



Testimony
Before the Subcommittee on Social
Security, Committee on Ways and
Means, House of Representatives

For Release on Delivery
Expected at 9:30 a.m. EDT
Friday, April 26, 2013

SOCIAL SECURITY ADMINISTRATION

Preliminary Observations on Key Management Challenges

Statement of Daniel Bertoni, Director
Education, Workforce, and Income Security Issues

Highlights of [GAO-13-545T](#), testimony before the Subcommittee on Social Security, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

SSA is responsible for providing benefits and services that affect the lives of nearly every American. In calendar year 2012, SSA paid over 62 million people more than \$826 billion in Social Security retirement and disability benefits and Supplemental Security Income payments. However, SSA faces increased workloads and large numbers of potential employee retirements in the long term. A new Commissioner will soon be leading the agency and will face many complicated issues confronting the agency.

In this statement, GAO discusses initial observations from its ongoing review and describes (1) key management challenges SSA faces in meeting its mission-related objectives and (2) the extent to which SSA's planning efforts address these challenges. To examine these issues, GAO reviewed relevant planning documents and reports from SSA and others as well as SSA management information and data on workload and staffing projections, applicable federal laws and regulations, and interviewed SSA headquarters and regional officials, representatives of employee groups, and other experts.

This work is ongoing and GAO has no recommendations at this time. GAO plans to issue its final report in June 2013.

View [GAO-13-545T](#). For more information, contact Daniel Bertoni at (202) 512-7215 or bertonid@gao.gov.

SOCIAL SECURITY ADMINISTRATION

Preliminary Observations on Key Management Challenges

What GAO Found

The Social Security Administration (SSA) will experience management challenges in four key areas over the next decade.

Human capital. SSA has not updated its succession plan since 2006 although the agency faces an ongoing retirement wave and hiring freeze which will make it difficult to respond to growing workload demands.

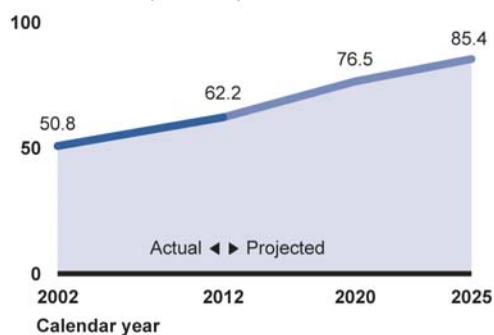
Disability program issues. SSA faces ongoing challenges incorporating a more modern concept of disability into its programs, while balancing competing needs to reduce backlogs of initial and appealed claims and ensure program integrity.

Information technology (IT). SSA has made strides in modernizing its IT systems to address growing workload demands, but faces challenges with these modernization efforts—such as an ongoing need to refresh and adhere to its IT strategic plan and a continued reliance on legacy applications—and correcting internal weaknesses in information security.

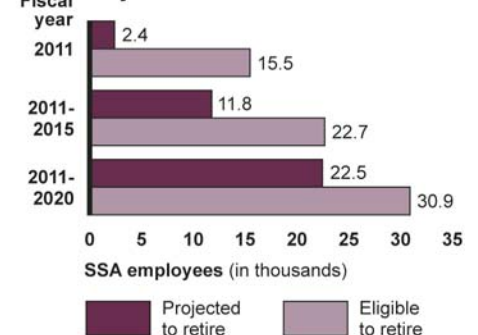
Physical infrastructure. SSA is moving toward centralized facilities management, but the agency lacks a proactive approach to evaluating its office structure that will identify potential efficiencies, such as consolidating offices.

Long-Term Projected Growth in SSA's Workload Coincides with Large Numbers of Potential Employee Retirements

Beneficiaries (in millions)



Projected SSA retirements



Source: GAO analysis of SSA beneficiary data from the 2012 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds and the 2012 Annual Report of the Supplemental Security Income Program and projected retirement data extracted from the Human Resources Operational Data Store.

SSA has ongoing planning efforts, but they do not address the long-term nature of these management challenges. For example, SSA is finalizing a service delivery plan, but it only includes detailed plans for the next 5 years and focuses on existing initiatives rather than articulating specific long-term strategies for the agency's service delivery model. Its current strategic plan also largely describes the continuation, expansion, or enhancement of ongoing activities, rather than proposing broad changes to address emerging issues. Since 2008, SSA has not had an entity or individual dedicated to strategic planning. Various groups have called on SSA to articulate a longer-term strategy, which it last did in 2000, motivated by many conditions which remain true today, such as increasing workloads, advances in technology, and employee retirements, and which will need to be addressed in the future.



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

Thank you for the opportunity to discuss our preliminary observations on the Social Security Administration's (SSA) management challenges. SSA is responsible for providing benefits and services that affect the lives of nearly every American. In calendar year 2012, SSA paid over 62 million people more than \$826 billion in Social Security retirement and disability benefits and Supplemental Security Income payments. As more members of the baby boom generation become eligible for retirement benefits and individuals under age 62 reach their disability-prone years, a surge in benefit applications is expected. SSA's own workforce may also change and decrease in the coming years, and evolving technology will affect service delivery expectations. At the same time, SSA's expanded use of electronic services will affect how the agency should deploy and use its workforce. In addition, the agency will need to operationalize any legislative changes that may be made in an effort to avoid the projected exhaustion of the Social Security trust funds. As a result of these realities, SSA will encounter increased pressure to serve the public while still ensuring program integrity. Moreover, SSA will likely continue to experience budget constraints.

