges the Social Security Administration (SSA) faces today. With 1997 expenditures of about $400 billion—constituting nearly one-fourth of the federal budget—SSA's programs touch nearly every American family. When SSA became an independent agency in March 1995, it gained a new measure of control over its resources as well as the authority to deal with its management challenges and to help guide the policy debate regarding the future solvency of the Social Security Trust Funds. These challenges are many, and their solutions are complex, in part because they are closely linked to profound changes in our country. The baby boom generation is nearing retirement age, people are living longer, and technology and its applications are changing rapidly. At the same time, the public is expecting better services from government agencies even though resources are constrained.

Over the past few years, we have commented on the challenges facing SSA several times: as it became an independent agency; after 1 year of independence; and, most recently, while the agency was awaiting a new commissioner.[1] We identified as SSA's greatest challenges its need to strengthen its research and policy capacity in order to address the solvency issue, address management and oversight problems with its Supplemental Security Income (SSI) program, redesign its disability programs and heighten their focus on work, and meet its future workload demands. Now that SSA has been an independent agency for nearly 3 years and has a new commissioner, you asked us to discuss SSA's progress in addressing these challenges. The information I am providing is based on our previous and ongoing work, much of it performed for these two Subcommittees. (See the list of related GAO products at the end of this statement.)

In summary, our work shows that SSA recognizes the challenges we have identified and has taken or plans to take steps to address many of these problems. In 1997, for example, SSA conducted even more eligibility reviews of disabled beneficiaries than it had planned. Also, after changes in the childhood disability program were enacted, SSA rapidly reviewed the cases of over 260,000 children receiving SSI benefits. Nevertheless, the pace at which the agency is moving does not seem adequate to resolve

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[1]Social Security Administration: Significant Challenges Await New Commissioner (GAO/HEHS-97-53, Feb. 20, 1997); Social Security Administration: Effective Leadership Needed to Meet Daunting Challenges (GAO/HEHS-96-196, Sept. 12, 1996); and Social Security Administration: Leadership Challenges Accompany Transition to an Independent Agency (GAO/HEHS-95-59, Feb. 15, 1995).

most of its challenges within a meaningful time frame. For example, SSA's efforts to bolster its research, evaluation, and policy analysis capabilities have a long lead time before useful products will be available. In the meantime, SSA will not be able to fully contribute to the current debate on Social Security reform. In addition, in some areas, SSA's efforts have also been too limited. Its steps to date, for example, to address deep-seated problems in its SSI program have been piecemeal and have not addressed the root causes of the SSI problems. Given the long-standing nature of the challenges SSA faces and their far-reaching implications for current and future program beneficiaries, the new Commissioner will need to assert strong leadership to spell out the expected changes and marshal the agency's resources to translate SSA's plans into timely action.

Background

SSA administers three major federal programs. The Old Age and Survivors Insurance (OASI) and the Disability Insurance (DI) programs, together commonly known as "Social Security," provide benefits to retired and disabled workers and their dependents and survivors. Monthly cash benefits are financed through payroll taxes paid by workers and their employers and self-employed people. The third program, SSI, provides means-tested assistance to needy aged, blind, or disabled people. SSI payments are financed from general tax revenues. In 1997, 50 million beneficiaries—about one of every five individuals in this country—received benefits from SSA each month. SSA serves the public through a nationwide network that includes 1,300 field offices, 132 hearings offices, and a national toll-free telephone system.

To administer these programs, SSA must perform certain essential tasks: issue Social Security numbers to individuals; maintain earnings records for individual workers by collecting wage reports from employers, using these records to determine the amount of benefits an applicant may receive; and process benefit claims for all three programs. In addition, SSA must determine beneficiaries' continuing eligibility, provide hearings and appeals for denied applicants, and disseminate information about its programs.

The OASI and DI programs are facing significant financial problems as a result of profound demographic changes. As a share of the total U.S. population, the elderly population grew from 7 percent in 1940 to 13 percent in 1996; this share is expected to increase to 20 percent by 2050. As it ages, the baby boom generation will increase the size of the elderly population. However, other demographic trends are at least as important.

