

COMMITTEE ON WAYS AND MEANS
HEARINGS BEFORE THE
SUBCOMMITTEE ON SOCIAL SECURITY
(Volume 1 of 2)

104th Congress
1995-1996

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(Volume 2 of 2)

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USE OF SOCIAL SECURITY TRUST FUND MONEY
TO FINANCE UNION ACTIVITIES AT THE SOCIAL
SECURITY ADMINISTRATION

HEARINGS
BEFORE THE
SUBCOMMITTEE ON SOCIAL SECURITY
OF THE
COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES
ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

—
JUNE 4 AND 27, 1996
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**USE OF SOCIAL SECURITY TRUST FUND
MONEY TO FINANCE UNION ACTIVITIES AT
THE SOCIAL SECURITY ADMINISTRATION**

TUESDAY, JUNE 4, 1996

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON SOCIAL SECURITY,
Washington, DC.

The Subcommittee met, pursuant to call, at 2 p.m., in room B-318, Rayburn House Office Building, Hon. Jim Bunning (Chairman of the Subcommittee) presiding.

[The advisories announcing the hearings follow:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON SOCIAL SECURITY

FOR IMMEDIATE RELEASE
May 28, 1996
No. SS-4

CONTACT: (202) 225-9263

Bunning Announces Oversight Hearing on Use of Social Security Trust Fund Money to Finance Union Activities at the Social Security Administration

Congressman Jim Bunning (R-KY), Chairman of the Subcommittee on Social Security of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing to examine use of Social Security Trust Fund money to finance union activity at the Social Security Administration (SSA). **The hearing will take place on Tuesday, June 4, 1996, in room B-318 of the Rayburn House Office Building, beginning at 2:00 p.m.**

In view of the limited time available, oral testimony will be heard from invited witnesses only. However, any individual or organization may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

The Federal Government's labor-management relations policies have evolved gradually in the last three decades. A 1962 Executive Order by President Kennedy formally recognized unions to represent Federal employees, mandated Federal agencies to periodically consult with unions over working conditions and personnel practices, and permitted Federal agencies to provide unions with support services at agency expense. In the case of SSA unions, most support services are paid for from the Social Security Trust Funds.

In 1970, an Executive Order issued by President Nixon created the Federal Labor Relations Council (FLRC), a central authority charged with administering Federal labor-management relations, and established a third-party process for negotiating labor-management impasses.

The Civil Service Reform Act of 1978, signed into law by President Carter, vastly expanded the scope of collective bargaining and codified the existing authority for Federal agencies to use Federal funds to pay the cost of union facilities and support services (such as telephones, fax machines, and computers) within the agencies, and to pay the salaries and travel expenses of Federal employees to perform union activities for part or all of their work week. In the case of SSA unions, most of the cost of union facilities, support services, and salaries for SSA employees is paid for from the Social Security Trust Funds. The 1978 Act also created the independent Federal Labor Relations Authority, which replaced the FLRC.

In 1993, President Clinton issued an Executive Order making unions full, participating partners in the management decision-making process at Federal agencies. This order further expanded the rights of unions in the management of Federal agencies by requiring Federal agencies to bargain with unions over organizational issues, including work methods, technology, and organizational staffing patterns.

In announcing the hearing, Chairman Bunning stated: "I am very concerned about funding union activity at SSA from the Social Security Trust Funds. Hard-working Americans deserve to know that millions of dollars of their Social Security taxes are being spent from the Social Security Trust Funds each year to pay the salaries of Social Security employees, who do union work, sometimes full time, instead of serving the public. This is especially troubling, given the fact that SSA field offices have lost over 10,000 employees, or 25 percent of their staff, in the last 10 years. As a result, it is getting more and more difficult for dedicated front-line employees to serve the public. Allowing Social Security employees to work full time on union activities at the expense of serving the public strikes me as a case of misplaced priorities. I have asked the General Accounting Office (GAO) to thoroughly investigate the situation at SSA, and to report its findings at the hearing."

**WAYS AND MEANS SUBCOMMITTEE ON SOCIAL SECURITY
PAGE TWO**

FOCUS OF THE HEARING:

The Subcommittee will focus on the preliminary findings of the GAO review about the scope of union activities at SSA, the extent to which they are subsidized from the Social Security Trust Funds, and the accuracy and completeness with which this spending is accounted for by SSA.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit at least six (6) copies of their statement, with their address and date of hearing noted, by the close of business, Tuesday, June 25, 1996, to Phillip D. Moseley, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Social Security office, room B-316 Rayburn House Office Building, at least two hours before the hearing begins.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages including attachments.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.
4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are now available over the Internet at GOPHER.HOUSE.GOV, under 'HOUSE COMMITTEE INFORMATION'.

ADVISORY
FROM THE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON SOCIAL SECURITY

FOR IMMEDIATE RELEASE
 June 17, 1996
 No. SS-5

CONTACT: (202) 225-9263

**Bunning Announces Continuation of Hearing on
 Use of Social Security Trust Fund Money to Finance
 Union Activities at the Social Security Administration**

Congressman Jim Bunning (R-KY), Chairman of the Subcommittee on Social Security of the Committee on Ways and Means, today announced that the Subcommittee will continue with a second day of a hearing to examine the use of Social Security Trust Fund money to finance union activity at the Social Security Administration. **The hearing will continue on Thursday, June 27, 1996, in room B-318 of the Rayburn House Office Building, beginning at 10:00 a.m.** The hearing began on Tuesday, June 4, 1996. (See Subcommittee Advisory No. SS-4, dated May 28, 1996.)

In view of the limited time available, oral testimony will be heard from invited witnesses only. Witnesses will include officials from the Social Security Administration. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit at least six (6) legal size copies of their statement, with their address and date of hearing noted, by the close of business, Thursday, July 18, 1996, to Phillip D. Moseley, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Social Security, room B-316 Rayburn House Office Building at least one hour before the hearing begins.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages including attachments.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.
4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

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Note: All Committee advisories and news releases are now available on the World Wide Web at 'HTTP://WWW.HOUSE.GOV/WAYS_MEANS/' or over the Internet at GOPHER.HOUSE.GOV, under 'HOUSE COMMITTEE INFORMATION'.

Chairman BUNNING. The Subcommittee will come to order.

Today's hearing has been called as a result of discussions I had early last year with a number of the Social Security Administration's field managers from all over the country. These dedicated frontline managers told me they were concerned about a 1993 Executive order issued by President Clinton creating what is known as "Partnership." This so-called "Partnership," they said, hindered their ability to run the agency and provide quality service in the best interest of our Nation's taxpayers.

As a result, in July 1995—and I stress July 1995—I asked the GAO to audit the use of money from the Social Security Trust Fund to pay people who work at SSA, not serving the taxpayers and beneficiaries, but doing full time union work. I am deeply troubled by the results of the GAO's audit.

While it has been a longstanding and legal practice for the government to pay full time SSA union workers out of the Social Security Trust Funds, there has been a surge since 1993 in the amount of money going to full time union work at SSA. There has also been a sharp jump in the number of SSA employees who work full time as union representatives, but whose salaries, health benefits, and pensions come from the money set aside for the Social Security benefits of our elderly and disabled citizens.

Let's be clear about what is going on here. The money that pays these Social Security employees to do full time union work comes from payroll taxes taken out of the paychecks of every American worker. Under current law, working Americans have no say in this and, worse, they may not even know it is being done.

But, that is not all. Senior citizens count on the trust fund money to pay for their benefits, and I think they would be outraged to learn that part of the trust funds are going to pay the salaries of Social Security employees to do full time union work. Although SSA says \$12.6 million is only a small amount compared to their total budget, I doubt American seniors would see it that way.

Today, I have invited the GAO to report their findings to us. I also invited the head of the Social Security Administration, Shirley Chater, to join us. Unfortunately, Commissioner Chater is unable to come today, so I intend to continue this hearing on a date when she is available. Her response to this audit is important and I look forward to hearing from her.

This is a very serious matter. The Social Security Trust Funds face a long-term funding crisis and Congress has the responsibility to protect the trust funds. Working people have a right to know that their Social Security taxes go toward their intended purpose.

I am grateful for the hard work of the GAO in bringing the facts of this matter to light, and I look forward to hearing their findings. I am sorry that the Ranking Member, Andy Jacobs, could not be here today. I do not believe he and I have ever missed a hearing together since we have been on this Subcommittee. There is no one present on the other side to make a statement, but I invite all Members to submit opening statements for the record.

[The opening statement follows:]

Opening Statement
Chairman Jim Bunning
June 4, 1996 Hearing before the Social Security Subcommittee

Today's hearing has been called as a result of discussions I had early last year with a number of the Social Security Administration's field managers from all over the country.

These dedicated front-line managers told me they were concerned about a 1993 executive order issued by President Clinton creating what is known as "partnership".

This so-called "partnership", they said, hindered their ability to run the agency and provide quality service in the best interest of our nation's taxpayers.

As a result, in July of 1995, I asked the General Accounting Office to audit the use of money from the Social Security Trust Fund to pay people who work at SSA, not serving the taxpayers and beneficiaries, but doing full-time union work.

I am deeply troubled by the results of GAO's audit.

While it has been a long-standing and legal practice for the government to pay full-time SSA union workers out of the Social Security Trust Funds, there has been a surge since 1993 in the amount of money going to full-time union work at SSA.

There has also been a sharp jump in the number of SSA employees who work full-time as union representatives, but whose salaries, health benefits, and pensions come from the money set aside for the social security benefits of our elderly and disabled citizens.

Let's be clear about what's going on here. The money that pays these social security employees to do full-time union work comes from the payroll taxes taken out of the paychecks of every American worker.

Under current law, working Americans have no say in this, and worse, they may not even know it's being done. But that's not all.

Senior citizens count on Trust Fund money to pay for their benefits, and I think they would be outraged to learn that part of the Trust Funds are going to pay the salaries of social security employees to do full-time union work.

Although SSA says 12.6 million dollars is only a small amount compared to their total budget, I doubt American seniors would see it that way.

Today, I have invited the GAO to report their findings to us. I had also invited the head of the Social Security Administration, Shirley Chater, to join us. Unfortunately, Commissioner Chater is unable to come today, so I intend to continue this hearing on a date when she is available. Her response to this audit is important, and I look forward to hearing it.

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Working people have a right to know that their social security taxes go toward their intended purpose.

I'm grateful for the hard work of the GAO in bringing the facts of this matter to light, and I look forward to hearing their findings.

I'm sorry that Andy Jacobs couldn't be here today. If there is no one who wishes to make a statement in his place, I invite all members to submit statements for the record. And now, I'd like to ask GAO to come forward and begin.

And now I would like the GAO to come forward and begin their testimony. Ms. Ross, Mr. Miller. If you would begin, please.

Let me introduce Jane Ross, Director, Income Security Issues, Health, Education, and Human Services Division, accompanied by Roland Miller, Assistant Director, Income Security Issues.

For the benefit of our guests, GAO is an arm of Congress that does its audit and investigative work. Ten months ago I asked them to conduct an audit of time spent on union activity. They have done a considerable amount of work in a relatively short period of time, considering that this was a tremendous task.

We look forward to hearing your findings. Welcome. Ms. Ross, would you please begin?

STATEMENT OF JANE L. ROSS, DIRECTOR, INCOME SECURITY ISSUES, HEALTH, EDUCATION, AND HUMAN SERVICES DIVISION, U.S. GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY ROLAND MILLER, ASSISTANT DIRECTOR, INCOME SECURITY ISSUES

Ms. ROSS. I will summarize my written statement.

I would like to talk to you a little bit today about the work we have been doing on time spent on union activities at the Social Security Administration. Given the budget constraints facing Federal agencies this Subcommittee expressed concern about the amount of time and expense devoted to union activities and paid for by the Federal Government. More specifically with regard to SSA, you were concerned about the use of the Social Security Trust Funds to pay for union activities.

We began our work on this assignment last August. Our focus today is on the statutory basis for the Federal Government to pay employee salaries and expenses for union activities, the amount of time spent on, and costs associated with union activities at SSA and at other agencies, and I will provide a limited amount of information about union activity in the private sector.

Let me begin with some brief background. Federal labor-management relations were formalized by Executive order in the early sixties. Since that time, labor-management relations have evolved so that today Federal unions are involved in a broad range of operational decisions. The current arrangement is referred to as "partnership."

A 1962 Executive order permitted Federal agencies to grant time away from assigned duties so that union representatives could participate in certain meetings with management. This is called "official time." Use of official time for union activities has become a routine method of union operations in the Federal Government.

While SSA employees are represented by three unions, AFGE, the American Federation of government Employees represents over 95 percent of the employees who are represented by a union. Of SSA's 65,000 employees, about 52,000 of them are nonsupervisory employees and they are represented by the unions. About 47 percent of those, or about 25,000 people, are actually dues-paying union members.

SSA has a national system for reporting time spent on union activities by union representatives. The system is partly automated and partly a manual system. This union recordkeeping system is

separate from the agency's time and attendance system and also from the workload reporting system.

Under the union time reporting system, union representatives fill out and submit forms to their supervisors to account for union time. The hours reported on these forms are then periodically aggregated and submitted to SSA headquarters in order to be added into a national total.

The large chart, the one on your left, shows the total time spent at SSA on union activities, including some additional time that we discovered as a part of our audit that was not included in SSA's system, so that the solid line is SSA's reported time and the dotted line above it includes some additional time that we found in the course of doing some verification of these time records. The overall time spent on union activities has grown steadily from 254,000 hours in 1990 to over 413,00 hours in 1995. This is the equivalent of paying the salaries and other expenses of about 200 SSA employees to represent the 52,000 employees in the bargaining unit in 1995.

To determine what contributed to the increase in time spent on union activities, we developed information on the categories of time used. Time spent on union- or employee-initiated grievances, as well as on other union-initiated activities, remained relatively constant between 1990 and 1995. Most of the increase in time spent on union activities during this period is attributable to bargaining activities related to changes in work assignments and working conditions.

Now, if I could move from time to costs and turn your attention to the other chart, SSA's estimates of union costs showed an increase from \$6 million in 1993 to \$11 million in 1995. As you know, SSA's total administrative expense budget for fiscal year 1995 was about \$5.5 billion.

In order to determine the accuracy of SSA's cost estimates, we constructed our own estimates of union-related costs. We identified about 1,800 union representatives who are currently authorized by the union to spend time on SSA's union activities.

SSA has also reported that the number of full time union representatives, those spending 75 percent of their time, or more, on union activities, grew from 80 to 145 in the last 6 years. We identified about the same number. We identified 146 full time union representatives.

The average salary in 1995 for these 146 full time union representatives was about \$42,000. We estimate that the total costs to SSA for union activities of all union representatives was about \$12.6 million, so our estimate shown on the chart is slightly different from the one from SSA. SSA estimated the cost of union activities to be \$11 million compared to our estimate of \$12.6 million. Ninety percent of this \$12.6 million was personnel costs. The remaining \$1.2 million in total SSA costs included travel expenses, SSA's share of arbitration costs, and support costs such as supplies, office space and telephone use.

Regarding the amount of union dues collected from union members, we determined that about \$4.8 million was collected in 1995, mainly through payroll deduction. The unions use these funds for their internal expenses, which include the cost of lodging and

transportation for union-provided training, the union's share of grievance costs, and miscellaneous furniture, supplies, and equipment for some union offices, the salary of the AFGE local president, who represents SSA headquarters employees and his staff, and a share of national union expenses.

SSA's managers, both individually and through their managers association have expressed some concern to us and to the Congress about limitations in their ability to effectively manage their operations and to control the use of time spent by their employees under the current union management arrangement. By contract, the assignment of union representatives and the amount of time spent on union activities are determined by the union without the consent of the local managements.

On the other hand, many of the union officials and union representatives we talked to felt that it was counterproductive in the era of partnership to focus on tracking time spent on union activities. They believed that union representation is an important function that is authorized by negotiated agreements with SSA that authorizes them to represent the interests of their coworkers.

We tried to do some comparison of the time and costs at SSA with that at the IRS and the Postal Service. At the Postal Service, we were unable to get a total estimate of the amount of union time paid by the service itself. At IRS, records show that their union representatives spent 442,000 hours on union activities in the most recent year for which we had data.

We did not try to verify these numbers, as we did for the SSA numbers, but if you look in table 2 in our written statement, it shows the amount of time that these two agencies reported with all the caveats and the bargaining size of each of the organizations.

When you turn from what happens in other agencies to what happens in the private sector, union operations in private industry vary widely. First of all, in addition to bargaining over working conditions, as SSA unions do, unions in private industry bargain over wages, hours, and benefits. When it comes to payment, we were told that some private sector firms do in fact pay in the same way as is paid in the Federal Government, while some firms pay nothing at all for union representation.

SSA like other Federal agencies and some private firms pays for approved time spent by their employees on union activities. SSA has a special fiduciary responsibility to effectively manage and maintain the integrity of the Social Security Trust Funds from which most of these expenses are paid. In a time of shrinking budgets and personnel resources, it is especially important for SSA, as well as other agencies, to evaluate how resources are being spent and to have reliable monitoring systems that facilitate this evaluation.

To ensure accurate tracking of time spent on union activities and the staff conducting these activities, SSA has developed and is testing a new time reporting system for its field offices and teleservice centers. We agree that these are valuable goals for a timely reporting system and we think SSA should consider implementing this system agencywide.

Mr. Chairman, this concludes my formal remarks. I would be glad to entertain any questions you have.

[The prepared statement follows:]

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

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the time spent on union activities at the Social Security Administration (SSA). Union activities generally include representing employees in complaints against management, bargaining over changes in working conditions and the application of personnel policies, and negotiating union contracts with management. The federal government pays its employees' salaries and expenses for the portion of time they are allowed to spend on union activities; it also provides other support, such as space, supplies, equipment, and some travel expenses.¹ Federal union members generally cannot bargain over wages and cannot strike, and federal employees are not required to join unions and pay union dues in order to be represented by the union.

Given the budget constraints facing federal agencies, the Subcommittee expressed concern about the amount of time and expenses devoted to union activities and paid for by the federal government. The Subcommittee expressed particular concern about SSA unions regarding the amount of money paid for union activities out of the Social Security trust funds.

As requested, I will focus my remarks on the history of union involvement in the federal government, the statutory basis for the federal government to pay employee salaries and expenses for union activities, and the amount of time spent on and costs associated with union activities at SSA and how the agency accounts for it. The Subcommittee also asked us to comment on how the amount of time and money spent at SSA on union activities compares with what is spent at other large federal agencies, such as the Department of Veterans Affairs (VA) and the Internal Revenue Service (IRS), and how it compares with the amount spent by the U.S. Postal Service, which operates more like a private-sector company. As requested, we have also provided information on union activities in the private sector.

In response to your request, we began our work at SSA in August 1995. To develop this information, we interviewed management and union officials in SSA headquarters and 4 of SSA's 10 regional offices. We also reviewed union contracts, payroll records, and time-reporting forms. To determine the amount of time spent on union activities, we reviewed yearly reports of time spent on union activities and verified the time reported by reviewing source documents at one region and selected headquarters components. We supplemented our field work with telephone calls to three additional SSA regions to verify that similar time reporting procedures were used.

We also met with union and management officials at VA, IRS, and the Postal Service to compare their union time and costs with SSA's. VA does not operate a national union time-reporting system and therefore could not provide data on union activities. Consequently, we are not providing any information concerning VA. At IRS and the Postal Service, we obtained available information on union activity from headquarters and selected field facilities but did not verify its accuracy. We also discussed the role and function of unions in the federal government with the Office of Personnel Management (OPM) and discussed the private-sector use of official time for union activities with labor-relations experts at various trade associations, colleges, and universities. We also reviewed a 1992 Bureau of National Affairs publication that summarized trends in labor/management contracts for private

¹The U.S. Postal Service generally does not pay the salaries and expenses of full-time union representatives. Instead, salaries and expenses are covered by union dues. The Postal Service does, however, pay for the time spent on union activities by some part-time union representatives and for union-occupied space in postal facilities.

industry. Finally, to determine the types of contract provisions that exist in private industry with regard to the use of official time, we reviewed ten contracts on file at the Bureau of Labor Statistics.

In summary, federal labor/management relations were formalized by executive order in the early 1960s.² In 1962, an executive order permitted federal agencies to grant official time for certain meetings between management and union representatives, at the discretion of the agency. The management control prevalent when the first executive order was issued has evolved over time, and today unions operating at federal government agencies have significant involvement in operational and management decisions. The use of official time, which is authorized paid time off from assigned duties for union activities, has become a routine method of union operation in the federal government. OPM officials told us that currently no governmentwide requirement exists to capture or report the amount of official time charged to union activities. They further noted that managers and employees would spend time interacting on personnel and working condition matters even if there were no unions operating at agencies.

We determined that over the last 6 years, the time spent on union activities at SSA has grown from 254,000 to at least 413,000 hours, at a cost to SSA's trust funds of \$12.6 million in 1995 alone. That is, SSA currently pays the equivalent of the salaries and expenses of about 200 SSA employees to represent the interests of the approximately 52,000 employees represented by unions at SSA. This cost represents a portion of the \$5.5 billion SSA incurred in administrative expenses for fiscal year 1995.

In addition, SSA has reported to the Congress that the number of full-time union representatives, those devoting 75 percent or more of their time to union activities, grew from 80 to 145 between 1993 and 1995. We found, however, that the reporting system for collecting such data does not adequately track the number of union representatives charging time to union activities or the actual time spent. Consequently, we conducted a limited verification of the hours spent on union activities reported by SSA and found that time spent on union activities was underreported. While SSA is currently developing a new system to more accurately track the time spent on union activities, it plans to implement this system to replace only the automated reporting system for union representatives in the field offices and teleservice centers. SSA is not planning to improve the less accurate manual time-reporting system for its other components.

Under the terms of the current SSA union contract negotiated in 1993, the selection of union representatives and the amount of time they spend on union activities are determined by the union without the consent of local managers. We found that over 1,800 designated union representatives in SSA are authorized to spend time on union activities, although most of the time spent is by SSA's 146 full-time representatives. Some SSA field managers told us that their having no involvement in decisions about how much time is spent by individuals and who the individuals are causes problems in managing the day-to-day activities of their operations. Union representatives, on the other hand, told us that the time they use is necessary to fully represent the interests of their coworkers.

SSA reported that it paid for 404,000 hours for union activities in fiscal year 1995, as compared with 442,000 hours reported by IRS in fiscal year 1994, the most recent information available. The Postal Service reported that 1.7 million hours

²Postal labor/management relations are governed by the Postal Reorganization Act of 1970, which incorporates many provisions of the National Labor Relations Act.

spent on union activities in fiscal year 1995 related to grievances. This Postal Service estimate does not include substantial additional time spent on other types of union activities and paid for by either the unions or the Postal Service.

With regard to union activity in private industry, some employers pay some or all of the salaries and expenses of union representatives, as the federal government does, while others do not

BACKGROUND

Labor unions are groups of employees organized to bargain with employers over such issues as wages, hours, benefits, and working conditions. The current federal labor/management program differs from nonfederal programs in three important ways: (1) federal unions bargain on a limited number of issues--bargaining over pay and other economic benefits is generally prohibited,³ (2) strikes and lockouts are prohibited, and (3) federal employees cannot be compelled to join, or pay dues to, the unions that represent them. At SSA, employees are represented by three unions: the American Federation of Government Employees (AFGE), which represents over 95 percent of SSA employees who are represented by a union; the National Treasury Employees Union (NTEU); and the National Federation of Federal Employees (NFFE). Of SSA's 65,000 employees, about 52,000 nonsupervisory employees are represented by the unions, and about 47 percent of those represented are dues-paying union members. Union operations at SSA are governed by a national AFGE contract and six other union contracts with individual NTEU and NFFE components.

At the other federal organizations we visited, five unions had national collective bargaining agreements--four at the Postal Service and one at IRS. There were 751,000 employees represented by unions at the Postal Service and 97,000 at IRS. Although other unions without national collective bargaining agreements represented Postal Service employees, the number of employees represented by these unions is less than one percent of all represented employees.

There are two main categories of official time, or government paid time spent on union activities, at SSA. The category known as "bank time" in field offices, and equivalent categories of official time in other components, refers to time that is negotiated and limited by SSA contracts with its unions. Bank time includes time spent on union- or employee-initiated grievances (complaints regarding any matter related to employment) as well as on union-initiated activities, such as training or representational duties. The category known as "nonbank time" in field offices, and equivalent categories in other components, generally refers to time spent on management-initiated activities; bargaining over changes to work assignments and working conditions (such as disallowed leave, employee work space, and equipment); management-initiated grievances; and any other time not specifically designated as bank time.

HISTORY OF UNION ACTIVITY IN THE FEDERAL GOVERNMENT

In 1912, the Lloyd-LaFollette Act established the right of postal employees to join a union and set a precedent for other federal employees to join unions. The government did little to provide agencies with guidance on labor relations until the early 1960s.

In 1962, President Kennedy issued Executive Order 10988, establishing in the executive branch a framework for federal

³Postal unions, however, can bargain over wages and other economic benefits.

agencies to bargain with unions over working conditions and personnel practices. The order established a decentralized labor/management program under which each agency had discretion in interpreting the order, deciding individual agency policy, and settling its own contract disputes and grievances.

In 1969, President Nixon issued Executive Order 11491, which established a process for resolving labor disputes in the executive branch by forming the Federal Labor Relations Council to prescribe regulations and arbitrate grievances. This order clarified language to expressly permit bargaining on operational issues for employees adversely affected by organizational realignments or technological changes.

In 1970, the Postal Reorganization Act brought postal labor relations under a structure similar to that applicable to companies in the private sector. Collective bargaining for wages, hours, and working conditions was authorized subject to regulation by the National Labor Relations Board. Like other federal employees, postal employees could not be compelled to join or pay dues to a union and could not strike.

The Civil Service Reform Act of 1978 provided a statutory basis for the current federal labor/management relations program and set up an independent body, the Federal Labor Relations Authority (FLRA), to administer the program. The act expanded the scope of collective bargaining--the process under which union representatives and management bargain over working conditions--to allow routine negotiation of some operational issues, such as the use of technology and the means for conducting agency operations.

In 1993, President Clinton issued Executive Order 12871, which articulated a new vision of labor/management relations, called "Partnership." Partnership required agencies to involve labor organizations as full partners with management in identifying problems and crafting solutions to better fulfill the agency mission. It also expanded the scope of bargainable issues. This new arrangement was intended to end the sometimes adversarial relationship between federal unions and management and to help facilitate implementation of National Performance Review initiatives, which were intended to improve public service and reduce the cost of government.

BASIS FOR PAYING SALARIES OF UNION REPRESENTATIVES

In 1962, Executive Order 10988 permitted federal agencies to grant official time, which is authorized paid time off from assigned government duties, for meetings between management and union representatives for contract negotiation, at the discretion of the agency. In 1971, Executive Order 11491 was amended to prohibit the use of official time for contract negotiation unless the agency and union agreed to certain arrangements. Specifically, the agency could authorize either (1) up to 40 hours of official time for negotiation during regular working hours or (2) up to one-half the time actually spent in negotiations. Over the next 4 years, a series of Federal Labor Relations Council decisions and regulations continued to liberalize the use of official time by allowing negotiations for the use of official time for other purposes.

The Civil Service Reform Act of 1978 authorized official time for federal agency union representatives in negotiating a collective bargaining agreement.⁴ The act also permitted agencies and unions to negotiate whether union representatives would be

⁴The Postal Service is not governed by this act. The basis for paying certain union representatives for specified union activities at the Postal Service is contained in union contracts. Contract negotiations are carried out at union expense.

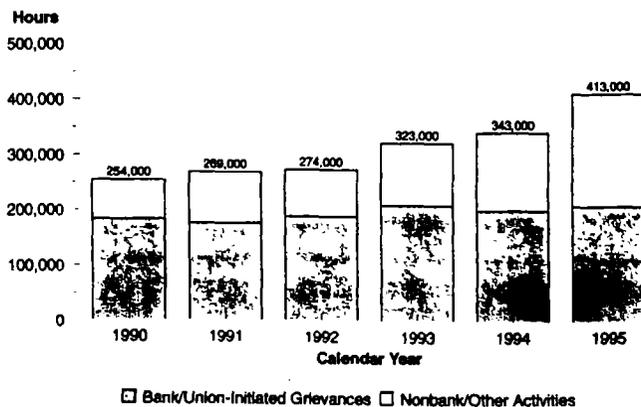
granted official time in connection with other labor/management activities, as long as the official time was deemed reasonable, necessary, and in the public interest. The act continued to permit agencies to provide unions with routine services and facilities at agency expense. The act prohibited the use of official time for internal union business, such as solicitation of members.

TIME SPENT ON AND COST OF UNION ACTIVITIES AT SSA

SSA has a national system for reporting time spent on union activities by union representatives. This system is separate from the agency's time and attendance and workload reporting systems. Under this system, union representatives generally fill out and submit forms to their supervisors to account for union time. The hours reported on these forms are then periodically aggregated and submitted to SSA headquarters for totaling. This time-reporting system consists of two component systems that cover roughly an equal number of employees. The first is an automated system that captures time reported by union representatives working in field offices, which are the primary point of public contact with SSA, and at teleservice centers, where calls to SSA's national 800 number are answered. The second component is a manual system used to capture time spent by union representatives at SSA headquarters, as well as at Program Service Centers, the Office of Hearings and Appeals, and other components. Neither system is designed to capture either time spent by management on union-related matters or the number or names of individuals charging union time.

We conducted a limited verification of time captured in SSA's national reporting system at one SSA region and several headquarters components. By tracing source documents for union representatives' time to reported totals in the system, we discovered additional time not captured by the two systems. These gaps occurred primarily in the manual system and resulted from inaccurate reporting from the source documents, overlooked reports for some union representatives, and uncounted reports for some organizational units during certain reporting periods. We also verified that similar procedures were being used at three other regions, which could result in similar underreporting at these locations. Figure 1 shows the total time spent at SSA on union activities, including the additional time we discovered.

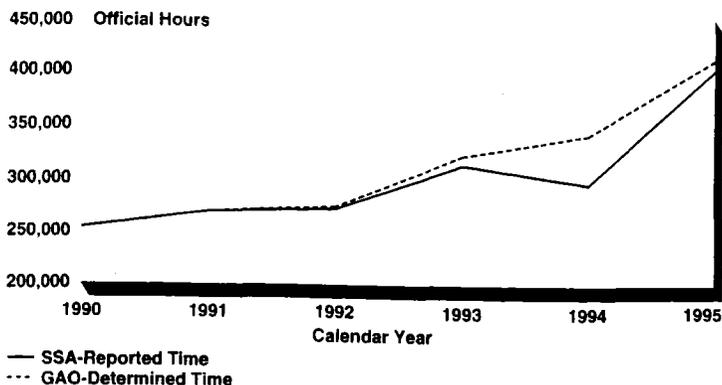
Figure 1: Total Time Spent on Union Activities at SSA, 1990-95



Source: SSA national time reports and results of GAO verification.

The overall time spent on union activities has grown steadily from 254,000 hours in 1990 to over 413,000 in 1995. This is the equivalent of paying the salaries and other expenses of about 200 SSA employees to represent the 52,000 employees in the bargaining unit in 1995. Figure 2 shows the difference between SSA's national time reports and our estimated time. SSA reported 254,000 hours of official time devoted to union activities in 1990, 269,000 in 1991, 272,000 in 1992, 314,000 in 1993, 297,000 in 1994, and 404,000 in 1995.

Figure 2: Time Spent on Union Activities by Social Security Employees, 1990-95



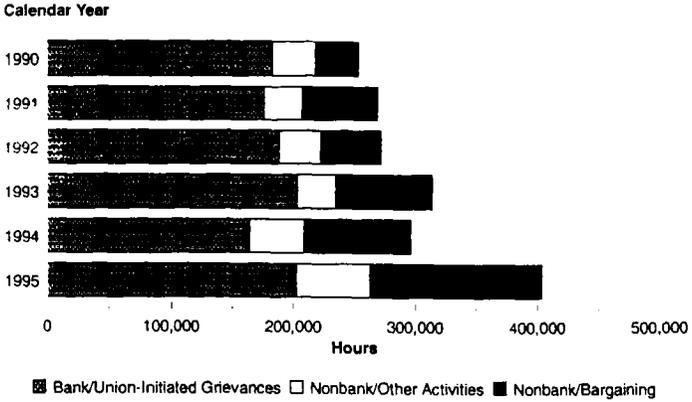
Note: GAO's verification of time charges was focused on 1995. Some additional unreported time was discovered in several of the earlier years.

Source: SSA national time reports and results of GAO verification.

Because of limitations in SSA's reporting system, it is not possible to estimate actual time spent agencywide for any reporting period. Although it is likely that the actual time spent agencywide exceeds our estimates, our verification sample was not large enough to be statistically valid, so it cannot be extrapolated to all of SSA.

To determine what contributed to the increase in time spent on union activities, we developed information on the categories of time used. Figure 3 shows that bank time has remained relatively constant between 1990 and 1995, and that most of the increase in time spent on union activities during this period is attributable to nonbank time--mainly for bargaining activities.

Figure 3: SSA-Reported Official Time by Activity, 1990-95

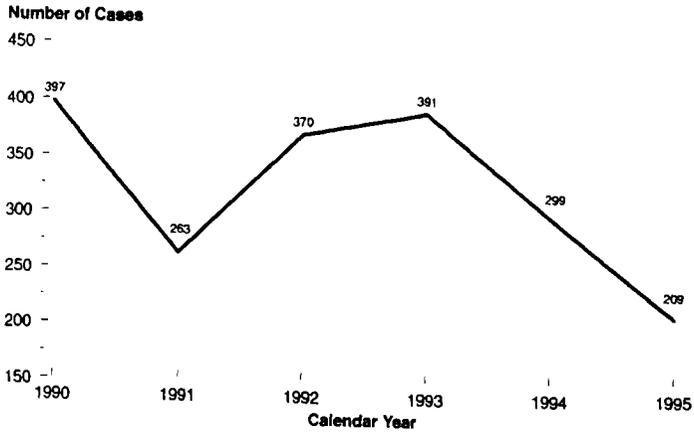


Note: This chart does not include additional unreported hours found by GAO.

Source: SSA national time reports.

Figures 4 and 5 show that the number of other nonbank activities, such as unfair labor practices (ULP) cases and arbitration cases (nonbank in the hearing stage), that result from unsettled grievances, has declined in recent years.

Figure 4: Number of Unfair Labor Practices Cases at SSA, 1990-95



Source: SSA Office of Labor Management Relations.

Figure 5: Number of SSA Arbitration Hearings, 1990-95

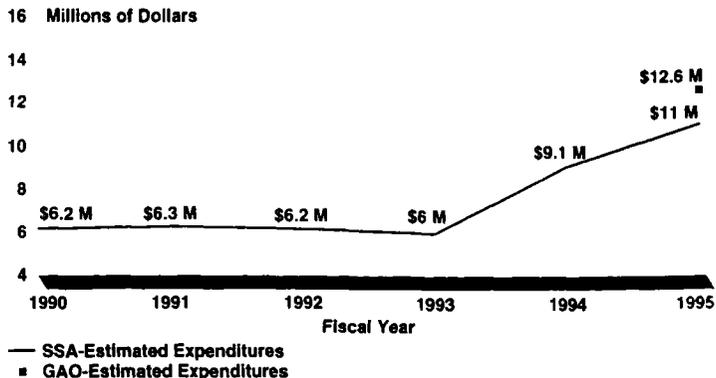


Source: SSA Office of Labor Management Relations.

SSA is currently developing a new system to better track and account for time spent on union activities in its field offices and teleservice centers. SSA says the purpose of this system is to provide management and the union with a more accurate and up-to-date accounting of time spent and the number of employees working on union activities and to ensure that time expended on certain activities does not exceed time allotted to the unions by the contracts. SSA, however, has no current plans to apply this new system to headquarters, the Program Service Centers, the Office of Hearings and Appeals, or other components using the manual system and did not explain why the agency made this decision.

SSA has no system for routinely calculating and reporting the cost of union activity, although it does provide annual estimates of the expenses for union activities to the Congress. Figure 6 shows that SSA's estimates of union costs increased from \$6 million in fiscal year 1993 to \$11 million in fiscal year 1995. SSA's total administrative expense budget estimate for fiscal year 1995 was \$5.5 billion.

Figure 6: SSA Expenditures for Union Activities, 1990-95



Source: SSA Justifications of Estimates for Appropriations Committees (FY 1990-1995) and GAO cost estimate for 1995.

In order to determine the accuracy of these estimates, we tried to construct our own estimate of union-related costs. Because the salaries of union representatives make up most of the cost, we asked SSA for a list of current representatives and the time they spend on union activities. SSA estimated that there were about 1,600 union representatives, but the lists they maintained were outdated and incomplete. We identified about 1,800 union representatives who are currently authorized by the union to spend time on SSA union activities. SSA has also reported to the Congress that the number of full-time representatives--those spending 75 percent or more of their time on union activities--grew from 80 to 145 between fiscal years 1993 and 1995. We identified 146 current full-time representatives. The average annual salary in 1995 for the 146 full-time representatives was \$41,970. In 1996, their salaries ranged from \$23,092 to \$81,217. Table 1 shows the annual salary ranges of these representatives in 1996.

Table 1: 1996 Salary Ranges of Union Representatives Spending 75 to 100 Percent of Their Time on Union Activities

Salary ranges	Number of representatives
0-\$10,000	0
10,001-20,000	0
20,001-30,000	16
30,001-40,000	36
40,001-50,000	79
50,001-60,000	9
60,001-70,000	5
70,001-80,000	0
80,001-90,000	1
Over \$90,000	0
Total	146

Source: SSA Office of Labor Management Relations and SSA personnel records.

We estimate that the total cost to SSA for union activities of all representatives was about \$12.6 million in 1995. We calculated the 1995 personnel cost to be \$11.4 million by multiplying the average hourly salary of union representatives (about \$27.64, including benefits) by the 413,000 hours we estimated the representatives spent on union activities.

The remaining \$1.2 million in total SSA costs for union activities includes related travel expenses; SSA's share of arbitration costs; and support costs, such as supplies, office space, and telephone use. More specifically, in accordance with the union contracts, SSA pays for travel related to contract negotiations and grievance cases. In addition, it pays the travel and per-diem costs of all union representatives, whenever meetings are held at management's initiative. Union representation at major SSA initiatives, such as the reengineering of its disability programs, the National Partnership Council, and Partnership training, has added to travel and per-diem costs. In 1995, SSA estimated that it spent about \$600,000 on travel-related expenses for union representatives. Union representatives told us that the union pays travel costs for union-sponsored training, internal union activities, and some local travel.

Under the national contract agreements, arbitration fees and related expenses are shared equally between the union and SSA. SSA reported that its share of arbitration costs was \$54,000 for the 38 cases heard in 1995.

SSA also incurs other costs for telephones, computers, fax machines, furniture, space and supplies used by union representatives. In 1995, SSA estimated this cost at \$500,000.

Regarding the amount of dues collected from union members, we determined that about \$4.8 million was collected in 1995, mainly through payroll deduction. The unions use these funds for their internal expenses, which include the cost of lodging and transportation for union-provided training; the union's share of grievance costs; miscellaneous furniture, supplies, and equipment for some union offices; the salaries of the AFGE local president and his staff, who represent SSA headquarters employees; and a share of national union expenses.

The recent advent of Partnership activities in SSA will likely increase the time spent on union activities. The executive order on Partnership directs agencies to involve unions as the representatives of employees to work as full partners with management to design and implement changes necessary to reform government. Partnership activities at SSA are just starting, and we found that these limited activities are not routinely designated by SSA in its union time-reporting system. It is possible that time spent on Partnership activities is currently being reported in other activity categories. Consequently, as Partnership activities increase, we would expect the time devoted to them to also increase. However, this will be evident only if agency time-reporting systems adequately designate this time. It should be noted that many public and private organizations without unions are involving employees in quality management initiatives similar to Partnership activities.

SSA Management and Union Views on Union Time

SSA managers and union officials and representatives have offered their views about the use of official time for union activities. SSA managers, both individually and through their managers' associations, have expressed concern to us and to the Congress about limitations in their ability to effectively manage their operations and control the use of time spent by their employees under the current union/management arrangement. By contract, the assignment of union representatives and the amount of time they spend on union activities are determined by the union without the consent of local management.

Of the 31 field managers we interviewed, 21 said that it is more difficult to manage day-to-day office functions because they have little or no control over when and how union activities are conducted. They said that they have trouble maintaining adequate staffing levels in the office to serve walk-in traffic, answer the telephones, and handle routine office workloads. Additionally, 18 expressed concern about the amount of time they spend responding to union requests for information regarding bargaining and grievances. We did not verify the accuracy of any of the field managers' statements. We tried to quantify the time spent by managers on union related activities, but SSA had no time reporting system to track it. However, managers would be spending some of their time interacting with employees about similar issues even if there were no unions.

Nine out of the 15 union officials and representatives we talked to felt that it was counterproductive in the Partnership era to track time spent on union activities. They believe that union representation is an important function that is authorized by a negotiated agreement with SSA that authorizes them to represent the interests of their coworkers. They consider the amount of time currently allocated for their activities as appropriate and believe that more attention should be paid to the value of their efforts than to the time it takes to conduct them.

COMPARISON OF TIME SPENT AND COST OF UNION ACTIVITY AT IRS, THE POSTAL SERVICE, AND SSA

The Postal Service and IRS provided data to us on time spent on union activities in their agencies. Postal Service records show that during fiscal year 1995, union representatives at the Postal Service reported spending 1.7 million hours of official time on grievance processing and handling in the early stages. This number does not include substantial amounts of official time spent on employee involvement programs similar to SSA's Partnership activities, which are paid for by the Postal Service. Neither does this number include official time spent on activities such as employee involvement training and ULP charges.

IRS records showed that their union representatives reported spending 442,000 hours on union activities in fiscal year 1994, the most recent year for which data are available. We did not attempt to verify these estimates. Table 2 shows the amount of time reportedly spent and the bargaining unit size of each organization. In fiscal year 1995, the Postal Service reported spending \$29 million in basic pay on grievance processing and handling for the 1.7 million hours. IRS did not develop cost data for union operations.

Table 2: Fiscal Year 1995 Comparative Union-Related Data

Organization	Bargaining unit size	Dues-paying members	Time spent (hours)	Cost (millions of dollars)
Postal Service	751,000	623,000	1,744,000 ⁵	29.2
IRS	97,000	43,000	442,000 ⁶	No data
SSA	52,000	24,000	404,000	11.0

Source: Unverified data provided by agencies.

WHO PAYS UNION COSTS IN PRIVATE INDUSTRY?

Union operations in private industry vary widely. In addition to bargaining over working conditions as SSA unions do, unions in private industry bargain over wages, hours, and benefits. In discussions with National Labor Relations Board officials, we were told that some private-sector firms do not pay their employees' salaries for the time they spend performing union activities, and other firms pay for some or all of the time. For example, during our review of 10 contracts, we found that 7 provided for company employees, acting as union representatives, to perform certain union functions in addition to their company duties, at the expense of the employer. In a 1992 publication that summarized basic patterns in private industry union contracts, the Bureau of National Affairs (BNA) reported that over 50 percent of the 400 labor contracts it analyzed guaranteed pay to employees engaged in union activity on company time. It also reported that 22 percent of the contracts specifically prohibit conducting union activities on company time.

Private-sector employers negotiate company time with pay for union representatives to handle grievances more frequently than they do for contract negotiations. Of the contracts reviewed by BNA, 53 percent guaranteed pay for union representatives to present, investigate, or handle grievances. This practice was reported occurring twice as often in manufacturing as in nonmanufacturing businesses. BNA reported that only 10 percent of the contracts guaranteed pay for employees to negotiate contracts.

Forty-one percent of the private-sector contracts guaranteeing employees pay when they conduct union activities on company time place restrictions on representatives. BNA reported that in 19 percent of the cases with such pay guarantees, management limited the amount of hours that it would pay for. Our review of 10 private-sector contracts submitted to the Bureau of Labor Statistics found one negotiated contract under which employees were

⁵This number does not include substantial additional time spent on union activities and paid for by either the unions or the Postal Service.

⁶This number is based on data from fiscal year 1994, the latest year for which data are available.

limited to 6 hours a day of company time for union representation and another under which they were limited to 8 hours per week of company time for processing grievances.

CONCLUSIONS

SSA, like other federal agencies and some private firms, pays for approved time spent by their employees on union activities. SSA has a special fiduciary responsibility to effectively manage and maintain the integrity of the Social Security trust funds from which most of these expenses are paid. In a time of shrinking budgets and personnel resources, it is especially important for SSA, as well as other agencies, to evaluate how resources are being spent and to have reliable monitoring systems that facilitate this evaluation.

To ensure accurate tracking of time spent on union activities and the staff conducting these activities, SSA has developed and is testing a new time-reporting system for its field offices and teleservice centers. We agree that these are valuable goals for a time-reporting system and believe that it should be implemented agencywide, including at headquarters, Program Service Centers, the Office of Hearings and Appeals, and other components currently using the less reliable manual reporting system. With an improved agencywide system, SSA management should have better information on where its resources are being spent.

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Mr. Chairman, this concludes my formal remarks. I would be happy to answer any questions from you or other members of the Subcommittee. Thank you.

Chairman BUNNING. Thank you, Ms. Ross.

Chairman BUNNING. Mr. Miller, do you have a statement?

Mr. MILLER. I will respond to questions.

Chairman BUNNING. I am putting the Subcommittee on notice that we will be limited to 5 minutes, including myself, so we can all have time to answer questions.

Let me start by asking, is there any cap on the amount of trust fund money that the unions can spend for time and expenses devoted to union activities?

Ms. ROSS. The basic answer is no. There is a cap on the amount of bank time that is part of the negotiation between the unions and SSA.

Chairman BUNNING. What time?

Ms. ROSS. Bank time. It is time that is used for union-initiated activities. So, a piece of the union time is controlled, but there is another piece that is not controlled, so overall, you would have to say there is no cap.

Chairman BUNNING. Is there a cap on how many SSA union representatives can be paid by the trust fund money while working full time on union activity?