A new Commissioner will soon be leading the agency and will face these many interrelated issues.¹ Decisions made early in the Commissioner's term could help set the course for the agency over the long term and determine how well-positioned it is to adapt to changing realities.² My statement today focuses on initial observations from our ongoing review and describes (1) key management challenges SSA faces in meeting its mission-related objectives and (2) the extent to which SSA's planning efforts address these challenges.

To examine these issues, we obtained SSA management information and administrative data related to workload and staffing projections. We

¹The SSA Commissioner is appointed for a 6-year term. 42 U.S.C. § 902(a)(3). The last Commissioner's term expired on January 19, 2013, and an acting commissioner is currently leading the agency. As of April 2013, a new Commissioner had not yet been appointed.

²In this testimony, short-term generally means up to 5 years out and long-term means more than 5 years.

assessed the reliability of the data by reviewing related documentation and interviewing knowledgeable agency officials and determined they were sufficiently reliable to describe agency projections. We also reviewed key agency documents, such as SSA's strategic plan, human capital plan, strategic leadership succession plan, information technology strategic plan, and agencywide draft service delivery plan. We conducted in-depth interviews with SSA officials, including regional commissioners, and other experts, including representatives of the Social Security Advisory Board and others familiar with long-term planning. We reviewed GAO internal control standards and relevant GAO, SSA Office of the Inspector General (OIG), and Social Security Advisory Board reports, as well as applicable federal laws and regulations and SSA's policies and procedures. We shared the information that this testimony is based on with agency officials and obtained their technical comments. We have incorporated these comments, as appropriate.

We are completing this work in accordance with generally accepted government auditing standards and our final report will be issued in June 2013. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained will provide a reasonable basis for our findings and conclusions based on our audit objectives.

Background

SSA provides financial assistance to eligible individuals through three major benefit programs:

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

SSA projects that the number of beneficiaries and benefit payments for the three programs will increase over the next several years. DI and SSI are the nation's largest federal disability programs, and applications for benefits have grown significantly over the last 5 years, due in part to baby boomers reaching their disability-prone years, as well as a sustained

economic downturn and high unemployment. Retirement claims have also steadily increased in recent years.

Although SSA's disability programs account for only about 23 percent of its total benefit outlays, they represent 66 percent of the administrative expenses for these 3 programs. Complex eligibility rules and many layers of review with multiple handoffs from one person to another make the disability programs complicated, and therefore costly, to administer.

Both OASI and DI face long-term financial challenges. In 2012, SSA's Office of the Chief Actuary projected that the DI and OASI Trust Funds would be exhausted in 2016 and 2035, respectively. If the trust funds are depleted before legislative changes are made to restore long-term solvency, the agency projects that it will be able to pay benefits only to the extent that funds are available.³

In support of its mission and programs, SSA's basic functions include maintaining earnings information, making initial eligibility determinations for program payments, making changes to beneficiaries' accounts that affect their benefit payments, and issuing Social Security numbers.⁴ SSA has over 80,000 state and federal employees⁵ and about 1,700 facilities nationwide. Almost 182,000 people visit one of the nearly 1,300 SSA field offices daily and more than 445,000 people call the offices daily to file applications, ask questions, or update their information.

SSA is operating in an environment of constrained resources and budgetary uncertainty. According to a former SSA Commissioner and agency budget documents, while SSA's administrative budget increased about 32 percent from fiscal year 2001 to 2010,⁶ much of this funding has

³While money would still be coming in from the Social Security taxes paid by current workers, the agency projects that it would not be sufficient for beneficiaries to receive their full benefit.

⁴Social Security numbers have become the universal identifier of choice for government agencies and are currently used for many non-Social Security purposes.

⁵SSA funds state agencies called Disability Determination Services (DDS) to process disability applications and conduct continuing disability reviews in accordance with SSA policies and procedures.

⁶This figure has been adjusted for inflation. The nominal increase between fiscal years 2001 and 2010 was about 61 percent.

been used to keep up with increases in expenses such as personnel costs, rent, and security.

SSA Faces Challenges in Several Key Areas

Over the next decade, SSA will experience management challenges in four key areas: (1) human capital, (2) disability program issues, (3) information technology, and (4) physical infrastructure.

Human Capital

Over the next decade, SSA's ongoing retirement wave, coupled with a hiring freeze that has been in place since 2010, represents a significant challenge for the agency in meeting the projected growth in work demands. Although not all employees will necessarily retire when eligible, nearly 7,000 headquarters employees and more than 24,000 field employees will be retirement eligible between 2011 and 2020. The agency projects that it could lose nearly 22,500 employees, or nearly one-third of its workforce, during this time due to retirement—its primary source of attrition.⁷ The Commissioner stated in SSA's fiscal year 2012 budget overview that as a result of attrition, some offices could become understaffed, and that without a sufficient number of skilled employees, backlogs and wait times could significantly increase and improper payments could grow. As SSA's workforce decreases and its workload increases, our preliminary work suggests that the agency's strategies for preventing a loss of leadership and skills may prove insufficient for a variety of reasons.