Life expectancy has increased continually since the 1930s, and further
increases are expected. Moreover, the fertility rate has declined from 3.6
children per woman in 1960 to around 2 children per woman today and is
expected to level off at about 1.9 by 2020. Combined, increasing life
expectancy and falling fertility rates mean that fewer workers will be
contributing to Social Security for each aged, disabled, dependent, or
surviving beneficiary. While 3.3 workers support each Social Security
beneficiary today, only 2 workers are expected to be supporting each
beneficiary by 2030. In addition, as the population ages, the number of
disabled individuals is expected to rise. Beginning in 2012—14 years from
now—Social Security's expenditures are expected to exceed its tax
income. By 2029, without corrective legislation, the trust funds are
expected to be depleted, leaving insufficient funds to pay the current level
of OASI and DI benefits.

These demographic changes will also affect SSA's workload and approach
to customer service. When the baby boom generation begins to retire
shortly after the turn of the century, the agency must look for ways to
cope efficiently with its increasing workloads without adding substantial
numbers of employees. In addition, SSA knows that this new set of
beneficiaries will likely prefer to be served differently from those whom
SSA has served in the past. While SSA has traditionally delivered face-to-face
service through its network of field offices, the public has begun to
conduct more and more business by telephone. In the future, even more
individuals may prefer to do business by telephone or other electronic
means, such as the Internet. As a result, SSA must increasingly rely on the
use of new technology to meet its workload challenges and provide
service in the ways its new customers will expect. In addition, SSA
currently relies heavily on information technology to support its
administrative processes, and it has acknowledged that its goals for
improved operations outlined in its strategic plan are not achievable
unless the agency invests wisely in information technology.

Planning for the future is not new to SSA; SSA published its first strategic
plan in 1988 and then significantly revised it in 1991. However, the
Government Performance and Results Act of 1993 (the Results Act)
provides agencies with a new uniform framework with which to develop
their plans and monitor their progress. The agency submitted its current
strategic plan, the first required under the Results Act, in 1997. The plan
outlines the agency's strategic goals and objectives for the next 5 years. As
also required by the Results Act, SSA has recently published its fiscal year
1999 performance plan. This plan provides more detailed information on

how the agency intends to achieve its goals and the measures it will use to hold itself accountable over the next year. The two documents together chart SSA's future course.

SSA's strategic plan and its performance plan demonstrate that the agency recognizes its most pressing problems. In addition, they highlight the importance of leadership and recognize the need to ensure that the agency changes at the pace necessary to meet the goals it has set.

Solvency Debate Underscores Need to Strengthen SSA's Research and Policy Capacity

The national debate on Social Security solvency has begun. The Advisory Council on Social Security and others have advanced a range of proposals to address the system's solvency. Some proposals represent a significant departure from the current program. The President has made Social Security reform a top priority, and the Congress is beginning to discuss options. Given the magnitude of the financial problems facing the system, the nature of the proposals for change, and the growing interest in these topics across the country, we can expect the debate over Social Security's financing and structure to continue and intensify in the coming years. To understand and debate the proposals, policymakers and the general public need thoughtful and detailed analyses of their likely effect on workers, beneficiaries, and the economy—as well as the impact of their implementation on SSA and other government agencies. SSA is in a unique position to inform policymakers and the public about the long-term financing issues, yet we have reported that the agency has not undertaken the range of research, evaluation, and policy analysis needed to fully contribute to the debate.[2]

In addition to the solvency debate, other issues call for enhanced research, evaluation, and policy analysis. For example, from 1988 to 1996, SSA's disability programs grew significantly. The number of beneficiaries receiving SSI increased by about 70 percent, while the number of DI beneficiaries grew by about 49 percent. In addition, beneficiaries are staying on the disability rolls longer. To better manage these programs, policymakers need more information on the causes of these changes, whether the programs are meeting their objectives, and the impact of possible changes. By improving its research and evaluation capacity, SSA also would be in a better position to propose legislative changes.