Ms. ROSS. Our understanding is, there is no such cap.

Chairman BUNNING. In other words, it is negotiated between the union and the SSA as far as what can be and what cannot be done?

Ms. ROSS. The amount of time for union-initiated activities is limited, and that would be a controlling factor in how many full time union representatives there could be. But, there is no other limitation.

Chairman BUNNING. When does the current agreement between SSA and the union that represents employees expire?

Ms. ROSS. In November of this year.

Chairman BUNNING. How many SSA employees are authorized and paid to act as union representatives on government time?

Ms. ROSS. We put together a list with SSA's help, and we have documented that 1,800 people are currently authorized to charge time for union activities.

Chairman BUNNING. How many full time?

Ms. ROSS. 146.

Chairman BUNNING. And what is the average salary of the full time employee?

Ms. ROSS. \$42,000.

The average union employee?

Chairman BUNNING. Yes.

Ms. ROSS. \$42,000.

Chairman BUNNING. Can you give me the salary range from low to high? In other words, some people are paid obviously a lot less and some people are paid more.

Ms. ROSS. In our testimony, we gave a salary range for the full time union representatives.

I will be glad to tell you right now.

Of the 146, there were 16 in a salary range between \$20,000 and \$30,000, and most of the full time union representatives were between the \$40,000 and \$50,000 range. There was one person who was in a range of \$80,000 to \$90,000.

Chairman BUNNING. You are telling me that an SSA employee makes over \$80,000 a year and performs full time union representation, and that the average salary is \$42,000?

Ms. ROSS. This is the information that we secured from SSA and that we verified.

Chairman BUNNING. Does that include any fringe benefits, like pension or health care or any of the other benefits?

Ms. ROSS. Those are base salaries. They do not include benefits.

Chairman BUNNING. Who designates these people as union employees?

Ms. ROSS. The union designates people——

Chairman BUNNING. That is also part of the contract between SSA and the unions that represent employees. The SSA has no say, except when they negotiate the contract, who is and who is not a union representative?

Ms. ROSS. That is our understanding, that there is a list of people that the union is supposed to submit to SSA, but the union determines who the union representatives will be.

Chairman BUNNING. This will be my last question.

Looking at the GAO chart entitled Social Security Expenditures for Union Activity, I see that these expenditures have dramatically increased, beginning in 1993.

What was the date of the Executive order from President Clinton?

Ms. ROSS. The Executive order on Partnership was quite late in 1993.

Chairman BUNNING. October 1, 1993.

Ms. ROSS. It sounds like the right date.

Chairman BUNNING. I yield to Mr. Johnson.

Mr. JOHNSON. Thank you.

Is it true or false that SSA keeps track of union activity and work?

Ms. ROSS. SSA has a time recording system to account for union time.

Mr. JOHNSON. How is it that you had to go to the unions then to find out the time? At least you told us earlier that you got most of your information from the union itself.

Ms. ROSS. If we left you with that impression, it was an incorrect impression. We got most of our information from the Social Security Administration, and then we went into the field ourselves and verified a lot of information.

Mr. JOHNSON. So you are saying that SSA does properly manage and account for spending from the trust fund for union activities?

Ms. ROSS. Maybe I could explain the system to you.

Each union representative is supposed to fill out a form and submit it to a supervisor before he uses any time for union activities. The data from those forms is entered into an automated system. The forms are then submitted to SSA headquarters biweekly.

For about half of SSA, there is a manual system. The union representatives fill out the forms, but they are collected every 6 months and sent to headquarters.

While verifying, we found that there were a great deal more problems in the manual system than the automated system. The possibility of records being mislaid in a 6-month period for one.

Mr. JOHNSON. But, if they are on the payroll of SSA, is it not true that they have the ability or should have the ability to know, especially if they are a full time employee, how much time they are spending on union activity? Is there a report like that?

Ms. ROSS. That is what I am describing to you.

Mr. JOHNSON. There is one?

Ms. ROSS. Yes.

Mr. JOHNSON. So you know, Mr. Miller, exactly what the employees are doing all the time?

Mr. MILLER. SSA's system gives an idea, how much time is being reported by both full- and part-time people. We found differences when we compared what we found and what SSA reported.

Mr. JOHNSON. Do you have supervisory responsibility over those individuals?

Mr. MILLER. I am a GAO employee.

Mr. JOHNSON. Does the SSA have responsibility, managerial responsibility?

Mr. MILLER. Yes. To the extent that you have a supervisor of a part-time employee—a "part-time employee" meaning they spend part of their time on SSA work and part of their time on union work—they have supervisory responsibility, and they sign the forms of full time and part-time people.

Mr. JOHNSON. Let me quote something out of your report.

SSA managers, both individually and through their managers association, have expressed concern—and to the Congress—about limitations in their ability to effectively manage their operations and control the use of time spent by their employees under the current union management arrangement.

Did you find that to be true? Can they control their employees, especially the part-timers, and use them the way they should be used?

According to your report, they cannot. Is that true or false?

Ms. ROSS. Among the local field office managers we talked to, some had problems, for instance, a union representative would say that he or she had union-initiated activities to address, and the local manager did not feel as if he or she had any right to question or object, they would just let them go. That is the report we received from several people, and I believe it is the same report you have received from field office managers.

Mr. JOHNSON. OK. Did you go into what the union dues were used to support, seeing as how Federal trust fund money is used to support their employees?

Ms. ROSS. We had limited information on what their funds were being used for, union-initiated activities, grievance costs, furniture, and other miscellaneous costs.

Mr. JOHNSON. \$4.8 million, according to you, are the dues that they collect?

Ms. ROSS. Yes, sir.

Mr. JOHNSON. Is it all used within the SSA itself?

Ms. ROSS. My understanding is that part of the money is sent from the local union to the national union, but we did not have a detailed accounting of exactly where the moneys went.

Mr. JOHNSON. Thank you very much.

Chairman BUNNING. Mr. Collins.

Mr. COLLINS. Ms. Ross, following up on that line of questioning, could you tell by the forms the actual activities that the individual who requested time from official time for union time, what activities they were actually conducting?

Ms. ROSS. The forms are categorized, so the union representative checks the appropriate category. We tried to aggregate those, add them up as best we could. Sometimes union representatives would report 8 hours, and would not say how they used the time.

Mr. COLLINS. Can you give me some examples of those activities?

Ms. ROSS. Yes. Some of it is for union representation. They are categorized as union, bank time for union-initiated grievances, nonbank time for bargaining, and nonbank time for other activities.

I do not have the detailed list of six or eight categories at this time, but I can get it for you.

[The following was subsequently received:]

Time spent on union activities by union representatives is recorded in the following six categories.

1. Bargaining.
2. FLRA, Federal Labor Relations Authority and MSPB, Merit Systems Protection Board proceedings.
3. Equal Employment Opportunity Commission proceedings.
4. Management filed grievances.
5. Travel time for any of the above.
6. Union initiated grievances and other on-going labor relations activities.

Mr. COLLINS. But, the purpose of the Partnership by Executive order was actually so that the union would work in partnership with the SSA management in improving the system to better service those who are recipients of Social Security; is that not true? Is that the understanding of the Partnership?

Ms. ROSS. That is my understanding of the Partnership.

Mr. COLLINS. I understand the increase in costs and hours dedicated to union activities worked more for the benefit of the union instead of actually establishing better methods of operation; is that what I am hearing?

Ms. ROSS. I would say it differently from that.

What we found was that some of the kinds of more adversarial relationships, such as arbitration hearings and unfair labor practices, those categories of time actually decreased in the last couple of years. So, the kinds of things that are more adversarial seem to have gone down, and we show that in a couple of charts in our testimony.

The place that the union time grew was in the category that we are calling "bargaining," negotiating working conditions.

Mr. COLLINS. Just what can the union bargain for with the Social Security Administration, with reference to their job? What can they bargain for?

Mr. MILLER. It is not wages and benefits. It is working conditions and personnel practices.

Mr. COLLINS. Unsafe working conditions?

Mr. MILLER. It could be that, or it could be sizes of cubicles, it could be air-conditioning, ergonomic furniture, anything that affects the conditions under which you work.

Mr. COLLINS. In your view, during your report, did you actually stay inside the Beltway or did you actually go to field offices?

Mr. MILLER. We went to field offices in Texas, Arizona, and California, mainly in the San Francisco area. We made telephone calls to the Chicago and Philadelphia field offices to check to see if they used primarily the same type of time reporting as the field offices we verified in California.

Mr. COLLINS. In your visits to those offices, did you find conditions that were unsuitable to workers?

Mr. MILLER. That was not the subject of the work that we did.

Mr. COLLINS. When you walked in, you did not feel you were in a hazardous place, did you?

Mr. MILLER. Well, it depended on the office.

Mr. COLLINS. I am talking about the actual conditions.

That is all I have, Mr. Chairman.

Chairman BUNNING. Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

Ms. Ross, I very much appreciate your testimony. As a former internal auditor myself, I can appreciate the time and effort you put into this audit.

I was wondering, when you commenced your audit, I believe it was—

Ms. ROSS. It was in August.

Mr. ENGLISH. It was in August 1995. I wonder if you could expand for the Subcommittee on some of the difficulties you encountered when doing this job.

Ms. ROSS. I will begin and let Rod do the other part of it.

We were trying to get a look at both the time that was spent by the unions and some estimate of cost. So we wanted initially to get whatever we could from SSA on time and on costs, and then we wanted to go verify to make sure that what they were reporting to us was what we found.

I will let Rod tell you a little bit about the verification procedures.

Mr. ENGLISH. Your audit conformed to GAGUS?

Ms. ROSS. It did.

Mr. MILLER. Generally, we did a pretty bottoms-up approach. We used the source document filled out by each of the union representatives in the locations that we went to, traced the individual documents, which could have been filled out on a daily or weekly basis under the automated system, to the biweekly submissions that the office manager would have made into the automated national system.

In cases where there was no automated system, we checked the individual forms submitted by each representative. The had supervisory approval, and are submitted only twice a year. We had to aggregate all of these forms on an individual representative basis to be able to verify that those times were actually getting into the national system.

Mr. ENGLISH. Exactly how does SSA track the time used by SSA employees to do union work?

Mr. MILLER. Just that way. They have to fill out a form, sometimes prospectively, sometimes right after the activity has taken place; and the information from each form is put into the automated system, the forms are the signed by the supervisor. The forms are aggregated on a pay period basis every 2 weeks, and the

office manager inputs that 2-week aggregation of time spent by each union representative under his or her control into the national system.

In the nonautomated system, the completed forms are kept at the office and only aggregated to the national system every 6 months.

Mr. ENGLISH. From the sound of it, SSA does not appear to have what I would consider to be normal centralized or automated records. Were the records complete?

Mr. MILLER. As much as I could tell, particularly for the automated system, yes. They seemed to track the individuals for all pay periods. You could see where zero time had been spent in pay periods and it appeared to be pretty complete. We found a few glitches in the automated system.

But, in the manual system there was much more of an opportunity for records to be missed. In previous years, we even found whole components that were missed for a specified time period, and we think that is because of less rigid controls over submissions.

Mr. ENGLISH. Did you do a complete audit or did you do a sampling?

Mr. MILLER. Very small samples. We did the verification only in the San Francisco region for all types of Social Security facilities and in headquarters for about half a dozen to a dozen components there.

Mr. ENGLISH. Were you able to get complete information as per your request from AFGE?

Mr. MILLER. We asked AFGE for help primarily on trying to track the number of representatives, both full and part time, and did not receive a response.

Mr. ENGLISH. Thank you, Mr. Chairman.

Chairman BUNNING. Mr. Christensen.

Mr. CHRISTENSEN. Thank you, Mr. Chairman. Historically, the Social Security Administration has always maintained that it has a fiduciary responsibility to the Social Security Trust Fund, that they must protect it. I believe that the GAO has also stressed this in their 1991 report on the overpayment recovery.

In your view, what is the Social Security Administration's responsibility to properly manage and account for spending from its trust funds?

Ms. ROSS. I think that this fiduciary responsibility means that you monitor spending in all of the places where it occurs so that you would have a handle on all the cost centers or the cost activities.

Mr. CHRISTENSEN. In your view, does the Partnership Agreement that President Clinton signed in October 1993 violate the spirit of that fiduciary responsibility?

Ms. ROSS. I do not think that the Executive order itself violates anything. What is important at SSA is how they are going to monitor this kind of an activity. At the moment, they have not made a decision about how they are going to deal with the partnership.

I have an opinion that if you are going to have an important activity like this, you would want to capture that time. Maybe you capture it based on who is an SSA employee and who is a union

employee, but it seems appropriate and responsible to capture time for a major activity.

Mr. CHRISTENSEN. After reviewing your findings and your report, have you found that the SSA has simply decided not to keep track of the union spending because it violated the spirit of the Partnership Agreement?

Ms. ROSS. I do not know how they are reporting time for partnership activities. We found—as we said, a substantial increase in union costs over the past couple of years. We said, what category does it show up of the categories that are on this form, and it showed up in the bargaining category.

Now, whether bargaining was used just in its traditional sense or that is where people were putting in time for partnership, I do not know, but it would seem appropriate for SSA to consider keeping track of partnership activities because it is a cost center.

Mr. CHRISTENSEN. Thank you, Mr. Chairman.

Chairman BUNNING. Mr. Laughlin.

Mr. LAUGHLIN. When you talk about the fiduciary responsibility, you are talking about the responsibility of the SSA to the Social Security beneficiaries, aren't you?

Ms. ROSS. To the beneficiaries and to the taxpayers.

Mr. LAUGHLIN. But, there is not a fiduciary responsibility to the employees of the SSA, is there?

Ms. ROSS. That is not what I meant when I talked about trust fund responsibility.

Mr. LAUGHLIN. It is to the taxpayers and Social Security beneficiaries, limited to that group, and you are not trying to include employees?

Ms. ROSS. No, I am not.

Mr. LAUGHLIN. When we have heard about the accounting and recordkeeping, I have read several times in your report that it was not possible to estimate the actual time spent agency wide for any reporting period. Do you mean by that that you are unable to look at the SSA records and determine how much time was spent actually performing services to the taxpayers and the Social Security beneficiaries, or were you saying you could not keep up with the union activity time, or both?

Ms. ROSS. I think we were talking at that point about the union activity and the extent to which we were able to track and monitor it. There is an entirely separate system for finding out what the Social Security workers are doing at any point during the day. It is a work monitoring system, and it is different from the union system.

Mr. LAUGHLIN. So, in the union system it is difficult to determine what they are doing because it is sort of a blanket report, union time, 8 hours.

Ms. ROSS. There are categories provided on the form that a union representative can check off indicating the usage of his or her union time.

Mr. LAUGHLIN. Is it possible for an employee at SSA to confuse whether he or she is performing union activity or constituent Social Security beneficiary services? Do they overlap or are there gray areas between the two?

Ms. ROSS. I think you would be better off asking SSA employees, with one exception. I think this new partnership era, where employees and managers are talking together trying to resolve issues, I think there is some confusion there among union members and local managers as to whether that is considered union time.

Mr. LAUGHLIN. In trying to resolve beneficiary problems?

Ms. ROSS. That is clearly an agency activity.

Mr. LAUGHLIN. Who verifies that an employee is actually away from the SSA job of providing services to taxpayers and Social Security beneficiaries and is actually off on union time? Who verifies that? Who is the watchdog?

Ms. ROSS. There is no verification of that action. The employee tells his supervisor and writes it down. He or she indicates the number of hours being used for union activity. It is no ones job to monitor and make sure that all hours were spent were spent as designated.

Mr. LAUGHLIN. So, there is no accountability on what actual union activity is taking place at taxpayer expense and trust fund money expense?

Ms. ROSS. I think that is an accurate statement. What we were trying to do was tell you about the system starting with what people reported, assuming most people would try to report to the best of their ability.

Mr. LAUGHLIN. Well, in that case, the specific language of the President's Executive order, 12-871, was not complied with in section 2 where it requires the members of the council to propose to the President of the United States by January 1994 statutory changes necessary to achieve the objectives of this order, and it goes on.

You know the paragraph I am talking about; it looks like it is on the second page of this agreement. You do not want me to read all that, do you?

Ms. ROSS. Well, I can tell you honestly, I do not know it.

Mr. LAUGHLIN. Subparagraph 2 on the second page.

Chairman BUNNING. Would you submit it for the record?

[The information follows:]

PRESIDENT'S EXECUTIVE ORDER, 12-871, SECTION 2, SECOND PAGE.

No. 706.

In January 1994 the National Partnership Council issued "A Report to the President on Implementing recommendations of the National Performance Review." The report outlined the following types of statutory changes necessary to achieve the objectives of the Executive order:

1. Create a flexible and responsive system.
2. Reform the general schedule classification and basic pay system.
3. Authorize agencies to develop programs for improvement of individual and organizational performance.
4. Authorize agencies to develop incentive award and bonus systems to improve individual and organizational performance.
5. Strengthen systems to support management in dealing with poor performers.
6. Clearly define the objective of training as the improvement of individual and organizational performance.
7. Eliminate excessive red tape and automate functions and information.
8. Form labor-management partnerships for success.

Mr. LAUGHLIN. Did you find that agreement, did you find the proposed statutory changes so that the objectives of this Executive order were met? Did anyone show that to you?

Ms. ROSS. Not to my knowledge. Let me—I should supply an answer for the record on that one.

Mr. LAUGHLIN. My time is up. Maybe another witness can clarify that.

Thank you, Mr. Chairman.

Chairman BUNNING. I would like to welcome the Chairman of the Health Subcommittee, Mr. Thomas.

You may question.

Mr. THOMAS. I am a former member of the Social Security Subcommittee—back in 1983 when we restructured it. It is a pleasure to be with you. I want to continue the line of questioning in a slightly different way.

We have contracts between employer-employee, and obviously they are limited in what they can negotiate under the contract.

Ms. ROSS. Yes.

Mr. THOMAS. The control of time, bank time versus nonbank time, is that part of the negotiations? Is that part of the contract?

Ms. ROSS. Our understanding is that the contract governs the amount of bank time or time that will be used for union-initiated activities.

That is my word; “union-initiated.”

Mr. THOMAS. I understand.

Does this have a statutory basis in the 1978 law? Do you know when the Civil Service Reform Act was passed?

Ms. ROSS. It permits the use of official time for union activities. The particular way they have done it at SSA has resulted from their own unique history.

Mr. THOMAS. Fine. Is the amount of time part of the negotiating process, how much time would be spent on the bank time?

Ms. ROSS. Yes, it is, a maximum amount.

Mr. THOMAS. A maximum amount. In President Clinton's Partnership program, the nonbank time, which is that employee who works on union activities some of the time, is controlled by management and so you would have a partnership negotiated between management and the employee on the nonbank time. You testified that on the bank time, management does not control when that is drawn on, spent or carried out; is that correct?

Ms. ROSS. Yes.

Mr. THOMAS. So, the partnership as advocated by President Clinton is only on company time. When those individuals do their union work, there is no partnership. Those folks control the situation completely, is that correct, in terms of their time?

Ms. ROSS. On the bank time, the union has a much larger role in initiating the activities.

Mr. THOMAS. You indicated that people who keep track of their bank time would put as little information down as “x hours,” or could fill out an option category, a checkoff form as to what they did during those hours.

Ms. ROSS. They are supposed to fill that out.

Mr. THOMAS. Is that negotiated or is that a voluntary one on the part of the union, the checkoff list of activities?

Mr. MILLER. I do not think that it is required. The terms “bank” and “nonbank” only apply to field office facilities. They do not apply

to other types of organizations in SSA. So it becomes muddy because the term "bank" is not used outside the field offices.

Mr. THOMAS. Fine. I was trying to use those terms to separate the two. I would prefer to use "union activity" and "official time."

Mr. MILLER. It is all referred to as "union activity" and it is all referred to as "official time" whether it is bank or nonbank.

Mr. THOMAS. Fine. Then I will use union time and official time, which is a preferred term.

Mr. MILLER. The form has categories which can be filled out—

Mr. THOMAS. My point is, were the categories negotiated as part of the union agreement, or are they simply voluntary and they can fill them out if they want to or not?

Mr. MILLER. No. They are required to fill out the forms.

Mr. THOMAS. Then how do they get authorized for time when there are simply hours put down and not what they spent their time on?

Mr. MILLER. The hours go against the bank cap of 300,000 hours.

Mr. THOMAS. But, are they required to explain what they do when they put in the hours?

Mr. MILLER. In broad categories, yes.

Mr. THOMAS. And if they do not, how do they get the hours?

Mr. MILLER. They are granted the hours by filling out the form saying that they need—

Mr. THOMAS. No. Let me try it again. I understood you to say that some people simply put down the hours and not what they did during the hours.

Mr. MILLER. They always categorize it between "bank" and "nonbank."

Mr. THOMAS. Perhaps Mr. Gage can enlighten us. In Mr. Gage's written statement he says, union representatives can use official time only for those activities which are reasonable, necessary, and in the public interest.

How can the management of SSA determine if that official time is for activities that are reasonable, necessary, and in the public interest if the only form filled out is for designating hours used?

Mr. MILLER. To the extent to what we verified, they do not control that. We could not see how a supervisor could make that determination.

Mr. THOMAS. Yet he says that they can only use official time for that, so there is no ability to determine if the time spent for which the taxpayers paid is carrying out those responsibilities for which they can only get official time; is that correct?

Mr. MILLER. I could see no verification.

Mr. THOMAS. Thank you.

Chairman BUNNING. Mr. Postman will inquire.

Mr. PORTMAN. Thank you, Mr. Chairman. I have a number of questions. First is a general question that may have come up prior to my getting here.

What do you attribute the huge increase starting in 1992 to? Is it entirely the Executive order? Starting with 1993, based on your chart on page 9 of the testimony with regard to hours spent, and then with regard to the amount of funds coming out of the trust fund on page 12, which is the second chart we see before us, does that have to do with the Executive order solely or does it also have

to do with other circumstances which changed at SSA, including downsizing?

Ms. ROSS. What we found was this category called "bargaining," which was the category that increased—we did not attribute that to the partnership or not. We do not know in particular what people may have put, whether people would have put partnership activities in there.

I can tell you that——

Mr. PORTMAN. Let me interrupt you. So even though you have done, what I consider to be, a very good report, you are not sure that the 1993 increase—which is significant in terms of dollars, we go from 1993 to 1995, from \$6 million to over \$12 million—you are saying that we are not sure, other than the fact that it is bargaining, what it is attributable to?

Ms. ROSS. We did our audit based on what these categories included and what employees said they were using as their union activities, and bargaining was the category that grew the most. Getting underneath the bargaining category since 1993, there were a significant number of changes in work processes and major initiatives at SSA, all of which could have caused a considerable amount of bargaining.

Beyond that, our audit would not permit us to guess.

Mr. PORTMAN. But in your interviews, you were not able to ascertain that. You think it probably is the Executive order, but there may be other——

Mr. MILLER. Our interviews at the time of verification did not focus on that. SSA has reported as Ms. Ross has stated that there were changes in the agency during that time which could have generated an increase in the time spent, operational changes.

Chairman BUNNING. Would you yield?

Mr. PORTMAN. Yes.

Chairman BUNNING. You are telling me that from 1993 to 1995 when the expenditures for union payment goes from \$6 million to over \$12 million—and the fact of the matter is that in 1993 there was a Partnership Executive order—you see no relationship at all to the doubling of expenditures for union activity? Is that what you are telling us?

Ms. ROSS. No, it is not. What I am telling you is that when we tried to put these numbers together, what we used were the time reports that all the union representatives filled out.

Chairman BUNNING. I understand all the background and all what is written on the papers, but I am trying to get to the basis for doubling the expenditures out of trust fund money for union activity, and you are telling me that the so-called Partnership had nothing to do with it?

Ms. ROSS. I am not telling you it had nothing to do with it. I am telling you I do not know the degree to which it is responsible.

Chairman BUNNING. I yield back.

Mr. PORTMAN. Thank you, Mr. Chairman, for yielding back.

To me, it would be very important to get a better breakdown as to what the increase was caused by. It is interesting, when you look at the numbers, they are so flat between 1990 and 1993. So, this is not only a dramatic increase, but it is, at least in that short

term, historically significant, unprecedented, because there was this period of flat activity.

The second question has to do with—I am going to run out of time here, Mr. Chairman. Maybe you will give me a minute.

In your report you talk about SSA managers and indicate that the managers have said to you that they are having difficulty managing SSA, and particularly having control over people's time and how it is spent. Whether it is the public sector or private sector, this is important to us as a panel and to the Congress. Then the management issue isn't really fleshed out, and I wonder if you could give us a little more detail on that. You indicate that because of current practices the managers are expressing concern. Is that because of the 1993 change or is it because of other issues? Can you give us any more information on that?

Ms. ROSS. Do you want to talk about the managers you actually talked to?

Mr. MILLER. Actually, the one thing that I would say to you is that from what we could tell, and I know I am caveating this, but the only folks who were reporting partnerships separately on forms, that we looked at, were the folks in the program service centers in the San Francisco area. They were not in district and branch offices. Consequently, we could not verify how much partnership time was taking place in the district and branch offices, the field managers who we are talking about.

Mr. PORTMAN. OK.

Mr. MILLER. To the extent that they were talking about current practices, I can only assume that they were more concerned about the potential for the effective partnership than what had actually taken place, because most partnership activity in SSA, up until the time we were there, was taking place in the regional offices and in the program service centers. So, I think that concern was aimed at the potential for partnership to affect their activities.

They were specifically talking about, I think, in the current sense, the current way that the forms are filled out and their lack of control over the time of individuals, as having an effect on what they viewed as normal office operations.

Mr. PORTMAN. OK.

Mr. MILLER. Not relating that directly to partnership.

Mr. PORTMAN. OK. I will not ask any more questions. Just one quick comment. I think we need to focus on what these managers are saying. You indicate that 21 of the 31 field managers you interviewed expressed serious concerns about the ability to manage, and they went into some detail. And I think to the extent that it is related also to the specific initiative in 1993, we need to know that and follow that line.

Thank you, Mr. Chairman.

Chairman BUNNING. OK. I just wanted to make a comment that prior to the signing of the Partnership Executive order, that funding for union activity was flat, 1990, 1991 and 1992. After that date in October 1993, funding for union activity went from \$6 million to \$12.6 million. And I find a very strong relationship to the signing of that Executive order.

Otherwise, I will ask this question: How many new members in the union were there in SSA from 1993 on, that would allow the

creation of all these extra hours and dollars being spent on union activity? Tell me how many new employees SSA hired in October 1993 through the current time.

Ms. ROSS. I do not know the precise number, but SSA's numbers over the last several years have decreased.

Chairman BUNNING. The money spent by the Social Security Administration for union activities comes out of the trust fund; is that correct?

Ms. ROSS. Yes, sir. A part—a portion of it does.

Chairman BUNNING. Over or around 50 percent of the money is spent directly out of the Retirement Trust Fund.

Ms. ROSS. Yes, sir.

Chairman BUNNING. Another amount, \$2 million, comes out of the Medicare Trust Fund; is that correct?

Ms. ROSS. Yes, it is.

Chairman BUNNING. In other words, as we see our Medicare Trust Fund shrink to the point where it will go belly up in the year 2001, we are spending \$2 million annually on union activity at SSA. And how much money are we spending annually out of the Social Security Retirement Trust Fund?

Mr. MILLER. I believe it is about 48 percent.

Ms. ROSS. Yes.

Mr. MILLER. If you could—

Chairman BUNNING. Right at 48 percent of the total?

Mr. MILLER. If you can draw a relationship between—

Chairman BUNNING. Right around \$6 million.

Mr. MILLER. If you can draw a relationship between the expenditures from administrative expenses attributable to title II programs, which is retirement and disability, that is about 48 percent; SSI is about 37 percent and about 15 percent would be associated with Medicare.

Chairman BUNNING. The only money coming out of general funds would be attributed to SSI then?

Mr. MILLER. That is correct.

Chairman BUNNING. I find it interesting, and I believe the senior citizens of this country would be very interested to find out that their Retirement and their Medicare Trust Funds' money are being expended on union activity, which is not controllable by the Social Security Administration as far as time and what those union members are doing in the field offices particularly. At least that is what I have had field managers tell me.

In other words, if someone comes and writes down that they want to do some bargaining, or whatever it might be, the field office manager, cannot stop them from doing that; is that correct?

Ms. ROSS. They are supposed to be able to say that this is not the best time or can we work it out a little bit differently. But our—what we have heard is that local managers feel that it is very difficult to have that exchange, and most times union representatives do things when they feel they need to.

Chairman BUNNING. OK. Let me ask you about the \$4.8 million in dues collected by the Social Security Administration from the union employees.

Is any of that money expended on union activities at the Social Security Administration?

Ms. ROSS. I am sorry. Of this \$4.8 million—
Chairman BUNNING. Are any of the people full time employees paid out of the union dues?

Ms. ROSS. One AFGE—

Chairman BUNNING. One employee.

Ms. ROSS. One AFGE President, Mr. Gage, is paid that way, and some of his staff are paid—they are full time employees paid from union dues.

Chairman BUNNING. How many of the SSA employees who do full time union work are paid out of union dues?

Ms. ROSS. We were talking about the 146 who were full time SSA employees.

Chairman BUNNING. That is what I am talking about.

Ms. ROSS. None of those are paid by the union.

Chairman BUNNING. None, zero?

Ms. ROSS. Right.

Chairman BUNNING. Is there any breakdown or do you know of any breakdown of the union money that is paid by the union members that does not go to the national union? Or do you have any breakdown of the union money in your audit?

Mr. MILLER. No, we do not.

Ms. ROSS. We have no information like that.

Chairman BUNNING. All right.

Mr. MILLER. We know the types of categories and that is all.

Chairman BUNNING. Mr. Johnson.

Mr. JOHNSON. Thank you.

Let me just ask a quick question. Are there any reimbursements from the union for their work to the Social Security Fund out of union dues?

Ms. ROSS. When you say, "their work," you mean for things like collecting the dues or something?

Mr. JOHNSON. Yes.

Ms. ROSS. No, sir.

Mr. JOHNSON. So, the Social Security Administration collects the dues and that administrative cost is borne totally by them?

Ms. ROSS. Yes. It is a part of their payroll deduction.

Mr. JOHNSON. Even though a portion of the employees belong to the union?

Ms. ROSS. Yes, sir.

Mr. JOHNSON. You indicated that about a half million dollars was spent on office space and furniture. Is that true? So, we are furnishing the union all of this space and equipment.

Mr. MILLER. Not 100 percent. The space, yes. Some of the furniture was contributed. It was excess furniture no longer being used by the agency. The union was providing some—I cannot give you a percentage, but some of its own fax machines. They were not providing telephone service; SSA was. They were providing some computers.

Mr. JOHNSON. OK. I do not have any more questions.

Thank you.

Chairman BUNNING. Mr. Collins.

Mr. COLLINS. Ms. Ross, on the page for 1993 in your report, it shows bank union-initiated grievances, and in 1993, it looks like a little over 200—maybe 220,000 hours, roughly. And then in 1995,

you have approximately the same number of hours. Am I reading that right?

Ms. ROSS. I did not follow you. Can you tell me where you are?

Mr. COLLINS. The year 1993, the bank—union-initiated grievances, that is the number of hours that was spent on grievances—

Ms. ROSS. OK.

Mr. COLLINS [continuing]. —Are practically the same in 1993 as they were in 1995.

Ms. ROSS. Yes.

Mr. COLLINS. But, you indicated that the number of grievances had declined considerably from 1993 to 1995.

Ms. ROSS. The numbers we were giving are shown on charts—figures 4 and 5. It was the unfair labor practices cases and the arbitrations which we pointed out that went down.

Mr. COLLINS. Well, why would not the hours go down if the number of grievances went down?

Ms. ROSS. Grievances was a different category than this unfair labor practices and arbitration.

Mr. COLLINS. OK. But they—also in this same period of time, bargaining went up considerably, the number of hours used for bargaining?

Ms. ROSS. Yes, sir.

Mr. COLLINS. Do you have any record of actually what they were bargaining?

Ms. ROSS. Do we have a record of what they were bargaining?

Mr. COLLINS. Yes.

Ms. ROSS. No, we do not. We did talk to people at SSA about the significant number of initiatives that were underway in that period of time, major operational changes in the agency.

Mr. COLLINS. Did you discover who they were bargaining with, what individual or what supervisors or what level of supervision?

Ms. ROSS. No, we did not. We cannot tell you whether we are talking about negotiations at a very local level or at the national level. Again, it just comes out of this recordkeeping system, and that is what we were basing this on.

Mr. COLLINS. And to go back to the point that the Chairman was making, those dollars that go to pay for these hours are coming out of not only the Social Security Trust Fund but the Medicare Trust Fund, part A, and also out of general funds. And, of course, general funds are used, too, for Medicare, part B, as well as many other expenditures of the Federal Government.

But, you could not verify the actual hours spent, what they were bargaining for, how many hours were actually spent for grievances, what those grievances were or actually what the other activities were, based on the records that you actually saw, or who they were bargaining with?

Ms. ROSS. Right. In part because of what we were attempting to do, which was to verify the amount of time spent. And because that was the question, we went about it by looking at the time records. If we had been trying to figure out with whom they were bargaining or exactly what had happened, we would have probably done the study in a different way and then I could have been more responsive to your question.

Mr. COLLINS. Well, I appreciate that. I think we will probably hear that from the representative of the union, and I am sure he will try to convince us of areas that—of activities that have been moneys that have been well spent. I would think that would be coming. I wish they had been more cooperative with you and had given you that type of information where we could have shared that, too.

Thank you, Mr. Chairman.

Chairman BUNNING. Mr. English.

Mr. ENGLISH. No further questions, Mr. Chairman.

Chairman BUNNING. Mr. Laughlin.

Mr. LAUGHLIN. Thank you, Mr. Chairman.

Ms. Ross, when you were doing your audit research and investigation, were you able to determine when the actual union activity hours substantially increased in 1993, and what the level of delivery of constituent Social Security services were?

Ms. ROSS. We did not look at that question in particular.

Mr. LAUGHLIN. You did not look to see if there was an increase in Social Security beneficiary services?

Ms. ROSS. No, we did not.

Mr. LAUGHLIN. Did anyone volunteer that to you?

Ms. ROSS. Not to my knowledge.

Mr. LAUGHLIN. Well, the reason I asked, in the President's Executive order of October 1, 1993, in the very first paragraph two different times it talks about reforming government to increase the delivering of the highest quality of services to the American people. I think we are entitled to know if this increase in expenditure of trust fund money, wherever it goes, gives the highest quality of services to the American people.

Would you agree with that?

Ms. ROSS. I think it is very important to know how—about the quality of service provided by SSA.

Mr. LAUGHLIN. Would you want that information in order to conclude where the trust money went, whether it was justified to be spent the way it was spent, as an auditor?

Ms. ROSS. If I was doing that piece of work, yes, I might want to do that. But, that was not what we were doing.

Mr. LAUGHLIN. OK. But, if you were trying to determine if the fiduciary responsibility in using taxpayers' money and trust fund money was justified with a substantial increase of activity in any category, if the ultimate goal is to provide services to senior citizens and beneficiaries, wouldn't you want to find some substantial justification?

Ms. ROSS. Yes, sir, I think you would. I think you would want to say that this activity was worth it in terms of how the Agency could be measured on any sort of outcome measures, but especially service to the public.

Mr. LAUGHLIN. And even though that was not part of your directive in your audit, did you see any indication of increase in services to the Social Security beneficiaries?

Ms. ROSS. I do not have a response to that.

Mr. LAUGHLIN. Did anyone show you an increase or decrease in Social Security beneficiary complaints lodged with SSA?

Ms. ROSS. We did not see anything like that; nor did we ask.

Mr. LAUGHLIN. You did not ask for it. OK.

Now, you indicated earlier in your testimony that you were unable to obtain the union time from the U.S. Postal Service when you were trying to make your comparative analysis between—.

Ms. ROSS. Yes.

Mr. LAUGHLIN. —You named another Federal Agency, which I have forgotten.

Ms. ROSS. The IRS.

Mr. LAUGHLIN. Yes. You got the IRS but you could not get the U.S. Postal Service.

Could you tell us why?

Ms. ROSS. Not entirely, but I will do my best. They kept very good records for part of the time spent. It was on certain kinds of grievances. But, they had a different way of operating than some other agencies, and I do not think we had enough time to fully comprehend exactly what we would ask for.

Their method of payment was different from SSA, and we just were not able to work through it enough to pull all the information together.

Mr. LAUGHLIN. And in fairness—it would be important to know this—are the same unions involved at the Postal Service as are involved at SSA?

Ms. ROSS. Not to my knowledge.

Mr. LAUGHLIN. I do not know, either.

Ms. ROSS. I mean, I do not know if AFGE is there at all. They are not the major union at the IRS. But I am sorry, you would have to ask them. I do not think there is any overlap.

Mr. LAUGHLIN. OK.

I see the yellow light on.

Thank you very much for your time.

Chairman BUNNING. Mr. Portman.

Mr. PORTMAN. Mr. Chairman, I will be brief because I know we have other witnesses we want to hear from. But, I want to make a quick statement.

I thank them, both of our witnesses, for their testimony.

I read the GAO report. And the conclusion, I think, is right on target. We do need an accurate tracking of time. We need to more carefully evaluate how resources are being spent.

We need some additional information and that would include, within this more accurate tracking of time, a breakdown of the time in order to properly analyze it. And second, with regard to carefully evaluating how resources are being spent, I think we need to understand its impact on management, not so much the money, but service.

I know we will hear later from Mr. Gage on that topic, and I look forward to it, but I think there are some questions that are brought up by the report which we now need to find more information on in order to be able to properly analyze it. Again, I appreciate your good work.

Chairman BUNNING. Just to finish up, you said that the contract between the SSA and their union runs out this November?

Ms. ROSS. Yes, sir.

Chairman BUNNING. Will this be a new contract, the first one that the independent Social Security Administration negotiates with their union?

Ms. ROSS. Yes, it will be, because they have been independent only a little over one year.

Chairman BUNNING. The current Acting Commissioner and the political appointees presently on board at SSA will be the people negotiating the new contract with the employee unions?

Ms. ROSS. I would expect so.

Chairman BUNNING. I want to thank you both for being here.

Thank you for your hard work. It was not an easy task and we deeply appreciate your testimony.

Thank you.

I would like to ask Mr. John Gage to take a seat at the table.

Mr. Gage is president of local 1923 of the American Federation of Government Employees. His local represents the 10,000 Social Security bargaining unit employees who work at the Social Security Administration headquarters in Baltimore.

Welcome, Mr. Gage. And would you please begin your testimony.

STATEMENT OF JOHN GAGE, PRESIDENT, LOCAL 1923, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, BALTIMORE, MARYLAND

Mr. GAGE. Thank you, Mr. Bunning.

My local represents employees in the Social Security Administration, Health Care Financing Administration, Department of Veteran Affairs and Office of General Counsel. And thank you for the opportunity to testify and set the record straight on some things.

The use of official time within the government and specifically within SSA has a long history. When Congress enacted the Civil Service Reform Act, a deliberate decision was made to directly support certain union functions by allowing the use of official time rather than require nonmembers to pay their fair share of the representation and services the union is obligated by law to provide.

Since the Civil Service Reform Act, the parameters of official time at SSA have been further defined by litigation and more positively by collective bargaining. A final chapter in SSA's policies concerning official time occurred in the late eighties with the combination of arbitration decisions favoring the union and a collective bargaining agreement which moderated and further defined official time. This agreement proposed by Commissioner Hardy and finalized by Commissioner King set realistic parameters and accountability procedures which have served us well.

After the conclusion of the litigation of bargaining there was an increase in the number of union representatives utilizing most of their time for union activities. However, this was due mostly to concentrating time in fewer representatives without an overall increase in the amount of official time usage.

Union representatives can use official time only for those activities which are reasonable, necessary and in the public interest. These standards were imposed by law and all of our activities are within these standards.

Union representatives are prohibited from using official time on any internal union matters. This means they cannot use official time to organize workers, solicit new members, campaign for office or conduct union elections. Union representatives are also forbidden to use official time for any partisan political activities.

Our contract provisions detail a procedure by which union representatives request official time and identify the nature of the union activity and receive approval from the manager. A form is used to codify these requests.

The use of agency equipment, such as photocopiers, is also subject to the standards set by law and contract. Newsletters, fliers, and bulletin board material must not malign individuals nor contain partisan political material. Distribution of such newsletters or fliers must be made on nonduty time of the union representative and the union employees receiving it. Any abuses are acted upon swiftly by the Agency and the union hierarchy.

We are extremely mindful of our responsibility and obligation in this area and proud of our ethical record of policing and living up to the statutory and contractual boundaries governing the proper use of official time. But, I think now we can get to what the confusion is about regarding some of this official time.

Even before the emergence of labor-management partnership in the Federal sector and President Clinton's Executive order, it was apparent that at SSA we needed a new way of doing business. An understanding developed that genuine changes in the effectiveness of the Agency's mission were possible only when labor and management worked together to improve quality as well as the working conditions of our employees to deliver the best possible service to the American people.

We identified our common interests, talked through and better understood our differences, and fundamentally changed the nature of union representation within SSA. Much of the union representative's time is now devoted to activities which can best be described as collateral duties, or those shared by labor and management, rather than traditional grievance handling.

The parties have been able to interface earlier in the decision-making process which permits union/employee input on the front end. Many times we have been able to complete bargaining obligations informally because of predecisional involvement, which alleviates costly and frequent adversarial processes on the back end. Litigation in all areas is significantly down and the prospects are bright for further reductions.

The many changes now taking place within the Agency affecting employees and requiring union involvement normally translate into a significant increase in official time and litigation expense. However, better communication and joint union management problem-solving processes have precluded increases of official time while lowering litigation time and expenses.

While there is still pockets of managers and union representatives who are slow to adapt to this new way of working, the momentum of change is quickly permeating through the organization. I must say that I was disappointed to see the GAO basically conduct all of their interviews in the San Francisco region, which is exactly one of those pockets.

Our union and I believe the Agency does not see union activities and greater union involvement coming at the expense of the American people but rather to their benefit. By any reasonable measure, SSA's investment in better labor management relations is paying big dividends through better service to the American taxpayer.

During the time that the union and SSA management, approached most issues in an adversarial manner our relationship was still quite sophisticated. That same intensity in sophistication is now much more positively channeled and our new way was not really born with President Clinton's Executive order. Both parties saw other high performance organizations like Saturn, Corning Glass, Harley Davidson, demonstrate that necessary improvements were doomed to fail without the support and active involvement of employees in their unions.

Even before the Executive order we were shifting away from confrontation and toward cooperation based on mutual goals. In short, our relationship today is not so much the result of a radical notion dreamed up by President Clinton but more a pragmatic evolution based on our knowledge of the high performance organization and enhanced by our deep commitment to public service.

The most striking observation that should be made from studying the issue of official time in union activities is not how much time and resources are spent on union activities but how much of the work of the union done by our union is dedicated toward gains in productivity, improvements in customer service, redesigning antiquated work systems and cutting the cost of doing business.

Rather than a case of misplaced priorities, devoting reasonable resources to union activities is a necessary investment to improve quality and deliver the best possible service. It may be surprising to some to find elected union leaders talking about greater union involvement in workplace decisionmaking as a vehicle for productivity and better customer service. But, this is not about Democrats and Republicans, conservatives or liberals. It is about a common-sense, bottom-line approach to the American public's rightful demand for a more responsive and more effective government.

Our union shares this Subcommittee's concern about resources to administer our important programs. Indeed, as you know, Mr. Chairman, from our previous appearances before this Subcommittee, we have a long history in expressing those concerns.

However, suppressing union activities is not a solution. Not only would a return to the old adversarial way cost more in resources, but we will lose the speed and efficiency we have developed in dealing with the increasing demands in SSA. Just a few recent practical examples demonstrate the cost efficiency and creativeness enabled by the progressive relationship between the union and management.

I can elaborate on each of these as well as probably a dozen more, but we created a direct service unit which moved employees from staff and management positions into a versatile operations group, being able to respond to various backlog pressures. And our world class 800 number, we have been working on that for a number of years. And, I think that the beneficiaries out there know or

should know that union activities have gone a long way to make that the best in the world.

And, we also renovated a creaky performance management system that took up huge amounts of time and money with little value added.

Clearly union activities at SSA are not separate mysterious uses of resources but an integral part of the Agency's business geared toward better fulfilling its mission and wholly within the public interest.

I would be happy to respond to some questions.

Chairman BUNNING. Mr. Gage, before I begin questioning you, I want to let you know that we will be sending you some written questions for the record in addition to the ones that we ask you today.

Mr. GAGE. We welcome them, sir.

Chairman BUNNING. Thank you.

I understand that SSA bargaining unit employees are organized into six councils.

Mr. GAGE. Correct.

Chairman BUNNING. And that you are the president of the Headquarters Council, which covers about 10,000 employees; is that correct?

Mr. GAGE. Yes, but I also represent, in my local, the Philadelphia region of field offices.

Chairman BUNNING. So, how many more people would that be?

Mr. GAGE. Another almost 2,000 bargaining units.

Chairman BUNNING. So, it would be 12,000 altogether?

Mr. GAGE. Right.

Chairman BUNNING. Are you an official SSA employee or a union employee?

Mr. GAGE. I am on leave without pay from Social Security. I am paid by the union.

Chairman BUNNING. What does that mean, that you are an official SSA employee?

Mr. GAGE. I am officially on the books as an SSA employee, but I am not paid.

Chairman BUNNING. Your salary is paid by?

Mr. GAGE. By the local.

Chairman BUNNING. By your local union. Why is that?

Mr. GAGE. Well, because we have a number of bargaining units in our local, and my activities are not just spent on SSA activities. So, we would not—some of my activities also are internal union business. It would not be proper under our contract for me to receive official time and a government salary.

Chairman BUNNING. Do you receive federally subsidized health care?

Mr. GAGE. No.

Chairman BUNNING. You do not?

Mr. GAGE. I have the Federal health plan, but I pay for it without government contribution.