Retaining institutional knowledge and developing new leaders. SSA could face a significant loss of institutional knowledge and expertise in the coming years. An estimated 43 percent of SSA's non-supervisory employees and 60 percent of its supervisors will be eligible to retire by 2020. Regional and district managers told us they have already lost staff experienced in handling the most complex disability cases.⁸ SSA officials and DDS managers told us that it typically takes 2 to 3 years for new employees to become fully proficient and that new hires benefit from

⁷Data reflect SSA's most recent projections from its September 2011 Retirement Wave Report, which only includes actual retirement figures through fiscal year 2010. Officials told us that they previously produced this report annually, but currently produce it every other year.

⁸DDS staff are state employees and are subject to state furloughs, according to SSA.

mentoring by veteran employees. Because of budget cutbacks, SSA has also curtailed its leadership development programs, which have historically been used to establish a pipeline of future leaders.

Succession planning. SSA's most recent succession plan was issued in 2006, even though the agency has experienced significant changes since that time, including a hiring freeze and greater movement toward online services. The most recent succession plan established a target of evaluating and updating the plan by the end of 2007. Internal control standards state that management should ensure that skill needs are continually assessed and that the organization is able to obtain a workforce with those required skills to achieve organizational goals.⁹ Our prior work also indicates that leading organizations use succession planning to help prepare for an anticipated loss of leadership.¹⁰

SSA's 2006 succession plan states that without sound succession planning, SSA's loss of leadership would result in a drain on institutional knowledge and expertise at a time when workloads are growing. This loss of knowledge and expertise could result in increasing workloads, backlogs, and improper payments. Several SSA officials told us individuals with less experience and training are beginning to assume supervisory roles and some have made poor decisions related to such things as providing reasonable accommodations to employees with disabilities. Some officials also told us that inexperienced managers are also less proficient at supervising others, which leads to inefficiencies in managing increasing workloads.

Forecasting workforce needs. Findings from OIG reports raise additional concerns about SSA's ability to accurately forecast workload

⁹GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21](#).3.1 (Washington, D.C.: November 1999).

¹⁰See GAO, *Human Capital: Succession Planning and Management Is Critical Driver of Organizational Transformation*, [GAO-04-127T](#) (Washington, D.C.: Oct. 1, 2003); *Human Capital: Selected Agencies Have Opportunities to Enhance Existing Succession Planning and Management Efforts*, [GAO-05-585](#) (Washington, D.C.: June 30, 2005); and *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003).

demands and workforce needs.¹¹ These reports found methodological flaws in the workload and work year data SSA uses to formulate and execute its budget. For example, the reports concluded that the internal controls and main processes related to work sampling—which SSA uses to measure work and assign direct and indirect costs to workloads—did not ensure the completeness and reliability of data in SSA’s Cost Analysis System.¹² The reports found that work samples were not consistently performed. Furthermore, they noted no instances of peer or management review, which could improve the accuracy of the workload data collected.¹³ SSA is taking steps to improve data sampling in response to these findings.

Disability Program Issues

SSA continues to face challenges in modernizing its disability programs, while seeking a balance between reducing initial claims and hearings backlogs and conducting oversight activities to ensure program integrity.

Modernizing disability programs. We designated federal disability programs as a high-risk area in 2003, in part because these programs emphasize medical conditions in assessing an individual’s work incapacity without adequate consideration of the work opportunities afforded by advances in medicine, technology, and job demands.¹⁴ Concerns have been raised that the medical listings being used lack current and relevant criteria to evaluate disability applicants’ inability to work, and that by failing to consider the role of assistive devices and

¹¹SSA’s OIG contracted with Grant Thornton LLP to conduct the following reviews of SSA’s Cost Analysis System and cost allocation methodology: SSA OIG, *Cost Analysis System Background Report and Viability Assessment*, A-15-10-20149 (April 2011); SSA OIG, *Office of Disability Adjudication and Review Cost Allocation Process*, A-15-10-20150 (May 2011); SSA OIG, *The Social Security Administration Cost Allocation Process*, A-15-10-20151 (Dec. 2011); and SSA OIG, *The Social Security Administration Cost Allocation Methodology*, A-15-10-20152 (June 2012).

¹²SSA’s Cost Analysis System is used to allocate (1) administrative costs to trust fund and general fund programs administered by SSA and (2) reimbursable work performed by SSA for outside organizations.

¹³SSA officials told us that these data are statistically reliable at a national level and are combined with other data sources to forecast workloads. However, SSA has not yet assessed enough work sampling data to produce a refined estimate of the statistical reliability of workload calculations based on work sampling data.