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[2]Social Security Administration: Significant Challenges Await New Commissioner (GAO/HEHS-97-53, Feb. 20, 1997).

In its current strategic plan, SSA committed itself to a new goal: "to . . . conduct effective policy development, research, and program evaluation." The agency is taking steps to strengthen its capacity in these areas. It has increased its funding for external research; plans to expand its ability to use modeling techniques to predict the effects of proposed program changes; and, by the end of this fiscal year, plans to have established a research consortium to advise it on relevant research and policy activities. However, these efforts have a long lead time before useful products will become available. In the meantime, SSA will not be fully contributing to the current debate on Social Security reform. In addition, a recent report by a private consultant recommended that SSA substantially increase the number of its research and evaluation staff and combine the research and evaluation office with the policy analysis office.[3] To date, the agency has added only a fraction of the recommended staff and does not have a long-range plan to add many more.[4]

SSA's need to strengthen its research, evaluation, and policy analysis capacity is not new; we and others have highlighted this weakness for a number of years. We are concerned that the agency has not seized the opportunity to build its capacity. Without an adequate number of skilled staff and a vital, responsive research, evaluation, and policy analysis agenda, the agency cannot fulfill its current and future role as the nation's expert on Social Security issues.

Long-Standing SSI Problems Require Comprehensive Plan to Ensure Diligent Management and Oversight

Early last year, after several years of reporting on specific problems with the SSI program, we designated SSI as a high-risk program because of its susceptibility to waste, fraud, and abuse and insufficient management oversight of the program.[5] Since the program began in 1974, it has grown significantly both in size and complexity. Moreover, SSI poses a special challenge for SSA because, unlike OASI and DI, it is a means-tested program; thus, SSA must collect and verify information on income, resources, and

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[3]Institute for Health and Aging, Strengthening Policy Development Work Within the Social Security Administration: A Review of the Mission, Resources and Capabilities in the Office of Research, Evaluation, and Statistics (San Francisco, Calif.: University of California, San Francisco, Dec. 1997).

[4]The report recommended adding 50 staff to SSA's research and evaluation office, and SSA's Advisory Board supports this recommendation. SSA officials told us they hired 9 researchers in fiscal year 1997 and have approval to hire 5 more in fiscal year 1998. However, even as they hire new staff, 7 key experienced staff recently retired and the office will likely lose more. In addition, SSA's policy office is permitted to have as many as 18 staff, yet the office currently has only 14 staff and knows of no plans for future increases.

[5]See High Risk Series: An Overview (GAO/HR-97-1, Feb. 1997) and our ongoing work.

living arrangements to determine initial and continuing eligibility for the program.

Our previous and ongoing reviews have highlighted long-standing problem areas. SSA does not pay enough attention to verifying eligibility information in a timely way, has failed to recover millions of dollars in SSI overpayments, has not installed adequate internal controls, and has failed to curb SSI program fraud and abuse. The program's complex policies and SSA's insufficient management attention exacerbate these problems.[6] We have also criticized SSA for not initiating legislative proposals to improve program operations. Together, these deficiencies have eroded program integrity and contributed to significant annual increases in SSI overpayments to recipients. During 1997, current and former recipients owed SSA more than $2.6 billion, including $1 billion in newly detected overpayments for the year. On the basis of the agency's prior experience, SSA is likely to collect less than 15 percent of the outstanding debt in a given year.

SSA has acknowledged the need to attack this problem aggressively, and the agency is taking steps to address some of the weaknesses in the SSI program. For example, it is developing a new automated system to track and recover SSI overpayments and is expanding its use of on-line access to state data to obtain real-time applicant and recipient financial information. To address the overpayment problem, the fiscal year 1999 budget requests $50 million to complete redeterminations for recipients who have been designated by SSA as having a high probability of having been overpaid.[7] Finally, SSA has recently taken a stronger role in addressing fraud and abuse. For example, it has initiated several pilot programs aimed at detecting fraud and abuse earlier in the SSI application process.