Chairman BUNNING. In other words, you pay it out of your own pocket, or the union pays it for you?

Mr. GAGE. That is correct. I pay both sides of it, the government—

Chairman BUNNING. Do you still accrue Federal retirement benefits?

Mr. GAGE. Same thing there. I pay both ends of it. The government does not pay.

Chairman BUNNING. Under FERS or CSRS?

Mr. GAGE. Under CSRS.

Chairman BUNNING. In other words, you pay both ends?

Mr. GAGE. Yes.

Chairman BUNNING. Well, then what is the advantage of being on leave from SSA?

Mr. GAGE. Sometimes elections do not go well.

Chairman BUNNING. You mean as an employee of SSA?

Mr. GAGE. Yes. I would go back to my job.

Chairman BUNNING. Are any officers from the other five councils paid by the union?

Mr. GAGE. Yes, when they do internal union business.

Chairman BUNNING. They are paid on a part-time basis by the union?

Mr. GAGE. Correct.

Chairman BUNNING. When do they get paid by SSA?

Mr. GAGE. When they are doing activities under our contract, they are paid by SSA.

Chairman BUNNING. In 1993, the Social Security Administration came before this Committee and asked for \$200 million to relieve the problem of huge CDR, continuing disability review, backlogs in the Social Security Disability Program.

Mr. GAGE. The backlogs are still there.

Chairman BUNNING. Well, you are going to have the money to do them.

Let me get back to the \$200 million that was put into the Social Security Administration's administrative budget. Were you one of the employees that received a bonus from that?

Mr. GAGE. No.

Chairman BUNNING. Did any of your union members receive a bonus from that \$200 million?

Mr. GAGE. Are you asking me if some union representatives receive bonuses?

Chairman BUNNING. I am asking you a simple question—\$200 million was given to SSA to work down the backlog of CDRs. The Social Security Administration did not use the \$200 million for that. They used it to pay bonuses and many other things, 50 to 65 percent of the Social Security Administration's employees received bonuses. I am asking you a simple question.

Mr. GAGE. Sir, I do not know where the money for the bonuses came from. You have to ask the Agency.

Chairman BUNNING. I did ask the Agency that already.

Then it did go to employees?

Mr. GAGE. If the Agency said that—

Chairman BUNNING. Sixty-five percent of the employees were paid a bonus.

Mr. GAGE. If the Agency said that they used the money for the CDRs as part of the money for employee bonuses I am sure they would know.

Chairman BUNNING. They did not use it for the CDRs.

Mr. GAGE. Well, If you are asking me how the Agency paid for awards, out of what budget, I am not qualified to say.

Chairman BUNNING. The Social Security Administration came to us and asked for money for a specific purpose. We gave SSA the money out of a supplemental appropriation. SSA used it for a different purpose. And all I am asking is if your union employees were paid a bonus?

Mr. GAGE. Yes. We received a bonus last year, 65 percent of our employees did, and they were well-deserved bonuses.

Chairman BUNNING. Whether the bonuses were deserved or not is not the point. It is the ability to attract from Congress money for one purpose and use it for another. That is the only thing I was trying to discuss.

Mr. GAGE. I am not the man to discuss that one.

Chairman BUNNING. OK.

Mr. Johnson.

Mr. JOHNSON. Thank you, Mr. Chairman.

Let me follow up on that. Did any of your full time union employees get a bonus?

Mr. GAGE. Yes.

Mr. JOHNSON. Why?

Mr. GAGE. Because many of their activities are certainly in the best interest of the Agency.

Mr. JOHNSON. Now, wait a minute. They are not dealing directly with SSA matters. They are dealing with union matters.

Mr. GAGE. That is not true, sir.

Mr. JOHNSON. What do they do then?

Mr. GAGE. Well, union activities are not off and away somewhere or out of sight, out of mind in some mysterious type of activity. These are working on task teams. We are almost collateral duties, where the union will be providing its input up front, in a work group, with other employees and managers, to come up with solutions to work through problems, to do a whole range of things.

Mr. JOHNSON. Well, tell me about one specifically.

Mr. GAGE. Well, we could talk about moving work from OHA into other components. Our backlogs are terrible. We have recruited people from other parts of the Agency to quickly assist OHA, Office of Hearings and Appeals.

Mr. JOHNSON. So, how much has the backlog gone down since you started dealing with this in 1993?

Mr. GAGE. Well, we did not start in 1993 on that one, but we knocked off about 9,000 a month using other employees, staffpeople, to go into the OHA backlogs, moving that work to other components, training the people quickly and getting them up to write decisions. Yes. That is one area. We could go on into—

Mr. JOHNSON. But, I mean, that sounds like management correction activity to me. Why do you get a bonus for that? That is your job.

Mr. GAGE. Well, coming up with it and getting employee—I mean, there is a lot—there is a lot of things to it, moving the work to other components, getting employees to leave other jobs, volunteer to go in there and pitch in to work on jobs that are out of their experience. And the union was a big part in facilitating how that was done, and that is not the only issue. Many types of work shifts

are going on now, and we are really trying to build our work force to be much more versatile. And the union, I think, is a big player in that.

Mr. JOHNSON. But, why did the costs go up double plus?

Mr. GAGE. Our accounting system is probably the strongest in the government for union time. But, we have not built in partnership time. For instance, the GAO said, well, this is all bargaining. It is not bargaining.

Sometimes in partnership settings we do accomplish the labor/management bargaining obligation. Many times it is much more informal. It is certainly not adversarial. It is done on the front end.

The form does not take in account now for these bargaining activities—for these partnership activities, and our representatives will simply put down “bargaining” because that is the closest category on the form. But, the accountability also on partnership is a lot more direct.

There is no question of abuse because we are actually there working on task teams face to face, so management clearly knows what the union representatives are doing, how much time they are using, because they are working on the project together.

Mr. JOHNSON. Why does the union pick those representatives and not the management?

Mr. GAGE. Well, we need employee representatives. Management needs input from employees on many of these things. And we represent the employees.

Mr. JOHNSON. Is the management not capable of picking employees from their own work force?

Mr. GAGE. Well, this is a long—you know, this is a——

Mr. JOHNSON. OK. Let us not pursue that question. Let me ask you another question.

You said in your testimony that any time there was an abuse by an employee, such as stepping over the line doing union activity or something else when they are supposed to be doing work, was challenged.

Have you ever challenged an employee on that for an abuse?

Mr. GAGE. Yes.

Mr. JOHNSON. What kind of action did you take?

Mr. GAGE. Fired them as a steward.

Mr. JOHNSON. As a what?

Mr. GAGE. As a steward. We call our union representatives “stewards.”

Mr. JOHNSON. So, they are out of the union, but are still working for Social Security; is that true?

Mr. GAGE. Yes, they would no longer be in an official time position. Most of our representatives are very dedicated. But, when there is a problem with official time, where management might allege abuse or we catch an abuse, we take quick action to remove the person.

Mr. JOHNSON. OK. We are running out of time, so let me ask you one more question.

You indicate that it is not a partisan thing, you are not Republican or Democrat. Does your union take extra dues from your people for political purposes as the unions across the Nation have said they are doing now?

Mr. GAGE. Sir, our union—

Mr. JOHNSON. Yes or no?

Mr. GAGE. We have a PAC, political action committee that employees can contribute to separate from their dues.

Mr. JOHNSON. That isn't the question I asked you. The unions have tasked every union member for extra dues for political purposes.

Mr. GAGE. No, we have not.

Mr. JOHNSON. Does your union do that?

Mr. GAGE. We have not asked our people for any extra dues, no.

Mr. JOHNSON. Are they doing it through their PAC?

Mr. GAGE. We do have employees who contribute to an AFGE PAC. That is not from dues.

Mr. JOHNSON. So, it is partisan to a degree, then, if it is being used for political purposes against republican candidates?

Mr. GAGE. That is not dues, sir. Clearly, that is not dues money.

Mr. JOHNSON. What is it?

Mr. GAGE. This is an extra contribution that employees make to a PAC, like any other PAC, as citizens; not dues money.

Mr. JOHNSON. But it is union.

Thank you very much.

Chairman BUNNING. Mr. Collins will inquire.

Mr. COLLINS. Mr. Gage, to follow up on Mr. Thomas' earlier question, it is on the first page of your testimony, the fourth paragraph, union representatives can use official time only for those activities which are reasonable and necessary and in the public interest. And I believe it was stated earlier that oftentimes only hours are recorded and no specific activity listed. How do you determine, if just hours are listed, they are actually in the best interest of the public or if they are necessary or reasonable? What is reasonable? What is necessary?

Mr. GAGE. Sir, that is not the procedure that we bargained. The forms that we have, require the union representative to state the nature of the business, and a supervisor does have authority to disapprove that union time.

Now, I have not seen the GAO data on this. Sometimes there is a long relationship between a steward and a manager, and they might shorthand the information if the manager knows what that union person is doing. And I think a lot of it might have to go to that. But, now we are not interested in official time abuse, or being accused of it, and our accounting procedure by contract is set. And I might also say that a question was left open that there is no cap on the amount of union representatives we can have. That is not true. We have clear caps on them, as well as the amount of time. And managers do have a control of that activity.

Social Security is not giving this away on official time. These things are actual and reasonable, necessary for the mission of the Agency.

Mr. COLLINS. But, there is an indication at the field level that oftentimes a supervisor does not ask for a form to be signed or even accept a form because they know they cannot deny it, or they cannot make a certain request, or—

Mr. GAGE. That is his the supervisor's problem. It is really—when I say that, a good supervisor can ask and should ask. And

if he suspects an abuse of official time, he is not doing his job if he does not correct it.

Mr. COLLINS. Well, there seems to be a good bit of intimidation at that level from those union members to those supervisors, which in the long run winds up not helping the situation, not helping to accomplish the goal of the job of all of the employees.

Mr. GAGE. Sir, I think it comes—

Mr. COLLINS. Whether it be union or nonunion members.

Mr. GAGE. That is not our interest.

Mr. COLLINS. The kind of report we are getting from field representatives is that it is intimidating. They cannot control the situation. They are not able to accomplish the goals of what the employees, whether they are union or nonunion, are supposed to be doing, and that is to see that the Social Security Administration prioritizes those who receive Social Security benefits and have problems within the Agency. The employees are not able to accomplish their goal. That is one of the things that brought this issue to the forefront.

Mr. GAGE. Yes, I hear that.

Mr. COLLINS. You say that you all have been able to gain in your activities, and that you should actually—based on your testimony, the costs should be going down, not up.

Mr. GAGE. I think the costs have gone down.

Mr. COLLINS. Well, my God, they—the reports do not show that.

Mr. GAGE. Well, we have about 145 people on full time. And I think it was characterized, you know, that we have an \$80,000 or \$90,000 person who is on full time. That is not what GAO said. I understand you got that impression from them. We have an actuary steward. He is a research guy who is paid that much, and he uses maybe 3 hours a year on union activities. But, he filled out a form so he is included in how many union representatives we have.

So, we do not have any full time person who is paid like that from the—from the trust fund.

Mr. COLLINS. My time is running out, though, John.

Let me ask you this. You cannot bargain for benefits. You cannot bargain for a salary. Is the job situation so that you had to double the amount of time, double the amount of expense on behalf of the union and the union time? Is the situation on the job level, in the workplace, that bad? Have the problems doubled in the last 2 years?

Mr. GAGE. Things are pretty tense on the work site. There are a lot of concerns there. There are a lot of changes that we are trying to make, such as health, and safety.

Mr. COLLINS. Like what?

Mr. GAGE. The health and safety 800 number; for instance, moving the 800 number into other components so that employees can help with the 800 number calls.

Mr. COLLINS. What about health and safety? I mean, if you were a construction contractor and you were digging and laying lines 10, 15 feet in the ground, I can understand safety. But, I mean, these are office spaces.

Mr. GAGE. Well, the office spaces are not exactly in places that are safe. We need guards. We are talking about different align-

ments of the offices to protect the beneficiary and our workers from some public situations. You know, Oklahoma City is not far from our memory, and much of this safety initiative has occurred since then.

Mr. COLLINS. You had to double your expenditure and double your hours to talk about that?

Mr. GAGE. I do not think we have doubled expenses, sir. I would say that our litigation expenses have not been put up there, and I think they are way down. And I think the official time is higher because there is more of this involvement on the front end. But, I would say overall expenses are down.

Mr. COLLINS. My time is up. Thank you.

Chairman BUNNING. Mr. Laughlin.

Mr. LAUGHLIN. Thank you, Mr. Chairman.

Mr. Gage, just to follow up on Mr. Johnson's question about union dues, does any of the union dues go into the union political—AFL-CIO Political Activity Fund?

Mr. GAGE. Very few of our SSA locals are affiliated with the AFL-CIO. Mine is. I do pay a per capita tax to the AFL-CIO for my dues.

Mr. LAUGHLIN. So, for those chapters that are affiliated with AFL-CIO, some percent, and it's not important what amount, but some percent go—

Mr. GAGE. It's pennies a month per member.

Mr. LAUGHLIN. —Goes into the Political Activity Fund?

Mr. GAGE. No, that does not go into political activities. This goes into the central labor bodies who provide us with various services.

Mr. LAUGHLIN. Eventually, it gets into the political fund?

Mr. GAGE. Well, that is above my pay grade there.

Mr. LAUGHLIN. I thought you were president of this union.

Mr. GAGE. I am president of my local. But, we pay money into our central labor bodies for services, and there are laws on what you can use political money for, and dues money.

Mr. LAUGHLIN. It has been my experience that when a company announces a layoff of employees, there is generally a standard practice that the union representing the employees of that company protests in some form or fashion that we do not need to have this 500 or 2,000 person layoff; if we would just retrain, redo, or reorganize, that we would save all these jobs. Isn't that your experience?

Mr. GAGE. Well, OK, I would like to hear the rest of it.

Mr. LAUGHLIN. Do you agree with me? Historically, doesn't a union try to save all the jobs when the management or the president of the company announces he or she is going to lay off a certain number of employees?

Mr. GAGE. We try to represent our people the best way we can. And, there are a million cuts in between.

Mr. LAUGHLIN. Sure.

Mr. GAGE. And we try to get the best deal we can for our workers.

Mr. LAUGHLIN. Every company in every situation has its own facts, but historically the union tries to save all the jobs, or the vast majority of them.

Mr. GAGE. OK.

Mr. LAUGHLIN. That is fair, in a generality?

Mr. GAGE. Yes.

Mr. LAUGHLIN. All right. In 1993, when President Clinton announced he was going to lay off 272,000 Federal employees, do you know of any pronouncements of disagreement with the President's statement of laying off 272,000 Federal employees by any Federal union representing Federal employees?

Mr. GAGE. Oh, yes. We were quite concerned about it. It was one of those things where you did not take an all-or-nothing approach. We had quite a bit of internal consternation about that, but we looked and saw what was trying to be done with the Federal Government and hoped to minimize those losses. So, that was a very tough policy for AFGE to work with.

Mr. LAUGHLIN. Could you Mr. Gage, for the record, provide any press release that your union issued attacking or strongly criticizing the President of the United States' statement that he was going to lay off, fire, discharge, remove from Federal employment 272,000 employees?

Mr. GAGE. I probably could.

Mr. LAUGHLIN. OK. And if you can, if you will just submit it to the Chairman.

[The information was not available at the time of printing.]

We have a statement submitted for the record by Dr. Shirley Chater, Commissioner of Social Security, in which she says that by 1999 the SSA is to be streamlined, downsized by 4,500 employees.

Do you know of any organizational plan—have you seen any plan to reach that number?

Mr. GAGE. Yes. We are doing it almost daily. We are—basically what we are doing now is getting down in supervisory and personnel and administrative workers, converting many of them to direct service, and then attritioning down to those numbers.

Mr. LAUGHLIN. My time is about to expire with the amber, and I will quickly ask this question; On page 2, subparagraph 2 of the President's October 1, 1993, Executive order, it says that there will be legislation proposed to the President by January 1994 laying out the statutory changes necessary to achieve the objectives of this order, including legislation, consistent with the National Performance Review's recommendation. Has anyone shown you that proposed statutory change, statutory language?

Mr. GAGE. I believe I am somewhat familiar with it.

Mr. LAUGHLIN. Do you know what the status is, whether it has been released to the public, or is it something that the unions are still negotiating with management?

Mr. GAGE. I am sorry. That is more of our national office area.

Mr. LAUGHLIN. Above your pay grade, I take it, to use your words.

Mr. GAGE. I am just a little local president.

Mr. LAUGHLIN. You have not seen the language. You just know it is in the works?

Mr. GAGE. Yes.

Mr. LAUGHLIN. OK.

Chairman BUNNING. Mr. Portman.

Mr. PORTMAN. Thank you, Mr. Chairman.

I have a number of questions. Again, getting back to some of the questions that I asked the GAO representatives, Mr. Gage, I was interested in your response to both the Chairman and Mr. Collins.

When you look at these charts and the numbers they have given us, it shows a dramatic increase starting in 1993. You take great pains in your testimony to point out that it was not the Clinton Executive order that has caused these changes. I find three or four places in your testimony where you talk about that.

You go so far as to say that the relationship today is not so much the result of a radical notion dreamed up by President Clinton—I would never say it was radical—but more of a pragmatic evolution, it was not really born with the Executive order, it was before the emergence, and so on.

What I am really trying to find out is why we have these increased costs and how they are offset. You indicated, or at least suggested, in response to Mr. Collins, that maybe there are some savings on the litigation side that would counteract those.

Mr. GAGE. Big savings.

Mr. PORTMAN. I want to give you a chance to put that in the record. If you have that information, it would be very helpful.

But, to what do you attribute the very steep increase? Just look at the chart in terms of the numbers. We have some flat years. I do not know how far that goes back, before 1990, and then a sudden increase. To what is that attributable? What would you say the reason is?

Mr. GAGE. I am not saying that these partnership activities have not cost more in official time. But, the point I am trying to make is that the official time is significantly different. It is not the litigation official time, which then had the added expense of litigation. It is really working on projects in a much more predecisional way.

You know, employees would have to be pulled up anyway to do a lot of this work. And we are getting tagged for official time and expenses through the partnership because employees, some who we recommend, some might be a union steward who is also very good in an area of Agency initiative. who will then sit on one of these groups and working as a collateral duty, and that is being charged as official time. I am saying it should not be. We have to clarify that.

Mr. PORTMAN. OK. You say some——

Mr. GAGE. That is what that——

Mr. PORTMAN [continuing]. —We may recommend. These were people all recommended or, in fact, appointed by the union, correct? I mean, to the extent there is official time charged here.

Mr. GAGE. Well, we represent employees, yes.

Mr. PORTMAN. That is fine. I am just saying let us be clear as to what it is.

Mr. GAGE. Well, the point is——

Mr. PORTMAN. This is not just time that is being spent by supervisors that ends up on your records.

Mr. GAGE. No.

Mr. PORTMAN. Nonunion.

Mr. GAGE. It is not union activities that are off and away partisan activities, anything like that.

Mr. PORTMAN. I understand that. I am not suggesting that. I think it would be helpful for us just to understand how this happens, and why these costs are escalating. They all come out of the trust fund, so obviously it is something everybody wants to scrutinize.

In reading the material and looking at the GAO report, when you come into this notion of official time and full time union representatives I am just confused—you, again, very carefully distinguished between internal union activity, which is prohibited from being charged to official time, and nonofficial. I mean, if someone is full time union, whether they are making \$30,000 or \$80,000, does that person spend necessarily 40 hours a week doing Social Security Administration work? And I am not saying that it is not union-related or partnership related.

And then the internal work, which I assume everyone has to do—I mean, don't you have to do some internal work if you are a full time employee? Is that charged beyond that 40 hours? How does that work? I just do not understand it.

Mr. GAGE. Well, I would agree with your characterization that these employees are working on Social Security activities more than union activities, and they are receiving time for it. They are representing the union also on that Social Security activity. That really is what I see the difference in concepts here are, how we are misunderstanding the usage of time.

Mr. PORTMAN. No. I think I understand that. And my question is: Are you suggesting that those people spend more than 40 hours a week doing their job, because necessarily don't they have some other functions that are not official?

Mr. GAGE. Some of these people are detailed into central office, or they are detailed into a regional office.

Mr. PORTMAN. That may be 20 or 30 out of 145?

Mr. GAGE. Yes.

Mr. PORTMAN. OK. But, the bulk of these people are out in the field working day to day, with the Social Security supervisors and so on.

I would just make one final comment because I know I am running out of time.

When we look at this, and what got the Subcommittee interested was when the supervisors came to us and said, we are having difficulty managing the Agency. Two-thirds of the supervisors interviewed by GAO say there is a real problem here.

Mr. GAGE. All in San Francisco, right.

Mr. PORTMAN. Well, wherever they did it. You indicated that may be a pocket, but still two-thirds is a pretty substantial number. That is what we are trying to get at here. And the question is, how do you attribute these activities to various activities because they are coming out of the trust fund? That is very sensitive. We need to evaluate that.

Chairman BUNNING. The gentleman's time has expired.

Mr. PORTMAN. But also, how do we get the mission of the Agency back on track? That is what we are trying to get at.

Thank you, Mr. Chairman.

Chairman BUNNING. You are welcome, Mr. Portman.

How do the 146 SSA employees who are also full time union representatives perform their regular jobs?

Mr. GAGE. They do not. Some of their regular jobs might be record maintenance clerk—

Chairman BUNNING. In other words, they have no other responsibility except their union responsibilities?

Mr. GAGE. Again, with the caveat that those union responsibilities are very tied to agency responsibilities.

Chairman BUNNING. I understand.

I am going to yield to Mr. Johnson for one more question.

Mr. JOHNSON. Thank you, sir, and thank you for your responses. I appreciate it.

If we are reducing the agency by 5,000 or so, why did the full time union employees go from 80 to 146?

Mr. GAGE. We concentrated time. Instead of having 1,000 people out there, or whatever the number is, on 10 percent, 20 percent, we concentrated the time in fewer individuals. We thought we got more bang for the buck on that, both the agency and the union, because you are dealing with someone who is—

Mr. JOHNSON. Eighty to 146 is not fewer; that is more.

Mr. GAGE. It is more, but the total amount of official time, agencywide, did not go up.

Mr. JOHNSON. The 1,800 have always been there?

Mr. GAGE. Yes. We have stewards in virtually every field office.

Mr. JOHNSON. So, those are the 1,800 essentially. But, why did you need more full time?

Mr. GAGE. Well, because you get people with more expertise, they have more experience in handling things, they can handle a wider range of issues.

The activities spur the official time. It is not like we just go out and we have nothing to do, we sit around and do nothing. The activities spur the official time, and I think it averages that the 145 we have come up to in the last couple of years has been because of the tremendous changes in the agency that we have a responsibility to our members to handle, to represent them on.

Chairman BUNNING. Mr. Laughlin will inquire.

Mr. LAUGHLIN. Mr. Gage, as President of Local 1923 here in the Washington, DC area, do you have any participation in the national organization, as a director, or participation since the bulk of Federal employees are here in this city?

Mr. GAGE. I am from Baltimore, sir.

Mr. LAUGHLIN. That is not far away. It is just across the county line.

Mr. GAGE. I participate in our conventions and I am a deputy spokesperson for our Social Security locals.

Mr. LAUGHLIN. Isn't it true that AFGE is contributing per capita tax to the AFL-CIO on the fund that was imposed by the AFL-CIO for campaign dollars?

Mr. GAGE. I imagine so. I do not have direct knowledge of that.

Mr. LAUGHLIN. It has been reported in the Federal Times on April 18, 1996 that your union pledged \$300,000 to the biggest ever political campaign by organized labor.

Mr. GAGE. We are a member of the AFL-CIO and proud of it.

Mr. LAUGHLIN. I wouldn't suggest you shouldn't be, but the point is, as reported in the Federal Times, your union made a \$300,000 commitment to that political fund, is that not true?

Mr. JOHNSON. Will the gentlemen yield?

You told me you did not donate any money.

Mr. GAGE. I did not say we did. He is asking me if there was a commitment made. I am saying we have not made donations. We do it through our PAC, our national office does. If they are making that contribution, I am sure it will be done under the law.

Mr. JOHNSON. But, it is your money and you do not know where it goes.

Mr. GAGE. It is our money and money from people who are contributing especially for that fund.

Mr. LAUGHLIN. Don't they do that through their dues?

Mr. GAGE. Not necessarily, sir. You know the hard money, soft money situation.

Chairman BUNNING. Would you mind explaining that to me? I would like to know how a union has soft money to donate to a campaign.

Mr. GAGE. You know more about this than me, and I am not an expert on it, but I know you can contribute dues money for certain activities of a national party, but hard money for political campaigns has to be direct contributions. Direct contributions cannot be taken out of dues money.

Chairman BUNNING. In other words, if you sponsor a commercial on television that does not advocate a candidacy, that would be considered soft money.

Mr. GAGE. There are parameters there, and within those parameters, if it would be educational, it is soft money.

Mr. LAUGHLIN. At any rate, we understand political money is being used.

Mr. GAGE. I am sure you do.

Mr. LAUGHLIN. I really do and I am sure that is why the people who are absent are not here when we see the increase in union time and trust money being spent on the increase from 1993 until today.

Did your union keep any record demonstrating an increase or decrease in constituent taxpayer benefits or complaints?

Mr. GAGE. Could you repeat that, sir?

Mr. LAUGHLIN. Sure. If you will look at the chart over there, since 1993, GAO tells us, there has been an increase in time spent on union activities by the SSA employees. They have also told us that there has been a substantial increase in the Social Security Trust Fund money being spent on union time.

Mr. GAGE. We have extensive records on the issues that we handle and bargaining—

Mr. LAUGHLIN. That is not my question. Looking at the increase in union time and the increase in taxpayer Social Security Trust money going to union time, union activities, does your union have any records demonstrating either an increase in Social Security beneficiary services or an increase or decrease in Social Security beneficiary complaints?

Mr. GAGE. Yes. I think we can clearly establish a record showing how activities that we participated in contributed to people getting

their checks on time, getting their questions answered on time and correctly. I think the whole demeanor of SSA, the public service there, we contribute to that. All our activities are directly connected.

Mr. LAUGHLIN. You are not answering my question. I would like you to take the question for the record and go back and bring us any record that shows—and this will be part of the record if the Chairman would permit—that shows an increase in constituent Social Security beneficiary benefits, services benefits, or—and it is really “and”—a record of any increase or decrease in complaints by Social Security beneficiaries.

Mr. GAGE. Be glad to.

[The information was not available at the time of printing.]

Chairman BUNNING. Thank you, Mr. Gage for appearing; we appreciate it.

We had another gentleman scheduled to testify, Mr. Mastriani. Would you please submit your testimony for the record, or would you like to come up and give us 5. Then I have some conclusions I would like to draw.

Mr. MASTRIANI. I have a statement in writing that I have submitted for the record. If the Subcommittee is interested in my waiving oral testimony, I would be happy to do that and, instead, submit my written statement for the record for your review and answer any questions in writing for you if you have any questions.

Chairman BUNNING. We deeply appreciate that and we thank you for staying.

[The prepared statement follows:]

**STATEMENT OF JAMES W. MASTRIANI
LECTURER, SCHOOL OF MANAGEMENT AND LABOR RELATIONS
RUTGERS UNIVERSITY
NEW BRUNSWICK, NEW JERSEY**

Mr. Chairman and Members of the Subcommittee: Good afternoon. My name is James W. Mastriani. I am currently a lecturer at the School of Management and Labor Relations at Rutgers University in New Brunswick, New Jersey. I also work in a private dispute settlement capacity in both the public and private sectors. I formerly served as Chairman of the New Jersey Public Employment Relations Commission for 16 years. In 1987, I served as President of the Association of Labor Relations Agency (ALR), a professional organization with membership consisting of state, federal, and international labor relations agencies. I have been a professional neutral in the field of labor relations and dispute settlement for almost thirty years. My comments reflect my personal professional experience and knowledge, particularly with state and local governments over this period of time.

In general, it is common for public employers and employee organizations to engage in processes and procedures involving paid union time. Some are provided by law and others are governed by provisions in collectively negotiated agreements. Such provisions in negotiated agreements are normally found in larger bargaining units where the issues in contract negotiations and administration are more complex and where the organizational needs of the employer and the employee organization require a greater mutual commitment to creating and preserving a stable work environment.

Provisions in these agreements typically refer to the types of activities which are authorized and to the amount of time or number of employees who are involved in these activities.

Traditionally, paid employee organization time was reserved mainly for negotiations and grievance processing. Other common activities included committee participation on issues such as job safety or employment related training programs.

In New Jersey, I have been personally involved with public employers and employee organizations who have benefitted from negotiations, grievance resolution, and jointly sponsored programs involving paid union time. A productivity and efficiency agreement on a major toll road involving scheduling and the deployment of a part-time work force saved several million dollars during a three year contract with guaranteed future savings. In a large urban school district, a site based management agreement created a more effective learning environment with greater parental involvement in the functioning of the schools. At a community college, a relationship building program involving all levels of management and employees helped reshape attitudes resulting in the sharp reduction of conflict and hostility. A positive and productive relationship was formed and led to creative long-term labor agreements. In each of these cases, both the employer and the union derived benefits from these joint activities held, in substantial part, during work time.

More recently, state and local governments have followed the lead of the private sector and begun to engage in workplace innovations with their labor organizations based upon defined employee participation and cooperative labor-management approaches. The common thread is the desire to improve the delivery and quality of services recognizing the demands of the public for cost effectiveness. Jurisdictions experiencing success with these models have, in fact, improved services, reduced costs, and helped reform bureaucracies.

The success of these programs is well documented and not limited by geography or political affiliation. Ironically, some of them have occurred in jurisdictions which appeared to be headed toward confrontation but instead chose to pursue a structured, cooperative relationship with payoffs for the public as well as for the employer and the employees. "Buying in" to this approach is not easy, not without risks, and does not

guarantee success. It is well accepted that this approach involves employee participation during work time. Support for this changed approach had been made by many public employer and governmental associations as well as by labor organizations.

Time does not permit an extensive layout of these initiatives, but I would direct your attention to jurisdictions including the states of Ohio and Massachusetts, the cities of Indianapolis and Portland, Maine, and the counties of Multnomah, Oregon and Ulster, New York. These and other jurisdictions have achieved productivity increases, cost reductions, and service improvements within resource constraints through the cooperative, employee participation approach. Typical issues tackled by these committees included lower cost health insurance, lower worker compensation costs, overtime cost reductions, introduction of new technologies, organizational changes, new work processes, and the overall methods and means of improving the manner in which services were provided to the public.

In New Jersey, the work of a joint labor-management committee was critical to the success of a dramatic reorganization of the New Jersey judicial system. Over 6,000 employees were transitioned from county to state government. The legislative and organizational implications from the restructuring were successfully resolved by the work of the joint committee. Bargaining units were reduced by almost 90 percent and individual task forces created to assist in the reorganization of the judiciary's work. The most substantial work of these committees has been performed during work time.

The most essential ingredient in the success of these programs is the effective use of the joint labor-management committee. Such groups meet regularly, set agendas, agree upon areas of activity, and help structure project teams and monitor progress. The costs associated with these activities, when balanced against their measurable successes, appear to be a good deal for all the participants including the public who receives the services and the taxpayer who pays for them.

Thank you for the opportunity to appear, and I would be happy to respond to any questions.

Chairman BUNNING. I would like to draw a few conclusions from the GAO report. I point to the charts showing that since President Clinton implemented his "Partnership Agreement," and Executive order, funding for union activity at SSA has more than doubled, going from \$6 million to \$12.6 million.

The money to pay Social Security employees who work full time on union activities comes out of the Social Security Trust Fund, the Medicare Trust Fund and General Fund. More than 65 percent, comes out of the Social Security Trust Fund and the Medicare Trust Fund. Our senior citizens understand it is our responsibility to protect that money and they know how concerned we are.

I am not quite sure that the money should come out of the Social Security Trust Funds. I would suggest to SSA that they look at this in negotiations of the new contract that is coming up, because it is in my opinion and the opinion of some Members of this Subcommittee that if this type of practice continues, that the Social Security Subcommittee will look at legislation to do a better job of protecting the Social Security Trust Funds and the Medicare Trust Funds.

If anybody else would like to have a closing statement they may. Mr. Portman.

Mr. PORTMAN. I have a quick question for you. That is, if Mr. Mastriani is interested in coming to the table, I am just getting started here. I would like to hear him and have an opportunity to question him.

Is it because of our time? I am willing to stay.

Chairman BUNNING. It is because of our time and you were just a little tardy, Mr. Portman.

Mr. PORTMAN. Is he going to come before us to answer questions?

Chairman BUNNING. You can submit any questions in writing and he will respond to the Subcommittee in writing.

Mr. PORTMAN. Thank you, Mr. Chairman.

Chairman BUNNING. This Subcommittee is in recess until we receive the testimony of Commissioner Shirley Chater on this subject.

[Whereupon, at 4:10 p.m., the hearing was adjourned, to reconvene on Thursday, June 27, 1996, at 10 a.m.]

USE OF SOCIAL SECURITY TRUST FUND MONEY TO FINANCE UNION ACTIVITIES AT THE SOCIAL SECURITY ADMINISTRATION

THURSDAY, JUNE 27, 1996

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON SOCIAL SECURITY,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:03 a.m., in room B-318, Rayburn House Office Building, Hon. Jim Bunning, (Chairman of the Subcommittee) presiding.

Chairman BUNNING. The Subcommittee will come to order.

Today's hearing is a continuation of the Subcommittee's June 4 hearing on the use of Social Security Trust Funds to support union activities at SSA. Commissioner Chater's schedule did not allow her to testify on June 4, so I held the hearing over until today to accommodate her schedule.

Before we start, there are a couple of things I would like to make clear for the record. Back in July 1995—I repeat that—back in July 1995, nearly 1 year ago, I called on the General Accounting Office to audit the use of taxpayers' money to pay the salaries and support services for our SSA employees who work full time on union activities.

My request for the GAO audit came as a result of discussions that began early in 1995 and continued over a period of many months with frontline SSA field office managers from all over the country. These managers sought me out because they were deeply concerned about the negative impact President Clinton's Partnership initiative was having on SSA. In fact, a couple of recently retired field managers have submitted testimony for today's hearing.

Their statements reflect what field managers were saying to me over one year ago, that all balance between management and the unions has been lost at SSA and that union activity has escalated to the point that workloads and public service are suffering. In short, under partnership, the interest of the taxpayers and beneficiaries are being forgotten.

If things had gone as I wanted, this hearing would have taken place in January. But, this was such a labor-intensive job that GAO was not able to complete its work by then. The GAO audit and this hearing have nothing to do with an attack on the unions. They have everything to do with the proper use of Social Security Trust Funds to pay employees who work at SSA to serve the public.

Just because it's common practice and legal for SSA to pay full time union representatives from the trust funds does not mean this Subcommittee should turn a blind eye when spending for union activity doubles in 3 years.

The sharp jump in both the cost of union activity and the number of SSA employees who work full time as union representatives demands that this Subcommittee find out the policy changes that caused these increases.

Working Americans have every right to know how their Social Security payroll taxes are being used, and seniors have an equal right to know what the trust funds are being spent for.

Commissioner Chater is simply here to respond to the GAO audit and to tell us what policies have caused the cost of SSA union activity to double under her commissionership. Having made this clear, let us proceed.

In the interest of time, it is our practice to dispense with opening statements, except from the Ranking Democrat Member, Mr. Jacobs.

All Members are welcome to submit statements for the record and I yield to Congressman Jacobs for any statement he may wish to make.

Mr. JACOBS. Thank you, Mr. Chairman.

First, I think it is proper to conduct this hearing. On the face of it, a question is raised about the increase in expenditures for union activities at the Social Security Administration. It is not unique. The practice, spans many administrations and is found in private industry. So, the fact that it exists is not exactly shocking and I believe not only legal but required by law.

I think I would take exception to the GAO assertion that the consequence of the so-called partnership between the union and the management people has led to a degradation of service. USA Today reported a few months ago that a survey conducted by Dalbar, Inc., showed that the long troubled 800 number telephonic service to the public of the Social Security Administration had not only improved but had improved to the point that it was more efficient than several leading private firms, whose principal activities involved serving the public through telephones—that is fewer busy signals, faster answers, and all the rest.

So, as they say, they must be doing something right and this is a change.

Now, it is generally perceived by Americans that we learned this from the Japanese, that if companies would develop better relationships with their workers and listen to the workers, they could also develop better management techniques and greater productivity. That is not true.

Dr. Demming, an American, taught the Japanese that. You might say that he tried to teach the concept to American industry but, to use a Biblical term, he came unto his own and his own received him not. So, he took a trip across the Pacific and they have a big statute to him, I believe, in Tokyo now. He is sort of the George Washington of modern industry in Japan. But, that's where American business has taken its cue, indirectly from an American, to have these worker relationships and more cooperation.

And I assume that the dramatic improvement in productivity at Social Security, in terms of the person who picks up the phone and wants to know what his or her situation is with regard to the government, must be a consequence of that effort.

And, finally, Mr. Chairman, we have discussed this in private, I have been a Member of this Subcommittee since the day it was founded in 1975. And I understand that the witness is to be given the oath and her testimony is to be given under oath. It has never happened before and I want to say, for the record, that when all this started, when Dr. Chater, who happens to be a nurse—when Dr. Chater was appointed as Commissioner of the Social Security Administration the rumor I heard was that she was too nice and too honest to run such a vast organization.

I have never heard the slightest suggestion from anybody that Dr. Chater is anything less than an absolutely honorable person or, in the case of Texas where she was a university admistratrix, that her word was her bond and a handshake was sufficient. So, I just want to make clear that there is nothing wrong with it, nothing wrong with taking the Pledge of Allegiance to the Flag, nothing wrong with taking the pledge that you will tell the truth, but I want to say, for the record, that that should not be taken as an inference that there is any question whatsoever about Dr. Chater's character. Or, to put it another way, that swearing her in is not tantamount to cursing her out.

Thank you.

Chairman BUNNING. You put it very well. I would like to, for the record, submit an article by James K. Glassman of the Washington Post dated Tuesday, June 25, and I would like to put that in the record without objection.

[The following was subsequently received:]

THE WASHINGTON POST THURSDAY, JUNE 25, 1996 A17

James K. Glassman

What Can Government Do?

In a modern republic such as ours, politics frequently produces good policy—that is, it's a system that finds out people's desires and acts on them. But politics rarely produces good government—that is, it's a system that puts policies into place in a messy, inefficient, often counterproductive way.

"Look," says Peter Drucker, the great management guru, in a recent interview with the editor of *Inc.* magazine, "no government in any major developed country really works anymore. The United States, the United Kingdom, Germany, France, Japan—none has a government the citizens respect or trust."

The big problem, Drucker says, is that "no one, as far as I can see, is yet asking the right question: What can government do? Not what *should* it do, but what *can* it do."

I've always been a "should" kind of guy—questioning whether government has the right to involve itself in the arts, agriculture, railroading, etc. But Drucker's "can" perspective is a brilliant way to look at the problem.

Consider Social Security. Yes, government should help poor people retire with dignity. But *can* it run an efficient retirement system for the entire nation? It's doubtful, given political pressures—for example, the need to please labor unions, which spend millions to help elect Democrats.

Here's a typical horror story: Using the payroll taxes of Americans, the Social Security Administration is paying the salaries of 146 full-time union representatives who work in Social Security offices around the country. The average annual salary of these taxpayer-paid union officials is \$41,970. Ninety-four of them make at least \$40,000, and one makes \$81,000.

The General Accounting Office reported on this union activity recently, at the request of Rep. Jim Bunning (R-Ky.), a Ways and Means subcommittee chairman. Jane Ross of GAO said her office "found that over 1,800 designated union representatives in SSA are authorized to spend time on union activities." Total time: more than 400,000 hours. Total cost to the taxpayers: \$12.6 million.

What makes this episode so outrageous is that it's perfectly legal. After an executive order by President Clinton in 1993, full-time union reps at SSA jumped from 80 to 146, according to GAO. Total costs to the taxpayer doubled. Meanwhile, the Social Security trust fund is approaching insolvency.

The truth is that effectively running a retirement scheme for a nation of 260 million may not be something that a government is able to do.

By contrast, the private sector has learned, through trial and error and the pressures of the marketplace, to handle complex financial transactions—and give good service. For example, Fidelity Investments, with 20,000 employees, handles 20 million mutual-fund customers—marketing, buying and selling stocks, sending out regular statements. Fidelity's managers don't stand for election, so they don't have to pander to labor, or any other interest group, for votes. They're free, subject to market forces, to run their business.

It's no accident, either, that costs of government-run health care systems—Medicare and Medicaid—are rising so fast. The federal government—under political pressure from doctors, hospitals, seniors, governors and insurers—simply can't cut expenses and deliver good service the way that companies subject mainly to the pressures of the marketplace can. (For an even more horrifying example, look at the Veterans' Administration, with its own 581 health-care institutions, providing jobs for constituents of nearly every member of Congress.)

The point is that politics can, with validity, produce a national health policy. But it should not be the force that shapes the management of that policy.

One solution to the problems of both Social Security and public health care is to get the government out of management entirely. Let it issue vouchers with which Americans themselves can purchase retirement plans or medical services from private firms. There should be oversight, but not a 65,000-employee bureaucracy.

On management issues, the Clinton administration gets credit for interest, but not for action. The president brags about eliminating government jobs. Yes, but of the 192,000 cut, 145,000 were in the Defense Department—a "peace dividend" brought about by the end of the Cold War. We can't really cut government jobs unless we cut government functions.

Drucker says that the United States doesn't have a government that "citizens respect or trust." But as we've seen over the past year, citizens not only distrust government, they distrust politicians who say they will dismantle it. That's the paradox for Republicans.

But what citizens do know is that government today is out of control. So here's my suggestion to Bob Dole (or Bill Clinton): Announce right now that, if elected, you will freeze government in place. No more new programs, no additional spending on current programs, no increases in tax revenues.

A hard freeze of this sort would leave the deficit at about \$140 billion, a safe number. Then, over the next four or eight years, we can debate what government should—and, more important, *can*—do.

For doubters, Dole can issue an "Outrage of the Week" report on excesses like the 146 union officials at Social Security or the \$5 billion in fraud, which, according to a new study by Citizens Against Government Waste, afflicts the Food Stamp program.

But we can't bring government back under control with a single contract or a single election. As Drucker says, "Government, rather than business . . . is going to be the most important area of entrepreneurship and innovation for the next 20 to 25 years." So let's freeze now, and get those entrepreneurs to work on solutions.

Chairman BUNNING. Commissioner Chater, I would like to ask you and Mr. Dyer and Ms. Pierce to please take your seat at the table.

Commissioner Chater is accompanied by John Dyer, Acting Principal Deputy Commissioner and Ruth Pierce, Deputy Commissioner for Human Resources.

If you would just remain standing and we will swear you in, just raise your right hand, and respond. Do you solemnly swear that the testimony that you will give before the Subcommittee in the matter now under consideration will be the truth, the whole truth and nothing but the truth, so help you God?

Ms. CHATER. I do.

Mr. DYER. I do.

Ms. PIERCE. I do.

Chairman BUNNING. Thank you, all.

Mr. JACOBS. Would the Chairman yield?

Chairman BUNNING. Yes, sir.

Mr. JACOBS. I would like to be sworn in, too, I solemnly swear that anything I say today will be the truth, so help me God.

Chairman BUNNING. I never suspected otherwise and I never suspected any of the witnesses to tell anything but the truth.

Mr. JOHNSON. Would the Chairman yield?

Chairman BUNNING. Yes.

Mr. JOHNSON. I would just like to make the statement that you are elected and approved as an official and Mrs. Chater has not been confirmed by the Senate at this point.

Mr. JACOBS. Well, we all know why. There is more than one way to abuse a woman and I know the guy who blocked her confirmation if you want to get into that.

Chairman BUNNING. Well, I do not want to get into that. [Laughter.]

We have other business today, so, we will proceed.

Dr. Chater, you can begin your testimony and thank you all, for being here today.

**TESTIMONY OF HON. SHIRLEY SEARS CHATER, PH.D.,
COMMISSIONER, SOCIAL SECURITY ADMINISTRATION;
ACCOMPANIED BY JOHN R. DYER, ACTING PRINCIPAL
DEPUTY COMMISSIONER, AND RUTH A. PIERCE, DEPUTY
COMMISSIONER FOR HUMAN RESOURCES**

Ms. CHATER. Thank you, Mr. Chairman, and I want to thank you, too, for giving me this opportunity to present some testimony by honoring my request to do whatever it was on my schedule that I had to do when you held the first hearing.

But, for the record, I do want to correct something that I think Mr. Johnson said. I was confirmed by the Senate October 1993. So, I am Commissioner of Social Security with all of the responsibilities for managing this Agency.

Mr. JOHNSON. Thank you, I was not aware of that.

Ms. CHATER. In the past 2 years, the Social Security Administration and its management and all of its employees have, as you well know, faced many challenges. And we have tried very hard to respond to these challenges by making improvements throughout the entire Social Security Administration.

Now, how have we been able to make the improvements that we have made? Well, I have to say to you that we have made those changes and have achieved our results with the assistance and the support of a labor/management partnership. We have made them through employee involvement. We have made these changes through increased communication and information sharing with all employees and we have created a highly productive work place because of these initiatives.

We are, as an agency, absolutely determined to improve customer service and we recognize that every change we make to deliver improved customer service to the American public affects every employee, for it is the employees who are providing these services on a daily basis. And it is essential that the employees are involved in developing policy and procedural changes. Just implementing them is not enough.

As we downsize and, at the same time, as we face an increasing workload, the employees and their representatives need to participate in meetings and the decisions that determine the future of the agency.

I would like to call your attention to the chart to my left which lists for you some of the changes that we have been able to make in the time that I have served as commissioner of Social Security.

With the support of our union colleagues and the employees they represent, I am proud to say that taxpayers are receiving world class service at every level.

Mr. Jacobs mentioned the 800-number service, and the fact that we were selected to receive an award. On the chart you will read that recent 800-number service busy rates are less than half of what they were last year.

Second, Social Security has processed 41 percent more hearings in 1995 than we did in 1993.