¹⁴GAO, *High-Risk Series: An Update*, [GAO-13-283](#) (Washington, D.C.: February 2013).

workplace accommodations, SSA may be missing opportunities to help individuals with disabilities return to work. SSA has recently taken steps toward comprehensively updating the medical and labor market information that underlie its disability criteria.

- As of March 2013, SSA had completed comprehensive revisions of its medical criteria for 10 of the 14 adult body systems and initiated targeted reviews of certain conditions under these systems, as appropriate, according to SSA officials.¹⁵
- SSA has recently made progress toward replacing its outdated occupational information system, including signing an interagency agreement with the Department of Labor's Bureau of Labor Statistics to design, develop, and carry out pilot testing of an approach to collect data for an updated system.¹⁶ According to SSA officials, the agency still needs to determine exactly how many occupations it will include in its new system and the extent to which it might leverage aspects of the Department of Labor's existing occupational database, the Occupational Information Network (O*NET).¹⁷ The agency also needs to determine the extent to which the new system will include cognitive information, according to agency officials. In addition, officials told us the agency has not yet formalized a cost estimate and lacks a research and development plan.
- SSA has also taken steps to more fully consider individuals' ability to function with medical impairments in their work or other environments, which is consistent with modern views of disability. However, SSA disagreed with our prior recommendation to conduct limited, focused studies on how to more fully consider factors such as assistive

¹⁵To determine an applicant's eligibility for disability benefits, SSA examiners assess the applicant's medical impairments against the Listings of Impairments, also known as the medical listings, which are organized into 14 major body systems for adults and reflect medical conditions that have been determined by the agency to be severe enough to qualify an applicant for benefits. According to SSA officials, there are almost 300 medical impairments organized in 119 listings under the 14 major body systems for adults.

¹⁶SSA evaluates claimants' ability to work in the national economy as part of its disability decision-making process. See 42 U.S.C. §§ 423(d), 1382c(a). The occupational information system provides information on jobs in the national economy.

¹⁷O*NET is a general purpose occupational information database used for workforce development, economic development, career exploration, and academic and policy research. Selected occupations within the O*NET system are updated each year.

devices and workplace accommodations in its disability determinations,¹⁸ stating that such studies would be inconsistent with Congress' intentions. We noted, however, that Congress has not explicitly prohibited SSA from considering these factors and we believe that conducting these studies would put SSA in a better position to thoughtfully weigh various policy options before deciding on a course of action.

Managing workloads to reduce disability initial claims and hearings backlogs. Although SSA has reported progress with its disability hearings backlog reduction plan, the agency still faces challenges managing significant and persistent disability workload increases, both in terms of initial claims and hearings for appealed claims. SSA has generally increased the number of initial disability claims it has processed annually—completing over 3 million claims each year since fiscal year 2010—but the number of initial claims submitted by applicants has outpaced SSA's efforts. Thus, the number of claims awaiting a decision is also growing. SSA's 707,700 initial claims pending in fiscal year 2012 were 27 percent higher than fiscal year 2008 levels. To help manage workloads, Disability Determination Services share work nationally by shifting resources between DDSs on a weekly basis and dedicated teams in certain states assist by taking claims from states with the highest levels of pending claims. SSA also identifies claimants with the most severe disabilities and expedites decisions on these cases,¹⁹ although they represented less than 6 percent of all initial determinations in September 2012.²⁰ The number of disability beneficiaries is projected to grow about 15 percent between 2012 and 2025. Most of SSA's regional

¹⁸GAO, *Modernizing SSA Disability Programs: Progress Made, but Key Efforts Warrant More Management Focus*, [GAO-12-420](#) (Washington, D.C.: June 19, 2012).

¹⁹SSA has two initiatives to expedite cases for the most severely disabled individuals: Quick Disability Determination and Compassionate Allowances. Using predictive modeling and computer-based screening tools to screen initial applicants, the Quick Disability Determination identifies cases where a favorable disability determination is highly likely and medical evidence is readily available, such as with certain cancers and end-stage renal disease. With Compassionate Allowances, SSA targets the most obviously disabled applicants based on available medical information and generally awards benefits if there is objective medical evidence to confirm the diagnosis and the applicant also meets SSA's non-disability criteria.

²⁰SSA derives this percentage by dividing the total number of initial disability claims identified as Quick Disability Determinations, Compassionate Allowances, or both, by the total number of electronic initial disability claims filed in September, the last month of the fiscal year.

commissioners told us that simplifying disability policy, such as by streamlining work incentive and work reporting rules, could also help staff better manage disability workloads.

SSA is processing more initial claims annually, but claims denied at the initial level can be appealed and often result in a request for a hearing by an administrative law judge. To reduce its hearings backlog, SSA has used strategies such as hiring additional administrative law judges and support staff, opening more hearings offices, and conducting more hearings via video conference. Our preliminary results indicate that, although SSA completed more hearing requests in fiscal year 2012 than in previous years, the agency fell short of its hearings completion target by more than 54,000 hearings, and at 321 days, the average wait time for hearings exceeded the agency's target by 41 days. At the same time, the agency eliminated most of its oldest pending hearing requests.