While these efforts may help correct certain program weaknesses, we believe the problems with the SSI program are so fundamental that they require a broad program review to identify and address their root causes. This comprehensive strategy is not evident in SSA's current approach to the program. The agency's steps, in the absence such a broad review, will not be adequate to change the agency culture and produce the needed program overhaul. To help remove the SSI program from our high-risk list, SSA must address the root causes and ensure that the program receives adequate long-term management attention. In its new annual performance

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[6]Supplemental Security Income: Long-Standing Problems Put Program at Risk for Fraud, Waste, and Abuse (GAO/T-HEHS-97-88, Mar. 4, 1997).

[7]These redeterminations would be for nondisability factors of SSI eligibility.

plan, SSA has made a commitment to complete a comprehensive action plan to improve the management of the SSI program in fiscal year 1998. This step links to SSA's strategic goal of making "SSA programs the best in the business, with zero tolerance for fraud and abuse." To be effective, the SSI action plan must include a carefully designed set of measures to evaluate progress and hold the agency accountable.

More Work Needed to Implement New Definition of Childhood Disability Accurately and Consistently

The 1996 welfare reform legislation changed the definition of childhood disability for the SSI program, and in February 1997, SSA issued regulations to implement the legislative changes. Under the new regulations, SSA reviewed the cases of 263,000 children and conducted an extensive review of the outcome of this process.[8] The regulations represent a stricter standard of severity than existed in previous law. Under this standard, a child's impairment generally must result in marked limitations in two areas of functioning or an extreme limitation in one area, such as social functioning, cognition and communication, personal functioning, and motor functioning. Previously, a child was eligible if his or her impairment resulted in one marked and one moderate limitation or three moderate limitations.

In supporting the "two marked or one extreme" severity standard in its regulatory analysis, SSA concluded that the Congress meant to establish a stricter standard of severity than had previously existed. Nevertheless, some children whose impairments are at the prior, less severe threshold have been awarded benefits because SSA has not updated some of its medical listings, which are set below the two marked or one extreme functional limitation level. SSA has not quantified how many children are in this situation and may have difficulty doing so because its listing codes are not always reliable. Some of these less severe listings, however, are for prevalent impairments, including mental retardation, cerebral palsy, epilepsy, and asthma. SSA is aware that these listings are below the two marked or one extreme level, but has not established a schedule for updating its listings. This update is necessary to ensure that all children are awarded benefits on the basis of a uniform standard of severity.

Data on the accuracy of decisions on childhood cases raise other concerns. Although nationally the accuracy rate for decisions on new childhood cases and redeterminations exceeds 90.6 percent, which SSA considers its minimum standard for accuracy, many states fall below the

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[8]For more information, see SSA, Social Security: Review of SSA's Implementation of the New SSI Childhood Disability Legislation (Baltimore, Md.: SSA, 1997).

standard. SSA is taking steps to improve decisional accuracy by training its adjudicators and quality assurance staff in areas SSA has found to be problematic. Moreover, it will be reviewing a larger sample of new childhood claims to identify problems unique to these cases so that it can issue policy clarifications and additional guidance as necessary. Under our mandate to report on the implementation of the legislation, we will continue to monitor the accuracy and consistency of decisions on childhood cases.

Disability Programs Require Process Overhaul and Heightened Focus on Work

SSA's disability programs face several challenges. The agency's disability claims process is time-consuming and expensive, but the agency's efforts to redesign the process are disappointing. Moreover, SSA's disability caseloads for its DI and SSI programs have grown by nearly 65 percent in the past decade;[9] SSA has not developed a plan that sufficiently addresses actions needed to help beneficiaries fully develop their productive capacities, and few people have left the rolls to return to work. Despite these systemic problems, however, SSA recently has been making progress in reducing its continuing disability review (CDR) backlogs.