Third, the number of continuing disability reviews processed increased from 116,000 in 1993 to 285,000 in 1995.

Fourth, the average time it takes to assign a Social Security Number was cut in half between 1993 and 1995.

During the same 2 year period, disability claims processing time also went down by 11 percent.

And, sixth, in fiscal year 1995, Social Security issued 10.7 million PEBES, the personal earnings and benefit estimates statements informing the public about their benefits, up from 3.7 million in 1993.

And, Mr. Bunning, a few months ago you personally asked me to do something about the Administrative Law Judge's decisions that had been made but not written. I personally took your challenge, to our employees, who worked with management to reduce the number of decisions waiting to be written. At the time you asked me to do this, we had 47,000 waiting to be written and today, in only a few months, we have 27,000 that need to be written.

Some of our initiatives have been recognized by outside sources. In 1995, Dalbar, Inc., which is an independent financial services company, did a survey of the providers of telephone service that the best one was not a private sector company, but it was, indeed, Social Security, and our competition were companies like L.L.

Bean, and Disney and Nordstrom. We have also been selected as having one of the five best Web pages on Internet of all government agencies.

I want to point out that the practice of labor/management partnership activities is not limited just to Social Security or government alone, but has long been an established private sector practice by companies such as GM, AT&T, and Saturn and so on.

Now, it is true that President Clinton signed an Executive order to form the National Partnership Council which has guided us in our work. It had a goal of encouraging labor/management cooperation and partnership, but the basis of our partnership was already in place and has been there for about 30 years under both Democratic and Republican administrations. The Federal Labor Management Relations statute requires the Social Security Administration to pay for certain union expenses related to management improvement activities, including official time.

Under the Internal Revenue Code and the Social Security Act, all SSA administrative activities are paid for by apportioning the costs between both general revenue and the trust funds.

Since this is required for all activities, official time expenditures come from these sources as well. Therefore, we are complying fully with Federal law and have been doing that since the statutory requirements were enacted.

Let me say something about the cost of official time. It is very small when taken in the context of the benefits that we feel we receive from union/management partnership. As you well know, our administrative budget for Social Security is less than 1 percent of our annual revenues. And the amount of money, \$11.7 million in fiscal year 1996, spent on official union time is less than three-tenths of 1 percent of our administrative budget. But, that small percentage of funds pays for representatives of more than 52,000 employees in 1,500 field offices across the country.

So, besides creating a highly productive work place, there is another positive outcome. Because of labor/management cooperation, unfair labor practice charges have decreased from 467 in fiscal year 1990 to just 209 in 1995.

The GAO estimates that the cost of a single charge is about \$28,000, and so one can extrapolate from that and say that we have a potential savings of about \$7 million each year by having fewer of these cases.

By fulfilling our statutory obligations, we feel that we are creating a new and more productive organizational culture and we are committed to maintaining that working relationship. We are committed to working together to solve problems that are mutual.

We think the partnership is making a difference, not just to the thousands of Social Security Administration employees who serve the public but to the millions of Americans who rely upon us to do our work.

Thank you.

[The prepared statement and attachments follow:]

**STATEMENT OF
DR. SHIRLEY S. CHATER, COMMISSIONER
SOCIAL SECURITY ADMINISTRATION**

Mr. Chairman and Members of the Subcommittee:

I am here today in response to your invitation to discuss the use of the Social Security trust funds to pay for employee union activities, particularly expenditures for salaries and related expenses of Social Security Administration (SSA) employees who conduct union business on official time.

At the outset, I would like to clarify several points. Under the law, the Social Security Administration pays for official union time from general revenues and trust fund moneys. SSA is fully in compliance with the Federal Labor Relations Act, the Social Security Act, and the Internal Revenue Code. Working in partnership with our employees and their representatives assures the delivery of quality customer service. For this same reason, there are many examples of private companies, such as General Motors, Ford, Chrysler, Inland Steel and Armco Steel, who pay for official union time. During the last several years, SSA has had many reasons to devote time to labor-management relations. These activities have ranged from improving security to ensure employee safety to Congressionally-mandated streamlining and downsizing the agency by 4500 employees by 1999.

Authority to Pay for Union Expenses

First, it is important to note that all of SSA's administrative expenses are paid for from a combination of funds derived from the trust funds and from general revenues. In full compliance with the law, allocation of union official time is distributed between the trust funds and general revenues in the same proportion as all SSA administrative expenses. The authority to devote trust fund dollars to administrative expenses derives from Section 201(g)(1) of the Social Security Act and Sections 9704 through 9706 of the Internal Revenue Code of 1986.

Secondly, SSA is bound by both Federal law and its own collective bargaining agreements to pay for certain union expenses. The Civil Service Reform Act of 1978 (CSRA) codified a series of executive orders which began in the early 1960s, and allowed the use of Federal funds to pay for these expenses.

SSA employees who serve as representatives of the unions use what is referred to as "official time" when performing union representational activities. The first national collective bargaining agreement which covered official time became effective on June 11, 1982 when John A. Svahn was SSA Commissioner. Under the law governing union activities, known as the Labor-Management Relations Statute, (which was part of the CSRA), official time is defined as time employees spend acting as union representatives which they would otherwise spend in duty status and for which an agency pays the employees as if they were performing their normal duties. It is important to understand that official time granted to union representatives to engage in activities on behalf of the union is deemed to be Agency work.

The Government is required by law to authorize official time for the negotiation of a collective bargaining agreement, including attendance at impasse proceedings. In addition, except for certain restricted activities specified in the statute, official time must be granted in any amount the union and management agree to be necessary, reasonable, and in the public interest. Other uses of official time include attending formal meetings at which management discusses conditions of employment with employees and consulting with management and negotiating memoranda of understanding, also known as impact and implementation bargaining.

The law prohibits the granting of official time for union activities involving internal union business, such as soliciting membership, conducting elections of labor organization officials, and collecting dues. Thus, SSA does not pay for union expenses related to these activities.

In concert with the statutory authorization of official time, SSA and the unions have negotiated collective bargaining agreements which set guidelines for the amount of official time allowable for management-initiated and union-initiated activities. Union officials and SSA must agree on the amount of official time and the number of union representatives which are allowed for labor-management relations. These agreements are accomplished through mutual agreement or negotiations. If the parties disagree, the matter may ultimately be resolved by third parties such as arbitrators, the Federal Service Impasses Panel (FSIP), the Federal Labor Relations Authority (FLRA), or the courts. Thus, either the parties mutually agree on the number of full-time representatives or a third party will make the final decision. In fact, it is important to note that such issues as the amount of official time a union representative may use, the number of full-time union representatives, and access to agency facilities have often been decided by third parties.

In addition to the full-time representatives, the part-time representatives must be identified by the appropriate local union president or council in order to be granted official time. The total amount of official time authorized for representatives and the procedures for requesting and documenting time is covered in the union-management agreement.

Union officials are required to document the amount of time they spend on union activities. Supervisors report each pay period the amount of time used by representatives under their immediate supervision, and SSA maintains cumulative records concerning official time usage by union representatives.

Tracking the use of official time is important to both SSA management and the American Federation of Government Employees. To improve tracking of official time usage, SSA will be piloting a system, called the Official Union Time Tracking System, which will allow better tracking of time spent on union activities. This pilot will run for 4 to 6 months in the Chicago region and is expected to begin this summer. We hope to implement these improvements nationwide within the next year.

The bargaining agreements also contain provisions dealing with the union's use of customary and routine supplies, materials, and equipment such as bulletin boards, telephones, photocopy equipment, facsimile machines, and mail. This usage is linked to union representational functions and labor-management business. Additionally, usage is subject to certain conditions. For example, it may not interfere with Social Security operations and it may not be related to internal union business.

Union-Management Partnerships

I would like to emphasize the importance of the partnership between SSA and the unions which represent its employees. One of SSA's three fundamental goals set forth in our Agency Strategic Plan is to create an environment that ensures a highly skilled, motivated workforce dedicated to meeting the challenges of SSA's public service mission. We look on our partnership with the unions as an important means of advancing that goal. By working

with the unions, we involve our employees in discussions about things that need to be done and how we will do them.

The National Performance Review (NPR) recommended the formation of "labor-management partnerships for success" across government. In October 1993, President Clinton issued Executive Order 12871, which created the National Partnership Council, a team of senior union, neutral, and management leaders in support of the NPR's goal of encouraging labor-management cooperation and partnership throughout the Federal Government. SSA and the American Federation of Government Employees (AFGE), which represents about 50,000 SSA employees, signed an agreement on June 21, 1994, for the purpose of implementing and maintaining such a cooperative working relationship between labor and management in order to identify and solve problems, and to improve the day-to-day operations of SSA, especially those affecting service to the public. In this respect, it is in SSA's best interest to support the union's continued participation by funding certain activities, since the ultimate success of our efforts to improve our operations rests with the employees who put them into practice every business day.

In past years, official time has traditionally been used in litigious, adversarial, costly third party matters such as arbitrations and unfair labor practice complaints. Under our partnership agreement, our relationship with the union has shifted away from such litigation to more joint activities, such as involving union representatives in the decision making process to help craft solutions to better serve our customers and creating labor-management partnership councils and committees at the national and local levels of SSA, including health and safety and security committees. We believe that this shift has made us a better Agency and a better provider to the American public.

We recently engaged in interest-based bargaining on certain initiatives to quickly reduce the Office of Hearings and Appeals disability decision writing backlogs, which resulted in some 9,000 decisions being written in about a month's time.

Aside from the official time which is used for partnership agreement activities, congressionally mandated initiatives to streamline and downsize government have increased the need for official time to be used to bargain over the impact these changes have on employees and working conditions.

Union Expenditures

I would like to turn now to the question you asked in your letter of invitation concerning our expenditures for union activities at SSA.

SSA has three unions, AFGE, the National Treasury Employees Union, and the National Federation of Federal Employees, which represent SSA's bargaining unit employees. There are about 1,900 union representatives nationwide representing 52,000 SSA bargaining unit employees in most of our field and headquarters facilities. Of that number, approximately 145 employees are union representatives who spend the majority of their time on union activities, and are considered to be performing union activities full-time. The remaining employees work only part-time on union activities, averaging about 40 to 60 hours a year.

In fiscal year 1996, we estimate that we will pay for a total of \$11.7 million in union-related expenses, which equals about 0.2 percent of our total administrative budget. The vast majority of this amount--\$10.4 million--is for salaries. The

rest is spent on travel expenses, office space, telephones, and arbitration expenses. I have attached to my testimony the information you requested for fiscal years 1990 through 1995.

Private Sector Practices

I might mention that the practice of an employer funding union activities is not limited to the Federal government alone, but has long been established in the private sector. The practice first began in World War II, when the War Labor Board strongly encouraged companies to pay union representatives, especially those involved in grievance matters, and provide office space. The practice continued after the war in many industries. For example, it is quite common among the "Big Three" automobile manufacturers to provide office space on the shop floor and pay the salaries of the shop committee. This results in quicker resolution of grievances and even works to reduce formal grievances by establishing a mechanism for resolving disputes before they escalate and possibly lead to litigation.

The General Motors (GM) labor contract provides for full-time union representatives whose salaries are paid by GM. For the GM plant in Baltimore, 15 representatives serve a bargaining unit of 3,000 employees.

In addition, to General Motors many other private companies have similar arrangements where the companies pay salaries of employees participating in official union activities. These including Ford Motor Company, Chrysler, Inland Steel and Armco Steel.

Conclusion

Mr. Chairman, we all agree that SSA's administrative expenditures should reflect personnel policies and decisions that are based on efficient use of human resources.

SSA's policies and practices regarding the use of official time fully comply with applicable labor laws, but we also believe that union involvement has a positive effect on our reengineering teams and on other Administration efforts to increase efficiency and improve our service. Union-management partnership encourages, and has been successful in achieving, full union involvement in major Agency initiatives.

The partnership has also helped us reduce the high costs associated with protracted litigation of grievances. For example, we have seen a reduction in litigation, specifically unfair labor practice charges, from 467 charges in FY 1990 to 209 charges in FY 1995. The General Accounting Office previously estimated the cost to the federal Government to fully process one unfair labor practice as in excess of \$28,000, so that the reduction represents a potential savings of over \$7 million per year.

SSA is committed to design, implement, and maintain within SSA a constructive working relationship between labor and management. Our emphasis is on developing an organizational culture in which labor-management relations are based on trust, mutual respect, common goals, and shared accountability. While we realize that this will take time, we must take the long-term view and make these investments now that are vital to ensure our future success. The American people deserve no less.

Attachment

Limitation on Administrative Expenses Account:
 Union Expenditures
 (\$ in millions)

	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
Salary	\$5.7	\$5.8	\$5.5	\$5.2	\$8.1	\$9.2
Travel and Per Diem	.1	.1	.2	.3	.4	.6
Office Space and Telephones	.3	.3	.4	.4	.5	.5
Arbitration	.1	.1	.1	.1	.1	.1
Total	\$6.2	\$6.3	\$6.2	\$6.0	\$9.1	\$11.0

Excerpts from...



Accountability Report For Fiscal Year 1995

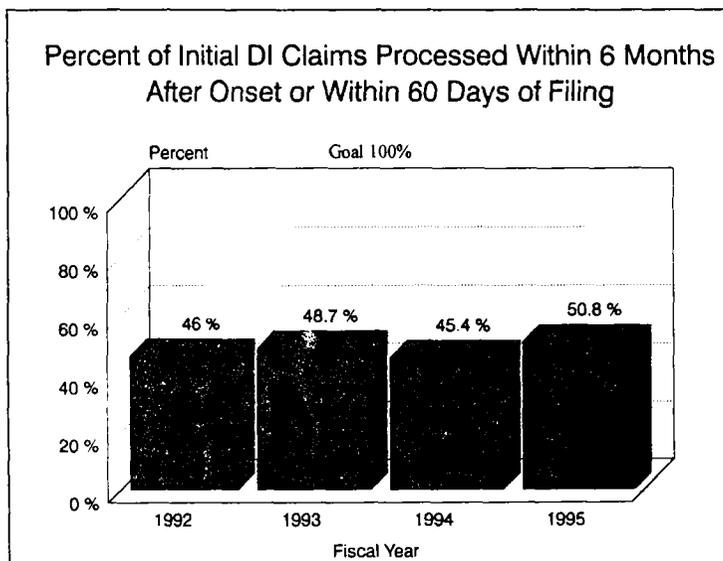
Linking Program and Financial Results

Has Public Service Improved Under SSA--
Union "Partnership"?

SSA GOAL: Provide world-class public service

I. SSA will process all initial DI claims within 6 months after onset or 60 days of effective date.

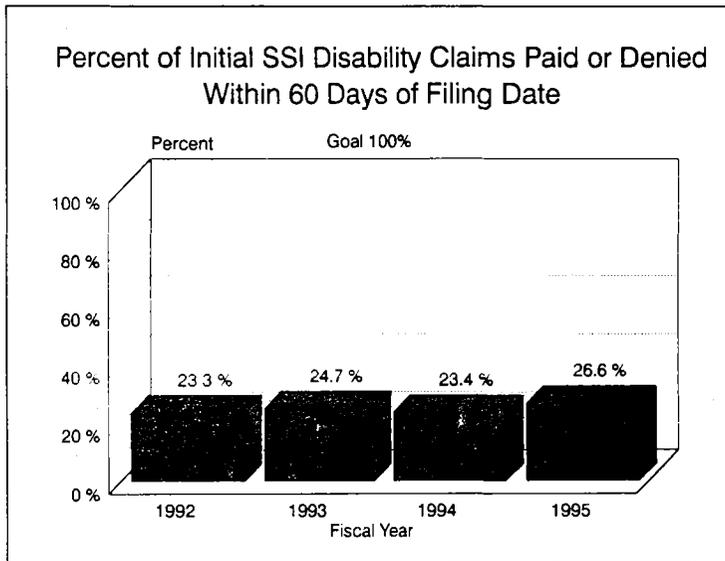
(Results: SSA is off their mark by 50%, with less than a 4% improvement rate since 1992.)



Source: SSA Accountability Report For Fiscal Year 1995

II. SSA will pay or deny all initial SSI disability claims within 60 days of filing date.

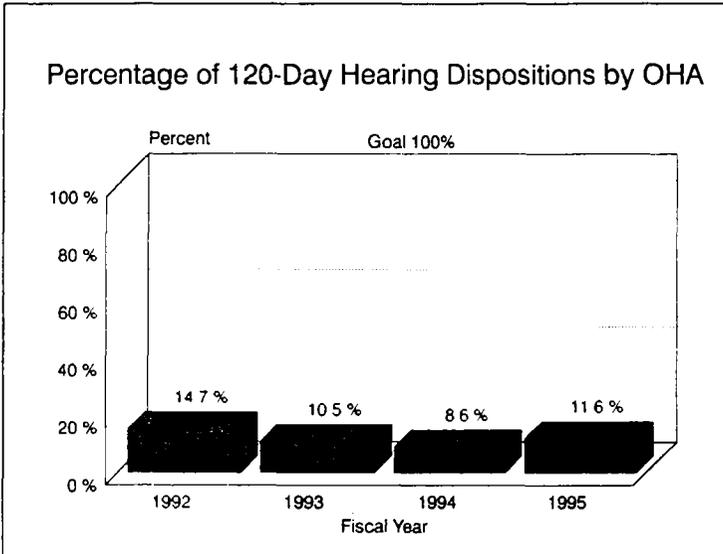
(Results: SSA is off their mark by 75%, with a 3% improvement rate since 1992.)



Source: SSA Accountability Report For Fiscal Year 1995

III. SSA will issue hearing level decisions and send notices to claimants within 120 days after filing date.

(Results: SSA is off their mark by 89%, and performance has deteriorated by 3% since 1992.)



Source: SSA Accountability Report For Fiscal Year 1995

**Use of the Social Security Trust Funds for Union Activity at SSA
Overview of the Preliminary Findings of the GAO Audit**

- **The cost and scope of taxpayer-financed union activity at SSA has risen dramatically since 1993, while work force size remained flat:**

Measures of Union Activity	1993	1995	Increase
Dollars	\$6,000,000	\$12,600,000	110%
Total SSA Work Force	64,800	65,200	1%
Total SSA Employees Who Are Full Time Union Reps.	80	146	83%
Hours of Government Time Used for Union Activities	323,000	414,000	28%

- Hours spent on taxpayer-financed union activity at SSA is systematically under-reported by SSA (by almost \$2 million in 1995).
- **The relative level of taxpayer financed union activity at SSA is disproportionate compared to that at IRS and the Postal Service:**

Organization	Hours per represented employee	Cost per represented employee
Social Security	8	\$211
Postal	2.3	\$39
IRS	4.5	n/a

- **Expenditures for union activities at SSA are appropriated from the Social Security Trust Funds** (as are the salaries of all SSA employees and all SSA administrative expenses).
- The increased activity is the result of the 1993 Clinton Executive Order (#12871) known as "Partnership." This made the unions full, equal partners with management in the operation of SSA offices. This means that taxpayers' **Social Security taxes** are being used for meetings about such issues as **ergonomic office furniture, the allocation of office space, the awarding of bonuses**, instead of doing their regular Social Security work (processing Social Security claims, etc.). This trend is expected to increase considerably as "Partnership" fully takes hold.
- Front-line SSA managers believe that this further drains staffing resources that can be actually devoted to serving the public. **Management cannot question or limit the amount of time a designated employee devotes to union activities.** Front-line managers strongly believe that since the Clinton "Partnership," no one is looking out for the public interest -- that is, the taxpayers and beneficiaries.
- The head of the SSA headquarters union, who is regarded as the chief union spokesperson at SSA, has technically remained an SSA employee by taking leave without pay status, even though he performs no SSA work. He is paid from the \$4.8 million of union dues collected from the 25,000 dues paying union members (there are 53,000 SSA bargaining unit employees but only 47% pay dues). SSA pays the administrative costs of withholding these dues from employee pay and forwarding the funds to the union. **All SSA employees who are full-time union reps should be paid by the union from these dues -- NOT from the Social Security Trust Funds.**
- Taxpayer funding for federal union activities was legalized in statute in the Civil Service Reform Act, signed into law by President Carter in 1978.

Chairman BUNNING. Thank you Commissioner Chater.

I will question and then Mr. Johnson can question and then we will put everybody on the 5-minute rule. I am not going to take much more than 5 minutes, because we are going to get around more than once.

GAO, in its report, estimated that in 1995, \$12.6, not \$11.7 million, in trust fund moneys were spent on union activity. If each of the 1,800 part-time union responsibilities spent only 25 percent of their time on union work that would equate to 450 employees doing full time union work, at an average salary of \$42,000, this is approximately \$18.9 million, alone, without including the salaries and benefits of the 146 full time union responsibilities.

That sum does not include the millions of dollars in management salaries spent on processing grievances, meetings with union responsibilities responding to frivolous union charges, and so forth.

Commissioner Chater, does not it appear to you that both the \$11.7 million that SSA reported in its 1997 appropriation justification for SSA union in 1995 and the \$12.6 million verified by GAO are gross under estimates of the total cost of union activity at SSA?

I am not asking for a statement justifying this spending, just your view on whether \$12.6 million really represents the full cost?

Ms. CHATER. According to our records, which we believe are accurately kept to the best of our ability, the costs that we have estimated match the number of employees who are working on union/SSA related activities.

Chairman BUNNING. In other words, you do not believe that the part-time employees spend anywhere close to 25 percent of their time on union activity?

We are now referring to 1,800 people.

Ms. CHATER. Yes, that's true. Perhaps Mr. Dyer can tell us how we calculated those costs?

Mr. DYER. Well, again, the way we get the costs, Mr. Chairman, is that we actually do surveys of where the time is spent by the union employees. They report the amount of time spent on union/SSA-related activities to our managers, and then we tally it, and that's how we got the calculations that we gave you.

Chairman BUNNING. Well, that still does not answer my question. My question was, do the part-time union employees, union representatives spend 25 percent of their time on union activities?

Now, if you keep good records, that should be very available to you.

Mr. DYER. Again, I am not familiar with the exact details of records, but my own personal experience with working with the stewards and various union officials and now people that are, as you call them, part time, is that it ranges from a very small percentage of their time to 25 percent. It is all over the place.

Chairman BUNNING. You would say, in answer to the question, that no part-time employees spend as much as 25 percent of their time on union activities?

Mr. DYER. I cannot say that.

Ms. PIERCE. Congressman, some part-time employees—

Chairman BUNNING. Excuse me.

Mr. DYER. I cannot say that. I know that some probably do spend up to 25 percent, but it is all over the place. I do not have the figures and I do not think we have the data collected in detail.

Chairman BUNNING. You do not have the data, you ought to have the data.

Mr. DYER. I do not have it here.

Chairman BUNNING. I would request that you furnish that data to this Subcommittee, of those 1,800 people that are supposed to be part-time employees.

Mr. DYER. Right. Well, let me turn to Ruth. Ruth, you are more familiar with the kind of data we collect.

Ms. PIERCE. Yes. Congressman, we keep records of official time that is spent. For the 1,800 or so part-time employees that you are referring to in the field offices, they submit reports that are actually accumulated in terms of an automated process. We do have that data, as well as other manual reports which, as the GAO has indicated in its report, we are going to try to automate, and make the records more precise, as well.

But, to specifically answer the question as to whether any of the 1,800 employees do spend 25 percent, we are sure some of them do and some of them spend less time than 25 percent, as well.

Chairman BUNNING. In the 1995 Social Security Administration Report, Commissioner Chater, the Social Security Administration reported that 404,000 hours of official or government paid time was used for union activity. GAO verified that 413,000 hours were used, an underreported rate of about 2 percent.

However, the GAO audit was very limited in scope. It only covered half of 1995 and included 5 out of 1,300 offices, 2 out of 37 tele-service centers, 1 out of 137 appeals, and 3 out of the many components at Baltimore headquarters.

And, just for the record, roughly how many components are there at the headquarters?

Ms. CHATER. There are seven major components at headquarters.

Chairman BUNNING. Commissioner Chater, how much would the underreporting rate be if GAO actually audited all of SSA?

Ms. CHATER. I have no idea. I cannot say.

Chairman BUNNING. Ten times, 20 times higher?

Ms. CHATER. I'm sorry?

Chairman BUNNING. Would it be 10, 20, or 30 times higher?

Ms. CHATER. I do not think so.

Ms. PIERCE. Our numbers show 404,000 hours and GAO shows 413,000 hours spent on official time.

Chairman BUNNING. About a 2 percent difference.

Ms. PIERCE. But, when you compare what they did with other agencies, they did not followup at all, because no records were kept. But, our records are fairly accurate, and I believe the GAO report indicated the same.

Chairman BUNNING. No. Those were actual numbers that they took.

Ms. PIERCE. Yes. But, they were different timeframes, too, Congressman, if you recall.

Chairman BUNNING. Well, that is not important.

Ms. PIERCE. Well, yes, I think it is.

Chairman BUNNING. The important part is that GAO took actual figures from your records.

Ms. PIERCE. They extrapolated the numbers on an annual basis, a calendar year basis and ours were for the fiscal year.

Chairman BUNNING. No, they were not. I mean read the report.

When Mr. Gage appeared before this Subcommittee on June 4, he stated that SSA partnership with the unions is, "Paying big dividends through better service to the American taxpayer."

In your testimony, Commissioner Chater, you state that SSA partnership with the unions has made us a better agency and a better provider to the American public.

What quantifiable proof can you cite supporting these statements?

Ms. CHATER. I can cite for you some of the examples that we have on the chart that I presented in my oral testimony. Some of the progress that we have made is definitely due to employee involvement, to bringing people in at the front end, to having them buy into the initiatives that we feel are important. I would say that the fact that we are redesigning our business processes means that we need to communicate and involve our employees so that they understand what we want to do.

We utilize those employee comments and suggestions for the redesign material that we are currently working to put into place. We can show you that we have made progress by citing the actual successes that we have had in carrying out our objectives.

As I said, we are dedicated to improving customer service and we are working very hard on two issues, primarily, the 800 number, to which we have devoted a lot of time, and the redesign for our disability claims process.

Chairman BUNNING. Let me not get into a hassle but the Social Security Administration accountability report for fiscal year 1995 shows that service to the American taxpayer in the area of disability does not seem to have changed since 1993.

As a matter of fact, the number of hearing decisions made within 120 days is actually down over 20 percent since 1992, before partnership, from about 15 percent in 1992 to about 12 percent in 1995.

Those are your numbers, they are not mine.

Ms. CHATER. Yes, I believe you are quoting from the accountability report that we submitted, but I would remind you that these are our goals for a long-term period. The achievement of the goals that we have put into our accountability report very much depend upon our success with the reengineering proposal to reexamine our disability claims process.

We know that we are not where we ought to be, we know we have a lot of work to do, but we have made progress and will continue making that progress over the next years to bear out our objectives that we have set forward. Our objectives are very ambitious, we know that, but we have made progress, Mr. Bunning.

Chairman BUNNING. Mr. Jacobs.

Mr. JACOBS. Thank you, Mr. Chairman.

I have just one question and then I would like to reserve the balance of my time.

Ms. Pierce, that 400,000-hour figure, can you tell us or can you even give us a ballpark figure of what percent that would be of all the man and woman hours worked at SSA for the relevant period?

Ms. PIERCE. I guess the man and woman hours worked in the Social Security Administration for the relevant period of over 1 year, quickly calculating in my head, would be approximately 115 million hours, give or take a few, and, given 400,000, I guess that is a pretty minuscule amount. It probably comes out, Congressman, to maybe one hour of one week's time for all of our installations across the country.

Mr. JACOBS. And Dr. Chater, you testified that the amount of taxpayer money involved in compensating the union people in representing the people and dealing with management was about, was it three-tenths of 1 percent of the income to the system?

Ms. CHATER. Yes. Two- or three-tenths of 1 percent of our administrative budget.

Mr. JACOBS. So, when you give that figure, maybe like a little chemotherapy for the mountain, it becomes a little more like a mole hill. The figure of 400,000, when compared to the number of hours actually worked is less dramatic. At first glance 400,000 hours sounds like a long time to me. It would take me a long time to get 400,000 hours behind me, although I may have been in Congress longer than that, I do not know.

I just wanted to put in perspective what percentage it is of the hours worked.

Thank you.

I reserve the balance of my time.

Chairman BUNNING. Mr. Johnson will inquire.

Mr. JOHNSON. Thank you, Mr. Chairman.

I would like to point out, Mr. Jacobs, that I do not think it makes any difference whether it is one-half of 1 percent or 1 one-tenth of 1 percent, if it is millions of dollars—and that is what it is—of taxpayer dollars, if it is one penny of taxpayer dollars that is wrongly spent, it is wrong.

Mr. JACOBS. Would the gentleman yield?

Mr. JOHNSON. Sure.

Mr. JACOBS. If it produces what the witnesses have said, under oath, if it produces that, I do not think it was wrongly spent.

Mr. JOHNSON. Well, let me reclaim the balance of my time.

Are you aware of reports coming to you as to use of union time by your employees?

Ms. CHATER. Yes.

Mr. JOHNSON. Do you, personally, see them?

Ms. CHATER. I see the calculations, of course, that we make on how many people are doing how many hours of work, yes.

Mr. JOHNSON. It has been said in testimony here and by some of your ex-employees that you have an unwritten policy that under the Partnership, "We do not say no to the union."

Is that true or false?

Ms. CHATER. Oh, that is false.

Mr. JOHNSON. Well, do you have some example of saying, no, to the union?

Ms. CHATER. Yes, of course.

When the union representative in a field office, for example, asks for official time to do union-related work, our managers know that they have the responsibility of saying, no, on occasion if taking someone off a particular assignment would not be in the best interests of getting our work done to serve the American public.

Mr. JOHNSON. How often does that happen? In the past year, how many times did that occur?

Ms. CHATER. I cannot tell you exactly how often it has happened, but I can give you an example.

Mr. JOHNSON. You said you saw the reports, is that not a number on the reports?

Ms. CHATER. No.

Mr. JOHNSON. It is not included in your reports?

Ms. CHATER. Not that specific detail, no.

Mr. JOHNSON. Well, you would think you would want to know where they are being used or not.

I am also told that grievances which went down, according to you and others who have testified, was not because of your union partnership but because of the change in the pass/fail system that you use now for employees.

Now, is that true or false?

Ms. CHATER. I believe that is false because the pass/fail system has only come into being in the last year and we have seen a reduction of those grievances before that time.

Mr. JOHNSON. But, when did President Clinton authorize you to use unions as a partnership?

Ms. CHATER. The Executive order went into effect in October 1993.

Mr. JOHNSON. And when did your pass/fail system go into effect?

Ms. CHATER. And our Partnership Agreement was written in June 1994, but before that we were already working together with union officials in cooperative ways.

Ms. PIERCE. And the pass/fail system was implemented in fiscal year 1995.

Mr. JOHNSON. I was told 1993.

Ms. PIERCE. No.

Ms. CHATER. No.

Mr. JOHNSON. So, you did not do it until 1995?

Ms. PIERCE. No. this is the first year that it has been in existence.

Mr. JOHNSON. When did you see a decrease in grievances? And let me have the Commissioner answer, please.

Ms. PIERCE. Surely.

Ms. CHATER. The grievances went from 467 in 1990 to 209 in 1995.

Mr. JOHNSON. OK. I understand that you are trying to downsize the agency to some degree and over the past few years have eliminated up to 10,000 employees, is that true?

Ms. CHATER. No, that is not true.

Mr. JOHNSON. Are you trying to downsize?

Ms. CHATER. Definitely.

Mr. JOHNSON. And have you eliminated some employees?

Ms. CHATER. We have made a commitment to downsize about 4,500 employees over a 5-year period. Some of that downsizing will take place in 1998, 1999, and so on.

Mr. JOHNSON. None of it has happened to date?

Ms. CHATER. Yes, some of it has happened to date. We have used buy-outs, we have had some people take early outs, we have had not only a downsizing plan in place but a redeployment plan in place where we are making efforts to move people from headquarters into direct service positions in the field and elsewhere.

Mr. JOHNSON. How do you account for the downsizing of your employees, when the union workers doubled in the same period of time?

Ms. CHATER. Well, when we downsize and when we make plans to redeploy our employees, trying to move them out into customer service direct positions, we need to consult with the union about how to do that, when to do it, and we have been doing that.

Mr. JOHNSON. So, you do not have management responsibility, you are allowing the union to control your decisionmaking process?

Ms. CHATER. Absolutely not.

Mr. JOHNSON. You just said that.

Ms. CHATER. No. I do not believe I said that. I said to you that we consult with and work through partnership to solve our mutually established problems and we do it together. And, as I said, we have a long history in the Social Security Administration of employee involvement.

Mr. JOHNSON. I am told that only at headquarters can there be grievances filed against the union, is that true or can you get them from your field offices in your outlying areas?

Ms. CHATER. I would like to have Ms. Pierce answer that question.

Mr. JOHNSON. Because you do not know it or what?

Ms. CHATER. We have grievances filed in every part of the agency. We have committees that sit together to see if we can solve the problem before it actually becomes a filed grievance.

Mr. JOHNSON. Do you personally work with the union, yourself, and union leaders?

Ms. CHATER. I personally work with the union leadership, yes. I am a member of the Partnership council.

Mr. JOHNSON. Which means that you are not in total management control, which you said earlier. And, I think we're misusing taxpayer money if that is the case. Don't you have a fiduciary responsibility over that trust fund?

Ms. CHATER. I certainly do have a fiduciary responsibility for the trust fund and I take it very seriously. But my point to you today, Mr. Johnson, is even without a union we would want to involve our employees in a problem solving approach so that employees know what we are doing, that we do what is best for the American public, and that we do it together.

It is sort of the wave of the future for employee involvement, for employee cooperation.

Mr. JOHNSON. I understand all that but when you abrogate your authority to a union, I do not think that is what is happening.

I am out of time.

Thank you, Mr. Chairman.

Mr. NEAL. Thank you, Mr. Chairman.

Thank you for your timely, I think, and superb testimony this morning, Doctor. I think it is entirely accurate in the perspective you have presented it to us.

And let me say this, that through a process of downsizing you should consult with the union. My experience—which may be different than some of the panelists this morning—is as a mayor of a good-sized city in which I used to bargain with 6,000 employees in 36 different bargaining units. And if you want an atmosphere that is conducive to increased productivity where people get along and morale is high, you stay in contact with representatives of the work force.

And, as you have indicated, even in the absence of the union that would still be a desirable goal to hear what the employees have to say.

Now, specifically my question is this, does it not seem logical that in a process of downsizing that new problems would occur, unforeseen problems would occur?

Ms. CHATER. That is true.

Mr. NEAL. The result of which would require a different solution or something, perhaps that had not been thought out?

The idea, I think that is being presented here—and I disagree with the panelist who offered the last suggestion—if you want a really strong work force they have got to feel as though the outcome is part of their doing.

And, the additional suggestion that I would offer, and give you an opportunity to comment on is, management's job is not to come in every day and order people around; and to think that in this atmosphere and the changes that have overtaken our society during the last 5 decades that somehow that is going to be conducive to a healthy work place.

I think, by and large as one who was on the other side of many union decisions, that keeping a union in contact with you, speaking to them regularly you can cut off an awful lot of problems in their early stages. It is only when the problem is allowed to fester that morale problems really set in.

Now, I know that that is a general analysis, but I would like you to, perhaps, speak to it. And I used to deal with these issues every single day for 5 years of my life.

Ms. CHATER. Well, I could not agree with you more. That is the philosophy that we are implementing. I want to call your attention to a report from the Department of Labor that has just come out called Working Together for Public Service, and this report supports very much the philosophy that we are trying to implement in the Social Security Administration. I would just read to you one sentence if I might that says, "Based upon more than one year of extensive analysis, the task force who wrote this report is unanimous in its belief that the movement toward employee participation and cooperation between labor and management offers State and local government an unparalleled opportunity to improve delivery and quality of services."

And so, my philosophy is that what we are doing, working with the union in a cooperative ways, can only help us improve service,

while it improves morale and involves the employees in joint problem solving.

Mr. NEAL. Has the litigation of grievances increased or decreased?

Ms. CHATER. Decreased.

Mr. NEAL. Significantly?

Ms. CHATER. Yes.

Mr. NEAL. What would you offer as a potential savings or a number to me?

Ms. CHATER. Well, GAO has suggested that for every charge of an unfair labor practice, the cost was about \$28,000. If we use that and multiply the number of unfair labor practice charges by which we decreased, we estimate that we are saving about \$7 million a year.

Mr. NEAL. And that does not mean that you end up doing what the union wants, it means that you listen to what the union has to say and then you make a decision after carefully analyzing their suggestion, right?

Ms. CHATER. That is correct.

The whole idea of collective bargaining in the past, became adversarial.

Mr. NEAL. Exactly.

Ms. CHATER. Two groups came together and they had to do conflict resolution. What we are trying to do now is to sit at the same table, share information, identify the problems that we have and mutually solve them, in ways that will decrease the number of grievances and litigations.

Mr. NEAL. And grievances are not only demoralizing but they really are terribly time consuming, are they not?

Ms. CHATER. They are very time consuming.

Mr. NEAL. And once it builds the anger grows and confrontation comes about, polarization and the level of trust is diminished?

Ms. CHATER. Yes, and morale is low.

Mr. NEAL. Exactly. So, the idea, it seems to me, that you are attempting to implement is to have a good working relationship, not to give up your management responsibilities or obligations, but at the same time to include employees in the final product which is as much theirs as well.

Ms. CHATER. Well said, thank you.

Mr. NEAL. Thank you.

Ms. PIERCE. And, Congressman, if I could add, as evidence of the fact that we are not giving up any management responsibilities, we recently issued a memorandum in April 1996 to clarify to any field manager who may have had a different understanding that it is essential that public service be achieved, and the union representative had to do public service before their union duties. And, that is clarified for all managers to follow.

Mr. NEAL. Let me just close on this note—and I thank the panelists very much—when I ran for Congress in 1988 the business community and the chamber of commerce endorsed me as well as the AFL-CIO.

Chairman BUNNING. And? There has got to be a closing line to that.

Mr. NEAL. My point, Mr. Chairman, is this, that if management and labor both seek to find common ground and there is a trusting relationship, that in the long run not only does it benefit the employees and management but, most importantly, it benefits the consumer and the public and it can be done every day. And we are headed down a road, I think, to even more changes in this arena.

I think that we have to get past the notion that one side ought to have the upper hand, that there ought to be a trusting relationship. And I think in the long run, the individual who comes in for the service, the citizen and the taxpayer, benefits enormously from that relationship.

Chairman BUNNING. That is not the subject for this hearing, but I understand your philosophy.

Mr. NEAL. Thank you, Mr. Chairman.

Chairman BUNNING. Mr. Laughlin will inquire.

Mr. LAUGHLIN. Thank you, Mr. Chairman.

Dr. Chater, I think the goals and objectives that you have told us about in your leadership as commissioner are commendable. They are certainly the ones I try to implement with my office. I have fewer employees than you do. I ran a law firm and tried to do it there. And I happened to be company commander of a field intelligence in the army that had over 100 people, and one time they were scattered in three countries, and in none of those instances did I have to deal with a labor union to make sure I met those objectives.

I say that to say to you, and I do not think the presence of the labor union is necessarily the problem that we are trying to address today. What we are trying to address is the use of taxpayers' hard earned money going into a trust fund and being used for other things when they expect that money to be available when they reach their retirement years.

And since this topic has come to my attention, I have discussed it with a wide range of people and editorial writers in my district and not one of them was aware that trust fund money went for union activity.

So, I would like to focus on that.

Since 1993, our information to this Subcommittee is that union costs have doubled. Would you agree with that?

Ms. CHATER. Yes, that is true.

Mr. LAUGHLIN. And you are telling us that you are trying to downsize and have downsized? My question to you is are the managers—and the leadership appointed from the President of the United States down through the various levels—the managers who are accountable to the people of this country, are they making the decisions on downsizing or is it that the managers are relying upon the union advisors to tell them how to downsize?

Ms. CHATER. Well, first, I would comment on the fact that we are using trust funds. We are using both trust funds and general revenues, as our administrative budget is apportioned between the various categories.

Mr. LAUGHLIN. And which percent of trust fund money versus general revenue money are you using for union activities?

Ms. CHATER. It is about 65 percent, including Medicare, for trust fund expenditures. I also want to say to you that, no, managers are

not giving away their responsibilities by working with the union, that's not the idea at all. Because we, by law, can take our administrative expenses from the trust fund. In fact, it is the only place besides general revenue that we can take expenses from. Our administrative budget does, indeed, partially come from trust funds. Official time is considered an administrative expense.

Mr. LAUGHLIN. In your efforts to lead your agency next year and the following year, have you come up with any estimate of how much money it will cost for union activity in the year 2000?

Ms. CHATER. We expect that the partnership that we have worked out with our union will certainly continue and, indeed, will improve.

Mr. LAUGHLIN. That is not my question, Commissioner. My question is how much money? Is it going to be more money, is it going to be less money, is it going to be about the same?

Ms. CHATER. We think it is going to be about the same. We expect the number of people to be working on full time union activities, for example, to level off.

Mr. LAUGHLIN. And where is the supporting documentation that allows you to tell us that you expect the cost to the taxpayer is going to remain the same for this union activity that has dramatically increased since the Partnership Agreement signed by President Clinton in 1993, where full time union activity on the part of the SSA employees has more than doubled and the amount of taxpayer dollars being spent on full time union activity in the last 2 years has more than doubled, where is the data—can you give it to us, will you give it to us—that allows you to tell us in this hearing that you expect it to remain the same it the next 4 years?

Ms. CHATER. I am only making a projection that it will remain the same because we know, for example, that a lot of union partnership work has gone into the redesign process for disability. We plan to have that process totally in place by the year 2000.

Mr. LAUGHLIN. Are you telling us that you expect union activity just to go flat this year?

Ms. CHATER. I am telling you that I think that, between now and the future years, we will have reached a leveling off of the number of people who work full time in our union.

Mr. LAUGHLIN. Even though there is been the dramatic increase in union activity, union membership, union expense at taxpayers' cost, you expect it to go flat this year?

Ms. CHATER. I expect that it will stabilize because many of the reasons that caused us to increase—

Mr. LAUGHLIN. No, but stabilize tells me one thing, I am asking about dollars being increased.

Ms. CHATER. Well, dollars will slightly increase as salaries go up, of course, but the—

Mr. LAUGHLIN. That makes me awful nervous, Commissioner, when you say, "slight increase," because in my 8 years here when I hear slight, it often gets into millions and sometimes in real dollars, in billions.

What do you mean by slight increase?

Ms. CHATER. What I mean is that whatever is passed as the percent of salary increases across the Federal Government applies to us as well.

Mr. LAUGHLIN. Would you say the figures that we are dealing with since 1993 are a slight increase in cost to the taxpayer or a dramatic increase?

Ms. CHATER. No, sir, they have increased considerably, which I have already said, because we are doing so much more than we have done in the past with our union/labor management partnership.

Mr. LAUGHLIN. Mr. Chairman, could I have one more question? I see the red light is on but it has to do with money.

Chairman BUNNING. Yes, if you keep it short.

Mr. LAUGHLIN. The question will be short but I hope the answer is not. What reports do you get on taxpayers' money going for union dues that are used for political purposes?

Ms. CHATER. I cannot answer a question that has to do with union dues. I do not know the answer to that.

Mr. LAUGHLIN. In your partnership agreement with the unions, they do not confide that information with you?

Ms. CHATER. Well, we have nothing to do with how union dues are spent.

Mr. LAUGHLIN. Well, you are paying them.

Ms. CHATER. We do not—

Mr. LAUGHLIN. It is part of your budget.

Ms. CHATER. No, we do not pay union dues.

Mr. DYER. It comes out of the salaries.

Mr. LAUGHLIN. Well, you are paying the salaries. So, in your partnership agreement—

Chairman BUNNING. That is it. We will move on to the next questioner.

Mr. LAUGHLIN. All right. We will have another round.

Mrs. KENNELLY. I think the record will show that Mr. Laughlin was never a member of a union. [Laughter.]

Thank you, Dr. Chater for coming and I have been listening to this and I would like to mention for the record, that Federal unions are permitted to bargain under Federal statute. We are not discussing anything that is not absolutely regulated by the law. Furthermore, in 1993, President Clinton issued an Executive order which called for improving labor/management relations through partnerships designed to bring labor into the early stages of agency decisionmaking and avoid subsequent conflicts.

And as you and I know, Dr. Chater, this initiative is throughout the entire Administration. It is part of a reinventing government, it is part of the downsizing to make a more efficient Federal Government. We are all aware that the taxpayers are very concerned about where their dollars are going and they want a more efficient government and that is the whole point of the partnership.

And I salute you for carrying out what you have been asked to do by the President of the United States. Mr. Chairman, some of the staff and myself were interested in what this union participation in the Social Security Administration did during the official time under the Federal statutes. And we have compiled a list that we think more or less says more than the chart before us.

The Social Security Administration is redesigning the disability system from the ground up to streamline the process, reduce delays and backlogs, and improve customer service. The agency has established a redesign team for a new claims process and the list goes on from there.

They have a committee on security with memory of the Oklahoma City situation. The security system has added 101 security guards, established stricter procedures for access to offices, national employer awareness training of security, and so forth.

Mr. Chairman, if I could submit this for the record as my thought of what probably this has brought about but noting that—

Chairman BUNNING. It is perfectly all right if there is a disclaimer on it, your disclaimer.

Mrs. KENNELLY. It is from me, absolutely.

[The following was subsequently received:]

**The Honorable Barbara Kennelly
June 27, 1996**

Mr. Chairmen, following are a few of the examples provided to me by the American Federation of Government Employees of their participation in activities designed to enhance the operation of the Social Security Administration. The two examples below include the redesign of the disability determination process and security at local Social Security offices.