Ensuring disability program integrity. SSA also faces disability program integrity challenges due to budget decisions and the way it prioritizes competing workload demands such as processing initial claims. Continuing disability reviews (CDR) are periodic reviews that the agency is required to perform to verify that certain recipients still meet SSA disability rules. SSA reported that in fiscal year 2010, the agency did not conduct 1.4 million CDRs that were due for review, in part because of competing workloads. In June 2012, we also found that the number of childhood CDRs conducted fell from more than 150,000 in fiscal year 2000 to about 45,000 in fiscal year 2011 (a 70 percent decrease). During this time, the number of adult CDRs fell from 584,000 to 179,000.²¹

When CDRs are not conducted as scheduled, some recipients may receive benefits for which they are no longer eligible, and the agency may forgo future program savings. For fiscal year 2010, SSA estimated that every \$1 spent on CDRs yielded \$9.30 in savings, amounting to a total future savings to federal programs of \$3.5 billion.²² Although CDRs are a cost-effective way to help ensure that only those eligible for benefits

²¹GAO, *Supplemental Security Income: Better Management Oversight Needed for Children's Benefits*, [GAO-12-497](#) (Washington, D.C.: June 26, 2012).

²²This figure represents the present value of future benefits saved for OASDI, SSI, Medicare, and Medicaid. The estimate includes savings to Medicare and Medicaid because in some cases eligibility for SSI and DI confers eligibility for certain Medicare or Medicaid benefits.

continue to receive them, SSA officials reported that resource constraints have made it more difficult to balance competing workloads and remain current on the millions of CDRs it is required to conduct each year.

Information Technology

SSA has taken steps to modernize its information technology (IT) systems to help keep pace with workload demands, but some entities have identified additional areas that could be improved. In addition, increased risk exists that sensitive information could be exposed because of internal security weaknesses.

IT modernization efforts. SSA has begun to take action on several of our prior recommendations to improve the way it modernizes its IT systems.²³ For example, in May 2012, SSA released its Capital Planning and Investment Control guide. The guide describes the roles and responsibilities of staff under the agency's realigned IT organizational structure.²⁴ SSA also issued an updated IT strategic plan that covers 2012-2016 and supports the updated agencywide strategic plan. Furthermore, SSA officials told us that they intend to revisit the IT strategic plan annually and refresh it as appropriate. Our prior work indicates that SSA has not always had an updated IT strategic plan to guide its modernization efforts.²⁵ In the absence of regular updates, SSA based its IT modernization efforts on program activities that were tied to short-term budget cycles and not developed in the context of a long-term strategic plan. While we are encouraged that SSA issued an updated IT strategic plan, at present, it is too soon to assess the extent to which SSA will adhere to the plan and annual reevaluation cycle.

SSA is modernizing its IT systems, in part, to support a shift toward offering more online services. However, SSA's OIG has expressed

²³GAO, *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).

²⁴In 2011, SSA significantly realigned its IT organizational structure—consolidating its Chief Information Officer (CIO) office with its Systems office—but did not conduct an analysis of the realigned functions and how the newly assigned roles and responsibilities would carry out the former Office of CIO functions. We previously recommended that SSA define the roles and responsibilities of realigned staff.

²⁵[GAO-12-495](#).

concerns that the agency is continuing to rely on its legacy applications.²⁶ Many of its programs are written in COBOL,²⁷ which is one of the oldest computer programming languages and is difficult to modify and update. The OIG noted also that the agency risks losing key institutional knowledge relating to COBOL programming and its increasingly complex information systems. According to the OIG, SSA has indicated that modernizing its legacy applications will ultimately reduce operating costs and improve service delivery. However, agency officials told us they have conducted analyses that show the costs of moving away from using COBOL currently outweigh the benefits. Accordingly, the OIG found that SSA has developed an approach to gradually reduce its reliance on COBOL for core processing of program transactions but has not yet articulated a formal strategy for converting its legacy programs to a more modern programming language.²⁸ SSA officials disagree that such a strategy is needed because they consider this programming language to be sufficient for their needs and point out that it is still used by other businesses.

Information security weaknesses. SSA uses and stores a great deal of sensitive information, but has been challenged to effectively protect its computer systems and networks in recent years. Our prior work states that it is essential for agencies to have information security controls that ensure sensitive information is adequately protected from inadvertent or deliberate misuse, fraudulent use, and improper disclosure, modification, or destruction. However, in fiscal year 2012, several concerns were raised about SSA's information security program.

- SSA's OIG identified weaknesses in some of the agency's information security program components that limited SSA's overall effectiveness

²⁶SSA OIG, *The Social Security Administration's Software Modernization and Use of Common Business Oriented Language*, A-14-11-11132. (Baltimore, MD: May 2012).

²⁷SSA relies on legacy applications programmed with Common Business Oriented Language, or COBOL. COBOL was introduced in 1959 and became the first widely used, high-level programming language for business applications.