Disability Redesign

Making disability decisions is one of SSA's most demanding and administratively complex tasks, and SSA has struggled to keep pace with applications for disability benefits and appeals of disability decisions. Disability claimants often wait more than a year for a final decision. To manage the disability caseload growth, increase efficiency, and improve service to its customers, SSA began a major effort in 1993 to redesign the way it makes disability decisions. The agency developed an ambitious plan for change that included testing and implementing 26 key initiatives over a period of 6 years.

In December 1996, we reported that SSA was already one-third of the way through the 6-year period but had made little progress with testing and implementing the initiative. We identified a number of problems: SSA had delayed testing and project development, expanded the scope and complexity of certain initiatives, changed executive leadership, and risked losing stakeholder support. In that report, we recommended that SSA (1) focus on the initiatives most likely to reduce claims-processing time and administrative costs and (2) combine those initiatives in an integrated process and test them at a few sites before full-scale implementation.

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[9]After rising significantly for a number of years, pending initial disability claims recently dropped 10 percent—from 442,000 in fiscal year 1996 to 398,000 in fiscal year 1997. Many experts attribute much of this decline to the strength of the economy and low unemployment rates.

Responding to these concerns and those of other stakeholders, SSA revised its redesign plan in February 1997. It developed a scaled-down plan that focused on testing and implementing eight key initiatives. However, the new strategy retained plans to first test certain initiatives individually at a large number of sites nationwide.

On the basis of our ongoing work, we have determined that the success of SSA's scaled-down plan may also be threatened. SSA continues to experience delays in testing or implementing initiatives—anywhere from 2 months to 3 years. More importantly though, test results for the first two initiatives are disappointing.[10] As tested, they will not result in dramatic improvements in efficiency and quality of claims processing. In addition, SSA has encountered performance problems with the software it considers vital to support the redesign effort, and the pilot tests have been delayed. On a more positive note, SSA is also conducting a test that combines a number of the initiatives into an integrated process, and the early results are more promising, according to SSA officials.[11] It is too early to tell whether these positive results will continue and be significant enough to lead to the needed improvement in the claims process. If the results of these efforts do not demonstrate significant improvements, SSA will have some hard choices to make about whether and how to proceed with its current redesign plan. Even before receiving the disappointing test results, SSA had reduced or deferred its projected 5-year savings from disability redesign by more than 25 percent, or more than 4,500 work-years.[12]

Finally, as we have reported, one redesign initiative—process unification—is the linchpin of SSA's efforts to improve the integrity and efficiency of the disability claims process.[13] This initiative focuses on reducing the inconsistency of decisions made by examiners at the state disability determination services (DDS), who make initial decisions, and by administrative law judges (ALJ), who decide appeals. We have supported SSA's efforts to improve consistency and have also recommended that SSA develop a performance goal to measure and report its progress in doing so.

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[10]The test of the single decisionmaker initiative was completed in November 1996. The test of the adjudication officer is still ongoing, but SSA officials have evaluated results through August 1997.

[11]The full process model combines five different initiatives in an integrated test: (1) the single decisionmaker model, (2) the predecision interview, (3) the elimination of reconsideration, (4) the adjudication officer, and (5) the elimination of the Appeals Council review.

[12]These data are based on SSA's work-year savings estimates for fiscal years 1998 through 2002, as presented in the President's fiscal years 1997 and 1998 budgets.

[13]Social Security Disability: SSA Must Hold Itself Accountable for Continued Improvement in Decision-making (GAO/HEHS-97-102, Aug. 12, 1997).

While SSA does not believe such a goal is appropriate and has not included one in its new performance plan, the agency has taken some steps toward reducing the inconsistency between decisions. The agency has (1) provided initial common training to decisionmakers at all levels and developed plans for follow-up training, (2) issued several rulings to clarify and reinforce current policy, and (3) initiated a pilot effort in 10 states to study the effects of providing more detailed explanations of the reasons for decisions at the initial level. By improving these explanations, SSA hopes to give ALJs a better understanding of the basis for the initial decision and to lay the foundation for greater consistency. Following the training and the new rulings, SSA officials told us they have seen some decline in the allowance rates at the appellate level.