**UNION PARTICIPATION AT SSA
EXAMPLES OF USE OF "OFFICIAL TIME"**

REDESIGNING DISABILITY

- o SSA is redesigning the disability system from the ground up to streamline the process, reduce delays and backlogs and improve customer service. The union -- through the Partnership -- has participated extensively in redesign.
- o The agency established a redesign team. After many months of work and consultation, the agency issued a plan for a new claims process in September, 1994.
- o The union participated through a disability Redesign Advisory Group which submitted written comments on the plan. The union engaged in a comprehensive effort to solicit employee input through surveys and established nearly full-time committees to analyze the proposals and provide comments from employees.
- o After the plan was issued, the agency established a Disability Process Redesign Team to implement the plan. The union provided 6 members for the Team. They worked full time on implementation along with SSA managers and other SSA employees.
- o The union established a redesign committee of 13 members to familiarize themselves with the issue and provide communication and advice to employees and management.

- o The agency established regional redesign implementation committees. SSA has 10 regions -- thus 30 members work on this issue nationally to implement the plan.
- o Task teams were created on specific portions of the Plan for a New Disability Process. Two union employees serve on each task team. Task teams include, among others:
 - streamlining medical evidence
 - sequential interviewing
 - starter applications
 - quality assurance
 - role of the medical consultant
 - disability claims manager

OFFICE SECURITY

- o There is a national Health and Safety Partnership Committee on Security. Many local offices are in dangerous inner-city areas. Employees -- who deal with the mentally ill for example -- have been regularly threatened with bodily harm.

In addition, the memory of Oklahoma City is never far from their minds.

- o The Security Committee is 10 persons and meets monthly. The Committee has accomplished such changes as:
 - agreement to add 101 security guards at local offices;
 - establishing stricter procedures for access to offices;
 - national employee awareness training on security;
 - improving lighting at parking lots.

Mrs. KENNELLY. Doctor, I noticed as we were preparing for this meeting that in this GAO report they complimented you on a new system they were currently testing to gauge how much time is being spent on union activities. Evidently you have a pilot program?

Ms. CHATER. Yes, we do. We will be implementing a pilot program in the Chicago region very shortly, I believe. Ms. Pierce has been working very closely with the people who are doing that.

Would you like to expand?

Ms. PIERCE. Yes. What that system will do, Congresswoman Kennelly, will be to better track the information on individual official time spent in the offices. The system will improve on what the GAO report showed, although we were planning the system far in advance of the GAO audit. It will enable us to more precisely determine the exact hours and time spent and define the areas in which individuals are working, as well.

I might add, as a result of some of the GAO recommendations, we will be looking to expand that automation after the results of the pilot to establish precisely what time is spent on partnership and to ensure that we expand this automated system to other units in the agency, as well.

Mrs. KENNELLY. Thank you.

So, that means it is going to go throughout the system eventually?

Ms. PIERCE. Yes.

Mrs. KENNELLY. Doctor, obviously knowing your background and your expertise, I would imagine you have looked at private industry and their use of partnership activities. It is my understanding that a recent study suggested roughly 50 percent of private industry uses partnership activities such as the Executive order has asked you to carry out?

Ms. CHATER. I understand that on the Internet one can now receive a list of 75 major private companies that are involved in some sort of partnership arrangement, yes.

It is the wave of the future. It is a good way to proceed, and a wonderful way to try to change the culture of the Federal Government. We are working very hard to change the culture from a command and control idea to one of participatory management, of cooperation, of mutual problem solving.

Mrs. KENNELLY. Thank you, doctor.

Dr. Chater, often when we are in a hearing like this, we go home and we talk about it at our town meetings or radio show.

If you were answering questions on this hearing, how would you respond? You were asked to come testify before us concerning the partnership and I heard your lengthy testimony which I thought was excellent. But if you were me, going home, what would you say to the people I represent about why this hearing was called and how you answered the concerns? Short, like in a timeframe that I usually get to explain it.

Ms. CHATER. Well, first of all, we have been invited to come and respond to the GAO report. And, second, the main question that has been asked of us is to justify the expenditure of trust fund money on union Social Security-related activity. In answer to the latter, we are doing nothing that is not authorized by Federal stat-

ute. We see this partnership as a very important part of our administrative style and strategy. All of our administrative expenses are apportioned among the funds that I have already referred to and that is why we are using trust fund money to make a better agency and to improve customer service.

Mrs. KENNELLY. Thank you and your staff for the good work you are doing.

Chairman BUNNING. Mr. English will inquire.

Mr. ENGLISH. Thank you, Mr. Chairman.

In view of the limitations on time in this hearing, I will simply pass.

Chairman BUNNING. Mr. Portman.

Mr. PORTMAN. Thank you, Mr. Chairman.

I earlier heard my friend, Mr. Jacobs, talk about relativity and, you know, the number of hours spent on union activities versus the number of hours spent on all Social Security activities and in the interest of relativity, just to get back to that, we have had a doubling since 1993 of the amount of time spent, the amount of money spent. I think it went from about \$6 million to \$12.6 million. We have heard a lot of explanations about that today.

One was that the number of grievances have been reduced. But then Mr. Neal said, well, the great thing about that is that grievances are terribly time consuming, which they are, which would seem to run counter to the notion that somehow with fewer grievances there needs to be more time.

The point which I tried to make in the last hearing when we had an opportunity to speak with GAO and some of the representatives of management, was that I am not convinced that we have the accuracy and the completeness of the records we need to be able to even analyze the situation.

And I was interested to hear Ms. Pierce's response, Dr. Chater, to the question from Mrs. Kennelly about the pilot program and the automation. But, I still think we have to focus on the fact that there has been a doubling of time since 1993, that there does not seem to be any ability within the Social Security Administration to tell us, as an oversight panel, exactly how much time is being spent. The notion of part-time people, how much they are really spending.

And automation is great, but automation is only as good as the information you put in. And my biggest concern is this notion of the completeness and the accuracy of the spending. This is in the context of your having, just as I understand it, rolled over the contract for another 3 years, so that the union activity would continue much as it is, I guess until 1999.

And in doing so, I would hope that we would have a better system in place. So, if I could get back to that issue, Mr. Dyer, you talked earlier about a survey that is completed by employees and that management are given some sense of how much people spend. But, how precisely do people record their time and how can we improve that system?

I open it up to whoever would like to respond.

Mr. DYER. Well, I think that we do a pretty good job, management and the union, reporting the time. Everywhere I have been and talked to our managers, they are aware that the time is

reported. The union officials are aware that their job is to report it and that the reports are recorded.

When you look at us compared to other agencies, we have the best system in place. The GAO report showed it. We have a pretty good idea of the amount of official time used. GAO did not find official time that anybody was failing to report, or was reporting inaccurately.

So, based on the evidence that we have, we think we are doing a pretty good job.

Mr. PORTMAN. I guess I read the GAO report a little bit differently in terms of the completeness and the accuracy of the data. I think, in fact, they were concerned about that. And I would just again ask, if you could just walk through it for an individual employee, how that employee, the part-time employee, for example, in the field office, currently report the union activity?

Mr. DYER. There is a form that the part-time employee in the field office uses to put in the amount of time that he or she is spending and, in general, what the union activity is that he is spending it on. They submit that form to staff in the management arena where it is automatically put into what we call a YY report. That is one of our district office reports.

What we are doing to revise our system, Congressman, is to streamline the report and enhance it so that it better captures the time, and also so that we will have better accountability for that time. In other areas outside the field offices, where we have large processing centers, those reports are handled manually and are accumulated over time which causes a problem with accuracy. That is where I believe the GAO indicated that they found inaccuracies, and that is the area where we have really got to streamline and improve the process.

There is one point you made that I would like to respond to, if you do not mind. You talked about us rolling over the contract and your concern about that.

Mr. PORTMAN. Hmm-hmm.

Mr. DYER. Actually, the rolling over of the contract is another area where we are saving money. In 1993, while some of the money was for some of the activities that we have discussed, much of it was for the actual negotiation of the contract.

When we renegotiate a contract with the union, we bring in managers throughout the country to go through every article in our contract to determine what areas they have problems with, what things we need to enhance, what we need to improve, and it takes a great deal of time and study. Then, once we get through with the negotiations, which by their very nature in the past have been adversarial and long, it usually takes 2, 3, sometimes 4 months of actual negotiation.

Mr. PORTMAN. My concern about rolling over the contract is that even though it may save some money as compared to renegotiating an entire contract—although you did have some add-ons, as I understand it—is that if you do not have a good sense of how much union activity that is currently going on and how much official time is being used for union activity when it could be used for processing claims and so on, and getting into some of these backlogs we talked

about earlier, that it seems to me it is not wise to extend a contract for another 3 years.

Do we know we need 146 full time union employees? Do we know we need to have another 1,800 people to work part-time? If we do not have that data—and I understand it is a living contract, so we can go back into it and I think that is good—but why go ahead and roll over without getting the information first and figuring out how to do it?

That is my concern. It is more a matter of having the data to be able to analyze it so we know whether you need 400,000 hours of taxpayer paid time.

Mr. DYER. Let me clarify that that has nothing to do with the contract. The numbers of union officials are not in that contract.

Mr. PORTMAN. But, when you renegotiate the contract—that is the context within which all this goes on, the partnership and all the activity—I assume with the downsizing, the degree to which you are interacting with the union, what the requirements are and so on.

So, my sense, again, is that what the Social Security Administration ought to be doing is redoubling its efforts not only in terms of automation, which is important, but also in terms of getting the actual information so that it is more accurate, more complete, so that you can tell us at the next hearing how many people are spending 25 percent of their time, how many people are spending 15 percent of their time, 5 percent of their time, so that we have this kind of information and we can decide.

Mr. DYER. And, I think we are in agreement there, Congressman.

Mr. PORTMAN. Thank you, Mr. Chairman.

Chairman BUNNING. Commissioner Chater, I have a copy of a brief memo, dated June 21, 1996, to GAO from Pat Randall, Director of the Social Security Administration's Office of Labor Management relations regarding awards paid to full time Social Security Administration union employees. It was requested as part of the audit I asked GAO to do on the use of trust fund moneys for union activity.

I am sure that you or Ms. Pierce or Mr. Dyer are familiar with it. Are you familiar with it?

Ms. CHATER. No. I am not familiar with that specific letter.

Chairman BUNNING. All right. It states that in fiscal year 1995 and for fiscal year 1994, \$10,080 in performance awards were paid to SSA employees who spent 100 percent of their work time on union activities.

To the best of your knowledge, would that be correct?

Ms. CHATER. That is correct, yes.

Chairman BUNNING. To the best of your knowledge, were any other rewards or incentives paid above and beyond salary made in full to union representatives in that same period?

Ms. CHATER. I can tell you that the data that you just gave us was for performance awards.

Chairman BUNNING. That is correct.

Ms. CHATER. There may be other—

Chairman BUNNING. I am asking you if there were any others?

Ms. CHATER. I presume there might have been, yes.

Chairman BUNNING. And could you tell me what they might have been?

Ms. CHATER. Well, we offer something called an, "On the Spot Award." If somebody does something quite special at a moment in time, the managers have the prerogative of presenting a small on the spot award, for whatever that was. Those could be in addition to this.

Chairman BUNNING. Now, Commissioner Chater, I am wondering just how SSA was able to determine that these full time union representatives merited a performance award since, according to everything I have been told, management is not allowed to question union employees about what they do on official time.

Ms. CHATER. We—

Chairman BUNNING. Can you explain how you measured the performance of these employees and determined they should receive a cash award averaging over \$1,000?

Ms. CHATER. The determination was based on their last performance measure within the agency.

Chairman BUNNING. When was that?

Ms. CHATER. And I would like Ms. Pierce to tell you exactly what year we are dealing with—

Chairman BUNNING. These are full time union representatives that do not do Social Security Administration work.

Ms. PIERCE. I understand.

Chairman BUNNING. How do you measure a performance that does not perform?

Ms. PIERCE. Well, let me answer why they have a rating and how that is done, Congressman. When our contract was negotiated in 1988—it goes that far back—there was agreement reached that union officials who spent 100 percent of their time on union business would be able to carry over their last appraisal of record before they began spending 100 percent of their time on union activities in order to be eligible for promotional opportunities.

What subsequently happened was that our award system provided that individuals who received outstanding ratings were entitled to an award. As a result, union officials who carried over the outstanding ratings were given awards.

Chairman BUNNING. Seven years ago?

Ms. PIERCE. I challenged that process when I became the Deputy Commissioner in 1991. Congress indicated that it was in appropriate for 100 percent union officials to receive awards based upon performance done in a job where they worked before they became 100 percent union officials.

That challenge was subsequently litigated. We lost and the Federal Labor Relations Authority upheld that and required us to continue paying those awards.

Chairman BUNNING. In the new contract that you just negotiated, what did you do?

Ms. PIERCE. Under the new contract which we just negotiated, we now have a pass/fail appraisal system and we no longer will be paying awards based on outstanding ratings alone.

Chairman BUNNING. OK. That same memo further states, "100 percent union representatives will not receive awards in fiscal year 1995." And you are telling me it is because of that fail-safe?

Ms. PIERCE. It is because of the fact that we have changed our appraisal process and also because we have changed our award process, yes.

Chairman BUNNING. I have a copy of a document entitled, "AFGE/SSA Region 2 Award Agreement."

Commissioner, which region is region 2?

Ms. CHATER. New York.

Chairman BUNNING. I assume that you, Ms. Pierce, or Mr. Dyer is familiar with this agreement since it appears to be well in effect?

Ms. PIERCE. I have not seen the agreement for New York.

Chairman BUNNING. You have not?

Ms. PIERCE. No, I have not.

Chairman BUNNING. Have any of you seen the agreement?

Ms. CHATER. No.

Chairman BUNNING. OK. According to this agreement, which I have, which applies to 1996 awards, "All current employees in good standing and who have been on duty for at least 90 days, will receive a CASA award based upon the following scale. Grades 1 through 4, \$200; Grade 5, \$266; Grades 6 and 7, \$315; Grade 8, \$382; Grades 9 and 10, \$436; Grades 11 and 12, \$500."

Are you familiar with that, any of you?

Ms. PIERCE. No. I have not seen that.

Chairman BUNNING. I am a little confused then. First this agreement appears to be saying that all employees, all, are going to receive a service award, yet, I understand that Social Security Administration employees now are evaluated on a pass/fail system.

Would you explain to me how Social Security Administration went about determining what exactly it is that each and every New York regional employee in good standing did to earn a commendable award or a service award?

Ms. PIERCE. Congressman, I can only respond to that by saying that the negotiated contract and the partnership agreement for awards calls for each component to work together, union and management, to determine how their awards would—

Chairman BUNNING. And that would include all employees including the SSA employees who do nothing but union work?

Ms. PIERCE. No, it should not. And I do not, as I said—

Chairman BUNNING. You just told me that was excluded.

Ms. PIERCE. I said it was excluded and I do not know what New York did specifically but I am trying to explain to you that what each component does is negotiate their own agreement. Now, the guideline specifically said 100—

Chairman BUNNING. You said that each region negotiates their own agreement?

Ms. PIERCE. Yes, they do, working with the union in terms of the awards. The guidelines are provided and the guidelines did preclude 100 percent union officials from receiving awards.

Now, before I can respond to what New York did I would have to check because I just do not know.

Chairman BUNNING. Well, they have signed the agreement.

Ms. PIERCE. But, I have not seen it.

Chairman BUNNING. How could they sign the agreement without the approval of the people here that are sitting at this table?

Ms. PIERCE. Because they have been delegated the authority to approve that as part of our agreement.

Chairman BUNNING. Well, that seems a little unusual, to say the least.

Just to refresh your memory and for the benefit of those here, I was the first of many Members of Congress and the Senate to express outrage when you spent money that Congress gave you to reduce disability backlogs and you will remember the amount, \$200 million, on employee bonuses.

Ms. CHATER. I do.

Chairman BUNNING. Particularly egregious was the \$9,000 paid at your recommendation to one of your staffpeople, a deputy—

Ms. CHATER. Yes.

Chairman BUNNING. —I am not going to bring his name up— which he later returned, and the fact that almost 70 percent of all Social Security Administration employees got bonuses or awards, almost twice the percentage of employees in other government agencies. And, Commissioner, this outrage was not partisan in any nature

As a matter of fact, I have a fist-full of news clippings expressing public outrage on this issue as well as an entry from the May 20, 1994, Congressional Record in which the Vice Chairman of this Subcommittee, who was then Subcommittee Chairman, introduced legislation that would prohibit that practice. The bill was H.R. 4466.

So, I ask you, Commissioner, is this *deja vu* all over again or doesn't what Congress did in 1994 mean anything? We are having the same problem with awards to people who do not seem to have earned them.

Ms. CHATER. First of all, I want to make it very clear, Mr. Bunning, that we have not spent the \$200 million earmarked for disability on anything but disability.

Chairman BUNNING. Well, that money is fungible—

Ms. CHATER. And awards did not come out of that fund.

Chairman BUNNING. Madam Commissioner, I am not going to get into that debate because we know that it was spent. I mean you can say you spent \$200,000 or \$200 million here and you did not spend it there. But, the fact of the matter is, it was specifically designated for backlog reduction in CDRs, and it was not spent for that.

Ms. CHATER. I beg to differ with you, for the record, it was spent exactly as intended. And I am absolutely positive about that. Nevertheless, your question has to do with the percent of people who have received awards. It is quite true that when I came to the Social Security Administration about 70 percent of our employees received an award. Now, we are under a guideline that no more than 37 percent of our employees receive awards.

Chairman BUNNING. That is about what the average is for the rest of the Federal Government.

Ms. CHATER. Well, paid in 1995 for fiscal year 1994, the percentage of our employees, overall, who received a performance award was 21 percent. So, we have decreased that considerably.

Chairman BUNNING. All right, go right ahead.

Ms. CHATER. And, we have guidelines in place now that high percentages of people should not receive performance awards because it dilutes the whole notion of being rewarded for performance.

Chairman BUNNING. Do you know how much interest, Vice Chairman Jacobs and I have in getting you more money to do your job better?

Ms. CHATER. I do and I appreciate it immensely.

Chairman BUNNING. In the earnings limit bill, we insured that SSA gets CDR money to reduce the over 3 million case backlog now waiting for a continuing disability review, these were supposed to have been done in 3 years, they were not. There are other things that we have tried to accomplish to make sure that you have the money to do your job properly. That is why we are concerned about awards for people who are no longer eligible for awards.

Ms. CHATER. I will say to you that people who work 100 percent on union Social Security Administration related activities will not receive performance awards, Mr. Bunning.

Chairman BUNNING. Mr. Jacobs.

Mr. JACOBS. Thank you, Mr. Chairman.

In the interest of lunch, I pass.

Chairman BUNNING. Mr. Laughlin.

Mr. LAUGHLIN. Thank you, Mr. Chairman.

Commissioner, isn't it true, for the record, that it is most likely the case that virtually all full time Social Security Administration union representatives received awards or bonuses in the last several years?

Ms. CHATER. Yes.

Mr. LAUGHLIN. And could you just give us, for the record, later in a timeframe that, Mr. Chairman, you would agree to, the names and the amounts of the awards of the full time union employees?

Ms. CHATER. Yes. We can do that for you.

[See written questions later submitted by the Subcommittee; question No. 18, page 137.]

Mr. LAUGHLIN. OK. Now, who is it that collects the union dues of the Social Security Administration employees who actually belong to the union?

Ms. CHATER. The union I presume.

Ms. PIERCE. For those individuals who agree to have their dues withheld from their pay, it is done in the payroll process. We then submit a check to the union.

Mr. LAUGHLIN. So, it is not the union who actually collects it, it is the Social Security Administration through the administrative process of paying the employee for his or her time.

Ms. PIERCE. Where the employee elects dues checkoff, yes.

Mr. LAUGHLIN. I see. And has there been any calculation of the cost for the withholding process?

Ms. PIERCE. That is part of our administrative budget costs, yes. I cannot tell you precisely what it is, but it is captured.

Mr. LAUGHLIN. Well, how much is collected in dues say in 1995?

Ms. PIERCE. I think it was \$4.8 million but I cannot say that unequivocally.

Mr. LAUGHLIN. Is there any reason that you know of that this money could not be used to justly finance union dues, I mean union activities, to pay the salaries or expenses of the full time or part-

time Social Security Administration employees who are doing union activity?

Ms. PIERCE. My understanding is that legislation requires that we pay it from our administrative expenses.

Mr. LAUGHLIN. Now, in the downsizing that has taken place at the Social Security Administration in recent years, since 1993, there has been downsizing has there not?

Ms. CHATER. Yes.

Mr. LAUGHLIN. Can you give us any idea of the percent or number of employees who have been reduced from the force who are union employees versus the percentage or numbers who were nonunion employees?

Ms. CHATER. No. I do not have that data.

Mr. LAUGHLIN. Is it impossible to do that? I mean if you are withholding the union dues through a check off it would seem that it would be possible to do it.

Ms. PIERCE. It might be difficult. We will make an effort, but it might be difficult. I do not know.

Ms. CHATER. Most of the downsizing that we have done to date has been done through buyouts and early retirements. We have been able through regular attrition to lose some of our employees and so we have not particularly captured the data you are interested in.

Mr. LAUGHLIN. OK. If it is possible if you will submit it to the gentleman for the record, that will be satisfactory with me.

Ms. CHATER. Yes.

[The following was subsequently received:]

There has been a total of 2,448 employees who have attrited from the Social Security Administration since downsizing began in fiscal year 1994. Of that number, approximately 55 percent (1,335 employees) were bargaining unit employees (eligible for union representation, but not necessarily dues paying members), and 45 percent (1,113) were nonbargaining unit employees, such as supervisors or managers, who are precluded from union representation under Title VII of the Civil Service Reform Act of 1978.

Mr. LAUGHLIN. Now, I cannot see your name on the far end, I believe Ms. Pierce?

Ms. PIERCE. Pierce, that is correct.

Mr. LAUGHLIN. When you were talking about the negotiations with the union on the contract, you were talking about parts of the contract that the union had concerns with or problems with, if I am recalling your words correctly?

Ms. PIERCE. No. What I was talking about was the amount of time that we spend as an agency, in total, in reviewing the whole process and the contract, both management and the union.

Mr. LAUGHLIN. OK. But, I understood you to say something about addressing parts of the contract that the union had problems with or—

Ms. PIERCE. I do not recall saying that, sir, no.

Mr. LAUGHLIN. Well, then I misunderstood.

Ms. PIERCE. OK.

Mr. LAUGHLIN. Mr. Chairman, that is all of the questions I have at this time.

Chairman BUNNING. I passed over Mr. Johnson and I apologize. Go ahead.

Mr. JOHNSON. No problem.

Thank you, Mr. Chairman.

Let me follow up, if I may, on what I was asking you earlier. Over the last few months, we have heard from employees in a number of Social Security Administration offices who do not believe that the union, in this case, AFGC is representing their interests. In fact, the employees believe the only interest the union represents is its own.

I wonder if you could explain how an office can decertify the union as its representative? Is it simple, is it straightforward? Has it ever occurred?

Ms. CHATER. I will have to turn to Ruth for that.

Ms. PIERCE. Well, it is complex, but the process is established and laid out by the Federal Labor Relations Authority, sir. I would have to get that specific information. While it is not easy to decertify the union, it is not impossible. But, I do not recall within the agency any recent time that we have had decertification of a union.

Mr. JOHNSON. So, to your knowledge, you do not know of any that have been decertified in recent history?

Ms. PIERCE. No, not recently.

Mr. LAUGHLIN. Would the gentleman yield on that?

Mr. JOHNSON. Sure.

Mr. LAUGHLIN. I apologize. I was looking for that information myself. Did you say you were going to check and submit to the Subcommittee the—

Ms. PIERCE. I will submit the process to the Subcommittee because it is very complex, yes.

Mr. LAUGHLIN. I had that very thought in my mind and had made myself a note that the last question I wanted to ask was on decertification.

Ms. PIERCE. The guidelines are laid out by the Federal Labor Relations Authority, which we will provide.

Mr. LAUGHLIN. In fact, Ms. Pierce, I have to tell you I read the process as the employee understood and I will tell you as I read it, it is easier to impeach the President of the United States than it is to decertify. [Laughter.]

Ms. PIERCE. I do not know what you are referring to in terms of what the employees—is this one of the statements for the record?

Mr. LAUGHLIN. That is why we need it.

Ms. PIERCE. OK. We will be sure and provide it to you according to the way the FLRA requires it.

[See written questions later submitted by the Subcommittee; question No. 19, page 146.]

Mr. JOHNSON. Does that comment mean you do not know how to impeach the President or you do not know how to decertify the union or both?

Ms. PIERCE. I think I will just pass on both questions, Congressman. [Laughter.]

Mr. JOHNSON. Well, let me ask you another question.

Back to our Chairman's questioning on the awards, I have been reading this agreement in New York and it is amazing to me that you are unaware of it. It says, a new article in the national agreement between AFGC and SSA. That would indicate to me that you made the agreement if it is a national agreement, is that true?

Ms. PIERCE. Once again, I have not seen the agreement, but my assumption is that they are saying that, because we had the national partnership agreement, which includes the new awards article 17, the negotiations in the New York Region then subsequently developed whatever that product is. But, that does not mean that we were a part of that.

As I tried to indicate before, the agreement——

Mr. JOHNSON. You do not make the agreements between the——

Ms. PIERCE. The national agreement provided guidelines for the regions and components to establish their own process.

Mr. JOHNSON. So, you are saying the president of the union would know but you would not because he——

Ms. PIERCE. No, that is not what I said at all, sir. What I said is that the national union partnership with management established the guidelines to which I believe the document you are reading is referring, but since I have not seen the document I cannot say that unequivocally. What the document that we established nationally provides for is for the regions to then work with their management and union officials to negotiate their local awards process.

Mr. JOHNSON. And Dr. Chater said, unequivocally, that no full time union employee would get an award.

Ms. PIERCE. Which is part of the national guidelines.

Mr. JOHNSON. Well, this thing says, all current employees who have been on duty for at least 90 days will receive commendable act or service award. Now, did you restrict those union employees from just some kind of service award or a whole number of awards. Do you know how many different awards there are?

Ms. PIERCE. Probably about six or seven.

Mr. JOHNSON. OK.

Ms. PIERCE. And what we are precluding the 100 percent union officials from are performance awards, specifically.

Mr. JOHNSON. Just one of them. So, you are saying that the other awards can be given to full time union employees?

Ms. PIERCE. That is negotiated with the panel, sir.

Mr. JOHNSON. A panel?

Ms. PIERCE. With the panels.

Mr. JOHNSON. Which panels?

Ms. PIERCE. The joint union/management award panels, such as was done in the New York Region.

Mr. JOHNSON. So, this statement in here that says all current employees are eligible or will receive, it really says they all will receive an award.

What we are doing is guaranteeing them extra dollars at the beginning if they work for 90 days or more, is that the way you would perceive it?

Ms. CHATER. Mr. Johnson, since we have not seen the memo that you are reading, I would like very much to explore this to see to what extent the New York Region is being consistent with our policies and will let you know.

Chairman BUNNING. We will be glad to provide that.

Mr. JOHNSON. Yes, I appreciate that. I am just wondering if this occurs in New York, does it occur in all your regions? And how many cash awards are there? I mean she said six or seven. Do these moneys come of trust fund dollars, as well?

Ms. CHATER. We will check on all of that and let you know.

Mr. JOHNSON. OK, we would appreciate you responding to the Subcommittee with that information when you get it.

Thank you very much.

[The following was subsequently received:]

Our records indicate that no full time union representatives have received performance based awards in 1996.

The types of cash (or cash-equivalent) awards given by SSA are:

- Commendable Act of Service Award, given to groups or individuals for significant accomplishments or contributions which have promoted the mission of the agency;

- Recognition of Contribution Award, given to employees who have maintained high quality performance throughout the assessment cycle;

- On-the-Spot Award, given for singular or noteworthy accomplishments; and

- Time Off Award, also granted for singular accomplishment.

All administrative expenses, including awards, are allocated based on SSA's cost allocation formula to SSA's various funding sources, including the trust funds and general revenues. For fiscal year 1995, about two-thirds of SSA's administrative expenses were charged to the trust funds (Old Age and Survivors Insurance, Disability Insurance, and Medicare Insurance Trust Funds) and one-third to the general fund.

Chairman BUNNING. Last but not least, I wrote you 2 days ago and asked you for a list of the full time employees, union employees and their awards up until now.

Ms. CHATER. Yes.

Chairman BUNNING. And your office has not produced that. It seems to me that would be a very easy list to produce. If you know who they are. I do not have any problem with my payrolls in my offices knowing exactly what I pay my people. You just happen to have a few more.

But, there are only 146 that I am interested in. So, can I count on you to furnish that to me by the end of the day or the end of the week?

Ms. CHATER. We will certainly have it to you as soon as we can, but you really only gave us about 24-hours notice to do that. Because you have asked for names of people I am always concerned about the confidentiality of our data and I want to be sure that what we give you is accurate.

And, so, when we give it to you we will have checked to be sure those names and numbers will be accurate.

Chairman BUNNING. When will you give it to us?

Ms. CHATER. Perhaps by the end of the week.

Chairman BUNNING. Thank you.

Mr. JACOBS. Mr. Chairman, I have reserved some of my time.

Chairman BUNNING. You did, go right ahead.

Mr. JACOBS. I just have one question of Ms. Pierce. I think the one thing that has not been nailed down here is that you say that you negotiate nationally with the union for guidelines for the regional negotiations.

Are those guidelines binding?

Ms. PIERCE. They should be, yes, sir.

Mr. JACOBS. OK, if they are binding, then, anything that New York did that is at variance with the national guidelines would be vitiated by the national guidelines?

Ms. PIERCE. We would be moving to correct them if we find something not in compliance.

Mr. JACOBS. Thank you.

Chairman BUNNING. Mr. Laughlin has one more question.

Mr. LAUGHLIN. Commissioner, have you seen the James Glassman article that was in the Washington Post Tuesday that was entitled—

Chairman BUNNING. I put it in the record earlier.

Ms. CHATER. Yes, I did.

Mr. LAUGHLIN. OK. And did you ask her these questions?

Chairman BUNNING. No, I did not ask these questions.

Mr. LAUGHLIN. I just wanted to know what your reaction was to the article?

Ms. CHATER. Well, I do have a reaction actually. We studied it quite carefully because the company with which we were compared was Fidelity Instruments, which has 20,000 employees for 20 million customers, which is a ratio of 1:1,000.

But, our ratio is one employee per 3,400 customers and I would dare say that Social Security carries out a lot more duties than simply selling a product and investing the funds. We, as you know, do all the disability claims and take care of workers, as well as beneficiaries and so on.

So, yes, I read the article very carefully but I think the comparison is not quite fair.

Mr. LAUGHLIN. Does it cause you any concern that the public could get disenchanted with the Social Security Administration because of the perception that management is giving away the store to the unions in this process and, in fact, the public would look for an alternative to the Social Security Administration?

Ms. CHATER. Well, it always concerns me when there is some notion of people losing confidence in the Social Security Administration. In fact, one of my major objectives for our agency is to restore, enhance, if you will, the confidence in the Social Security system. So, of course, it concerns me.

But, we have in place a larger initiative to try to restore, maintain and enhance the confidence in our Social Security program, because we believe in it so strongly.

Mr. LAUGHLIN. In closing, commissioner, I represent two of the three most senior populated counties in Texas, and we have 254, by age. And I represent a lot of Social Security recipients. And I have talked about their trust fund money going for union activity and I have yet to find one in my district that knew that was happening, and I have got to confide in you, they feel like their trust has been undermined.

Ms. CHATER. But I have to say this, that when we talk about union activities it is very important, as I have been doing today, to use the phrase union activities related to Social Security work. The union activity we are talking about today is union activity that contributes to a cooperative arrangement between labor and management.

I would go so far as to say that if we did not have a union and we were not paying these salaries that we are talking about today, we would still be paying the salaries of our employees to do much of what the union does now.

That is, work with us on redesign, work with us on changing our business processes, work with us to make a more productive work

force, change the culture in our organization from command and control to let us participate and do this together.

So, it is important for us to understand, I think, that union activities are Social Security Administration related and we would be doing these whether we had a union or not. Therefore, I think it is absolutely justified that this money be taken from the only place we get our administrative budget, and that is trust funds and general revenue.

Chairman BUNNING. Dr. Chater, it is hard to explain to someone in Owenton, Kentucky, that they are putting their tax, SSI, FICA dollars in a trust fund and the money is used to pay union activists in a Social Security system to do union duties.

I give you an E for effort, but it is impossible to explain it to the rank and file people that pay their SSA FICA taxes into the trust fund when they think that trust fund money is going to be used for their retirement. That is the reason for this hearing.

Ms. CHATER. But, it is not fair to say union activities.

Chairman BUNNING. That is totally incorrect because all of the activity of those employees at the Social Security Administration are on union activities, totally and completely.

Ms. CHATER. But, those activities are SSA related to every single one of our objectives.

Chairman BUNNING. I understand that but the fact of the matter is they are doing union activity only.

Ms. CHATER. No, they are not.

Chairman BUNNING. Are you telling me now that the 148 or 147 employees are not full time union employees?

Ms. CHATER. No, I am not telling you that. I am saying to you the way that we define union activity is SSA-related work and if we did not have a union—

Chairman BUNNING. I mean you can define it any way you want—

Ms. CHATER. But, that is the truth of the matter.

Chairman BUNNING [continuing]. You can define it any way you want but the fact of the matter is that they have no SSA duties.

Ms. PIERCE. Congressman, can I give you an example of—

Chairman BUNNING. They have no SSA duties, they do union activity only and you are paying them out of trust funds.

Ms. PIERCE. Congressman, if I can give you an example of what seven of those full time union employees have been doing for the last year, they are working with the redesign work group, full time, 40 hours a week, 5 days a week, working on suggestions, processes, reviewing the redesign, but they happen to be the union representatives, so—

Chairman BUNNING. Redesign of what?

Ms. PIERCE. The redesign of the disability system. They are union representatives and they are doing that full time as union representatives but they are working on that program.

Chairman BUNNING. But maybe if they were doing CDRs, there would be less of a CDR backlog. Maybe if they were doing continuing disability reviews, we would not have a continuing disability review backlog of over 3 million.

Ms. PIERCE. Then you might not have a disability redesign.

Chairman BUNNING. Well, that is very possible. We have not had a redesign for a very long time and that is why we have a backup of 3 million people waiting.

Mrs. Kennelly.

Mrs. KENNELLY. Obviously, there is a difference of opinion here—
[Laughter.]

On the necessity of unions and union activities, but once again, I want to emphasize for the public, and that is why we do these things, that Federal unions are permitted to bargain over agency working conditions, personal practices, some operational issues, by statute. However, official time may not be used for internal union business.

The purpose of partnership activities is to make the agency run more efficiently so that more dollars will go where they belong, to the public, who give their money to this trust fund and depend upon it.

And I think the report shows us that these activities and this partnership has brought forth those efficiencies that make the taxpayer dollar work better.

And, since we are putting things in the record from public papers, I would like to put a dangerous lack of knowledge from the Federal Times in the record, which has to do with this hearing.

Chairman BUNNING. So ordered, without objection.

[The following was subsequently received:]

OPINION

EDITORIAL

A Dangerous Lack of Knowledge

Unfortunately, a handful of Congress members recently demonstrated a disappointing lack of knowledge about labor relations in federal agencies. In a hearing on Capitol Hill, Republican members of the House Ways and Means subcommittee on Social Security grilled agency and union chiefs about the use of "official time."

We agree that keeping official time aboveboard and focused on employee issues is critical to maintaining a union's integrity. And Congress members have every right to ask about statistics like those in a General Accounting Office report showing the Social Security Administration went from 80 people working every day on official time in 1990 to 146 today. But this particular examination

time to work on political or internal union activities. Rules on official time say the time is for work on employee issues, period. Why didn't the member know that? And if he was implying this union was using official time for something other than employee issues, why didn't he come right out with it?

But the real doozy was one Congress member's question about why the union gets to pick which employees work on official time.

Why can't management select who works on official time for the union? For the same reason: a state legislature can't just say we don't like the guy you elected so we're sending someone we picked to Congress.

Such trivializing of union rights would be funny if it weren't so dangerous. This panel has the power to curtail official time at Social Security. And after that, which agency would be next?

A recent Capitol Hill hearing revealed some members of the House appear ignorant of some basics in labor laws and relations.

taxpayer money used to pay benefits. Where's the connection here? Isn't it in the interest of the agency — and the taxpayer and benefits recipients — to have better management-labor relationships?

Also troubling were questions that alleged the union uses official

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Chairman BUNNING. I am sorry but Mr. Collins arrived a little late and we are going to allow him to question. Go right ahead.

Mr. COLLINS. Thank you, Mr. Chairman.

I will be brief. What is so difficult to explain to constituents is the fact that work does not get done, and that the money spent on union activity doubled from \$6 million a year in 1993 to \$12.6 million in 1995.

Now, that is difficult to explain, I do not care how you shell it, that is tough to explain.

You know, based on your most recent comments, and you and Ms. Pierce, it seems to me that you do not think you could operate the Social Security Administration without the union. Could you or could you not operate the Social Security Administration without the union?

Ms. CHATER. We benefit from having a union partnership through which to work and do—

Mr. COLLINS. That was not my question.

Could you operate the Social Security Administration without the union?

Ms. CHATER. I have already said that even if we did not have a union we would have employees involved in our mutual problem solving and our decisionmaking.

Mr. COLLINS. Well, I am not opposed to union. I mean I think it is a right to, in the private sector especially, to have collective bargaining but it is also a right to choose to either belong or not belong. But, all indications from your comments are that you could not operate without the union. The union does it all.

What about your other workers, do they have any input? According to your testimony a few minutes ago, you insinuated the other employees are just there, they have no input as to how the procedures are, how to change the procedures, how to redesign the programs, how to be more efficient to the beneficiaries, is that true?

Ms. CHATER. No, that is not true. All of our employees have access to managers to make suggestions about how we change our processes and how we do our business. Where we are having very great success is with the union partnerships at local levels, where they are working together in very cooperative ways for the safety of employees and how to get our work done in new and different ways.

Mr. COLLINS. You mean at the local Social Security office in hometown, USA?

Ms. CHATER. Yes.

Mr. COLLINS. Well, why do we hear differently from the managers? The managers say it is the most disruptive organization and the most disruptive time that they have experienced in years, trying to administer and meet the needs of the beneficiaries? Why are we hearing something different from that end than what you are saying from this end?

I know we are inside the beltway and things change when you get inside this beltway, but why are we hearing at home that this partnership is not working? They are frustrated. The managers are frustrated as to how they have to try to administer the needs of beneficiaries and, yet, they will use the union as a stumbling block for them.

Is that the way it should be?

Ms. CHATER. You have heard from some managers that they do not feel their partnership is working very well.

Mr. COLLINS. They do not even feel like they are part of the partnership.

Ms. CHATER. Now, remember, we are talking here about 1,500 offices across the country, many of which I have visited. I have met with union officials and I have met with employees who are represented by those officials, and I have met with managers and I can tell you many, many stories about successes in working together as partners.

So, when you have 65,000 employees, of course, you are going to have some who think that it is not going as well as it ought to. And we have work to do. We are not perfect. We have a lot of strengthening to do of our partnership but we are working on that because we believe in it.

Mr. COLLINS. Are only the union members doing the work, to design more efficient programs? I mean that was the indication a while ago from your comments.

Ms. CHATER. Yes. Is that right, Ruth?

Mr. COLLINS. Only union members—

Ms. PIERCE. We have others in the work groups as well. I was explaining that some of the official time people are working and was trying to describe that they are not doing—

Mr. COLLINS. No, Ms. Chater insinuated that only union members participate in the design programs.

Ms. CHATER. No, that is not true.

Mr. COLLINS. Well, we go back to your comments earlier and you laid it all in the laps of the union members as to all the great success that has gone on in the last 2 or 3 years. And you did not give the other employees of the Social Security Administration any credit for any input. You insinuated that only the partnership of the union members is successful.

Ms. CHATER. No, I did not mean to insinuate that only the people who serve on partnership councils are responsible for the successes that we have made, that is not true. All of our employees are involved in various employee involvement programs and that differs across the United States by region. It differs by how well the partnership councils are working together. It differs by a manager's particular inclusive style and bringing people together to work as teams.

So, while it differs, I would say that all of our employees are involved and we hope that they will stay involved with partnership, in general, but specifically the union/management partnerships that we have in place in a formalized way.

Mr. COLLINS. Well, in other words, now you are saying that those who are nonunion members are part of the team with union members to reach decisions on how to better administer the program?

Ms. CHATER. Yes, that is true.

Mr. COLLINS. Well, you know, I find it odd that the Administration would issue such an Executive order within the Social Security Administration to have these type partnerships between nonunion and union members but, yet, they are adamantly opposed to the Team Act which does the very same thing in the private sector.

Thank you, Mr. Chair.

Chairman BUNNING. Commissioner, thank you for coming and thank you, Ms. Pierce and Mr. Dyer, as well.

Before we conclude, I would just like to advise you that I will be sending over a number of questions for you to answer for the record, on behalf of myself, Congressman Tom Coburn of Muskogee, Oklahoma, and several other Members who are particularly concerned about taking action to correct the problems that we have discussed here.

Congressman Coburn has been extremely involved in trying to address the problems at the Social Security office in Muskogee, and I appreciate all the help that he and his staff have given this Subcommittee. Because this Subcommittee intends to give this very serious problem immediate action, I ask you to give it a top priority to respond to our questions.

I want to thank you very much for coming.

[The following questions and answers, and attachments were subsequently received.]

1. The GAO audit of official time devoted to union activities found underreporting for 1995--413,000 hours, versus 404,000 reported by SSA. However, GAO pointed out that their audit was limited to only a few components and only 5 out of 1300 offices, not agencywide, and that agency underreporting would be significantly higher. What specific action have you taken, or will you take, to improve the system and process used to record and report use of official time for union activities?

As I noted in my testimony and in comments to the General Accounting Office, tracking the use of official time is important to both SSA management and the American Federation of Government Employees (AFGE). To improve tracking of official time usage, SSA, in concert with AFGE, is piloting a system called the Official Union Time Tracking System, which will allow better tracking of time spent on union activities. SSA's new system will be piloted and tested in field offices and teleservice centers. The first phase is a limited test, being conducted in several offices in one region. The test started in the later part of 1996 and will run for 4-6 months. The results of the test will be evaluated and the system phased in or fully implemented in the field office structure. If the system proves to be successful, we will expand it Agencywide. At the same time, we will be issuing agencywide instructions in the very near future for tracking time spent on partnership activities, as well as time spent by management in carrying out its labor-management responsibilities. These efforts will likely result in the showing of a significant increase in time reported for union activities because there has been inconsistent tracking of partnership activities throughout the Agency, and, for the first time, we will be tracking management time. In addition, as partnership continues to mature since its inception in FY 1994 and FY 1995, we will likely see increases in this area in the short term.

2. In 1995, SSA reported that 404,000 hours of "official," or Government-paid time was used for union activities. GAO verified that 413,000 hours were used--an underreporting rate of about 2 percent. However, GAO's audit was very limited in scope. It covered only half of 1995, and included only 5 out of 1300 field offices (a fraction of 1 percent); 2 out of 37 teleservice centers (5 percent); 1 out of 137 hearings and appeals offices (less than 1 percent); 1 out of 10 regional offices (10 percent); 1 out of 6 program service centers (17 percent), and 3 out of the many components at Baltimore headquarters. Please provide for the record the number of components at headquarters.

For official time reporting purposes, SSA headquarters is considered a single component. Currently, there are seven major components at headquarters, which are headed by Deputy Commissioners. These offices are: Human Resources; Systems; Communications; Programs and Policy; Operations; Legislation and Congressional Affairs; and Finance, Assessment and Management.

3. Since the 1993 Executive Order creating "Partnership," how have employee hours devoted to activities related to "Partnership" been recorded and reported? Of the employee hours reported by SSA in Appropriations documents as devoted to union activities since fiscal year 1993--314,000 in 1993, 297,000 in 1994, and 404,000 in 1995--how many were reported as devoted to activities related to "Partnership?" How many employee hours do you estimate will be devoted to union activities in FY 1996? How many to "Partnership" activities?

As I noted in my testimony and in comments to GAO, in past years, official time was traditionally used in litigious, adversarial, costly third party matters such as arbitrations and unfair labor practice complaints. Under our partnership agreement, our relationship with the union has shifted away from such litigation to more joint activities, such as involving union representatives in the decision making process to help craft solutions to better serve our customers and creating labor-management partnership councils and committees at the national and local levels of SSA, including health and safety and security committees. We believe that this shift has made us a better Agency and a better provider of service to the American public.

Aside from the official time which is used for partnership agreement activities, congressionally mandated initiatives to streamline and downsize government have increased the need for official time to be used to bargain over the impact these changes have on employees and working conditions.

We would like to underscore the importance of the partnership between SSA and the unions which represent its employees. One of SSA's three fundamental goals set forth in our Agency Strategic Plan is to create an environment that ensures a highly-skilled, motivated workforce dedicated to meeting the challenges of SSA's public service mission. We look on our partnership with the union as important means of advancing the goal. As partnership matures it is expected that there will be an increase in hours devoted to partnership activities.

As indicated in my response to question 1, because of the inconsistent tracking of partnership time, and in order to more accurately record all usages of official time, we will soon be issuing instructions concerning the tracking of partnership time.

4. For 1995, SSA reported that 404,000 employee hours were devoted to union activities. How many corresponding hours of management time would you estimate were devoted to union-related activities, in particular processing grievances and unfair labor practice complaints, providing data and information requested by the union, responding to frivolous union charges, etc.?

At present, SSA does not track management time devoted to discharging its labor-management responsibilities under the Federal Service Labor-Management Relations Statute. However, as indicated in my response to question 1, we will soon be issuing instructions concerning the tracking of time spent by management on labor relations activities, as well as time spent on partnership activities.

5. Do you believe that taxpayers and senior citizens have a right to know how much official time is devoted to work other than that directly related to Social Security claims processing and information services, such as to union and "Partnership" activities--and how much trust fund money is used to pay for it? Don't you keep track of the time SSA spends on all its workloads, such as processing claims? Isn't this just another workload that should be tracked like all others?