²⁸SSA OIG, A-14-11-11132.

in protecting the agency's information and information systems,²⁹ constituting a significant deficiency in the agency's information security program under the Federal Information Security Management Act of 2002 (FISMA).³⁰

- The OIG has also noted that weaknesses in certain elements of the agency's information security program may challenge SSA's ability to use its IT infrastructure to support current and future workloads.
- The agency's independent financial auditor also identified a material weakness in information systems controls over financial management statements based on several concerns, many of which have been longstanding.³¹

SSA is implementing a multi-year plan to address many of these weaknesses. However, the OIG stated that one of the underlying causes for these weaknesses is that SSA needed to strategically allocate sufficient resources to resolve or prevent high-risk security weaknesses in a more timely fashion.³² Though SSA officials emphasized that the

²⁹These weaknesses were identified in the areas of continuous monitoring, configuration management, identity and access management, risk management, and contractor systems oversight. See SSA OIG, *The Social Security Administration's Compliance with the Federal Information Security Management Act of 2002 for Fiscal Year 2012*, A-14-12-12120. (Baltimore, MD: Nov. 15, 2012).

³⁰FISMA was enacted as title III of the E-Government Act of 2002, Pub. L. No. 107-347, 116 Stat. 2899, 2946. According to OMB, a significant deficiency is a weakness in an agency's overall information systems security program or management control structure, or within one or more information systems, that significantly restricts the capability of the agency to carry out its mission or compromises the security of its information, information systems, personnel, or other resources, operations, or assets. In this context, the risk is great enough that the agency head and outside agencies must be notified and immediate or near-immediate corrective action must be taken. See OMB, *Memorandum for Heads of Executive Departments and Agencies: FY 2012 Reporting Instructions for the Federal Information Security Management Act and Agency Privacy Management* (September 27, 2012).

³¹In this context, the external auditors, Grant Thornton, defined a material weakness as one or more deficiencies in internal controls such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

³²SSA OIG, A-14-12-12120.

information security risks identified were internal,³³ inappropriate internal access to or misuse of sensitive information can have a significant impact. For example, according to the OIG, in 2012, a former SSA employee was found to have used her position to provide personally identifiable information to a person outside the agency, who is accused of using the information for criminal purposes.

Physical Infrastructure

SSA is taking steps to centralize its facilities management, which may standardize facilities decisions, but our preliminary results show that the agency lacks a proactive approach to evaluate its physical infrastructure and identify potential efficiencies.

Centralizing facilities management. SSA is beginning to centralize its facilities management, but officials indicated it may lead to a trade-off between efficiency and flexibility. The agency administers its programs and services through a network of over 1,700 facilities, at an annual cost of approximately \$1 billion.³⁴ The agency has had a more decentralized facilities management process, but officials told us they are currently moving all facilities management under SSA's Office of Facilities and Supply Management (OFSM). Some officials said that centralization can lead to greater efficiencies and standardization, but cautioned that there may be less flexibility and awareness of local circumstances—such as the layout of specific buildings—at the regional level.

Limited facilities planning efforts. A contractor hired by the General Services Administration (GSA) is currently working on a long-term plan for SSA's headquarters facilities, called the Master Housing Plan.³⁵ An SSA official told us that the contractor has solicited input and feedback from the agency on the draft plan. However, an SSA official told us the agency

³³The OIG and external auditors did not perform external penetration tests during their audits.

³⁴These facilities fall into three categories: 33 headquarters facilities located predominantly in the Baltimore/Washington, D.C. metropolitan area; an extensive network of field-based facilities used to process initial claims and post-entitlement actions, including nearly 1,300 field offices; and approximately 350 facilities that carry out the agency's disability adjudication and review process.

³⁵Earlier drafts of the Master Housing Plan were developed by GSA and maintained by OFSM. For the current stage, GSA engaged a contractor to carry out the study, according to SSA officials.

lacks a comprehensive planning effort that encompasses all of the agency's facilities, including nearly 1,300 field offices.

Efforts to reduce office space. SSA officials told us the agency is engaged in ongoing efforts to reduce the footprint of its headquarters facilities. According to an SSA official, vacant space in headquarters facilities has increased during the past few years as a result of the shrinking workforce.³⁶ SSA officials told us that OFSM is analyzing the space needs of all offices in the headquarters area and will reassign space according to staffing levels and other criteria. According to an official, SSA's efforts were motivated by several factors, including an OMB directive³⁷ to make more efficient use of federal office space; the agency's ultimate goal of terminating all commercial leasing in the headquarters area; and, to a lesser degree, reducing current vacancies in headquarters.

In addition to these headquarters-focused efforts, SSA is reducing office space in the field as opportunities arise, but our preliminary work shows that it lacks a proactive plan to assess field facilities for potential space reductions. When OFSM reviews a field-based space action (e.g., lease renewal, move, renovation), an SSA official told us that the proposed action is assessed to identify if there are opportunities to reduce or otherwise change the facility's space allocation. However, OFSM's standards do not call for wholesale reductions or reconfigurations of existing space. SSA has established a workgroup that is developing guidance to help identify opportunities to reduce space by co-locating certain field-based facilities, such as field offices and video-based disability hearing offices, but the workgroup's proposals need to be reviewed and it is not yet clear if the agency will adopt them.

Considerations for realigning the facilities structure. SSA has been advised to consider aligning its facilities structure with its changing methods of providing services. For example, the OIG reported in 2011

³⁶This official estimated that, as of February 28, 2013, there were approximately 800 to 1,000 vacant workspaces in SSA headquarters facilities.

³⁷In May 2012, OMB's Acting Director released a memo, which calls for agencies to make more efficient use of the government's real estate assets and generally prohibits agencies from increasing their real estate inventory, or footprint. See OMB, *Memorandum to the Heads of Executive Agencies and Departments: Promoting Efficient Spending to Support Agency Operations* (May 11, 2012).

that SSA's long-term planning efforts should assess whether the agency's existing office structure will align with future methods of providing customer service.³⁸ In 2011, the Social Security Advisory Board suggested that as SSA continues to increase electronic service delivery, it adapt its organizational structure to maximize the effectiveness of the agency's transformation. In prior work, we have also reported that federal agencies may be able to increase efficiency and effectiveness by consolidating physical infrastructure or management functions.³⁹ Several agencies—including the Internal Revenue Service, the U.S. Postal Service, and the Census Bureau—plan to or have already undertaken consolidation efforts to achieve efficiencies and save money. At the same time, SSA has long considered face-to-face interaction to be the gold standard of customer service, and an official has told us that any changes away from that model would represent a major cultural shift for the agency.

SSA has begun to take advantage of opportunities to consolidate or co-locate offices in the regions. SSA regional commissioners told us that field offices have been consolidated in most of its of 10 regions and several regions have co-located with the Office of Disability Adjudication and Review to provide space to hold disability hearings within field offices.⁴⁰ These consolidations and co-locations can save money on rent and guard services. Regional commissioners told us that a single office consolidation can save up to \$3 million over a 10-year period.

Despite these actions, our preliminary work indicates that SSA has not engaged in a systematic analysis of potential approaches for consolidating its facilities or realigning its facilities with the agency's evolving service delivery model. The National Research Council recommends that federal agencies use their organizational mission to

³⁸SSA OIG, *The Social Security Administration's Customer Service Delivery Plan*, A-07-11-01125 (Baltimore, MD: July 2011).

³⁹GAO, *Streamlining Government: Questions to Consider When Evaluating Proposals to Consolidate Physical Infrastructure and Management Functions*, [GAO-12-542](#). (Washington, D.C.: May 23, 2012).

⁴⁰SSA officials told us that offices are consolidated by closing an office and moving its staff into another office. Consolidations often occur by merging two offices that are located very close together, or when staffing in one office has fallen below levels needed to sustain the office. In cases where offices are closed because of prohibitively low staffing levels, the remaining staff are generally absorbed into nearby offices.

guide facilities investment decisions and then integrate these investments into their strategic planning processes. We previously reported that agencies should consider the potential costs and benefits of any widespread efforts to consolidate physical infrastructure before embarking on such an action. To support its rationale for consolidation and assess the potential impact and challenges of consolidation, we suggested that agencies consider issues such as how to fund up-front costs associated with consolidation and the effect on various stakeholders.

SSA's Planning Efforts Are Not Adequate to Address the Long-Term Nature of Its Management Challenges

SSA has ongoing planning efforts, but we have identified two major areas in which these efforts may fall short in addressing the long-term nature of the agency's management challenges: (1) its planning efforts are short-term and do not adequately address emerging issues, and (2) it lacks continuity in its strategic planning leadership.

Need for longer-term efforts to address emerging issues. SSA's planning efforts, from an overall strategic plan to its service delivery plan, typically look no more than 5 years out. For example, SSA is finalizing a service delivery plan, but the draft document primarily contains detailed plans for the next 5 years and focuses on existing initiatives rather than articulating specific long-term strategies for the agency's service delivery model. While the draft service delivery plan acknowledges the need to assess the agency's workforce structure, it stops short of providing a vision for how the workforce structure should best make use of expanded virtual and automated service delivery channels. The plan also states that issues such as the need to strategically develop and place self-service options and to determine whether the Internet should be the primary service delivery mechanism for certain services, will need to be considered over the next 6 to 10 years, but it does not provide a specific strategy for how to resolve these issues. Further, the plan does not articulate SSA's long-term costs and benefits for its investments, such as the specific impact that moving to online services is expected to have on backlogs and workforce needs. For many years, we have recommended that SSA develop a comprehensive service delivery plan that outlines

how it will deliver quality service while managing growing work demands within a constrained budget.⁴¹

Similarly, our preliminary work shows that SSA's current strategic plan largely describes the continuation, expansion, or enhancement of existing activities, rather than proposing new initiatives or broad changes to address emerging issues. One of the goals of the agency's strategic plan is to increase the public's use of online services, but several SSA officials and representatives of one SSA management group told us that this shift will not be sufficient to address growing service demands. For example, as discussed earlier, to meet service challenges, some officials said the agency will also need to simplify its disability policy and develop a strategy for meeting the needs of individuals who may not have access to computers at home or who may not be computer literate. At the same time, however, some SSA officials noted that the agency may need to limit the number of days per week that field offices are open to the public to contain costs.