Return-to-Work Efforts

Today, more than ever, people with disabilities have new opportunities to return to work, yet very few DI and SSI beneficiaries do so. New technologies and medical advances have provided people with disabilities with greater independence and ability to function. Also, the Americans With Disabilities Act supports the premise that people with disabilities can work and have the right to work, and the Social Security Act calls for rehabilitating benefit applicants to the maximum extent possible. Yet not more than 1 in 500 DI beneficiaries, and few SSI beneficiaries, have left the rolls to return to work.

Over the past few years, we have issued a series of reports recommending that SSA place a higher priority on helping DI and SSI beneficiaries maximize their work potential. The lengthy disability determination process encourages applicants to emphasize their inabilities, not their abilities. Beneficiaries receive little encouragement to use rehabilitation services. Also, work incentives may not make it financially advantageous for people to work to their full capacity.

In its recent strategic plan, SSA pledged to pursue the objective of helping people return to work. As a first step, the agency's new "ticket to independence" proposal would permit SSI and DI beneficiaries to use a "ticket" (similar to a voucher) to obtain vocational rehabilitation or employment services from a public or private vendor of their choice. SSA believes that this new access to employment services and SSA's long-range disability research agenda place a higher priority than in the past on return to work. However, we believe that, to succeed, SSA must develop a comprehensive return-to-work strategy integrating, as appropriate, earlier

intervention and provision of return-to-work assistance as well as changes in the structure of cash and health benefits.[14]

Continuing Disability Reviews

CDRs are required by law for all DI and some SSI beneficiaries to help ensure that only those eligible continue receiving benefits. In the past, however, SSA has not conducted the number of reviews required by law. We have reported on several occasions that SSA's failure to consistently complete these CDRs has led to hundreds of millions of dollars in unnecessary costs each year and has undermined program integrity.[15]

For almost a decade, budget and staff reductions and large increases in initial claims have hampered SSA's efforts to conduct these reviews. Consequently, more than 4 million beneficiaries were due or overdue for CDRs by 1996. As a result of congressional attention to this problem, SSA developed a plan to conduct 8.2 million CDRs between 1996 and 2002, and the Congress authorized funding of about $4.1 billion over 7 years for this purpose. SSA is currently revising this plan to incorporate new CDR requirements included in the August 1996 welfare reform legislation.

In 1997, we found that SSA's experience in conducting CDRs was encouraging. In that year, SSA conducted 690,000 CDRs, exceeding its goal of 603,000. In addition, the agency increased its goal to 1,245,000 for 1998 and 1,637,000 for 1999. The more quickly SSA can remove those who are no longer eligible from the rolls, the more it can save in program costs. However, key issues, such as deciding which beneficiaries should undergo a full medical review—a lengthy and costly process—are still unresolved but will determine how expeditiously and at what cost SSA can become current on its CDR caseload. Finally, we have noted that many beneficiaries whose health will not improve could nevertheless have or regain work capacity. Therefore, we believe SSA should consider how the CDR point of contact with beneficiaries could be integrated with return-to-work initiatives.

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[14]Social Security: Disability Programs Lag in Promoting Return to Work (GAO/HEHS-97-46, Mar. 17, 1997).

[15]Social Security Disability: Alternatives Would Boost Cost-Effectiveness of Continuing Disability Reviews (GAO/HEHS-97-2, Oct. 16, 1996); Social Security Disability: Improvements Needed in Continuing Disability Review Process (GAO/HEHS-97-1, Oct. 16, 1996); and Social Security: New Continuing Disability Review Process Could Be Enhanced (GAO/HEHS-94-118, June 27, 1994).

SSA Must Meet Future Workload Demands With New Technology, a Flexible Service Delivery Structure, and a Trained Workforce

In the near future, SSA will be challenged to serve increasing numbers of customers with fewer staff.[16] The agency is counting on its effective use of technology to cope with these changes, although it is currently facing challenges with the installation of its crucial new computer network. In addition, SSA must accommodate the increases in workload and changing customer preferences with a flexible service delivery structure. Difficult choices about the future service delivery structure lie ahead. The agency is, however, taking positive steps to better prepare for the retirement of large numbers of its management staff and is taking advantage of new technologies to provide more accessible training to its staff around the country.