We have tracked union official time. This information has been made public for many years in our report to the Appropriations Committees of both the House and the Senate. As I noted in my response to question 1, the Agency and the union are working together in an effort to improve the tracking of official time usage at SSA. These efforts include an automated system for reporting official time, as well as issuing agencywide instructions for more consistently capturing partnership time and capturing time spent by management on labor-relations activities.

6. Does SSA ever audit the paperwork used in reporting "official time" to determine that the full amount of time used was reported, and that the time specified was actually used as indicated? If it does, please provide full details.

We depend on managers to oversee the use of official time. If misuse of official time is suspected, we require that it be brought to the attention of appropriate management and union officials for resolution.

As you requested, SSA's Office of the Inspector General will be initiating work in this area.

7. You stated that you expect the number of employees using official time for union activities to level off (rather than continue to increase) and that expenditures for union activities to be about the same as they are now (at least through 2000). Since this is radically different from the pattern since 1993, please describe in detail your rationale and basis for these expectations.

As I noted in my testimony, this is a projection. We would like to clarify that the reported expenditures thus far have identified traditional labor-management activities, and we are discussing the development of a process to track partnership activities.

We do have some reason to believe that these expenditures will level off over the long term, but in the short term we expect to continue to see some increases because we will be more consistently capturing partnership time and will be capturing management time for the first time. A lot of union partnership work already has gone into our streamlining processes, and interest-based bargaining (IBB) and facilitator training is almost complete. We are looking at more efficient means of dealing with our labor-management relations responsibility; e.g., a more cost-effective way of delivering contract training than the face-to-face sessions traditionally used, which incurred travel expenses. We are resolving more of our labor-management relations issues in a cooperative process rather than through litigation.

Our recent experience has indicated that many major changes have occurred Agencywide as a result of implementation of direct service/customer service enhancements; partnership initiatives; legislation; National Performance Review initiatives; Governmentwide regulations and Disability initiatives. Their implementation required consultation and/or bargaining with union representatives in Headquarters and/or Regions under the Federal Service Labor-Management Relations Statute. A list of these initiatives is attached.

As we gain more experience working in a partnership mode, we anticipate that costs should level off, and more importantly, that costs will reflect a more productive use of our resources than litigation and traditional adversarial bargaining.

Attachment

AGENCYWIDE INITIATIVES*

- Implementation of Executive Order 12871 Partnership Initiatives Agencywide--such as:
 - National Partnership Council Meetings;
 - Component and Regional Partnership Council Meetings;
 - Interest Based Bargaining (IBB)/Alternative Dispute Resolution Workgroup;
 - National Health and Safety Partnership Committee for Security;
 - Physical Security Conferences;
 - Headquarters and Regional IBB and Facilitator Training;
 - Component and Regional Award and Merit Promotion Assessment Workgroups and Panels; and
 - Third Party Assistance Team.

OTHER INITIATIVES

- Implementation of Direct Service/Customer Service Enhancements, such as:
 - Intelligent Work Station/Local Area Network and Furniture Installation nationwide;
 - Headquarters Direct Service Unit;
 - Expansion of the Baltimore Teleservice Center;
 - 800 Number Expert System;
 - Remissioning of Western Data Operations Centers to Teleservice Centers;
 - Central Office SPIKE Unit; and

- Expansion of the Program Service Center SPIKE Units.
- Implementation of Legislation Agencywide--such as:
 - Drug Addiction and Alcoholism;
 - Welfare Reform: Noncitizens and Childhood Disability Standard Changes; and
 - Debt Collection
- Implementation of National Performance Review Initiatives Agencywide--such as:
 - Payment Cycling;
 - Focus Groups;
 - Reengineering/Streamlining; and
 - World Class Service.
- Implementation of Governmentwide Regulations Agencywide--such as:
 - Early Retirements/Buyout;
 - Redeployment Programs;
 - Travel Regulations;
 - Mandatory Use of American Express Cards;
 - Family Friendly Leave Act;
 - Voluntary Leave Transfer Program;
 - Voluntary Leave Bank; and
 - Family and Medical Leave Act.

- Disability Initiatives--such as:
 - Screening Units;
 - Decision Writing Units;
 - Adjudication Officer;
 - Disability Claims Manager;
 - Third Party Assistance;
 - Disability Processing Centers;
 - Early Decision List/Sequential Interviewing;
 - Disability Models.

*** Many or most of these initiatives are the subject of the Memoranda of Understanding we provided the GAO**

8. You stated that the union was instrumental in reducing the hearing backlog. Isn't it true, as we have been advised by both current and retired SSA managers, that any reduction in the hearing backlog was achieved in spite of efforts by the union to block operational changes proposed by SSA?

We believe that union involvement has had a positive effect on our efforts to increase efficiency and improve our service.

As I stated in my testimony and in comments to GAO, the National Performance Review (NPR) recommended the formation of "labor-management partnerships for success" across government. In October 1993, President Clinton issued Executive Order 12781, which created the National Partnership Council, a team of senior union and management leaders, in support of the NPR's goal of encouraging labor-management cooperation and partnership throughout the Federal Government. SSA and AFGE, which represents about 50,000 SSA employees, signed an agreement on June 21, 1994, for the purpose of implementing and maintaining such a cooperative working relationship between labor and management in order to identify and solve problems, and to improve day-to-day operations of SSA, especially those affecting service to the public. We believe Partnership has made us a better agency and a better provider of service to the American public.

9. How is the union held accountable to the agency and to the public for its role in SSA management decisions, now that it is a so-called "full partner" in SSA management decisions?

SSA partnership practices are consistent with the current principles that apply to labor-management relations in the Federal sector. Specifically:

- On September 7, 1993, Vice President Al Gore released the Report of the NPR. The report of the NPR found that, ". . . Quality organizations require full and equal worker and union participation"
- President Clinton's Executive Order of October 1, 1993 directed Federal agencies to ". . . involve employees and their union representatives as full partners with management representatives to identify problems and craft solution to better serve the Agency's customers and mission"
- On December 16, 1993, the Office of Personnel Management issued guidance which states, ". . . Involve employees and union representatives as full partners with management representative . . ."
- On June 22, 1994, SSA entered into a Union/Management Partnership Agreement with the committed purpose to identify problems and craft solutions.

All partnership practices are consistent with management's reserved rights under the Federal Labor-Management Relations Statute.

10. Current law and your national agreement authorize the granting of official time as long as the time is deemed "reasonable, necessary and in the public interest." Who makes this determination, and on what basis? When a union official requests official time, what documentation must be provided in terms of the specific activity (not just category of activity) that the time will actually be used for? Can management deny the request? And if field management does deny the request, can you explain what then happens? How is the disagreement settled?

As you may recall, §7101 of the Federal Service Labor-Management Relations Statute states:

The Congress finds that --

- (1) experience in both private and public employment indicates that the statutory protection of the right of employees to organize, bargain collectively, and participate through labor organizations of their own choosing in decisions which affect them --
 - (A) safeguards the public interest,
 - (B) contributes to the effective conduct of public business, and

X X X

. . . Therefore, labor organizations and collective bargaining in the civil service area is in the public interest.

At SSA, union representatives are required to follow the procedures outlined below before they use official time:

- Union representatives are required to account for their time-in-duty status using sign-in/sign-out sheets, other procedures utilized by employees or other arrangements acceptable to management.
- The Federal Service Labor-Management Relations Statute and implementing case law mandates and/or authorizes official time for representational activities such as bargaining, third-party litigation proceedings (arbitrations, Merit Systems Protection

Board, Equal Employment Opportunity Commission, Federal Labor Relations Authority), grievances, union-management committee and workgroup meetings, formal management/employee meetings, and some types of training.

- In accordance with 5 USC 7131(b) of the Federal Service Labor-Management Relations Act, official time is not granted for internal union business such as soliciting membership, conducting union elections and collecting dues.
- Unless otherwise arranged, union representatives are required to request and arrange with appropriate management officials in advance for their usage of official time. Supervisors need to receive sufficient general information to assure the activity is one for which official time would be authorized. Union representatives ordinarily are not required to discuss the substance of the activity. However, supervisors may question unexplained requests for time or what appears to be excessive amounts. Further, in situations where union official time is requested while serious operational concerns exist, the official time may be rescheduled for the earliest convenient time when the situation has passed.
- If abuse of official time is suspected, we require that it be brought to the attention of appropriate management and union officials for resolution.

11. Please provide examples and documentation of at least five instances in the past year where field office managers denied requests for official time and were supported by Regional Offices and/or Headquarters.

We do not collect this kind of information because these disputes are handled and resolved at the local level. However, we provided guidance to field office managers regarding use of official time (copy attached).

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

Refer to S7C

Memorandum

Date: APR 02 1996

From: Deputy Commissioner
for Human Resources

Subject: Use of Official Time by Social Security Administration (SSA)
Employees In Representing the American Federation of
Government Employees (AFGE)--Information and Action

To: All Regional Commissioners, Managers and Supervisors in Field
Offices with AFGE Recognition

In light of our recent experiences on the use of official time by employee union representatives, I want to assure that our managers understand and fulfill their obligations and responsibilities under our labor agreements, the law, and Executive Order 12871.

As most of you are aware the area of official time has been controversial within SSA over the last decade. Although we are in a new era of partnership with the union, there remain certain concepts which all managers need to follow. Many guidelines have already been set out in detailed instructions on this subject in the Manager's Handbook for the 1993 National Agreement. Nonetheless, I want to take this time to reinforce the message in certain areas.

Recently, situations have developed where union representatives have requested official time while serious operational concerns exist. In such circumstances the union representative should be informed that a request can not be granted at that time due to the existence of an operational exigency; however, the request should be approved for the earliest possible time when this situation no longer exists. For instance, a union representative/claims representative is taking an interview, and wants to terminate the interview in order to go on official time. In general, the time should be denied until sometime after the interview is completed. We would consider the disruption of the interview to be an interference with the Agency mission to serve the public, and its completion would be viewed as an exigency.

Likewise, if the union representative is in a critical reception/interviewing position of dealing with the public, and there is a shortage of personnel in that position on a given day, then an exigency would exist and the granting of official time could be deferred until the operational hardship is relieved. This, of course, would have to be a situation of limited duration, and would not apply to a long term staffing shortage.

Hopefully, we will be able to successfully work with the union in these situations, and the time can be rescheduled/ temporarily postponed to the next/earliest convenient time after the situation has passed. If this is not the case, managers must still direct these employee/representatives in order to do what is necessary to accomplish the mission. All employees are expected to follow the principle of "work now and grieve later". A failure of any employee to follow a proper written or oral order could be grounds for discipline.

Furthermore, managers should be alert to suspected official time abuse situations and do what they can to ensure the integrity of the system. We can anticipate occasional difficulty in reaching agreement with the union in this area. However, managers with suspected abuse situations can and should act. This needs to be done by escalating the allegation to involve regional management and central labor relations staff, before any action is taken locally. We know that such allegations are sensitive in nature to the union, and we want you to bring all levels of management on board before any action is undertaken. Our objective is to minimize reversals that will appear to undercut your position.

It is important to recognize that in normal situations the union does have wide latitude in deciding what it needs to do in fulfilling its representational role. Usually, the amount of time the union seeks to use on a particular activity should be approved unless the request is clearly unreasonable. Putting it another way, managers should not substitute their judgment for that of the union so long as the request is within the range of reasonable approaches.

In closing, a review of the history of our efforts in this area will show that we preferred to retain considerably more authority over these resources than we currently have. While only part of our objectives in this area have been realized over the years, we still have the responsibility and accountability that we need to prevent abuse, and to insure that public service is provided. Hopefully, the current efforts at partnership and cooperation with AFGE will enhance, rather than detract from our goals in this area. I choose to think that our declining resources, and emphasis on improved public service, will tend to bring the union and management closer in regard to these official time matters. I feel that we have a workable system, and I ask the affected managers to do what they reasonably can to make the system work.


Ruth A. Pierce

12. I noted in your testimony that official time may be granted to union representatives if it is necessary, reasonable and in the public interest. How can you say that it is necessary and reasonable and in the public interest to double the union's allocated time, at taxpayer expense, in just three years. How can this situation be in the public's interest when the continuing disability review backlog stands at 3.1 million cases and over 60,000 disability cases are pending at the Office of Hearings and Appeals? Who is looking out for the interests of the taxpayers and beneficiaries when SSA employees are asking to be released to do union work at taxpayer expense?

The last few years have been marked by a number of events impacting on official time, thus resulting in increased expenditures. First, SSA and AFGE negotiated a new National Agreement in 1993, necessitating extensive training and orientation for managers and employees, and union representatives were deeply involved in this process. Second, the Executive Order 12871 on Partnership was issued in October 1993, and we began the efforts to establish a viable partnership, necessitating more union-management consultations, and joint partnership training. Third, SSA initiatives in response to National Performance Review objectives of improving customer service necessitated more labor-management dealings and interface, via bargaining, partnership activities, and work teams.

SSA has undertaken many initiatives in order to improve its service to taxpayers (See the attached list of initiatives). Implementation of these initiatives requires consultation and/or bargaining with union representatives under the Federal Service Labor-Management Relations Statute.

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 - Disability Models.

*** Many or most of these initiatives are the subject of the Memoranda of Understanding we provided the GAO**

13. I understand that the contract that was scheduled to expire in November 1996 was recently extended for another three years. If that is correct, how can you justify extending the current contract for three more years when you really don't have a clear picture of how much money is truly being spent on union activities, and what the so-called "official time" is actually being spent on?

In other words, how do you know you need to release 146 SSA employees to work full time on union activities, and another 1800 to work part time? How do you know that over 400,000 of taxpayer-funded time needs to be devoted to union activities instead of social security work, like processing disability claims and CDRs?

Since your policy is apparently to give the union whatever it wants at the expense of public service and everything else, just how do you know what union concessions good labor-management relations at SSA would really require?

As I noted in my testimony, procedures are in place for requesting, approving, and tracking official time, and those procedures are being strengthened. The contract does not define the number of full-time union representatives. Rather, time is requested and approved on a case-by-case basis, consistent with statutory and contractual requirements. The preponderance of time requested is for bargaining, approval of which is mandated by the Federal Service Labor-Management Statute, and therefore, is outside the purview of the contract. Renegotiating the contract would have diverted substantial Agency resources from day-to-day business and ongoing initiatives to improve customer service and, based on past experiences, likely would have incurred substantial costs. We believe we have a sound collective bargaining contract in place and it was in the best interest of our agency to extend it.

14. In testimony submitted for the record, three retired SSA managers--Maxine Nielsen, David Mauldin, and Carroll Ferguson--independently stated what countless current field managers from across the country have been telling us--that use of "official time" for union activities is seriously underreported, the unwritten policy under "Partnership" is that managers do not say "no" to the union; that the union basically gets everything it wants, that all balance between the union and front-line managers has been lost; and that under Partnership, no one is protecting the interests of the taxpayers and beneficiaries. How do you respond to these very serious allegations?

We disagree with this assessment of Partnership. As I noted in my testimony, I would like to again emphasize the importance of the partnership between SSA and the unions which represent its employees. One of SSA's three fundamental goals set forth in our Agency Strategic Plan is to create an environment that ensures a highly skilled, motivated workforce dedicated to meeting the challenges of SSA's public service mission. We look on our partnership with the unions as an important means of advancing that goal. By working with the unions, we involve our employees in discussions about things that need to be done and how we will do them.

In past years, official time traditionally was used in litigious, adversarial, costly third-party matters such as arbitrations and unfair labor practice complaints. Under our partnership agreement, our relationship with the union has shifted away from such litigation to more joint activities, such as involving union representatives in the decision making process to help craft solutions to better serve our customers and creating labor-management partnership councils and committees at the national and local levels of SSA, including health and safety and security committees. We believe that this shift has made us a better Agency and a better provider of service to the American public.

15. John Gage of AFGE testified that the decline in unfair labor practice complaints and grievances filed is a result of "Partnership." In the statement you submitted on June 4, you strongly agreed. But in their statements for the record, Mr. Mauldin, Ms. Nielsen and Mr. Ferguson strongly disagree that "Partnership" had anything to do with this decline. In 1993 and earlier, wasn't annual performance appraisals the major issue employees grieved? Now that the system has been replaced by a pass-fail system, how many grievances were filed during the last appraisal period?

Of SSA's 65,000 employees, roughly how many were evaluated based on the new pass-fail appraisal system this year, and of these, how many failed?

Unfair labor practice charges and grievances represent two distinct processes. The former concern alleged violations of the Federal Service Labor-Management Relations Statute; e.g. failure to provide the union with an opportunity to bargain over changes in working conditions, and rarely concern an individual employee matter such as appraisal, the grievance procedure being the vehicle for dealing with the latter. Therefore, the decline in unfair labor practices was unrelated to the change in the appraisal system which occurred in 1995. It is true that the major issue being grieved prior to 1995 was appraisals, and that the number of appraisal grievances filed after implementation of the new appraisal system diminished. Approximately five grievances were filed during the last appraisal period.

Information reported to date shows that approximately 62,755 employees were rated under the pass/fail system; of those, six employees were rated as not in good standing.

16. Mr. Ferguson indicated that trust fund monies subsidize virtually every expense needed for the union to do business, including full salaries and benefits; the full cost of space, utilities, telephone and fax charges, photocopiers, computers, and so forth. Is this true?

Why shouldn't union dues be used to pay the salaries of full-time union representatives and related union activity expenses, rather than trust fund and other taxpayer-provided monies?

As I noted in my testimony, under law, SSA pays for official union time from general revenues and trust fund moneys. SSA is fully in compliance with the Federal Service Labor-Management Relations Statute, the Social Security Act, and the Internal Revenue Code. Working in partnership with our employees and their representatives assures the delivery of quality customer service.

It is important to note that all of SSA's administrative expenses are paid for from a combination of funds derived from the trust funds and from general revenues. In full compliance with the law, allocation of union official time is distributed between the trust funds and general revenues in the same proportion as all SSA administrative expenses derived from Section 201(g)(1) of the Social Security Act and Section 9704 through 9706 of the Internal Revenue Code of 1986.

SSA is bound by case law developed by the Federal Labor Relations Authority and the courts and its own collective bargaining agreements to pay certain union expenses. The Federal Service Labor-Management Relations Statute codified a series of Executive Orders which began in the early 1960s, and allows the use of Federal funds to pay for these expenses.

17. I understand that SSA handed out \$14.7 million in performance awards in fiscal year 1995 for employee performance in fiscal year 1994. What is a performance award given for? How many of the SSA employees who work full time on union activities received performance awards in 1995 and 1996?

Chapter 43 of title 5 of the United States Code provides for recognizing and rewarding employees whose performance so warrants. A performance award recognizes individuals who have maintained high quality performance. No employee who worked full time on union activities received performance awards for FY 1995 or FY 1996.

18. For 1993, 1994, 1995 and 1996, please submit for the record the list of SSA employees devoting full time to union activities who received awards, bonuses, or cash incentive payments of any kind. For each year, please give employee name, office, and amount of award, by Region. For each year, please provide a summary listing the total number of appraisals in each category -- e.g., outstanding, excellent, fully successful, marginally successful, and unacceptable -- for the employees who received such payments.

Why doesn't SSA ask the union to pay the cost of any awards given to SSA employees who do no production work, but do union work full time?

The requested information is attached.

Attachment

**Compensation Over and Above Salaries
to Union Representatives¹
1993**

	<u>NAME</u>	<u>OFFICE</u>	<u>AMOUNT</u>	
<u>Boston</u>	Conrad, Susan	Somerville, DO	\$ 325	
	Krall, Andrew	Worcester, DO	\$ 510	
<u>New York</u>	Angelet, Ana	San Patricio, BO	\$ 800	
	Ballard, Evan P.	Utica, DO	\$ 325	
	Bigelow, Kirk	New York City - Downtown, DO	\$ 325	
	Comito, Francis G.	Camden, DO	\$ 800	
	DeJulius, Ralph C.	Patterson, DO	\$ 325	
	Edmonds, Jeanette	Jersey City TSC	\$ 325	
	Fahlkman, Charles	Bushwick, DO	\$ 325	
	Fretwell, Warren C.	Syracuse, DO	\$ 325	
	Hampton, Barbara A.	Brooklyn OHA	\$1400	
	Kroman, Stanely	Jamaica ROPIR	\$ 325	
	Levine, Howard W.	Hoboken, BO	\$ 325	
	Mauger, Robert C.	Amherst, DO	\$ 325	
	Panagiotopoulos, Andrew	Mineola, DO	\$ 325	
	Pastore, Gianmarco	Glassboro, BO	\$ 800	
	Sheehan, Michael V.	Fiatbush, DO	\$1075	
	<u>Philadelphia</u>	Berkowitz, Samuel H.	Philadelphia - West, DO	\$ 325
		Bristow, Gwendolyn	Upper Darby TSC	\$1700
Flovick, Carolyn E.		Suffolk, BO	\$ 800	
Holley, Phil		Charlestown, DO	\$ 800	
Jefferson, Terence L.		Baltimore TSC	\$ 325	
Merritt, Frank S.		Baltimore TSC	\$ 875	
Pyle, Rita		Townson, DO	\$ 325	
Rosendale, Patrick S.		Baltimore TSC	\$ 675	
Southam, Jean		Wilmington, DO	\$ 800	
Wilmer, Archie		MATPSC	\$ 800	
<u>Atlanta</u>	Adams Jr., William B	Augusta, DO	\$ 630	
	Burke, Jacqueline F.	Hendersonville, DO	\$ 575	
	Burton, Sue B.	Jackson OHA	\$1170	
	Delong, Sharon L.	Asheville, DO	\$ 800	
	Endsley, Donald R.	Charlotte, DO	\$ 575	
	Limoges, Yvonne Y.	Petersburg, DO	\$ 800	
	Mallette, Julius W.	Ft. Lauderdale TSC	\$ 325	
	Marsh, Matthew C.	Gainsville, DO	\$ 800	
	Nelson, Bary K.	Birmingham ROPIR	\$ 825	
	Norris, Jerald C.	Birmingham, DO	\$ 425	
	Young, Anthony	SEPSC	\$1055	

(1993 -2)

<u>Chicago</u>	Campana, Jim	Lansing, DO	\$ 800	
	Davis, Sheron S.	Indianapolis - East, BO	\$ 720	
	Joseph, Agatha J.	GLPSC	\$ 575	
	Keillor, Kenneth L.	Grand Rapids, DO	\$ 325	
	O'Connor, William	Chicago Southwest, BO	\$ 325	
	Schumann, Gary R.	Milwaukee - North, DO	\$ 725	
	Seaman, Rose	Akron, DO	\$ 800	
	Skwirczynski, Witold	Chicago- Northwest, DO	\$ 325	
	Tucker, Earl P.	Chicago ROPIR	\$ 325	
<u>Dallas</u>	Lambert, Deloris	Dallas ROPIR	\$ 800	
	Lucas, Rose M.	Alburquere TSC	\$ 500	
	March, Patricia A.	McAlester OHA	\$ 750	
	Smith, Robert R.	Tulsa, DO	\$ 500	
<u>Kansas City</u>	None			
<u>Denver</u>	None			
<u>San Francisco</u>	Brant, Daniel C.	San Diego TSC	\$ 100	
	Campbell, Nelson C.	Mesa, DO	\$ 900	
	Codon, Michael B.	Fairfield, DO	\$1000	
	Egerman, Howard D.	Foothill, BO	\$ 850	
	Estudillo, Charles R.	Santa Rosa, DO	\$ 425	
	Fehner, Carol	Oceanside, DO	\$ 325	
	Klemz, Gary P.	Santa Cruz, DO	\$ 900	
	Mack, David C.	WNPSC	\$ 425	
	Martinez, Carmen B.	Compton, BO	\$ 325	
	Matthis, Sandra S.	San Diego, DO	\$ 900	
	Perkins, Jeanette C.	Downey, BO	\$ 425	
	Young, Jim	San Francisco - Civic Cntr, DO	\$ 325	
	<u>Seattle</u>	DeLaCruz, Yvette I.	Auburn TSC	\$1400
		Kirshner, Joan	Seattle OHA	\$1330
Kofahl, Stephen		Portland - East, DO	\$ 325	
Loesch, Cheryl		Seattle ROPIR	\$ 325	
Mack, John		Seattle - West, BO	\$ 325	
<u>Headquarters</u>	Chandler, Bernadina	Woodlawn HQs	\$1400	
	Ches, Henry	Woodlawn HQs	\$ 343	
	Comish, Reginaid E.	Woodlawn HQs	\$ 540	
	Dishong, Patricia	Woodlawn HQs	\$ 610	
	Elder, Emma	Woodlawn HQs	\$ 585	
	Ennis, Cynthia	Woodlawn HQs	\$ 325	
	Lowery, Rhonda V.	Woodlawn HQs	\$ 350	
	Rusk Jr., Harold D.	Woodlawn HQs	\$ 410	
	Shpiegelman, Jan	Woodlawn HQs	\$ 325	
	Slebzak, James	Woodlawn HQs	\$ 325	
	Spivak, Arnold	Woodlawn HQs	\$ 325	
	Tumminello, Vincent	Woodlawn HQs	\$1400	
	Whelan, John	Woodlawn HQs	\$ 800	

			(1993 -3)
<u>Falls Church</u>	Atkinson, Betty J.	Falls Church OHA	\$1590
<u>OHA</u>	Carrozza, Albert B.	Falls Church OHA	\$ 890
	Marshall, James E.	Falls Church OHA	\$ 890
	McKenna, Greg	Falls Church OHA	\$ 325

Represents Union Representatives who spent 75%
or more of their time on union business.

**Compensation Over and Above Salaries
to Union Representatives¹
1994**

	<u>NAME</u>	<u>OFFICE</u>	<u>AMOUNT</u>
<u>Boston</u>	Sincavage, George E.	New Haven, DO	\$1110
<u>New York</u>	Comito, Francis G.	Camden, DO	\$ 300
	Fahlikman, Charles	Bushwick, DO	\$ 500
	Fretwell, Warren C.	Syracuse, DO	\$ 150
	Hampton, Barbara A.	Brooklyn OHA	\$ 830
	Sheehan, Michael V.	Flatbush, DO	\$ 200
<u>Philadelphia</u>	Brantley, Marlene A.	Philadelphia-Ger, DO	\$1110
	Evans, Richard A.	Baltimore TSC	\$ 60
	Flovick, Carolyn E.	Suffolk, BO	\$ 120
	Jefferson, Terence L.	Baltimore TSC	\$ 50
	Merritt, Frank S.	Baltimore TSC	\$ 400
	Rosendale, Patrick S.	Baltimore TSC	\$ 150
<u>Atlanta</u>	Adams Jr., William B.	Augusta, DO	\$ 100
	Burke, Jacqueline F.	Hendersonville, BO	\$ 200
	Delong, Sharon L.	Asheville, DO	\$ 100
	Endsley, Donald R.	Charlotte, DO	\$ 200
	Limoges, Yvonne Y.	St. Petersburg, DO	\$ 200
	Mallette, Julius W.	Ft. Lauderdale TSC	\$ 600
	Marsh, Matthew C.	Gainsville, DO	\$ 200
	Norris, Jerald C.	Birmingham, DO	\$ 400
	Sanders, Gary V.	Palm Beach, DO	\$ 200
	Seidel, Doreen M.	Ft. Lauderdale TSC	\$ 150
	Young, Anthony	SEPSC	\$ 300
<u>Chicago</u>	Davis, Sheron S.	Indianapolis - East, BO	\$ 150
	Keillor, Kenneth L.	Grand Rapids, DO	\$ 250
	Lamotte Jr., John E.	Columbia - Downtown, DO	\$ 330
	Schumann, Gary R.	Milwaukee - North, DO	\$ 100
<u>Dallas</u>	Cruz, Raymond E.	Albuquere, DO	\$1110
	Hernandez, Pablo R.	McAllen, DO	\$ 175
<u>Kansas City</u>	Clause, William D.	MAMPSC	\$ 50
<u>Denver</u>	None		

(1994-2)

<u>San Francisco</u>	Duggins, Dana C.	Redding, DO	\$1110
	Egerman, Howard D.	Foothill, BO	\$ 50
	Lopez, Katrina R.	Oakland, BO	\$ 150
	Mack, David C.	WNPSC	\$ 400
	Martinez, Carmen B.	Compton, BO	\$ 125
	Matthis, Sandra S.	San Diego, DO	\$ 100
	Perkins, Jeanette C.	Downey, BO	\$ 100
	Thompson Aaron I.	Inglewood, DO	\$ 50
	Weich Jr., Ivan E.	San Diego TSC	\$ 100
	Campbell, Nelson C.	Mesa, DO	\$ 100
	<u>Seattle</u>	DelaCruz, Yvette I.	Auburn TSC
Powell, David H.		Auburn TSC	\$ 220
Thomas, Kittie A.		Auburn TSC	\$ 200
<u>Headquarters</u>	Chandler, Berdina G	Woodlawn HQs	\$ 920
	Cornish, Reginald E.	Woodlawn HQs	\$ 920
	Gordan, Noreen E.	Woodlawn HQs	\$ 920
	Lowery, Rhonda V.	Woodlawn HQs	\$ 550
	Smith, John A.	Woodlawn HQs	\$ 50
	Tumminello, Vincent	Woodlawn HQs	\$1110
	<u>Falls Church</u> <u>OHA</u>	Atkinson, Betty J.	Falls Church OHA

¹ Represents Union Representatives who spent 75% or more of their time on union business.

**Compensation Over and Above Salaries
to Union Representatives¹
1995**

There were no awards given for Fiscal Year 1995.

¹

Represents Union Representatives who spent 75%
or more of their time on union business.

**Compensation Over and Above Salaries
to Union Representatives¹
1996**

There were no awards given for Fiscal Year 1996.

¹

Represents Union Representatives who spent 75%
or more of their time on union business.

Summary Appraisal Information for Full-Time
Union Officials who Received Awards
(Question #18)

FY 1993

<u>Appraisal Category</u>	<u>Number of Ratings</u>
Fully Successful	40
Excellent	36
Outstanding	9

FY 1994

<u>Appraisal Category</u>	<u>Number of Ratings</u>
Fully Successful	18
Excellent	20
Outstanding	12

19. Over the last few months the Subcommittee has heard from unhappy employees in a number of SSA offices who do not believe that the union -- in this case, AFGE -- is representing their interests. In fact, these employees believe that the only interests the union is representing are its own. Please describe, step by step, and in a clear and detailed manner, the process that a group of employees must follow to decertify the union as their representative.

How many offices have de-certified the union as their representative since you became Commissioner? In the last 10 years?

SSA provided this information to GAO and, subsequently, on September 9, 1996 to the Committee on Ways and Means.

§7105 of the Federal Service Labor Management Relations Statute vests the Federal Labor Relations Authority (not SSA) with the "power" and "duty" to determine the appropriateness of units for labor organization representation.

The Federal Labor Relations Authority Regulations in
 5 CFR §2422.2(b)(2) states:

A petition by any employee or employees or an individual acting on behalf of any employee(s) . . .
 accompanied by a showing of interest of not less than thirty percent (30%) of the employees in the unit indicating that the employees no longer desire representation by the currently recognized or certified labor organization and an alphabetical list of names constituting such showing.

Detailed information on this matter may be obtained from the Federal Labor Relations Authority.

No SSA office has been decertified since the SSA/AFGE National Consolidated Unit was certified by the Federal Labor Relations Authority in 1979.

Attachment

Section 2422.32 of Chapter 5 of the Code of Federal Regulations, Chapter XIV (Federal Labor Relations Authority), states the process of decertification. The section follows.

§2422.32

5 CFR Ch. XIV (1-1-96 Edition)

tion, examine the record in evaluating the application. An application must specify the matters and rulings to which exception(s) is taken, include a summary of evidence relating to any issue raised in the application, and make specific reference to page citations in the transcript if a hearing was held. An application may not raise any issue or rely on any facts not timely presented to the Hearing Officer or Regional Director.

(c) *Review.* The Authority may grant an application for review only when the application demonstrates that review is warranted on one or more of the following grounds:

- (1) The decision raises an issue for which there is an absence of precedent;
- (2) Established law or policy warrants reconsideration; or,
- (3) There is a genuine issue over whether the Regional Director has:
 - (i) Failed to apply established law;
 - (ii) Committed a prejudicial procedural error;
 - (iii) Committed a clear and prejudicial error concerning a substantial factual matter.

(d) *Opposition.* A party may file with the Authority an opposition to an application for review within ten (10) days after the party is served with the application. A copy must be served on the Regional Director and all other parties and a statement of service must be filed with the Authority.

(e) *Regional Director Decision and Order becomes the Authority's action.* A Decision and Order of a Regional Director becomes the action of the Authority when:

- (1) No application for review is filed with the Authority within sixty (60) days after the date of the Regional Director's Decision and Order; or
- (2) A timely application for review is filed with the Authority and the Authority does not undertake to grant review of the Regional Director's Decision and Order within sixty (60) days of the filing of the application; or
- (3) The Authority denies an application for review of the Regional Director's Decision and Order.

(f) *Authority grant of review and stay.* The Authority may rule on the issue(s) in an application for review in its order granting the application for review.

Neither filing nor granting an application for review shall stay any action ordered by the Regional Director unless specifically ordered by the Authority.

(g) *Briefs if review is granted.* If the Authority does not rule on the issue(s) in the application for review in its order granting review, the Authority may, in its discretion, afford the parties an opportunity to file briefs. The briefs will be limited to the issue(s) referenced in the Authority's order granting review.

§2422.32 Certifications and revocations.

(a) *Certifications.* The Regional Director will issue an appropriate certification when:

- (1) After an election, runoff, or rerun,
 - (i) No objections are filed or challenged ballots are not determinative, or
 - (ii) Objections and determinative challenged ballots are decided and resolved; or
- (2) The Regional Director issues a Decision and Order requiring a certification and the Decision and Order becomes the action of the Authority under §2422.31(e) or the Authority otherwise directs the issuance of a certification.

(b) *Revocations.* Without prejudice to any rights and obligations which may exist under the Statute, the Regional Director will revoke a recognition or certification, as appropriate, and provide a written statement of reasons when:

- (1) An incumbent exclusive representative files, during a representation proceeding, a disclaimer of any representational interest in the unit; or
- (2) Due to a substantial change in the character and scope of the unit, the unit is no longer appropriate and an election is not warranted.

§2422.33 Relief obtainable under part 2423

Remedial relief that was or could have been obtained as a result of a motion, objection, or challenge filed or raised under this subpart, may not be the basis for similar relief if filed or raised as an unfair labor practice under

Federal Labor Relations Authority

part 2423 of this chapter: *Provided, however*, that related matters may be consolidated for hearing as noted in § 2422.27(d) of this subpart.

§ 2422.34 Rights and obligations during the pendency of representation proceedings.

(a) *Existing recognitions, agreements, and obligations under the Statute.* During the pendency of any representation proceeding, parties are obligated to maintain existing recognitions, adhere to the terms and conditions of existing collective bargaining agreements, and fulfill all other representational and bargaining responsibilities under the Statute.

(b) *Unit status of individual employees.* Notwithstanding paragraph (a) of this section and except as otherwise prohibited by law, a party may take action based on its position regarding the bargaining unit status of individual employees, pursuant to 5 U.S.C. 7103(a)(2), 7112 (b) and (c): *Provided, however*, that its actions may be challenged, reviewed, and remedied where appropriate.

EFFECTIVE DATE NOTE: At 60 FR 67291, Dec. 29, 1995, part 2422 was revised, effective March 15, 1996. For the convenience of the reader, the superseded text is set forth below.

PART 2422—REPRESENTATION PROCEEDINGS

Sec.

- 2422.1 Who may file petitions.
- 2422.2 Contents of petition; procedures for consolidation of existing exclusively recognized units; filing and service of petition; challenges to petition.
- 2422.3 Timeliness of petition.
- 2422.4 Investigation of petition and posting of notice of petition; action by Regional Director.
- 2422.5 Intervention.
- 2422.6 Withdrawal, dismissal or deferral of petitions; consolidation of cases; denial of intervention.
- 2422.7 Agreement for consent election.
- 2422.8 Notice of hearing; contents; attachments; procedures.
- 2422.9 Conduct of hearing.
- 2422.10 Motions.
- 2422.11 Rights of the parties.
- 2422.12 Duties and powers of the Hearing Officer.
- 2422.13 Objections to conduct of hearing.
- 2422.14 Filing of briefs.
- 2422.15 Contents of record.

2422.16 Decision and Order of the Regional Director.

2422.17 Application for review of a Decision and Order of the Regional Director.

2422.18 Election procedure, request for authorized representation election observers.

2422.19 Challenged ballots.

2422.20 Tally of ballots.

2422.21 Certification; objections to election determination on objections and challenged ballots.

2422.22 Runoff elections.

2422.23 Inconclusive elections.

AUTHORITY: 5 U.S.C. 7134.

SOURCE: 45 FR 3498, Jan. 17, 1980, unless otherwise noted.

§ 2422.1 Who may file petitions.

(a) A petition for exclusive recognition may be filed by a labor organization requesting an election to determine whether should be recognized as the exclusive representative of employees of an agency in an appropriate unit or should replace another labor organization as the exclusive representative of employees in an appropriate unit.

(b) A petition for an election to determine if a labor organization should cease to be the exclusive representative because it does not represent a majority of employees in the existing unit may be filed by any employee, employees or an individual acting on behalf of any employee(s).

(c) A petition seeking to clarify a matter relating to representation may be filed by an activity or agency where the activity or agency has a good faith doubt, based on objective considerations, that the current recognized or certified labor organization represents a majority of the employees of the existing unit or that, because of a substantial change in the character and scope of the unit, it has a good faith doubt that such unit is now appropriate.

(d) A petition for clarification of an existing unit or for amendment of recognition certification may be filed by an activity or agency or by a labor organization which is currently recognized by the activity or agency as an exclusive representative.

(e) A petition for determination of eligibility for dues allotment (pursuant to 5 U.S.C. 7115(c)) may be filed by a labor organization.

(f) A petition to consolidate existing exclusively recognized units may be filed by a labor organization, or by an activity or agency, or by a labor organization and an activity or agency jointly.

20. I am interested in your reaction to the June 25, 1996 Washington Post op-ed piece by James Glassman entitled "What Can Government Do?" The American public has repeatedly said that it wants leaner government that works. I wonder if it has occurred to you that you may be jeopardizing the futures of the 65,000 employees at SSA by your continued efforts to "give away the store" to the unions to the extent that the public may become disenchanted with SSA, and look for other alternatives?

Based on you many visits to the SSA field, is it your belief that most SSA field office employees really believe that the unions are helping them in the long run if so-called "Partnership" causes the public to have to wait longer for poorer quality services?

- We disagree that our partnership activities are in any way jeopardizing the future of our employees. On the contrary, as I testified before the Subcommittee last year, we look on our partnership with the union as an important means of advancing the goal set forth in our Agency Strategic Plan: to create an environment that ensures a highly skilled, motivated workforce dedicated to meeting the challenges of SSA's public service mission. By working with the unions, we involve those of our employees who are often in the best position to make useful suggestions about improving service in deciding about things that need to be done and how we will do them.
- Under our partnership agreement, we have seen our relationship with the union shift away from a costly and litigious one to a more cooperative one, involving union representatives in the decision making process to help craft solutions to better serve our customers. I believe that this shift has made us a better Agency and a better provider of service to the American public.
- We also believe it is in SSA's best interest to support the union's continued participation by funding certain activities, since the ultimate success of our efforts to improve our operations rests with the employees who work with them every day.
- The implication that the public is waiting longer for poorer quality service is unfounded. As one piece of evidence to the contrary, we would note that an independent survey in 1995 conducted by Dalbar, Incorporated, rated SSA's telephone service as being the best when compared to companies renowned for customer service.

Chairman BUNNING. Thank you all and the hearing is adjourned.
[Whereupon, at 11:45 a.m., the hearing was adjourned.]
[Submissions for the record follow:]

WRITTEN STATEMENT
OF
CONGRESSMAN TOM A. COBURN, M.D.

511 Cannon House Office Building
U.S. House of Representatives
Washington, D.C. 20515
(202) 225-2701

Submitted June 4, 1996 to the Subcommittee on Social Security of the House
Committee on Ways and Means

Mr. Chairman, members of the Committee, I would like to take this opportunity to relay to the Committee my concerns regarding Social Security Administration (SSA) personnel conducting union activities and utilizing government services during normal business hours. Representing the people of the second district of Oklahoma, I am specifically concerned about such practices occurring in the Muskogee, Oklahoma Social Security office.

The purpose of my statement is not to condemn the employees of the SSA for seeking representation through the American Federation of Government Employees -- AFL-CIO, for I truly believe that the union has aided thousands of government employees over the years. Rather, it is to question the appropriateness of government officials being paid to conduct purely union activities. With that in mind, please consider the following:

In 1980 the Muskogee SSA office had approximately fifty employees, in 1995 there were only twenty-seven, and now in 1996 there are only seventeen. As you can imagine, the Muskogee office has become overburdened with an increased workload and a decreased staff. This problem, however, is compounded by the fact that one of the sixteen has been designated a "100% union employee." It is my understanding that this federal employee is permitted to spend 100% of her time on union activities, not on Social Security casework. In an already understaffed office, we simply cannot afford to pay a full-time employee who never handles a single case.

During the year and a half in which I have been in office, my staff has become aware of numerous instances where the "sixteen actual employees" of the SSA office were unable to process claims in a reasonable amount of time. Consequently, the SSA is paying benefits to many unqualified recipients because the Muskogee office simply does not have the necessary staff to adequately review the applications. But, it is my contention that before we ever consider hiring additional SSA staff we should verify that all current employees are actually working to serve the public interest, working to resolve the problems of Social Security recipients, performing the job we have entrusted to them.

Furthermore, our 100% union employee is using SSA facilities (office, desk, phone, copiers, fax machines, etc.) to carry out union business. It seems to me that given the controversial nature of employing a union representative in an SSA office and given our already stretched resources, it would be a greater service to the citizens of Oklahoma to pay another full time case worker rather than a full time union representative.

These problems are not limited to the Muskogee SSA office. I understand that the Tulsa, Oklahoma office, which serves many of my constituents, employees two 100% union representatives and two other individual who spend approximately 25% of their time on union activities. While the Tulsa office has not experienced the dramatic loss in staff that the Muskogee office has, it is still reasonable to assume that the Tulsa office, and the individuals it serves, would also be better off if every employee was devoted to the activities of the SSA.

The fact that both the part-time and full-time union employees are paid, with full benefits, out of the Social Security Trust Fund is a clear violation of the faith which

millions of Americans have placed in the system. We mandate that both the employee and the employer contribute to trust fund, and promise that their money will only be used to pay eligible recipients. Now we learn that this money is being used to openly fund union activities. The fact the cost to SSA for union employees is a small percentage of the total SSA expenditures does not make it right. I cannot, in good conscience, tell either working families or retired individuals who rely on Social Security as their sole source of income that we are using any of their money for union activities, particularly when we are fully aware that the Social Security Trust Fund will be bankrupt by the time my children reach retirement age.

Employing individuals who are 100% union representatives is also a disservice to the thousands of honest, hard-working SSA employees. Invariably the efficiency of any SSA office is lowered when an individual is designated as a union employee. Such an individual is still considered as an SSA employee despite the fact that they may not be performing any SSA duties. Consequently, the productivity per employee of that particular office is lowered by the fact that at least one individual is not contributing to the designated workload of the office.

Following this statement, please find letters received in my office which further document these problems. The first letter (Attachment 1) is from Mr. David Mauldin, who recently retired as the Director of the Social Security Office in Muskogee. The second letter, with attachments, (Attachment 2) is from Ms. Bettie Hulsey, a current, long time employee at the Muskogee office. The third letter, with attachments, was sent by Ms. Virginia Rowan, who recently retired from the Muskogee office. These letters represent the opinions and experiences of their authors and I ask that they be submitted to the record.

These problems are not limited to the Social Security offices of Eastern Oklahoma. Apparently, SSA offices throughout the country employ full or part-time union representatives. Considering the overall impact of this practice, I urge this Congress to take action. The people of the Second District of Oklahoma and the people of the United States would be outraged if I were to employ, at taxpayer expense, a full time union representative in my office. They should be equally outraged to learn their local SSA office not only does this, but that it is perfectly legal.

Given that employing union representatives through the SSA clearly limits the ability of an office to fully service its clientele, given that it is a clear misuse of the Social Security Trust Fund, and given that employing union representatives is a disservice to the actual SSA employees; I suggest that we take immediate action to make such practices illegal. If SSA employees desire local advocates, they should pay for the expenses of such a service in the same manner as the private sector - through their union dues. I am confident in the fact that under such a system SSA employees will receive more than adequate representation. At the same time we will ensure that our tax dollars are used only for their designated purpose: the Social Security system.

I would like to thank the Chairman and the members of the Subcommittee for allowing me this opportunity to comment on this issue. I look forward to the subcommittee's findings and I welcome the opportunity to correct this problem.

Faithfully submitted this fourth day of June, Nineteen-hundred and Ninety-six,


Tom A. Coburn, M.D.
Member of Congress

Attachments:

- 1) Letter from David Mauldin
- 2) Letter from Bettie Hulsey
- 3) Letter from Virginia Rowan

The attachments are being held in the Subcommittee files.

**STATEMENT OF CARROLL D. FERGUSON
RETIRED SOCIAL SECURITY DISTRICT MANAGER
AUSTIN, TEXAS**

Mr. Chairman and Members of the Social Security Subcommittee:

In 1995, I completed a 35-year career with the Social Security Administration and retired as District Manager of the Austin, Texas, Social Security Office, a position I held for eight years. Austin Texas is incidentally the oldest SSA Field Office in the country, and is a large, or "Class 1" office. Before going to Austin, I held a number of top-level positions throughout the SSA organization, including Assistant Regional Commissioner for Assessment (Dallas Region); Assistant Regional Commissioner for Field Operations (Kansas City Region); Regional Field Commissioner (Seattle Region); Area Director (Chicago Region); and Executive Assistant to the Director of District Office Operations, SSA Headquarters, Baltimore, MD. I mention this only as a way of illustrating that I have had wide experience within SSA throughout my career, and have seen the agency in operation in many parts of the country, and at many levels.