Various groups have called on SSA to acknowledge emerging long-term issues by articulating them in a longer-term strategy. In 2011, the Social Security Advisory Board called for SSA to develop a strategy for service delivery through 2020 that will serve as the cornerstone for its IT, human capital, policy review, and organizational restructuring plans.⁴² The SSA OIG also called on SSA to prepare a longer-term vision to ensure that it has the programs, processes, staff, and infrastructure necessary to provide service in the future.⁴³ Several SSA officials we spoke with told us that developing a long-term service delivery plan should be the next Commissioner's top priority. Moreover, regional commissioners and field

⁴¹See GAO, *Social Security Administration: Service Delivery Plan Needed to Address Baby Boom Retirement Challenges*, [GAO-09-24](#) (Washington, D.C.: Jan. 9, 2009); *Social Security: Sustained Effort Needed to Improve Management and Prepare for the Future*, [GAO/HRD-94-22](#) (Washington, D.C.: Oct. 27, 1993); *SSA's Management Challenges: Strong Leadership Needed to Turn Plans Into Timely Meaningful Action*, [GAO/T-HEHS-98-113](#) (Washington, D.C.: Mar. 12, 1998); and *Social Security Administration: Effective Leadership Needed to Meet Daunting Challenges*, [GAO/HEHS-96-196](#) (Washington, D.C.: Sept. 12, 1996).

⁴²Social Security Advisory Board. *A Vision of the Future for the Social Security Administration* (Washington, D.C.: March 2011).

⁴³SSA OIG, *Fiscal Year 2012 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges*, A-02-13-13041 (Baltimore, MD: Nov. 2012).

managers said that such a plan could help to clarify issues such as what services will be available online in the future, how these services will be implemented, how IT modernization will support service delivery, and which offices will have responsibility for different workloads. SSA prepared its last long-term agency vision—which covered a 10-year period—in 2000, motivated by many conditions which remain true today, such as increasing workloads, advances in technology, and employee retirements.

Senior agency officials told us that as an agency, SSA generally views long-term planning as a secondary responsibility and is more focused on addressing short-term, tactical issues. Several officials also noted that uncertainty about budget resources has made it difficult for SSA to engage in multi-year planning. One official commented that as a result of its budget situation, the agency has been reactive and failed to consider big picture issues. Strategic planning literature notes the success of organizations that are flexible and adaptive; these organizations plan for different scenarios and consider strategic options.

Need for continuity in strategic planning leadership. The GPRA Modernization Act of 2010 charges top agency leadership with improving agency management and performance.⁴⁴ SSA previously had an Office of the Chief Strategic Officer, which was responsible for overseeing strategic planning. This office worked with all SSA components to prioritize initiatives that would help the agency meet its goals and determined how to link these initiatives to the agency’s budget. However, the office was dissolved in May 2008, and since that time the agency has not had an office dedicated to strategic planning. Senior officials said that SSA should dedicate a position, such as a chief strategic officer, that will report directly to the Commissioner and be solely responsible for strategic planning in order to bring sustained, focused attention to long-term management challenges.

Concluding Observations

In conclusion, the challenges SSA faces will substantially affect its ability to address critical concerns in the coming years. SSA’s efforts to meet many of its management challenges have been complicated by budgetary constraints and continued uncertainty about the current and future fiscal

⁴⁴Pub. L. No. 111-352, §8, 124 Stat. 3866, 3878 (2011).

environment. Despite these constraints, the agency will need to balance competing demands for resources—both in terms of managing day-to-day budget decisions and planning for emerging and long-term budget issues. SSA already manages a substantial and diverse workload and the demands on SSA from new retirees and individuals with disabilities will continue to grow.

SSA's new Commissioner will face wide-ranging challenges that will require a comprehensive, long-range strategy that current planning efforts do not adequately address. In the absence of a long-term strategy for service delivery, the agency will be poorly positioned to make needed well-informed decisions about its critical functions, including how many and what type of employees SSA will need for its future workforce, how the agency will address disability claims backlogs while ensuring program integrity, and how the agency will more strategically use its information technology and physical infrastructure to best deliver services.

Chairman Johnson, Ranking Member Becerra, and Members of the Committee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

Contacts and Acknowledgments

For further information about this testimony, please contact me at (202) 512-7215. Michael Alexander, James Bennett, Jeremy Cox, Larry Crosland, Alex Galuten, Isabella Johnson, Kristen Jones, Anjalique Lawrence, Sheila McCoy, Christie Motley, Walter Vance, Kathleen Van Gelder, and Jill Yost also made key contributions to this statement.

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (<http://www.gao.gov>). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to <http://www.gao.gov> and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#). Subscribe to our [RSS Feeds](#) or [E-mail Updates](#). Listen to our [Podcasts](#). Visit GAO on the web at www.gao.gov.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Website: <http://www.gao.gov/fraudnet/fraudnet.htm>

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Katherine Siggerud, Managing Director, siggerudk@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800 U.S. Government Accountability Office, 441 G Street NW, Room 7149 Washington, DC 20548