Effective Use of Technology Is Key to Coping With Workload and Service Delivery Demands

To handle increasing workloads and improve public service, SSA is in the midst of a multiyear, multibillion-dollar systems modernization effort. The cornerstone of this modernization effort is the intelligent workstation/local area network (IWS/LAN) initiative. SSA plans to install up to 56,500 workstations and 1,742 local area networks in SSA field offices and state DDS offices throughout the country. The initiative is expected to improve productivity and customer service in field offices and teleservice centers and lay the needed foundation for further technology enhancements. SSA is depending on the success of this initiative and has stated that it cannot achieve its strategic goals unless it invests wisely in this infrastructure. However, the size and complexity of the IWS/LAN initiative pose significant challenges for SSA. We are monitoring SSA's progress as it installs its IWS/LAN and have some concerns, which we will present in a separate testimony today.[17]

As technological change opens doors to new ways of providing service, SSA faces difficult choices about how to provide cost-effective, world-class service to its customers. While SSA has traditionally delivered a considerable amount of its service through face-to-face contact in its network of field offices, other types of service are becoming more popular. 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 of their business. While these and other factors may affect how SSA delivers its services to the public, SSA has not developed plans to reassess its existing service delivery structure, including its network of field offices

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[16]As part of the governmentwide staff reduction plan, SSA has committed to reducing its staffing levels from approximately 65,000 to 62,000. SSA has planned a staff decrease of 1,700 for fiscal year 1999.

[17]For more details on these challenges, see Social Security Administration: Information Technology Challenges Facing the Commissioner (GAO/T-AIMD-98-109, Mar. 12, 1998).

and teleservice centers. Over time, SSA will likely need to restructure how it does business to take advantage of new technologies, cope with staff reductions, and cost-effectively meet changing customer preferences.

SSA Has Begun to Revitalize Its Training and Development Programs

One of the major challenges facing SSA in the future is its aging workforce. More than 57 percent of SSA employees are over the age of 45 and, therefore, approaching retirement. In addition, many of those retiring will be managers; over the next 5 years, 40 percent of SSA's staff at the middle management level and above will be eligible for retirement. In the past, we have criticized SSA for not adequately preparing for the loss of its experienced workforce. However, SSA has recently begun to better prepare for this retirement attrition. Officials told us the agency is in the process of conducting a detailed analysis of retirement patterns in order to predict when staff will retire and which offices or geographic areas will be most affected. The study is showing that SSA can expect a dramatic wave of retirements over the next 10 years. To help train staff to replace its retiring management corps, SSA plans to conduct a series of management development programs. It has formally announced plans for a Senior Executive Service Career Development Program and expects to complete selections in early spring of this year. SSA also plans to conduct a mid-level management development program and a management intern program.

SSA has also begun to revitalize its training programs to enhance the skills of current staff and to prepare them for future challenges and changes in their job expectations. For its current managers, SSA is developing a series of seminars designed to deliver a common message concerning leadership and change management related to the goals and objectives described in its strategic plan. SSA expects to have trained 100 percent of its DDS and SSA managers by the end of fiscal year 1999. SSA is also taking advantage of technology advances to provide training. Employees will be able to access a variety of training tools via the new intelligent workstations provided in SSA's technology roll-out. In addition, SSA is greatly enhancing its capacity to provide interactive video training/interactive distance learning throughout its entire service delivery structure. By the end of the summer of this year, SSA hopes to have deployed enough video training sites that 89 percent of its staff will be within 20 minutes of a site. This offers SSA the advantage of providing training to a wide audience at once, ensuring that most of its staff throughout the country receive the same message.

SSA believes that its workforce is the single most important element contributing to its success. Given the large number of predicted pending

retirements and the certain future technological changes, it is especially important that SSA complete its retirement study, disseminate the detailed results, and sustain its momentum in ongoing employee training and career development.