Members of the Committee may be wondering why a retired SSA manager like myself would have an interest in making a statement for the record on use of the Social Security trust funds for union activities at SSA. There are several reasons. First, like thousands of front-line SSA managers and employees across the country, I am extremely proud to have been a part of SSA's unique public-service tradition, and I care deeply about both what is happening to SSA now, and what SSA's future may be. In my view, there was no finer public service agency in the country, or maybe even the world, than the SSA that existed in the first 50 years of its operation. However, I am growing ever more disturbed about what has happened to SSA, especially in the last decade, and I am convinced that if action is not taken, SSA is in danger of self destruction. I realize that these are strong sentiments, but I believe that the situation at SSA is so dire that perhaps only Congress, through further legislative action, can save SSA from itself. And so, my remarks are made with the most constructive intent, based on my deep desire to help SSA, and on my deep belief that someone has to tell Congress the truth!

I am submitting this statement because of the particular concern I share with my colleagues who still work for the agency, as well as my peers who have also left the organization, over the direction SSA is taking in the area of Labor-Management Relations. As you can imagine, because many of my colleagues are still working managers far from retirement, it is difficult for them to contradict the "party line" without putting their careers at risk. Specifically, I and the other managers in SSA are concerned about the future of SSA because of the forced mismanagement of the agency and our trust funds through tolerated union abuses, allowing AFGE to misuse both the public's trust and monies. These abuses have been especially prevalent since the 1993 "Partnership" Executive Order, issued by President Clinton, which has created an atmosphere resulting in near total abrogation of authority of front-line managers to manage their offices in the interests of the public. The result of "Partnership" has been to protect and expand the interests, first, of union officials, and second, of SSA employees, at the expense of service to the public. In short, because of "Partnership," no one is looking out for the interests of the taxpayers and beneficiaries. I will state for the record that this played in my decision to retire from government service.

The purpose of my statement is not to take issue with the American Federation of Government Employees or the union's right to exist. However, I believe it is inappropriate for any federal employee to receive full government pay and benefits from American taxpayers' hard earned tax dollars while working full time for the union and doing no productive work for the

taxpayer. The union collects up to \$12 per pay period from each of its members, accruing millions of dollars each year. It is those dues which should be used to pay the employees of the union, not Social Security payroll taxes. If the union had to use the dues it collects to support union activities at SSA, I strongly believe that some measure of balance would be restored at SSA. In the current "Partnership" climate, the unions are in fact running SSA to the detriment of achieving SSA's mission to serve the public.

The General Accounting Office testified before your committee on June 4, 1996 concerning this issue. In their testimony, GAO reported that there are 146 employees who currently work full time for the union and over 1,800 employees who are designated as part-time union workers. That is, between 25% to 75% of their working day is designated for union only work and they cannot be assigned any agency work during that period. The average wages for employees working for the union is \$42,000 per year. GAO was able to document \$12.6 million dollars per year in union support.

I would submit the following for your consideration:

1. **Neither the Union nor SSA has a clear idea of how much time is spent on union activities.** Record keeping is very unreliable and every working manager in SSA today will probably tell you that the time charged to the union "Bank Hours" is far, far under reported. The time tracking system is poorly designed and reports do not reflect all of the employees' time spent in union activities. When the union misreports or under reports their time, challenges by management go back to the union for their decision on their own reporting failure. Consequently, AFGE seldom corrects their reporting problems.
2. **GAO's report to your committee includes expenses only for the 146 full time employees.** It does not include expenses incurred by over 1,800 part time union employees. Nor does it include the time or expenses of over one thousand employees who serve as local stewards and are not included in the number of part timers listed above.
3. **GAO reported that there are over 1,800 designated part time workers.** Once again, record keeping in this area is unreliable because even the union is unsure of how many employees are actually designated as part time workers. When an employee is designated as a part timer, management has very little say in when they spend their time on union activities and when they will be able to work. When they are questioned about their time spent, they often respond with threats of ULPs and grievances. Consequently, they are rarely challenged and often spend more than their designated time in union work.
4. **If each of the 1,800+ part timers spent only 25% of their time in union work, that is the equivalent of over 450 employees taken out of production, in addition to the 146 full time employees.** If the part timers averaged 50% of their time in union activities, (a more realistic number than the 25% minimum figure), that is the equivalent of over 900 employees who could be put back into production on behalf of the taxpayers of America. Nine hundred employees multiplied by an average of \$42,000 wages per year equals 37.8 million dollars. This expenditure on union support is far, far more than GAO's report of only \$12.6 million in support, calculated using expenses of the full time union employees only, and it does not include all of the before mentioned office operating expenses SSA pays for the union to conduct its own business.

5. GAO reported in their June 4, 1996 testimony (page 16) to the committee, using acknowledged understated numbers, that SSA spends 16.8 union hours per year per dues paying member. In comparison, the IRS spends 10.3 hours per year per dues paying member and the Post Office spends only 2.8 hours per year per dues paying employee. Hence, SSA spends far more per dues paying employee in union support than either the Post Office or IRS, (a 6:1 ratio in comparison with the Post Office).

6. GAO's report does not include the millions of dollars in wages for the management time spent in hundreds of ULPs, Grievances, union conferences, responding to frivolous charges, etc.

GAO's report indicated the number of Unfair Labor Practice complaints and Grievances filed by the union have declined steadily since 1993. John Gage, AFGE President, testified before your committee on June 4, 1996, stating that the decline in ULPs and Grievances is a result of SSA's new partnership with the union and SSA's investment, through trust fund support, in the union. However, I believe every manager in SSA would disagree with this premise. Again, I offer the following for your consideration:

Grievances- We estimate that at least 80% to 90% of the grievances filed in SSA in the last several years were related to our old appraisal system. SSA had a five tier appraisal system which weighed heavily in determining award amounts and eligibility for promotions. Our previous Commissioner signed an agreement with the union which prohibited managers from using numerical standards to appraise production and quality and from using any hard data to support the appraisal process. Consequently, management was forced to use more subjective criteria for determining the employees appraisal level. Employees frequently grieved their appraisal. Many who received "Fully Satisfactory" ratings felt they should be rated "Excellent" and many with "Excellent" ratings wanted "Outstanding" ratings.

In 1993 and 1994 SSA issued instructions to managers not to lower any appraisals, but to roll over previous appraisals which could not be raised. In 1995, we did not issue appraisals at all, but rather scrapped the five tier system and installed a "Pass/Fail" appraisal system. In January 1996, SSA issued "Pass" appraisals to about 99% of the employees. Therefore, beginning in 1993, we basically removed the main source of grievances for SSA. The decline in the number of grievances is not an indication of better cooperation with the union, but simply a result of moving to an appraisal system under which everyone passes.

ULPs- It is the policy within SSA that ULPs filed by management against the union can only be filed by Central Office. Regardless of how outrageous the actions of the union are against management, Central Office refuses to file ULPs against the union. There have been many documented instances in which the union has threatened management, called them names, refused direct orders, overstepped their bounds while recruiting, interfered with production, and abused nearly every privilege SSA affords them. Yet, even when field managers have begged and pleaded for action, Central Office refuses to challenge union misbehavior. This has become a common practice under partnership and the union uses it to full advantage.

Another unwritten policy, under partnership, is that we do not say no to the union. Because we do not say no, the union basically gets everything they request or demand. Since they are never denied, they have fewer opportunities

to file ULPS. **SSA managers strongly believe that the decline in the number of ULPS does not reflect better cooperation with the union. Nor does it reflect a better process. It simply is a result of an agency giving in and letting the union have everything they demand, regardless of the expense to the beneficiary and the taxpayer.**

Thus, the so called partnership is a farce. The union will not file ULPS or encourage mass grievances so long as SSA's leadership in Central Office gives them what they want.

I realize that the use of trust fund money to support union activities is based on law and is legal. **But, I do not believe the good people who framed the law allowing fiscal support of the union ever in their wildest imaginations, dreamed that the cost of union support would grow so dramatically with no ceiling in sight.** Furthermore, while the law provided the basis for union support, the Social Security Administration created the concept of "Bank Hours" and the poorly designed system for capturing union time which have worked together to allow the union to move people out of production and into union work at will.

The many managers with whom I worked for nearly four decades and **I strongly believe that taxpayers are not aware of and would not condone the use of trust fund money to support union activity.** As an agency, we boast of our frugal record to the public, telling them that we operate the agency on less than 1% of the FICA taxes deducted from their hard-earned money. Most of those taxpayers still believe that their FICA taxes are going into a trust fund to pay benefits for themselves and other workers. They would be furious to learn that we pay a couple thousand people \$42,000 per year not to work on their claims and their parents' claims, but to work on behalf of the union.

Mr. Chairman, as a federal manager I was frustrated by this abuse of trust fund monies. As a taxpayer I am outraged, and I know the American public would share my view if they were fully aware of the fact that trust fund dollars are used to pay for salaries, awards and retirement benefits, as well as health and life insurance benefits of people who work for the union and not the taxpayer. **The union is a big business, collecting millions of dollars each year in dues. Yet, SSA pays all of its operating expenses using trust fund dollars.** These expenses include, besides full salaries and benefits for the union's employees, the full cost of space (rent), utilities, telephone equipment and costs, including unlimited long distance service, and photocopiers, fax machines and supplies, computers, envelopes and postage -- virtually any expense needed for the union to operate its business.

Since SSA pays nearly 100% of the union's expenses, the dues they collect can be used for other purposes having nothing to do with agency business. While federal managers grow more frustrated witnessing this, we are also seeing more and more political involvement by the unions, using the dues they accrued while receiving federal subsidies for their operating expenses. While AFGE and their parent organization are buying favor with the current administration, federal managers are questioning the continued trust fund support of the union. We ask, "Would they be able to afford such a high political contribution if they had to pay for their own expenses and employee salaries?" Because the use of trust fund dollars frees the union to spend their dues revenues on things other than operating expenses, SSA is, in effect, using trust fund money to subsidize AFGE's political activity.

Conclusion

Mr. Chairman, I am not asking the committee to do away with federal unions at SSA. Rather, I ask the committee to help restore balance in the process. In SSA today, there are 146 full time union employees, plus over 1,800 designated part time union employees, plus well over 1000 union stewards. There are over 3,000 front-line production employees, such as claims representatives, spending all or part of their workdays doing union business.

I believe this can be brought back into balance simply by requiring the union to pay the salaries, benefits and office expenses for every employee who is doing union business. This will not stifle the union's ability to represent employees. The union stewards could still represent employees in addition to their assigned tasks. SSA has always agreed to allow union stewards to take time away from their duties for representational purposes only. But, this would end the practice of taking an ever-increasing number of people out of production and designating them as full time and part time union employees.

Mr. Chairman, during the last 15 years, SSA has reduced its work force by over 20,000 employees. Yet, during this same period, in spite of a declining bargaining unit, AFGE has increased its union employees radically from a few dozen in 1980 to thousands in 1996. While SSA was losing production employees to downsizing, we were also losing production employees to the union.

Mr. Chairman, I respectfully ask your committee to initiate legislation which would stop trust fund support of the union and require the union to use the money they collect in dues to pay for their operating expenses and the salaries of employees for the time they spend on union only work. Furthermore, I request that you instruct the agency to scrap the concept of "Bank Time" and implement a new system which clearly defines a limited number of employees who can be involved in union activities for representational purposes only. No SSA employee should spend time on internal union business and recruiting for the union, as the 146 full timers and 1,800+ part timers do currently. Those activities should be performed by employees of the union which are paid by the union from funds they collect in dues, not trust funds.

Mr. Chairman, please let me end by expressing my gratitude to you and the committee for the responsibility you have shown to the American public and the trust they place in Congress for calling this hearing and requesting GAO to research this issue. We depend on you for the good stewardship needed to keep Social Security alive and well into the next century. The questions you have raised in this hearing will help assure the working taxpayers that Social Security will make the right choices in both protecting their FICA investment and in using that FICA investment to achieve its mission, which is to serve the public.

I again thank you for hearing me out, and would be happy to answer any questions by mail or phone, since the precarious health of my parents prevents me from appearing in person as I would have liked.

**STATEMENT OF J. DAVID MAULDIN, RETIRED
SUBMITTED BY DR. SHIRLEY CHATERER, COMMISSIONER
SOCIAL SECURITY ADMINISTRATION**

Mr. Chairman and Members of the Subcommittee:

I request that this statement be accepted by the subcommittee, in response to an earlier written statement by Commissioner Shirley Chater.

An earlier letter of mine, addressed to Congressman Tom Coburn, was included with his written statement to the subcommittee.

I worked almost 37 years for SSA, from 1959 until this year, when I retired. The last 22 years were spent as a district manager in Beaumont, Texas and Muskogee, Oklahoma. I remain in touch with many friends and acquaintances within SSA. I have met and talked with most SSA Commissioners during my career, including Shirley Chater. I think of her as a considerate, energetic and concerned person. I could not believe the tone of the statement she submitted to the subcommittee. At best, I would describe it as incomplete.

Many of my colleagues are also disappointed by her statement. To be blunt, those of us who follow her believe that her submission was written by the AFGE. It reflects the type of union appeasement that goes on today at the highest levels in SSA management.

I am no longer obligated to toe the official policy line. I can be frank. My colleagues still with SSA do not have this freedom. I would like to provide the subcommittee with a viewpoint from SSA field management.

In her statement, the commissioner justifies paying full-time AFGE reps by comparing SSA with some private companies that do so. At the risk of stating the obvious, federal union representatives in SSA do not bargain with SSA managers on wages, salaries, leave policy, health and life insurance, etc. Federal employees also have substantial job security. Local SSA union bargaining is limited to the general category of work rules. "Consultation" was once the required norm. Now the AFGE has the *right* to bargain on the "Impact and Implementation" of changes in working conditions. According to the union, and top SSA management agrees, "anything" is a change in working conditions, even moving a chair from one place to another. It is hardly accurate to compare General Motors labor relations with SSA labor relations.

The commissioner stated that SSA is bound by law and its own bargaining agreement to pay certain union expenses. She is right and that is the problem — current law and the SSA agreement. For what ever reason, SSA has conceded issues to the union that have eroded management's control of the organization. It started before commissioner Chater arrived on the scene. Let me give you just one example. The de-certification election acts as a governor of potential union excesses. A union that becomes obsessed with its own power, or fails to represent its members, or both, can be voted out. The law, 5 USC 7111 ©, seems deceptively simple. The AFGE has arranged for insurance against that possibility, within SSA. I have been unable to obtain a copy of the AFGE's procedures for a de-certification election. I am advised that, briefly, the process works like this:

An office (employee) that wants to de-certify its union, must petition each and every other AFGE office in the nation, and get 10% of the units' members to sign a petition. There were approximately 1,000 such units. If that is done, the initiating office sends the stack of petitions to the AFGE for their review! The AFGE determines the accuracy of the petitions. The AFGE can return the petitions if, in their sole judgment, one or more units were omitted. The AFGE is not required to specify the missing units (and won't)! An election, conducted by the FLRA, is scheduled by the AFGE, without guidelines on time! It could take years!

In practical terms, AFGE recognition is akin to a lifetime appointment. In my experience, the AFGE has failed to tell employees of the extreme complexity of de-certification, which apparently was written by the AFGE. SSA employees are denied their basic right to determine their own union representation on a continuing basis. The remedy is legislation.

Commissioner Chater states that the law prohibits official time for internal union business and "Thus, SSA does not pay for union expenses related to these activities." The law may say that, but the union ignores it and SSA ignores the union ignoring it. I have ignored it myself on instruction from superiors, and so have most other SSA managers with whom I have talked. The word is, **DON'T QUESTION THE AFGE'S USE OF OFFICIAL TIME!** If a manager has a complaint about AFGE's use of official time, the manager is instructed to discuss it with a management Labor Relations person. That is where the complaint ends. The Commissioner's reference to supervisors reporting this time and SSA keeping records, sounds like a control. It is not. Supervisors sign the form and forward a copy. If you can't question it, it is not a control. The contract provides field office unions 100,000 hours of official time per year. Hours not used in one year may be carried forward. Excluded from these "bank" hours are time spent in consultation with management officials and local bargaining. To my knowledge, only the unions in field operations offices have "bank" hours. Other parts of the organization have other types of official time definitions, from "reasonable," to specified percentages of time, to specified hourly limits.

Before the issue of furloughs came up, my information is that the dues paying AFGE members amounted to about 24% of their bargaining unit people. Now, GAO indicates that figure is 47%. The point is, anyone who thinks that the solicitations for these additional members, and the distribution of union literature, were conducted solely outside of official time, within the letter of the law, never watched the AFGE at work. I can not accept the idea that Commissioner Chater really believes what has been written.

The so-called Union-Management Partnership has worsened labor relations in SSA field offices, not improved it. Before partnership, many local social security offices had their own local. They had their own local president who also performed SSA job duties and for the most part, fairly represented the local employees. The Partnership brought with it, the consolidation of locals into larger, area locals. These consolidated locals consist of 10 to 20 offices, or more, with appointed presidents. These new local presidents control AFGE's actions in local SSA offices. On site stewards are little more than reporters, in many locals. The local presidents seldom are familiar with all the needs in various offices. Nonetheless, local managers must deal with them. Increasingly, local presidents are becoming more authoritative and more confrontational. They are more aggressive because SSA does not file ULP charges against the union. The only union-management grievance filed by management, in many years, was filed just weeks ago. The subcommittee has already been advised of that action.

Under these circumstances (top management allowing AFGE free rein), the AFGE is moving into traditional management areas. The AFGE is gaining more control and authority over SSA operations with no responsibility to the taxpayers. The word is starting to go out: only dues paying members will benefit from AFGE authority. Recently, that authority was extended to deciding cash awards (who and how much) for bargaining unit members. In another area, employees who request a hardship transfer (i.e., spouse sick, aging sick parents, etc.) need the usual management approval. If the office sought is one with AFGE representation, the request must ALSO be approved by the AFGE. If the AFGE does not approve, the employee can not be transferred. In SSA management circles, we call the authorizing MOU "The Memo From Hell." SSA is allowing the creation of a second managerial organization that is responsible only to

itself! Again, the taxpayers are paying for this. Does anyone doubt that dues paying membership might increase?

Regarding costs, statements from the commissioner and GAO indicate that in SSA taxpayers pay at least 67% of the support of the AFGE, probably more!

The frequent, obligatory reference to *improving public service* is boilerplate. Service to our clients, the public, is not on the AFGE agendas that I have dealt with. But then, why should it be? That is management's area of concern. The AFGE is interested in things that affect employees that will increase two things: (1) union dues, and (2) union power. In my experience, concern for our clients, the taxpayers, is an afterthought. Field managers watch what the AFGE does, as well as read what they write.

Shirley Chater applauds the partnership as helping reduce the costs for grievances and charges of unfair labor practices. This is pure deception, and in my opinion another device to try to make an ugly "Partnership" look better. In the past, the huge majority of all grievances were over annual performance appraisals. SSA hasn't given an honest appraisal to an employee in three years. They have been rolled over, suspended or postponed. Now, SSA has adopted a Pass-Fail annual appraisal system, which the AFGE wanted, and the number of grievances will continue to be much lower. Yes, the number of grievances has declined, but Partnership had nothing to do with it.

Unfair labor practice charges **have** declined. Like grievances, these are AFGE charges against management. SSA management doesn't file ULPs. ULPs have declined since "Partnership", **because** SSA top management has told field management, and others, to get along with the union. In effect, DON'T SAY NO TO THE UNION. The decline in ULPs has not been due to any shared respect or newly discovered mutual understanding. With compliant managers, the union has fewer reasons to file ULPs. A social security field manager can not file a ULP against the AFGE. That right is reserved by Headquarters. It is not used.

In conclusion, the nexus between the AFL-CIO pledge of \$35 Million to re-elect the administration and a pro-union congress, and the administration's actions to financially advantage an affiliate of the AFL-CIO, can not be ignored. You are better able than I to assess that situation.

The taxpayers of this country pay for social security. The administration is just a fiscal agent. Taxpayers deserve an objective, even-handed management of the largest civilian undertaking in our history. In my opinion, we are not getting that!

In my April 19, 1996 letter to Congressman Coburn, I requested the removal of taxpayer subsidies to federal unions. To that, I add the request for legislation to guarantee federal employees a right: the right to elect union representation or de-certification on an equal basis. They deserve and need that right!

Sincerely,



J. David Mauldin

**STATEMENT OF
MAXINE NIELSEN, RETIRED,
SOCIAL SECURITY ADMINISTRATION**

Mr. Chairman and Members of the Social Security Subcommittee:

My name is Maxine Nielsen. My career with the Social Security Administration began as a Claims Representative in Dallas, Texas, June 19, 1963; and I retired as the Teleservice Center Manager, Ft. Lauderdale, Florida, January 20, 1995. During my thirty one years with the Agency, I also held the following positions: Operations Supervisor, Assistant District Manager, Acting Assistant Regional Representative for Family Assistance Planning, Staff Officer and Staff Assistant in the Dallas Regional Office, District Manager and Teleservice Center Manager. I have met and worked with all of the SSA Commissioners who served during my career.

In preparation for this statement, I contacted Social Security managers and employees in various offices in the Atlanta, Chicago, Dallas, New York and San Francisco Regions - in other words, across the country.

After speaking with Regional Office Staff, Area Directors, managers and employees in the various Regions, I found, without exception, that both current management officials and employees were "afraid to speak on the record" to anyone unless they were subpoenaed by Congress and required to do so. They feared not only damage to their current positions, but also Regional Office and/or Headquarters retaliation. The statements I obtained were forwarded to me only after I assured each of them I would not disclose either their names or offices.

The following concerns were common to all of the managers and employees I spoke with across the country. I want to emphasize that these are concerns about problems that exist throughout SSA, Nationwide.

(1.) UNION-MANAGEMENT PARTNERSHIP

The Executive Order creating the "Partnership" has almost destroyed the Agency. In theory, it is excellent. In reality, a disaster. The Union (AFGE) has historically been and continues to be more self-serving than Agency or public-service oriented. The union is not interested in either public-service or efficiency. Its primary functions are to expand its power and to protect those employees either unable or unwilling to perform their jobs.

(2.) LACK OF LEADERSHIP

There is a total lack of high-level leadership at SSA. Commissioner Chater is a political appointee who is not only incompetent but also uninformed regarding Agency operations. Her primary goal is to be confirmed as Commissioner, regardless of the cost to the Agency. In addition, Regional management officials are "afraid" for their positions and either will not or are unable to "stand up" to Headquarters. In short, "Higher management will do anything to save their skins."

(3.) "OFFICIAL" TIME

(A) Union time in field offices is out of control. The unreported time is at least four times the amount of reported time. Non-bank hours are rarely either accounted for or reported to Headquarters.

(B) The managers indicated the telephone bills for union calls average 30% of the total office monthly statement. A manager of a district office with 46 employees has two (2) Claims Representatives who are 100% union. Another manager with 43 employees in his office has four (4) 100% union officials.

(C) Numerous managers, supervisors and employees stated when they are in the vicinity of the 100% union officials work station/area, they are able to overhear the union officials openly involved in personal discussions such as football games, both professional and college, baseball games, basketball games, fishing, dating, marital problems, movies, television, etc. They indicated the union officials no longer even make a pretense of conducting union business all of the time. Managers and supervisors have given up attempting to regulate union time due to the lack of support from upper management, and Regional Offices and Headquarters conceding management rights to the union.

(4.) FRONT-LINE MANAGERS HAVE LOST ALL AUTHORITY TO MANAGE

(A) Several managers stated "The only difference in the union and management is the salary scale. In the Atlanta Region, the union has all the power."

(B) Pass/Fail Appraisal

Due to the change over to the Pass/Fail appraisal rating system, management is no longer permitted to reward the "Excellent" and "Outstanding" employees. This is another example of the union's protection of employees who are not performing above an acceptable level and who would previously have been rated either poor or unsatisfactory. Under the current system, SSA has no method of rewarding superior work performance by an employee, which is extremely demoralizing to SSA's top performers.

(C) Due to union pressure, management is no longer permitted to adequately review and appraise performance on on-going basis. In the Teleservice Centers (TSCs), supervisors are only permitted to Service Observe (SO) five (5) calls per Teleservice Representative (TSR) per month. The supervisor must obtain permission from the TSR prior to observing the calls. The average TSR answers 1,500 calls per month and only observing 5 of the 1,500, with the TSR's permission, is basically worthless as a supervisory performance appraisal tool. The supervisors are no longer permitted to evaluate performance based on unannounced SO of the calls.

(D) It is next to impossible to terminate an employee based on poor performance. Not only is the documentation time consuming, but also the union intervenes, alleges either EEO, discrimination or harassment, and must be dealt with on a continuing basis.

(E) Union involvement on promotion panels for management positions is another concern. How did SSA get in the situation of having interview panels, with AFGE members, for the selection of the South Eastern Program Service Center Director? Is this intended to be precedent setting for other management positions or vacancies?

(F) Hardship transfers have become very difficult to obtain for employees who are not union members since the union has a say in their authorization. Employees who are not union members have, in some instances, been forced to join the union in order to obtain the union's approval of the hardship transfer.

(G) The union manufactures work in the DOs, BOs and TSCs in order to justify upgrades. An example given was the work items transferred to SRs and TSRs following their upgrade in 1994.

(H) Workmen's Compensation (W/C) is a severe problem in all Regions. The employee is permitted to remain on the job, and management must make "Reasonable Accommodations" until the W/C claim is either approved or denied. The union actively solicits W/C cases. Carpal Tunnel Syndrome and Temporomandibular Joint Syndrome (TMJ) have become "prime projects" of the union.

(I) Because of union pressure, so-called "Reasonable Accommodations" for employees who either can't or don't feel like performing their assigned duties is another major problem for many managers. Management is obligated to assign different duties to employees who don't feel well enough to perform their normal duties but who come to work, generally because of poor sick leave balances, in order to receive their salaries. Examples are an employee with a sore throat who can't/doesn't feel well enough to interview the public or speak to callers over the telephone and an employee with a bad back who can't sit at the desk but must either lie down or be moving around all day.

Three current, union-initiated activities are of special concern to managers I contacted: award panels, the promotion plan work-group, and the bi-lingual pay demonstration plan.

AWARD PANELS

Because of union involvement in the 1996 employee award panels, the SSA-wide cost of processing the awards has exceeded 30% of the total awards budget of \$23,400,000 - a cost to the taxpayers of over \$7,040,000. This figure does not include loss of service to the public, efficiency and production due to union and employee involvement in the awards panels.

One Area Director stated the cost of processing the \$250,000 in awards in his area has exceeded \$100,000 in salary expenses alone. This is not taking into consideration loss of public service, efficiency and production in the local district and branch offices. A San Francisco Regional Office official stated the region has used in excess of 4,000 employee hours in processing awards, and the project had not been completed when I spoke with him. He indicated the average employee's salary in the San Francisco Region is in excess of \$39,000 per year.

NATIONAL PROMOTION- PLAN WORKGROUP

Nine SSA personnel, 4 management, 4 union and 1 union facilitator, were selected to negotiate national SSA promotion plans for thirty-nine (39) different positions. Earlier this year, the workgroup met for two weeks, 1 week in San Francisco and 1 week in San Diego. During the first two weeks of negotiations, they were unable to reach agreement on the promotion criterion for one single position.

The union insisted the following items be the rating criterion:

- (1.) Experience (Seniority)
- (2.) Only three (3) names be submitted on the Well Qualified List
- (3.) The Selecting Official would be forbidden to contact the applicant's manager/supervisor for a recommendation.

The workgroup returned to San Diego in July for an additional two weeks of negotiations. After the two weeks, the workgroup was unable to reach a consensus on the size of the Well Qualified List, and the package was returned to the Deputy Commissioner Operations, Headquarters Partnership Council for resolution. This is yet another example of costly, unproductive union involvement in what should be a management prerogative.

BILINGUAL PAY DEMONSTRATION PLAN - (5% Pay Raise for Non-management Bilingual Employees)

The following was received from a bilingual management official:

"Although (I am) a supporter of proper recognition and remuneration for employees who truly utilize their bilingual skills, the proposed demonstration project will overcompensate a large segment of the bilingual employee population that does not necessarily utilize a second language in the performance of their duties and many who may not even be proficient in this second language, yet they have been identified as bilingual.

"In the current environment of Partnership, diversity, Articles 17, 21, and 26, a potentially divisive measurement as pay differential for a segment of our employee population just does not fit and our decision makers need to realize we can not be politically correct all of the time. We also need take into consideration a second language proficiency, in many cases, was already an eligibility factor in our recruitment actions and promotional opportunities. A pay differential could further polarize our human resources to the extent it could become a detrimental force in our organization.

"For whatever it is worth, I dare to suggest we need to tie any additional pay remuneration for bilingual employees to the true performance of their duties in a second language and to the benefits our customers and Agency will derive from this performance. I also have a serious problem with our decision makers, again in trying to be politically correct, excluding members of management with bilingual skills from this pilot. This exclusion alone is sufficient for many to suspect that SSA is not truly concerned about providing world class service to the non-English speaking if it chooses to exclude bilingual managers - who have been the driving force in penetrating the non-English speaking communities in our Country to better inform this public and provide the much needed outreach on behalf of our Agency.

"The Bilingual Demonstration Plan is another union-initiated project with a cost to the taxpayer of \$10 to \$15 million dollars per year."

RESPONSE TO COMMISSIONER CHATER'S JUNE 27, 1996 STATEMENT**OFFICIAL TIME**

Commissioner Chater stated the law prohibits the granting of official time for union activities involving internal union business such as soliciting membership; and "Thus, SSA does not pay for union expenses related to these activities." This is totally inaccurate. The union ignores the prohibition and, at will, conducts union business on government time, using government equipment, telephones, FAX, and facilities. SSA management has been repeatedly informed by Headquarters and Regional Offices that they have no control over union activities and "not to rock the boat". Part of Partnership is management not questioning the actions of union officials. Local managers who complain to the Regional Office are labeled "non-team players" and "trouble makers."

At their discretion, union stewards solicit membership, grievances, Unfair Labor Practices (ULPs), EEO complaints, etc. during normal working hours. The word from Headquarters and Regional Offices is "Don't question the union's use of official time." The union representative completes the time reporting form, and the supervisor simply signs it. This is not a control of the time. It is a self-reporting system with no accountability and which cannot be verified.

The area union president has the authority to appoint officers for the area union locals and to allocate bank hours for their use. Field offices that in the past have not had local representatives have been informed by the area president that certain employees have been appointed as area officers, and that time must be approved for union business. In one area of twenty two field offices, the area president has appointed sixteen area officers, one each in sixteen of the field offices, and has designated each officer either a "75%" or "full time" union official. The Area Director and the local managers were informed by the Regional Office they had no control over union appointments as long as the union hours were available. The local managers were also informed they must comply with the union appointments and the 75% union time designation, which in effect, removed these sixteen employees from doing any Social Security work and from serving the public.

GRIEVANCES AND UNFAIR LABOR PRACTICES (ULPS)

Commissioner Chater applauds the reduction in the cost of grievances and ULPS due to the Partnership Agreement. Partnership has absolutely nothing to do with the reduction in the number of grievances and ULPS. The majority of the grievances were based on the employees' annual performance ratings. In the past three years, the appraisals have either been rolled over, suspended or postponed. With the implementation of the union supported Pass/Fail Appraisal System, the basis for almost all grievances was eliminated. Since there are no "Outstanding " and "Excellent" employees (per the Pass/Fail system), and few, if any, employees are rated less than "Pass", what is there left to grieve? The number of grievances will continue to decline. The number of ULPS have declined because SSA top management has informed field managers to "get along with the union." The word is out, loud and clear, "Don't say NO to the union"-----so, there is no longer a reason for the union to file ULPS.

The union gets what it wants! For the record, an SSA field manager is not permitted by Headquarters to file a ULP against AFGE.

OFFICE OF HEARINGS AND APPEALS (OHA) - DISABILITY APPEALS DECISIONS

Commissioner Chater stated that interest-based bargaining had reduced the OHA disability decision writing backlogs by 9,000 in about a month's time. The partnership had nothing to do with the reduction. Since the Memorandum of Understanding (MOU) was signed with AFGE on May 25, 1995, employees from Regional Offices, field offices, teleservice centers and program service centers have been detailed to OHA to assist in the writing of decisions. The union "fought" the decision to send the employees to OHA to assist with the backlog. The union was also against management's involvement in the disability writing process and insisted that only bargaining unit employees be considered for the detail. I am submitting separately to the Subcommittee, for verification, copies of the MOUs and Memorandum between SSA and AFGE listed below regarding the details to OHA:

- (1.) MOU dated 5/25/95 regarding details to OHA
- (2.) Memorandum dated 2/28/96 to Arthur B. Johnson, AFGE
- (3.) Memorandum dated 3/20/96 to Arthur B. Johnson, AFGE
- (4.) MOU dated 3/27/96 requiring both short-term and long-term initiatives to provide additional support to OHA
- (5.) Settlement Agreement between SSA and AFGE dated 3/27/96.

REDUCTION IN 800 NUMBER BUSY SIGNALS

The reduction of the 800 number busy signal rate was, again, not due to the Partnership Agreement. The reasons for the reduction of the busy signals were:

- (1.) Additional staff were hired, trained and assigned to work answering the telephones in the teleservice centers.
- (2.) Benefit Authorizers (BAs) from the Program Service Centers (PSCs) were trained as TSRs and assigned to answer the 800 number during all "peak periods" and the first quarter of the new year. This resulted in the BAs being removed from their regular duties and the development of severe backlogs of their work in the PSCs.
- (3.) The method of computing the busy signal rate was changed, thus reducing the busy signal percentage reported for the 800 number. Currently, overflow calls are answered by a recording asking callers to call back, and those calls are not recorded and do not count as busy signals.

1994 PERFORMANCE AWARDS FOR 100% UNION OFFICIALS

Attached is information listing the 100% union representatives and the amount of the 1994 Performance Award received by each. A Headquarters official stated no union official with a performance rating of less than "Excellent" received a performance award for 1994. Some of the union officials listed received performance ratings of "Fully Satisfactory". All of the officials listed received performance awards regardless of their appraisal rating. Julius Mallette, the Ft. Lauderdale Teleservice Center employee was rated "Fully Satisfactory" and received an award of \$975.00.

RECOMMENDATIONS

The following is a consolidated list of recommendations from the many managers and employees with whom I spoke:

- (1.) Eliminate all taxpayer monetary subsidies to AFGE including, but not limited to, salaries, telephones, postage, FAX, space, etc. paid to and for the use of union representatives.
- (2.) If taxpayer funding cannot be stopped, require all SSA components to implement a non-self-reporting, ACCURATE and THOROUGH ACCOUNT of ALL time, both bank and non-bank hours, used by AFGE officials.
- (3.) Pass legislation to guarantee all Federal employees not only the right to elect union representation, but also the right to request de-certification of the union at the local DO, BO and TSC level.
- (4.) Call for an independent, immediate, in-depth, special investigation, similar to "White Water", into AFGE, AFL/CIO, activities. This investigation should be conducted not only in the Social Security Administration, but also through-out the entire Federal Sector. Both SSA management and employees should be subpoenaed to testify regarding union activities, and all must be afforded protection from reprisals from not only SSA top management officials, but also from AFGE AFL/CIO officials. The Special Investigation should be conducted under the direction of the Committee on Ways and Means, Subcommittee on Social Security, U.S. House of Representatives. The final report should be submitted to both the House Ways and Means Committee and the Committee on Finance, Subcommittee on Social Security and Family Policy, U.S. Senate.

We believe these recommendations will result in a finding that AFGE activities have cost the U.S. taxpayers hundreds of millions of dollars in lost salaries, efficiency, production and public service. The Executive Order creating the Partnership has proven to be a true detriment to public service, a betrayal of the public trust and a financial disaster for the taxpayers.

Thank you for your concern with the AFGE situation, the effect of union activities on SSA operations and for the opportunity to submit this statement for consideration by the Subcommittee. In the interest of brevity, I have not attached all of the many statements and items that document my statement; however, I will be submitting them separately to the Subcommittee. If I can be of further assistance, please do not hesitate to contact me.

COMPONENT/ UNION REP	LEVEL	AMOUNT DUE	LESS PRIOR RECOGNITION	TOTAL DUE
-----	-----	-----	-----	-----
ROPIA				
Krumen, Stanley	3 X 3	\$975		\$975
Lambert, Delores	4 X 3	\$2,400	\$780	\$1,620
Loesch, Cheryl	3 X 3	\$975		\$975
Nelson, Barry	3 X 3	\$975		\$975
Tucker, Earl	3 X 3	\$975		\$975
DOCS				
Lucas, Rose	4 X 3	\$2,400		\$2,400
Pekarski, Carolyn	4 X 3	\$2,400		\$2,400
PSCS				
Arnet, James	3 X 3	\$975		\$975
Collender, Herb	3 X 3	\$975		\$975
Hucy, Reggie	3 X 3	\$975		\$975
Johnson, Arthur	3 X 3	\$975		\$975
Joseph, Agatha	3 X 3	\$975		\$975
Mack, David	3 X 3	\$975		\$975
Wilmer, Archie	4 X 3	\$2,400	\$360	\$2,040
FIELD OFFICE				
Angelet, Ana	4 X 3	\$2,400		\$2,400
Bain, Ron	3 X 3	\$975		\$975
Ballard, Evan	4 X 3	\$2,400		\$2,400
Berkowitz, Sam	3 X 3	\$975		\$975
Bigelow, Kirk	3 X 3	\$975		\$975
Brant, Dan	4 X 3	\$2,400		\$2,400
Brunner, Judith	4 X 2	\$1,600	\$1,220	\$380
Bristow, Gwen	5 X 3	\$4,200		\$4,200
Bryant, Sandy	3 X 3	\$975		\$975
Campana, James	4 X 3	\$2,400	\$570	\$1,830
Campbell, Craig	4 X 3	\$2,400		\$2,400
Carruthers, David	4 X 1	\$800		\$800
Clifton, Jimmy	3 X 3	\$975		\$975
Codon, Mike	4 X 3	\$2,400		\$2,400
Comito, Frank	4 X 3	\$2,400		\$2,400
Cunrad, Susan	3 X 3	\$975		\$975
DeJulius, Ralph	3 X 3	\$975		\$975
DeLaCruz, Yvette	8 X 1	\$1,400		\$1,400
DeLong Sharon	4 X 2	\$1,600		\$1,600
Edmonds, Jeanette	3 X 1	\$325		\$325
Egerman, Howard	4 X 3	\$2,400		\$2,400
Endsley, Reggie	3 X 3	\$975		\$975
Estudillo, Charles	3 X 3	\$975		\$975

MP 9/22

COMPONENT/ UNION REP	LEVEL	AMOUNT DUE	LESS PRIOR RECOGNITION	TOTAL DUE
Fahlikman, Charles	3 X 3	8975		8975
Fehner, Carol	3 X 3	8975		8975
Flovick, Carolyn	4 X 1	8800		8800
Fretwell, Warren	3 X 3	8975		8975
Heating-Ellis, Jill	3 X 3	8975		8975
Holley, Phil	4 X 3	82,400		82,400
Jefferson, Terrace	3 X 1	8328		8328
Joyner, Brenda	4 X 3	82,400		82,400
Keillor, Ken	3 X 3	8975	8300	8675
Klomez, Gary	4 X 2	82,400		82,400
Kofabl, Steve	3 X 3	8975		8975
Lawson, Barbara	4X2-3X1	81,825	81,895	830
Levine, Howard	3 X 3	8975		8975
Lezcano, Lollie	4 X 1	8800		8800
Limoges, Yvonne	4 X 2	81,600		81,600
Mack, John	3 X 3	8975		8975
Mallette, Julius	3 X 3	8975		8975
Marsh, Matthew	4 X 1	8800		8800
Martin, Dorothy	3 X 3	8975		8975
Martinez, Carmen	3 X 3	8975		8975
Matthis, Sandra	4 X 3	82,400		82,400
Mauger, Robert	3 X 3	8975		8975
Norris, Jerald	3 X 3	8978	8250	8725
O'Connor, Bill	3 X 2	8680		8680
Pastore, Gian M.	4 X 3	82,400		82,400
Perkins, Jeannette	3 X 3	8975		8975
Pond, Constance	4 X 3	82,400	8740	81,660
Poulos, Andrew	3 X 3	8978		8975
Pyle, Rita	3 X 3	8975		8975
Ramos, Osvaldo	3 X 3	8975		8975
Rasmussen, Vivian	3 X 3	8975		8975
Riordan, John	3 X 3	8975		8975
Roberts, Dan	3 X 2	8650		8650
Saul, Jeff	3 X 1	8328		8325
Sraman, Rose	4 X 3	82,400	8690	81,710
Skwlerczynski, Witold	3 X 3	8924	8975	8925
Slater, Alice	4 X 2	81,600	8690	8970
Southam, Jean	4 X 3	82,400		82,400
Wilson, David	4 X 1	8800		8800
Young, James C.	3 X 3	8975		8975
AFGE LOCAL 1823				
Chandler, Berdina	5 X 2	82,800		82,800
Ches, Henry	4 X 2	81,600	8914	8686
Dishong, Pat	4 X 2	81,600	8380	81,220
Elder, Emma	4 X 2	81,600	8430	81,170
Ennis, Cynthia	3 X 3	8975		8975

COMPONENT/ UNION REP	LEVEL	AMOUNT DUE	LESS PRIOR RECOGNITION	TOTAL DUE
Gordon, Mureen	6 X 1	\$1,400		\$1,400
Hollenbaugh, Earle	5 X 3	\$4,200		\$4,200
Hungerford, Wendy	5 X 3	\$4,200		\$4,200
Kinnawon, Thomas	4 X 3	\$2,400	\$540	\$1,860
Levy, Alvin	3 X 3	\$975		\$975
Moynihan, Mike	4 X 1	\$800		\$800
Price, Robert	4 X 3	\$2,400	\$540	\$1,860
Roof, Harold	3 X 3	\$975		\$975
Shield, Dana	5 X 2	\$2,800		\$2,800
Shpiegleman, Jan	3 X 3	\$975		\$975
Skidmore, Sandra	5 X 3	\$4,200		\$4,200
Siebzak, James	3 X 3	\$975		\$975
Spivak, Arnold	3 X 3	\$975		\$975
Tuminello, Vincent	5 X 3	\$4,200		\$4,200
Whelan, John	4 X 3	\$2,400		\$2,400
Wilkinson, Steve	5 X 2	\$2,800	\$940	\$1,860

TOTAL

~~\$155,800~~
\$ 152,850 *PNB*

~~\$140,375~~
\$ 141,231 *PNB*

* The Agency shall rescind the cancellation of these individuals' award recognitions for FY91, as well as, the request for refund of the payment amount received.

PNB
SW

SETTLEMENT AGREEMENT FOR OHA REPRESENTATIVES

1. The Parties agreed to the following settlement amounts for union officials identified herein for fiscal years (FYs) 1991, 1992 and 1993:

<u>NAME</u>	<u>SETTLEMENT AMOUNT</u>
David Hess	\$3,500
James E. Marshall	\$1,100
Albert B. Carrozza	\$1,100
Betty J. Brazil	\$1,750
Gregory McKenna	\$1,200
Carmen Alfonso	\$1,200
Barbara Hampton	\$2,800
Sue B. Burton	<u>\$1,120</u>
	\$13,770

The amounts cited above includes adjustments for any amounts previously received.

2. The Agency agrees to pay the pending claim before Arbitrator Blackwell for attorney fees in connection with 48 FLRA No. 31 (CG-9-91) in the amount of \$6,005.00.

mf
fr

(2)

6. The parties agree that for FY 1995 and, thereafter, the issue of union representatives' entitlement and recognition shall be addressed through a process created under the SSA/AFGE National Partnership Council.

Robert A. Purcell
FOR THE AGENCY

James E. Mueller
FOR THE UNION

DATE: *June 9, 1994*

DATE: *June 9, 1994*

RAF
for

**STATEMENT OF GORDON S. JONES
LEGISLATIVE DIRECTOR, THE SENIORS COALITION
ON
SOCIAL SECURITY-FINANCED UNION ACTIVITIES**

**DELIVERED TO
THE SOCIAL SECURITY SUBCOMMITTEE
HOUSE COMMITTEE ON WAYS AND MEANS
HONORABLE JIM BUNNING, CHAIRMAN**

June 27, 1996

Mr. Chairman:

The Seniors Coalition greatly appreciates the subcommittee's attention to the issue of taxpayer-financed union activity. On behalf of our two million members, I would like to thank you for turning a much-needed spotlight on one more example of the disdain in which the nation's retirement program is held.

Two weeks ago, the Social Security/Medicare Trustees issued a report detailing the future insolvency of the trust funds on which so many senior citizens depend. Barring substantial changes in the way those trust funds managed, that insolvency is sure and certain.

At about the same time, 53 of your colleagues, led by Representatives Mark Neumann of Wisconsin and David McIntosh of Indiana, introduced legislation which would protect the year-to-year surpluses in Social Security taxes from misuse by Congress. Their point was that those surpluses are currently being used to mask the size of the overall federal deficit, making it easier to continue spending on projects which otherwise could not stand public scrutiny. Offered a choice between funding Social Security honestly and paying "volunteers" \$28,000 a year, few elected officials would make the wrong choice. When the surpluses can be used for profligate spending, and simply replaced with a promise to pay at some point in the future, the choice doesn't have to be made.

The Seniors Coalition is well aware that the "full faith and credit" of the United States stands behind those IOUs. But all that means is that, in the future, taxes will have to be raised or benefits cut. With all due respect to the intentions of today's politicians, we at The Seniors Coalition do not believe that taxes can be raised sufficiently to make those deferred payments, and we obviously will resist any effort to abrogate the promises made to our retired citizens.

We resist anything which weakens, in any way, the integrity of the Trust Funds. That is why we support Neumann-McIntosh, and that is why we are horrified by the scandal which is the subject of your hearing today.

Mr. Chairman, let me make this statement in the strongest terms possible: **IT IS SIMPLY UNACCEPTABLE TO USE THE FICA CONTRIBUTIONS OF TODAY'S WORKERS TO FINANCE LABOR UNION ACTIVITY WITHIN THE SOCIAL SECURITY ADMINISTRATION.**

Those contributions have one purpose, and one purpose only: to pay Social Security benefits to today's retirees and to pay for the management of those payments. And to the extent there are surpluses, as I have indicated above, those should be invested in real, interest-bearing securities, in a real Trust Fund, out of which future retirees will draw their benefits.

Under no circumstances should they be used to pay for Social Security employees whose only duty is to conduct union organizing activities.

There are at least two objections to this odious practice. The first is, as I have indicated, that it weakens the Social Security Trust Funds. Every dollar that goes to pay a union organizer is a dollar that is not paid to a retiree or set aside to pay a future retiree. To that extent, the Social Security system is, quite simply, the poorer. That alone is unconscionable.

The second objection derives from the unfairness of forcing anyone to subsidize activities of which he does not approve. Many of those paying FICA taxes are obviously union workers. Just as obviously, many are not. Those who are already subsidize union activities through their union dues. They should not be forced to subsidize the activities of some other union through a diversion of a portion of their FICA taxes.

More importantly, those who do not belong to unions (or union members who object to union activities) should not be forced to subsidize union organizing activity with which they do not agree. The matter is just that simple. Using FICA taxes for these purposes is absolutely unacceptable.

The Seniors Coalition urges immediate legislative action to correct a situation which cannot be allowed to continue.

**REVIEWING THE PERFORMANCE OF THE SOCIAL
SECURITY ADMINISTRATION AS AN INDEPEND-
ENT AGENCY**

HEARING
BEFORE THE
SUBCOMMITTEE ON SOCIAL SECURITY
OF THE
COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES
ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

—————
JULY 25, 1996
—————

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**REVIEWING THE PERFORMANCE OF THE
SOCIAL SECURITY ADMINISTRATION AS AN
INDEPENDENT AGENCY**

THURSDAY, JULY 25, 1996

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON SOCIAL SECURITY,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10 a.m., in room B-318, Rayburn House Office Building, Hon. Jim Bunning (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON SOCIAL SECURITY

FOR IMMEDIATE RELEASE
July 12, 1996
No. SS-6

CONTACT: (202) 225-9263

Bunning Announces Hearing to Review the Performance of the Social Security Administration as an Independent Agency

Congressman Jim Bunning (R-KY), Chairman of the Subcommittee on Social Security of the Committee on Ways and Means, today announced that the Subcommittee will hold an oversight hearing to examine the performance of the Social Security Administration (SSA) in its first year as an independent agency. **The hearing will take place on Thursday, July 25, 1996, in room B-318 of the Rayburn House Office Building, beginning at 10:00 a.m.**

In view of the limited time available, oral testimony will be heard from invited witnesses only. However, any individual or organization may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

Public Law 103-296, the Social Security Independence and Program Improvements Act of 1994, established SSA as an independent agency beginning on March 31, 1995. As an independent agency in the executive branch of the Federal Government, SSA's primary responsibility is the administration of the Old Age, Survivors, and Disability Insurance, and Supplemental Security Income programs, which currently pay benefits to 50 million recipients. By 2012, the year in which Social Security benefit payments are expected to exceed Social Security tax revenues, the number of recipients is expected to exceed 60 million. At that time, benefit payments will approach 8 percent of the gross national product. The change in the status of SSA was intended to improve public service by both stabilizing top management and alleviating political pressure on the agency.

In announcing the hearing, Chairman Bunning stated: "I am very interested to see how well SSA has used its expanded authority to function as an independent agency, now that it has completed its first year of operation under the new law. Specifically I am interested in how well SSA's management is doing at running a large, complex independent agency, on which millions of Americans now depend, and on which many more millions of today's workers will depend in the future. Our Subcommittee wants to know if SSA is at least taking the necessary steps to build itself into an independent agency equipped to meet the many challenges it will soon face as we begin to address the long-term solvency issue and the problems in the disability program, to name just two. I have asked the General Accounting Office (GAO) to examine SSA's progress in a number of management and policy areas, and to report its findings at the hearing."

FOCUS OF THE HEARING:

The Subcommittee will focus on the findings of the GAO review about SSA's progress in establishing its independence as the agency positions itself for future challenges.

(MORE)

WAYS AND MEANS SUBCOMMITTEE ON SOCIAL SECURITY
PAGE TWO

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit at least six (6) copies of their statement, with their address and date of hearing noted, by close of business, Thursday, August 8, 1996, to Phillip D. Moseley, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Social Security office, room B-316 Rayburn House Office Building, at least two hours before the hearing begins.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages including attachments.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.
4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are now available on the World Wide Web at '[HTTP://WWW.HOUSE.GOV/WAYS_MEANS/](http://WWW.HOUSE.GOV/WAYS_MEANS/)' or over the Internet at 'GOPHER.HOUSE.GOV' under 'HOUSE COMMITTEE INFORMATION'.

Chairman BUNNING. The Subcommittee will come to order.

Today the Subcommittee will examine the Social Security Administration's performance since becoming an independent agency.

For the record, I would like to say that Andy Jacobs and I began working on separating SSA from the Department of Health and Human Services soon after I was appointed to this Subcommittee. Our efforts resulted in the enactment of Public Law 103-296 on August 14, 1994, finally making SSA an independent agency.

Congress recognized that Social Security is too important to the American people to be kept in the basement of HHS, or the subject of political gamesmanship. By making SSA independent, we made every effort to ensure that Social Security is removed from politics. We also intended that its management be based on good policy and sound financial principles, not on who sits in the White House or in the Speaker's chair.

Congress depends on the advice and counsel of SSA's field managers, actuaries and policymakers to give us an accurate picture of what is happening with the program. In a bipartisan fashion, we must make decisions that affect the lives of millions of Americans. Long-term planning and strong, attentive management at the highest level is critical for SSA, as its challenges and demand for information from the public and Congress increase.

Congress provided SSA a substantial increase in its statutory authority to act independently beginning March 1995. If SSA fully uses this authority, it has the ability to set up its own direction, as well as having a major role in deciding the future of Social Security.

Of course, SSA leadership will be the deciding factor in whether this occurs as Congress intended. After 15 months as an independent agency, SSA should be well on its way. We shall soon hear if that is the case.

Today we will hear from Rogelio Garcia, an expert in government from the Congressional Research Service, who will tell us what SSA could do using its expanded authority as an independent agency. Then we will hear from the Comptroller General, who will tell us what SSA should do in using its authority as an independent agency. Finally, we will hear from the Commissioner of Social Security, who will tell us what SSA did do in its first year with the expanded authority Congress gave it as an independent agency.

In the interest of time, it is our practice to dispense with opening statements, except from the Ranking Democratic Member, Mr. Jacobs. All Members are welcome to submit statements for the record.

I yield to Congressman Jacobs for any statement that he might want to make.

Mr. JACOBS. Thank you, Mr. Chairman.

Mr. Chairman, you cited a date, and let me cite a date, also. August 4, 1996, 2 p.m. eastern, via ESPN, we will have the opportunity to see our fine Chairman inducted into the Baseball Hall of Fame. As I told Congressman Portman a few moments ago, both I and my VCR will be watching.

The only other thing I want to say is that it's rare on this Earth when anybody succeeds so well at the top of the game in two disciplines. Mr. Bunning's baseball career is a part of American his-

tory, legend, and it's been a pleasure to play ball with him in politics. His service in Congress has been sincere, talented and tireless.

I don't throw much poetry around, but I think this is an apt description of your service in the Congress. You have excelled in two disciplines and that makes you rare, indeed. I am grateful for your friendship and really the friendship of all my colleagues on this Committee.

I hope that's a little better valedictory than I said a few months ago, when I said valedictorian instead of valedictory. Dr. Chater, that was my problem. With these Ph.D.s, you have to be more careful. She wasn't in the room, and I'm glad she wasn't.

Chairman BUNNING. Thank you, Mr. Jacobs. I appreciate that very much.

Before I call our first witness, I would want to mention that Congressman George Brown has submitted testimony expressing his concerns about the proper assignment of wages to workers' Social Security earnings records.

I ask unanimous consent that Mr. Brown's statement be placed in the record.

[The statement of Mr. Brown follows:]

CONGRESSMAN GEORGE E. BROWN, JR.**Testimony Before the Committee on Ways and Means
Subcommittee on Social Security***July 25, 1996*

Thank you, Chairman Bunning, for the opportunity to testify before your subcommittee on an issue that is of great importance and relevance to this hearing on the Social Security Administration's performance as an independent agency.

When Congress voted to make the Social Security Administration an independent agency two years ago, it did so for a number of reasons. Primary among these was to take partisan politics out of the decision-making process of the Social Security system, as much as possible. In doing so, we hoped to renew the faith of the American people in Social Security and instill a greater sense of income security for the American people.

I would like to draw attention to a problem, which I perceive to be one of major consequence for my constituents, as well as all Americans. I have visited Social Security Offices in my district and have met with General Accounting Office officials and strong evidence suggests that American workers are being short-changed by the very insurance system designed to safeguard their economic future. The Social Security Administration's procedure for posting wage and self-employment returns has pitfalls previously unknown to workers and even Social Security staff themselves.

The result is perhaps millions of American workers and families have been receiving smaller benefit checks than they are due. The accumulation of unposted earnings has built to over 200 million items spanning over five decades, which has been placed in what is called the "open suspense file." While this represents a small fraction of all wage reports, the ease with which many can be matched to the proper worker represents an urgent challenge to the newly independent SSA.

Put another way, millions of working Americans during the past 50 years have been cheated out of hard-earned Social Security benefits because of poor record-keeping, managerial screw-ups, and bureaucratic bungling. Now the problem has grown so large that nobody wants to admit that it exists, let alone tackle it head on.

Employer reports are often in error yet the Social Security Administration accepts all but those with more than a 90% error rate. Form letters may go out to other offending employers without follow-up to assure corrections. Typical errors include unreadable data, garbled information, first name reported as surname, middle initial as surname, and internal jargon used in place of employee names. The lack of sanctions for bad reporting leaves the worker and his or her family to suffer possible lost benefits, never knowing the error occurred.

Even when the employer reports correctly, the Social Security Administration's strict matching policy results in wages going into the suspense file. Women who do not change their names on the Social Security Administration's data banks lose credit for earnings until they do. Even then, there are no controls to search for lost reports in prior years. Others who change their names or use variations of their names are at risk because the Social Security Administration's computers demand an exact match to grant credit.

This begs the question: Has the Social Security Administration, as an independent agency, taken steps to address this problem? The most reliable data I have seen indicates that the open suspense file now contains some 200 million records and is growing. These numbers are not merely statistics. To a large extent, they represent Americans who have paid into the Social Security system in good faith, believing they would receive in their retirement years what they have earned during their years of hard work.

As I understand, the Social Security Administration has put together an internal task force which is currently examining this problem. This is commendable, and I hope demonstrates a commitment on the part of the Social Security Administration to fully address this problem. However, I fear that the somewhat overwhelming number of earnings records that have already been placed in the open suspense file may tempt the SSA to "sweep under the rug" the current entries, rather than coming up with ways to match them to workers' records. This problem needs to be addressed for both current retirees and current workers.

There has been little incentive for the Social Security Administration to solve this decades-old problem. The FICA taxes have been paid whether the worker gets credit or not. The trust funds are aided by income on which benefits may never be paid. Computer operations that could easily detect many mismatches are expensive and have had no priority in budget-setting. I am told that lack of knowledge of the extent of the problem has prevented claims staffs in local offices from being effective in finding and crediting lost wage earnings.

The adverse impact of this ticking time bomb on working Americans is staggering. These mismatches, whether they be the fault of shoddy employer practices or the inflexibility of the Social Security Administration's strict matching policy, have the practical effect of denying millions of Americans up to hundreds of dollars on their monthly retirement or disability income. The overall numbers are mind-boggling and, quite frankly, I am astounded that this problem has not received the attention of the public, the media, Congress, or the Administration that a problem of such scope demands.

Mr. Chairman, I am sure you would agree that we should strive for nothing less than 100% accuracy for the American wage earner. I have here a letter which requests the General Accounting Office to investigate this problem and report on possible solutions. I would appreciate your consideration, and the consideration of your subcommittee, in joining with me to request and ensure that this problem be looked at with a fine microscope by GAO as a top priority.

I should note that GAO has released previous reports, the latest dating from 1993, which address some of the problems associated with the open suspense file and suggest as a partial solution, the possible sharing of data with the Internal Revenue Service. However, these reports have been focused on IRS and the Social Security Administration sharing data, as was their directive, and do not address the problem from the overall policy perspective that is required to contain and remedy the problem. On an expedited basis, we need an updated and thorough evaluation of the magnitude of the suspense file and the Social Security Administration's policies and processes for placing wages in the suspense file as well as a determination of whether any other methods could be used to post wages from this file to the appropriate accounts.

Thank you again, Chairman Bunning, for giving me the opportunity to bring the problems associated with the open suspense file to the attention of your subcommittee. As you know, the most serious problems with administering federal programs first manifest themselves at the local level often times. I know for a fact that the suspense file problem that is compounding in local Social Security Administration offices in my district is symptomatic of a very serious problem that exists nationwide. I know this is an issue of concern to you as well, and I look forward to working with you and members of your subcommittee in the future to make sure that hard-working Americans receive every dime in retirement benefits they deserve.

Chairman BUNNING. Now let's begin the hearing.

I would ask Mr. Garcia to take a seat at the table. Mr. Garcia is a specialist in American National Government with the Congressional Research Service. He has extensive background in the analysis of management of government agencies, particularly independent agencies.

He was involved with the legislation that made SSA an independent agency, and he will discuss what factors contributed to an agency's independence, in particular SSA's.

Welcome, Mr. Garcia. Would you please begin.

STATEMENT OF ROGELIO GARCIA, SPECIALIST IN AMERICAN NATIONAL GOVERNMENT, GOVERNMENT MANAGEMENT AND OPERATIONS SECTION, GOVERNMENT DIVISION, CONGRESSIONAL RESEARCH SERVICE

Mr. GARCIA. Thank you, Mr. Chairman. Thank you for inviting me to testify regarding the characteristics of an independent executive agency and how the Social Security Administration fits into that category. In its broadest sense, the term "independent executive agency" refers to agencies in the executive branch that are located outside of and are independent of executive departments.

Among independent agencies, we may distinguish between two types, those that are under the direction and control of the President, and those that are not under such direction and control. The President may summarily remove the official or officials heading agencies under his direction and control, but he needs cause to remove those heading agencies that are not under his direction and control. It is the latter type of independent executive agency that I am addressing today.

Several other factors to consider regarding an agency's independence include its involvement with the Office of Management and Budget regarding budget review, communications with Congress, rulemaking, and data collection, and finally, its authority to litigate.

Let me touch briefly on each of these matters.

Starting first with the term and tenure of the head or heads of agencies, the most effective weapon that a President has to control presidential appointees is his power to remove them from office. The Commissioner of Social Security serves a 6-year term of office and may be removed only for neglect of duty or malfeasance in office. Heads of numerous other independent agencies also have fixed terms of office and are also removable only for cause.

Turning to budgetary affairs, executive agencies are required by law to submit their appropriations requests, which include staffing levels, to OMB, which may change the requests when they are consolidated into the President's budget. The Social Security Administration sends its budget to OMB which transmits it, without revision, along with the President's budget to Congress. Only a handful of independent, multiheaded regulatory agencies are exempt from OMB review. Several have authority to send their budget request to Congress and OMB concurrently.

Turning to communications with Congress, OMB directs executive branch agencies to send to it for clearance communications that are being transmitted to Congress, unless the agency is au-

thorized to transmit the communications directly to Congress. The Social Security Administration lacks the statutory exemption enjoyed by several other independent agencies in this matter. Some independent agencies without statutory exemption have reported that they send their communications directly to Congress.

Turning to rulemaking, Executive Order 12866 directs all executive agencies to send their regulations to OMB for clearance before being published. Independent regulatory agencies are exempt from this clearance procedure. Although not a regulatory agency, there is some question as to whether the Social Security Administration is legally bound to clear its regulations with OMB.

Looking at data collection, the Paperwork Reduction Act requires executive agencies to submit proposed new data collection requests to OMB for clearance. If OMB rejects the request, multiheaded regulatory agencies may override the decision and collect the data. The Social Security Administration lacks the overriding authority.

Finally, as to litigation, by statute, litigating authority is centered in the Department of Justice. While a handful of independent agencies have complete litigating authority, most agencies, including the Social Security Administration, have limited authority. Litigation may be conducted jointly with the Department of Justice, depending on the complexity of the issues, their impact on specific agency concerns, and governmentwide concerns.

In conclusion, let me say that, within constitutional and political limits, Congress determines how independent an agency will be from the President's direction and control. Within the general criteria established by the Supreme Court regarding the limits that might be placed on the President's power to remove an official from office, Congress has considerable authority to assure an agency's independence.

Among the singleheaded agencies, the Social Security Administration enjoys considerable independence. The Commissioner serves a 6-year term and may not be removed except for cause. While the agency's budgetary and staffing requests may be subject to revision by OMB, its own budget, along with the President's budget, is sent to the Appropriations Committee.

Finally, as an independent agency, it is uncertain whether its communications with Congress and regulatory actions are subject to OMB clearance.

Thank you, Mr. Chairman. I am ready to answer any questions.
[The prepared statement follows:]

**STATEMENT BY ROGELIO GARCIA
CONGRESSIONAL RESEARCH SERVICE
HOUSE SUBCOMMITTEE ON SOCIAL SECURITY
JULY 25, 1996
CHARACTERISTICS OF INDEPENDENT EXECUTIVE AGENCIES**

Mr. Chairman, thank you for inviting me to testify regarding the characteristics of an independent executive agency and how the Social Security Administration fits into that category. In its broadest sense the term "independent executive agency" refers to agencies in the executive branch that are located outside of and are independent of executive departments.¹ This type of independence is fairly common in U.S. practice.

There are two types of independent executive agencies--those that are under the direction and control of the President and those that are not under such direction and control. The crucial difference between the two types of agencies is whether the President may *summarily* remove the official or the officials heading the agency.² He may do so if the agency is under his direction and control, but he may not do so if the agency is not under his direction and control. The President may remove the head of an agency that is not under his direction and control only for cause. It is this type of independent executive agency that I am addressing today.³

Nearly all of the agencies independent of the President are multi-headed regulatory agencies. Only two agencies, the Social Security Administration and the Office of Special Counsel, are headed by a single official. The degree of functional agency independence varies, depending on the amount of independence they exert when 1) preparing their budget requests for Congress; 2) communicating with Congress; 3) developing and issuing regulations; 4) collecting survey and other data from the public; and 5) litigating before the federal courts. For multi-headed agencies, the following factors are also important: how the chairperson is selected, and whether political balance among its members is required.

Fixed-Term Positions and Protection Against Arbitrary Removal by the President

Most executive branch agencies carrying out executive responsibilities fall under the authority and direction of the President. Officials heading those agencies are appointed by the President with the advice and consent of the Senate. The appointees generally serve indeterminate terms of office and may be removed whenever the President wishes. The power to remove an appointee, which is inherent to the power to appoint, is the President's most effective instrument in assuring his direction and control over the action of his appointees.

Some agencies, however, have duties and responsibilities that the Congress has determined should be shielded from partisan politics. In those instances, Congress has established a fixed-term of office for the heads of those agencies and prohibited the President from summarily removing an incumbent before his or her term expires, except for cause. In limiting the President's power to remove an official, Congress must be careful not to violate his core constitutional responsibilities. In a series of decisions, the Supreme Court has established the following criteria to determine if the restrictions are constitutional: (1) was the agency created to exercise its judgment without hindrance of any other executive official? (2) does restricting the President's removal power impede his ability to carry out his constitutional duties? and 3) if the President's core constitutional powers are impeded, is the action justified by an overriding need to promote objectives within the constitutional authority of Congress?⁴

Let me turn now to the organizational characteristics that make the Social Security Administration and other agencies "independent" of the President's direction and control.

Fixed-Term of Office

A fixed-term of office provides protection against the arbitrary removal of an incumbent, but not complete protection. The courts have held that absent certain conditions, a fixed-term only sets the outer

¹ Exceptions to the rule are the Federal Energy Regulatory Commission, located in the Department of Energy, and the Surface Transportation Board, located in the Department of Transportation. Although both are located within executive departments, they are independent executive agencies.

² The agency may be single-headed (e.g., Office of Personnel Management, Social Security Administration), or multi-headed (e.g., Consumer Product Safety Commission, Tennessee Valley Authority).

³ Tables in the Appendix list fixed-term positions requiring Senate confirmation, and statutes limiting the President's power to remove officials. For a discussion on executive-legislative control over executive agencies that includes much of what is in this paper, see Louis Fisher, *The Politics of Shared Power: Congress and the Executive*. 3d Edition. Washington, D.C., Congressional Quarterly Press, 1993, especially pp. 119-144.

⁴ See *Myers v. United States*, 272 U.S. 52 (1925); *Humphrey's Executor v. United States*, 295 U.S. 602 (1935); *Wiener v. United States*, 357 U.S. 349 (1958); *Morrison v. Olson*, 487 U.S. 685-86 (1988); and *Mistretta v. United States*, 488 U.S. 361 (1989) n. 13 (quoting *Nixon v. Administrator of General Services*, 433 U.S. 443 (1979)).

limits of an incumbent's tenure and that he or she may be summarily removed by the President at any time during that tenure. Such removals, while rare, have occurred.

The degree of independence is affected by the length of the term, whether the term has a holdover provision, and, in the case of a multi-headed agency, whether the term is staggered. The longer the term, the greater the degree of independence. An official serving a short term may be more susceptible to Presidential direction, especially if he or she wants to be reappointed. Moreover, an official whose term of office is longer than that of the President who appointed him or her is less likely to feel a sense of allegiance or commitment to a new President. Both the Commissioner and Deputy Commissioner of Social Security enjoy a six-year term of office.

A second factor that may enhance independence is if the position has a holdover provision that enables an incumbent whose term expires to remain in office either for a specified period of time or until he or she is replaced. The provision is designed to assure that an agency is not left leaderless or without a quorum. On the other hand, a holdover provision in some instances may encourage a President to take no action to replace an incumbent whose term has expired, if the incumbent appears responsive to the Administration. The Commissioner of Social Security is covered by a holdover provision.

Moreover, a holdover provision also may limit the President's power to make a recess appointment. Such an appointment may be made only if a position is vacant. Depending on the wording of the holdover provision, courts have ruled that some holdover provisions do not create a vacancy and that the incumbent may be replaced only by someone who is confirmed by the Senate.⁶

An additional feature enhancing the independence of multi-headed agencies is the staggered date arrangement by which fixed-terms expire. The terms are kept staggered by appointing members to fill only the remaining term of incumbents who resign or who die before their terms expire. This assures that a President cannot replace all members at one time.

Restricting the President's Power to Remove an Appointee

In most instances, unless a fixed-term position carries with it a restriction on the President's removal power, the incumbent may be removed by the President whenever he wishes. Consequently, a provision limiting the President's removal authority is the most important way to preserve agency independence. The Commissioner of Social Security has such independence, because the Commissioner may not be removed during his or her term of office except for cause.

Some statutes limit the President's authority to remove an incumbent *only* for the causes cited in the statute. These causes may be *only for neglect of duty, or malfeasance in office;*⁶ *only for inefficiency, neglect of duty, or malfeasance in office;*⁷ *only for inefficiency, neglect of duty, malfeasance in office, or ineligibility;*⁸ *or only for cause.*⁹ Other statutes omit the *only* qualifier. These causes include *for inefficiency, neglect of duty, or malfeasance in office;*¹⁰ *if the President finds the member guilty of appointing or promoting an official on the basis of a political test or qualification;*¹¹ *or simply for cause.*¹²

Whether the President may remove an official for shortcomings other than those specified if the qualifier *only* is lacking, is uncertain. In 1940 the Supreme Court let stand a circuit court decision

⁵ See *Mackie v. Clinton*, 827 F.Supp. 56 (D.D.C. 1993), vacated, 10 F.3d 13 (D.C. Cir 1993); *Wilkinson v. Legal Services Corp.* 865 F.Supp. 891 (D.D.C. 1994), reversed on other grounds by the D.C. Circuit on April 9, 1996.

⁶ *Consumer Product Safety Commission* (15 U.S.C. 2053(a)), *National Labor Relations Board* (29 U.S.C. 153(a)), and *Social Security Administration* (42 U.S.C. 902(a)).

⁷ *Federal Energy Regulatory Commission* (42 U.S.C. 7171(b)), *Federal Labor Relations Authority* (5 U.S.C. 7104(b)), *Merit Systems Protection Board* (5 U.S.C. 1202(d)), and *Office of Special Counsel* (5 U.S.C. 1211(b)).

⁸ *National Mediation Board* (45 U.S.C. 154. First).

⁹ *Postal Rate Commission* (39 U.S.C. 3601).

¹⁰ *Federal Maritime Commission* (46 U.S.C. 111), *Federal Mine Safety and Health Review Commission* (30 U.S.C. 823(b)(1)), *Federal Trade Commission* (15 U.S.C. 41), *National Transportation Safety Board* (49 U.S.C. 1111(e)), *Nuclear Regulatory Commission* (42 U.S.C. 5841(e)), *Occupational Safety and Health Review Commission* (29 U.S.C. 661(b)), and *Surface Transportation Board* (49 U.S.C. 702(b)).

¹¹ *Tennessee Valley Authority* (16 U.S.C. 831c).

¹² *Federal Reserve System* (12 U.S.C. 242).

allowing the President to remove an official for causes other than those specified in statute, because the official was "performing predominately executive or administrative functions."¹³ Recent decisions, however, indicate that the Court may rule differently today.¹⁴

The Social Security Administration enjoys the key characteristic of an independent agency—the Commissioner has a six-year term of office and can be removed by the President *only pursuant to a finding by the President of neglect of duty or malfeasance in office*.¹⁵ In making the agency independent, Congress sought to assure that "policy errors resulting from inappropriate influence from outside the agency such as those occurring in the early 1980s do not recur in the future."¹⁶

The absence of a removal provision regarding a fixed-term position, however, does not mean that the President can remove an incumbent at will. In 1958 the Supreme Court ruled that unless specifically authorized by statute, the President may not remove members of a body created to exercise purely adjudicatory functions that are not subject to review by any other executive branch official.¹⁷ Since then the Court has expanded and extended the grounds under which Congress can impose limits on the President's power to remove incumbents before their term of office expire.¹⁸

Under criteria established by the Court, at least thirteen agencies without a removal provision in their statutes, all multi-headed and involved primarily in regulatory activities, appear to fall under the independent executive agency category.¹⁹

Let me turn now to other factors bearing upon the degree of Presidential involvement in the management of independent agencies.

Budget and Staff Needs

The degree of independence enjoyed by an agency also is affected by the amount of control it has in preparing its appropriations request and sending it to Congress. The Budget and Accounting Act of 1921, as amended and now codified in 31 U.S.C. 1108(b)(1), requires executive agencies to submit their appropriations requests to the President. The requests generally are changed by the Office of Management and Budget (OMB) when it consolidates them into the comprehensive budget that is submitted to Congress. Unless specifically authorized, agencies may not send budget requests directly to Congress.

Since Congress generally relies on the recommendations in the President's budget, a President may use the process to curb an agency's independence. The budget and staffing requests of many independent agencies were cut significantly during the last decade.

In some instances, OMB's impact may be due more to its "specific reprogramming guidance" than to its budget cuts. There is evidence that such OMB guidance has affected agency programs by channeling agency actions into certain activities and curbing it in others.²⁰

¹³ *Morgan v. Tennessee Valley Authority*, 115 F.2d 990 (6th Cir. 1940), certiorari denied, 312 U.S. 701 (1941).

¹⁴ See *Morrison v. Olson*, 487 U.S. 685-86 (1988), and *Mistretta v. United States*, 488 U.S. 361 (1989) n. 13 (quoting *Nixon v. Administrator of General Services*, 433 U.S. 443 (1979)).

¹⁵ 42 U.S.C. 902(a)(3), P.L. 103-296, Sec. 102(a)(3) (1994), 108 Stat. 1466.

¹⁶ U.S. Congress. House. Conference Committee Report 103-670. *Social Security Administration Reform Act of 1994*. 103d Congress, 2d sess. Govt. Print. Off., Washington. 1994. p. 90.

¹⁷ *Wiener v. United States*, 357 U.S. 349 (1958). See also *Securities Exchange Commission v. Blinder, Robinson, and Co.*, 855 F.2d 677 (10th Cir. 1988), (SEC commissioners may only be removed for cause despite statutory silence on removal.)

¹⁸ See *Morrison v. Olson*, 487 U.S. 685-86 (1988), and *Mistretta v. United States*, 488 U.S. 361 (1989) n. 13 (quoting *Nixon v. Administrator of General Services*, 433 U.S. 443 (1979)).

¹⁹ These agencies include the Commodity Futures Trading Commission, Defense Nuclear Facilities Safety Board, Equal Employment Opportunity Commission, Farm Credit Administration, Federal Communications Commission, Federal Deposit Insurance Corporation, Federal Housing Finance Board, Federal Election Commission, National Credit Union Administration, Railroad Retirement Board, Securities Exchange Commission, United States International Trade Commission, and United States Parole Commission.

²⁰ Brigman, William E. The Executive Branch and the Independent Regulatory Agencies. *Presidential Studies Quarterly*, v. 11, Spring 1981. p. 256.

Five independent multi-headed banking agencies generate their own funds and therefore need not be concerned with OMB involvement regarding their budgets.²¹ Two other agencies are shielded by statute from having their budget requests revised by OMB.²²

The Social Security Administration submits its budget to the President, who sends it without revision, along with the annual budget to the Congress.²³ As a result, the Appropriations Committees are able to compare the original budget request with any changes that may appear in the President's budget.

Eight other independent agencies submit their budget requests concurrently to Congress and to OMB. In these instances also, the Appropriations Committees are able to compare the original budgets with any changes that may appear in the President's budget.²⁴

Agency staffing levels also are affected by the Office of Personnel Management (OPM). Every two years, OPM, in consultation with OMB, reviews each agency's request regarding the number of Senior Executive Service positions it wants, and sets the specific number of such positions for each agency.²⁵

The process does not affect the five independent multi-headed banking agencies, because their senior executives do not belong to the Senior Executive Service, but to an equivalent system that is independent of OPM and OMB control. In effect, the agencies determine their own needs.

Among the other independent executive agencies, SSA appears to be in a unique position regarding its need for SES positions. Its enabling statute directs OPM to authorize the agency a substantially greater number of positions than it had before it became independent.²⁶ The statute also requires OPM to report to the House Ways and Means Committee and to the Senate Finance Committee the number of SES positions it authorized for SSA.²⁷ OPM is therefore on notice that the number of SES positions it authorizes in response to SSA's request is subject to careful congressional scrutiny.

Apparent concern over possible interference by the President in appointment or removal of officials to or from SES positions in multi-headed regulatory agencies, led Congress to pass legislation providing that

Appointment or removal of a person to or from any Senior Executive Service Position in an independent regulatory commission shall not be subject, either directly or indirectly, to review or approval by any officer or entity within the Executive Office of the President.²⁸

²¹ Farm Credit Administration, Federal Deposit Insurance Corporation, Federal Housing Finance Board, Federal Reserve Board, and National Credit Union Administration.

²² United States International Trade Commission (19 U.S.C. 2232) and the United States Postal Service. The Postal Rate Commission sends its budget request to the United States Postal Service, which may revise the request, but OMB may not revise the budget of the Postal Service (39 U.S.C. 203 and 3604).

²³ Social Security Administration (42 U.S.C. 904(b)).

²⁴ Commodities Futures Trading Commission (7 U.S.C. 4a(h)(1)), Consumer Product Safety Commission (15 U.S.C. 2076(k)(1)), Federal Election Commission (2 U.S.C. 437d(d)(1)), Federal Energy Regulatory Commission (42 U.S.C. 7171(j)), Merit Systems Protection Board (5 U.S.C. 1205(j)), National Transportation Safety Board (49 U.S.C. 1113(c)), Railroad Retirement Board (45 U.S.C. 231(f)(1)), and Surface Transportation Board (P.L. 104-88, Title II, sec. 2, 109 Stat. 934). The Federal Energy Regulatory Commission, which is located inside the Department of Energy, submits its budget request to the Secretary of Energy. The Secretary incorporates the Commission's budget into the Department's budget, before sending it concurrently to OMB and Congress (42 U.S.C. 7171(j)).

²⁵ 5 U.S.C. 3133(c).

²⁶ 42 U.S.C. 904(a)(3) provides that "Notwithstanding any requirements of" 5 U.S.C. 3133, OPM is to authorize for SSA "a total number of Senior Executive Service positions substantially greater than the number" the agency had immediately before August 15, 1994, while it was still in the Department of Health and Human Services, "to the extent that the greater number of such authorized positions is specified in the comprehensive work force plan as established ... by the Commissioner under" 42 U.S.C. 904(b)(2).

²⁷ P.L. 103-296, 42 U.S.C. 904 note, 108 Stat. 1472.

²⁸ 5 U.S.C. 3392(d).

SSA is not covered by the above provision because it is not a "regulatory commission."²⁹ Inclusion under the provision may provide it with an extra degree of immunity from Presidential interference in its personnel policies.

Communications with Congress

Another factor to consider when examining an agency's independence is whether its legislative recommendations, testimony and comments are cleared by OMB before being submitted to Congress. OMB has directed all executive branch agencies to send their communications to it for clearance before being sent to Congress, except for the agencies that are exempted from such clearance procedure by law.³⁰

Nine of the independent agencies are exempted from the clearance procedure by provisions in their enabling statutes that prohibit another executive agency or official from reviewing or approving legislative communications before they are sent to Congress.³¹ Three other independent agencies have statutory authority to send their communications concurrently to Congress and OMB. Five others, whose statutes are silent on the matter, reportedly rely on their status as independent regulatory agencies to send their communications directly to Congress.³² As a matter of courtesy the communications are also sent to OMB.

SSA's enabling statute is silent regarding its communications to Congress.³³ As an independent agency, it may not need OMB clearance before sending its communications directly to Congress. However, the congressional liaison officer in the agency reported that communications regarding policy matters are cleared with OMB before being sent to Congress.³⁴

Rulemaking

Another factor in determining an agency's independence is whether its rulemaking is subject to review by OMB. Since 1981, executive agencies have been required by executive order to send their

²⁹ 44 U.S.C. 3502(10) of the Paperwork Reduction Act defines the term independent regulatory agency as including the Board of Governors of the Federal Reserve System, the Commodity Futures Trading Commission, the Consumer Product Safety Commission, the Federal Communications Commission, the Federal Deposit Insurance Corporation, the Federal Energy Regulatory Commission, the Federal Housing Finance Board, the Federal Maritime Commission, the Federal Trade Commission, the Interstate Commerce Commission (since abolished and replaced by the Surface Transportation Board), the Mine Enforcement Safety and Health Review Commission (renamed Federal Mine Safety and Health Review Commission), the National Labor Relations Board, the Nuclear Regulatory Commission, the Occupational Safety and Health Review Commission, the Postal Rate Commission, the Securities and Exchange Commission, and any other similar agency designated by statute as a Federal independent regulatory agency or commission. A problem identifying "any other similar agency designated by statute as a Federal independent regulatory agency or commission," is that while there are other such commissions, they are not identified as such in their enabling statutes. In fact, only a few of the above listed agencies are identified as an "independent regulatory commission" in their enabling statutes.

³⁰ OMB Circular A-19, Revised, September 20, 1979.

³¹ Commodity Futures Trading Commission (7 U.S.C. 4a(h)(2)), Consumer Product Safety Commission (15 U.S.C. 2076(k)(2)), Federal Deposit Insurance Corporation (12 U.S.C. 250i), Federal Election Commission (2 U.S.C. 437d(d)(2)), Federal Reserve System's Board of Governors (12 U.S.C. 250), National Credit Union Administration (12 U.S.C. 250), National Transportation Safety Board (49 U.S.C. 1113(c)), Railroad Retirement Board (45 U.S.C. 231R(f)) and Securities and Exchange Commission (12 U.S.C. 250).

³² Agencies with statutory authority to send their communications concurrently include the Farm Credit Administration (12 U.S.C. 2252(a)), Federal Energy Regulatory Commission (42 U.S.C. 7171(j)), and Merit Systems Protection Board (5 U.S.C. 12059(k)). Those relying on their independent status include the Federal Maritime Commission, Federal Trade Commission, Nuclear Regulatory Commission, Surface Transportation Board, and United States International Trade Commission. (Information regarding agencies relying on their independent status is based on telephone conversations with officials in each agency).

³³ There is a provision in the statute, however, that one of the functions of the Social Security Advisory Board includes "making recommendations to the President and to the Congress with respect to policies that will ensure the solvency of the old-age, survivors, and disability insurance program, both in the short-term and the long-term." P.L. 103-296, 108 Stat. 1467-1468.

³⁴ Telephone conversation with Legislative Reference Officer in Social Security Administration on July 19, 1996. Sending policy related communications to OMB for clearance before transmitting them to Congress raises questions regarding how an agency head perceives and uses the independence that he or she has been given.

regulations to OMB for clearance before being published.³⁶ Most independent multi-headed regulatory agencies cited under 44 U.S.C. 3502(10), have been exempted from having to submit their regulations to OMB.³⁸

Although SSA is not a multi-headed regulatory agency, its independent status may protect it from having to send its regulations to OMB for clearance, since such clearance is required by Presidential direction and not by statute. However, the agency sends its regulations to OMB for clearance before publishing them.

Paperwork reduction

The unique status of independent multi-headed regulatory agencies also is reflected in the Paperwork Reduction Act, where, for the first time, the individual commissions were singled out as "independent regulatory agenc[ies]" in the United States Code.³⁷ In an effort to reduce the cost of paperwork to the public, all agencies in the executive branch are required to submit proposed new information collection requests to OMB for approval before they may be sent to the public in the form of new questionnaires or other data collection requests. Under the Act, only the multi-headed independent regulatory agencies, by majority vote of their members, may override OMB if it disapproves one of their requests.³⁸

SSA lacks the independence of the regulatory agencies regarding its ability to collect data from the public, since it cannot override OMB if it denies a request to approve such data collection.

Litigation

Finally, an agency's independence is affected by the degree of litigation authority it has. Under Sections 516, 518, and 519 of Title 28, the Justice Department serves as the central litigating authority for executive agencies. While the general litigating authority is vested in the Attorney General, most of the agencies enjoy a certain measure of independent litigating authority on civil matters. That litigating authority, however, is a confused hodgepodge of exceptions to the general statutes.

The authority varies considerably, depending on whether it involves defensive litigation, offensive litigation, or appeals to the Supreme Court. Some agencies have complete or near complete authority in all three areas, others have partial authority in some or all of the areas, and a few have no formal authority without the approval of the Attorney General. In some instances it is unclear whether agencies have certain litigating authority.³⁹ Some of the agencies participate in judicial review, or defensive litigation. Most have statutory authority to do so,⁴⁰ while others apparently do so as a matter of custom without having specific authority.⁴¹

³⁵ Executive Order 12291, 46 *Fed. Reg.* 13139 (1981), and Executive Order 12866, 58 *Fed. Reg.* 51735 (1993), which revoked the earlier order but continued the clearance process.

³⁶ Sec. 1(d) of E.O. 12291 Executive Order 12291, and Sec. 3(b) of Executive Order 12866.

³⁷ 44 U.S.C. 502(10). See note 29 for a list of the agencies.

³⁸ 44 U.S.C. 3507(c).

³⁹ While the *Study on Federal Regulation*, Vol. 5 (Regulatory Organization), U.S. Congress. Senate. 95th Cong., 2d sess. Gov. Print. Off., Washington, D.C., 1977, remains a key source regarding commission litigating authority, two more recent sources include, a CRS memorandum *Litigating Authority of Federal Entities* by P.L. Morgan of the American Law Division, dated July 7, 1988; and U.S. Administrative Conference of the United States. *Multi-Member Independent Regulatory Agencies: A Preliminary Survey of their Organization*, (Revised Edition), May 1992. This section relies heavily on these three sources.

⁴⁰ Federal Communications Commission (28 U.S.C. 2348 and 2350, and 47 U.S.C. 154(f)(1)), Federal Deposit Insurance Corporation (12 U.S.C. 1819), Federal Energy Regulatory Commission (42 U.S.C. 7101 *et seq.* and 7171(i)), Federal Labor Relations Authority (5 U.S.C. 7105(h)), Federal Maritime Commission (28 U.S.C. 2348 and 2350), Federal Trade Commission (15 U.S.C. 56), National Labor Relations Board (29 U.S.C. 29 U.S.C. 154(a)), Nuclear Regulatory Commission (28 U.S.C. 2348 and 2350), and Securities and Exchange Commission. (12 U.S.C. 1109(a), 1125(d) and 1129(d)). See *ACUS Preliminary Survey*, p. 5, 9, 12, and 15, and *Study on Federal Regulations*, Vol. V (Regulatory Organization), pp. 57-58.

⁴¹ See P.L. Morgan, p. 7, 9, 11, and 13; *ACUS Preliminary Survey*, p. 6, 11, 13, and 18; and *Study on Federal Organization*. Vol. V (Regulatory Organization), pp. 57-58. The Department of Justice will often agree to allow agency counsel to participate, or even totally conduct litigation where the knowledge, expertise and interest on the subject matter resides in the agency.

The authority to initiate and conduct lawsuits and offensive litigation varies considerably among the agencies. Six have complete or near complete authority to initiate and conduct lawsuits independent of the Justice Department.⁴² Five others have partial or uncertain authority to do so.⁴³ Only four have no independent authority to sue in their own name without the approval of the Attorney General.⁴⁴

Finally, under 28 U.S.C. 2350(a), three agencies may petition the Supreme Court for a writ of certiorari,⁴⁵ and three others appear to have almost complete authority to appeal and argue directly before the Court.⁴⁶

Litigation with which SSA is involved is conducted jointly with the Department of Justice. The degree of SSA control appears to depend on the type of case, its complexity, workload of the offices involved, and the importance of the litigation to specific agency concerns or broader government-wide concerns.

Other Independent Criteria Applicable to Multi-headed Agencies

For multi-headed agencies there are two more factors to consider regarding their independence—how the chairman of the agency is selected, and whether the members of the agency must be politically balanced.

In most instances, the chairman has broad administrative powers, including control over the agenda, budget and staff of the agency. The chairman of the multi-headed agencies are selected either by the members themselves or by the President. Selection by the members assures greater independence. If the President selects the chairman, whether he has sole authority to select or needs Senate confirmation is important.

Seven multi-headed agencies have chairmen whose designations are subject to Senate confirmation,⁴⁷ while two designate their own chairmen.⁴⁸ The chairmen of most multi-headed agencies are designated by the President alone.

Political balance is required for most multi-headed agencies to assure that a wide variety of ideological as well as other positions are represented among the members. Nearly all of the members are affiliated either with the Democratic Party or the Republican Party. In some instances, however, members may belong to another political party or to no political party.

Most multi-headed agencies by statute require that no more than a simple majority of the members may belong to the same political party (i.e., two out of three, or three out of five). One agency that lacks a statutory provision requiring political balance—the Federal Reserve System—by tradition has a balanced membership.

⁴² Federal Deposit Insurance Corporation (12 U.S.C. 1819), Federal Energy Regulatory Commission (42 U.S.C. 7101, *et seq* and 7171(i)), and 15 U.S.C. 717 *et seq* and 717e), Federal Labor Relations Authority (5 U.S.C. 7106(h) and 7123(b), 7123(c) and 7123(d)), Federal Trade Commission (15 U.S.C. 56), National Labor Relations Board (29 U.S.C. 154(a), 160(e), 160(j) and 160(k)), and 161(2)), and Securities Exchange Commission (15 U.S.C. 77(b), 77(c), 78u(c), 78u(d) and 78u(e)), 11 U.S.C. 1109(a), 1125(d), and 1129(d)). See P.L. Morgan, pp. 7-10 and 13-14; *ACUS Preliminary Survey*, pp. 7-8, 11, 13, and 18; and *Study on Federal Regulation*, Vol. V (Regulatory Organization) p. 62.

⁴³ Commodity Futures Trading Commission (7 U.S.C. 4a(c) and 13(a)(1)), Consumer Product Safety Commission (15 U.S.C. 2061, 2064(g), 2071, and 2078(b)), Farm Credit Administration (12 U.S.C. 224(c)), Federal Maritime Commission (46 U.S.C. 1705(k)), and Federal Reserve Board (12 U.S.C. 1828(c)(7)(D)). See P.L. Morgan, pp. 3-4, 9, and 11; *ACUS Preliminary Survey*, pp. 2-3, 9, and 12; *Study on Federal Regulation*, Vol. V (Regulatory Organization) p. 62.

⁴⁴ Federal Communications Commission, National Transportation Safety Board, Nuclear Regulatory Commission, and Occupational Safety and Health Administration.

⁴⁵ Federal Communications Commission, Federal Maritime Commission, and Nuclear Regulatory Commission.

⁴⁶ Federal Deposit Insurance Corporation (12 U.S.C. 1819), National Labor Relations Board (29 U.S.C. 154(a), 160(e), 160(j), and 161(2)), and Federal Trade Commission (15 U.S.C. 56).

⁴⁷ Commodity Futures Trading Commission (7 U.S.C. 4a(2)), Consumer Product Safety Commission (15 U.S.C. 2053(a)), Federal Deposit Insurance Corporation (12 U.S.C. 1812), Federal Reserve Board (12 U.S.C. 242), Merit Systems Protection Board (5 U.S.C. 1203(a)), National Transportation and Safety Board (49 U.S.C. 1111(d)), and Railroad Retirement Board (49 U.S.C. 1902(b)(3)).

⁴⁸ Federal Election Commission (2 U.S.C. 437c), and National Mediation Board (45 U.S.C. 154).

Conclusion

Let me conclude by saying that, within constitutional limits, it is Congress that determines how independent an agency will be from the President's direction and control. The political environment helps to determine the duties and responsibilities assigned to an agency, its location in the executive branch, and the degree of independence it enjoys. