

U.S. House of Representatives
Committee on Ways and Means
Subcommittees on Social Security and Human Resources
Statement for the Record
Challenges Facing the New Commissioner of Social Security
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March 12, 1998

Chairman Bunning, Chairman Shaw, and members of the Subcommittees, thank you for the opportunity to appear here today. I would like to begin by acknowledging Commissioner Apfel's impressive beginning. I would also like to discuss the areas where the Social Security Administration (SSA) needs to focus its attention so that it may continue its development as an independent agency. I have identified eight areas where strengthening and attention are needed.

The first challenge is the long-term solvency of the trust funds. Communicating the seriousness of this matter to Americans and engaging them in a discussion of the trade-offs inherent in any solution is imperative. I believe the initiative to conduct public forums is the right starting point in finding a solution.

Second is the problem of erroneous wage reports held in SSA's Suspense Account. At the end of FY 1997, the cumulative balance of employee wages held in SSA's suspense account exceeded \$240 billion, and it continues to grow. Unless corrected, suspended wages could reduce the amount of Title II benefits paid to individuals and their families. SSA must implement its newly established tactical plan to resolve suspended wages and evaluate its effectiveness.

Third is the backlog of Continuing Disability Reviews (CDR) needed to confirm that individuals continue to be entitled to benefits. As of 1997, there were approximately 4.1 million individuals who were overdue for a CDR. SSA must focus its attention on reducing the number of cases awaiting a CDR as well as reducing other workloads, such as requests for appeal hearings, in order to safeguard the integrity of the disability programs.

The fourth area is fraud. GAO has included the SSI program in its list of High-Risk programs because of such factors as relying on self reporting of income. The CDR backlog also allows initial fraudulent claims to go undetected for long periods. Fraud is also found in other programs, including the Disability Insurance program. More serious levels of fraud are found involving identity theft crimes that are perpetrated with fraudulently obtained Social Security cards.

The magnitude of SSA's programs has resulted in sizable volumes of fraud within SSA. I believe SSA is a very good place to fight Government fraud for these reasons and because eligibility for Social Security benefits is a gateway to other benefits such as Medicaid, Medicare, and food stamps.

The fifth area is SSA's progress in redesigning its processes for administering its programs. In redesigning these processes, SSA will rely heavily on automated systems to manage benefits

and target potential fraud. The redesign effort has progressed very slowly, including the automation portion. The anticipated benefits of improved efficiency and accuracy have not yet materialized. The redesign's timely completion and SSA's evaluation of its impact on savings are critical challenges.

The sixth concern involves the complexity of SSA's programs. Over the years, SSA's programs have grown increasingly complex. Program complexity hinders SSA's ability to issue accurate payments and prevent fraud, and it promotes an excessive amount of litigation each year. Legislative and regulatory reform could eliminate underlying causes of problems in payment timeliness and accuracy.

The seventh area is the adequacy of SSA's internal controls over its data processing systems. OIG and Price Waterhouse audits have noted numerous problems in safeguarding SSA's integrity. These problems included inadequate protection of sensitive information, insufficient testing to ensure continuity of operations in the event of an emergency, and inadequate procedures to prevent and detect embezzlement and misdirection of benefit payments.

Adequate controls over data processing operations are critical to safeguarding highly personal information and ensuring continuous public service. These systems must be protected.

The last area is integrating service delivery operations. SSA currently provides public service through a network of field offices, program service and teleservice centers, and a data operations center. Technology improvements also present promising opportunities for efficiency. I believe SSA would be well served by a long-term service delivery strategy that integrates and streamlines service delivery organizations and technologies into an efficient service delivery network.

In conclusion, it is evident that there are significant challenges facing Commissioner Apfel. I believe that, through the work of the OIG, especially under the Government Performance and Results Act, we will have an important role in keeping the Congress and the Agency informed of progress in these areas.