Recent Independent Audit Findings Raise Concerns

A recent audit by an independent accounting firm found that SSA's fiscal year 1997 financial statements were fairly presented, in all material respects. However, the audit did identify significant deficiencies in the design and operation of information systems' internal controls that raise some concern for the future.[18] The audit identified vulnerabilities that expose SSA and its systems to both internal and external intrusion; subject sensitive information such as Social Security numbers and benefit-related data to unauthorized access, modification, and disclosure; and increase the risk of fraud. For example, the audit found that SSA's agencywide security program does not provide the comprehensive protection needed to safeguard the sensitive information its systems maintain. The audit also found that, because of deficiencies in the agency's contingency plans, SSA's systems are vulnerable to disruptions in the event of a long-term emergency. These deficiencies could significantly affect SSA's ability to continue critical operations without interruption in the event of a long-term emergency. The audit also reported that SSA's controls do not adequately protect the integrity of its systems' applications. These weaknesses expose SSA's application systems to unauthorized or undetected changes that could affect the integrity of processed information. Finally, the audit noted that SSA continues to have insufficient separation of duties or compensating controls to reduce, to an acceptable level, the risk of undetected errors, irregularities, or both. When SSA streamlined its business processes, the agency gave workers increasing control over information processing without imposing effective mitigating controls over their activities. As a result, SSA has limited its ability to prevent errors, fraud, waste, and abuse in a timely manner.

While the audit did not specifically disclose instances in which these vulnerabilities led to a misuse of sensitive information, SSA's Office of the Inspector General has reported on similar instances, such as ones in which access to confidential information was abused by SSA employees. The independent audit highlighted a series of corrective actions SSA should

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[18]Although the audit identified these deficiencies, overall, it found that management's assertion that SSA's systems of accounting and internal controls were in compliance with the internal control objectives outlined in Office of Management and Budget Bulletin No. 93-06 was also fairly stated. This opinion on management's assertion was based on whether internal controls existed that would prevent or detect errors and irregularities in amounts large enough to be material to the financial statements.

take to enhance its systems controls and security, and we support these recommendations. The Commissioner of SSA has stated that agency officials are working with the auditors to resolve any differences. He further stated that the agency will make every effort to take the steps necessary to ensure that information in its systems is protected and that SSA is able to continue operations in a time of emergency.

Observations

Overall, our work suggests that SSA recognizes each of the challenges we have identified and, in almost every case, has taken some action to address them. However, in some cases the steps have been too fragmented, and the results have often been slow in coming and disappointing. Yet, we recognize the issues are complex, and solutions are not easy. To effect meaningful change, SSA must address the root causes of its problems and ensure sustained management oversight. The new Commissioner will need to effectively lead the agency to move with a sense of urgency to address its long-standing problems.

Messrs. Chairmen, this concludes my prepared statement. I would be pleased to answer any questions you or Members of the Subcommittees may have.

Related GAO Products

Social Security: Restoring Long-Term Solvency Will Require Difficult Choices (GAO/T-HEHS-98-95, Feb. 10, 1998).

Social Security Disability: SSA Is Making Progress Toward Eliminating Continuing Disability Review Backlogs (GAO/T-HEHS-97-222, Sept. 25, 1997).

Social Security Disability: SSA Must Hold Itself Accountable for Continued Improvement in Decision-making (GAO/HEHS-97-102, Aug. 12, 1997).

Social Security Disability: Improving Return-to-Work Outcomes Important, but Trade-Offs and Challenges Exist (GAO/T-HEHS-97-186, July 23, 1997).

Social Security: Disability Programs Lag in Promoting Return to Work (GAO/HEHS-97-46, Mar. 17, 1997).

High Risk Series: An Overview (GAO/HR-97-2, Feb. 1997).

Social Security Administration: Significant Challenges Await New Commissioner (GAO/HEHS-97-53, Feb. 20, 1997).

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

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

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).

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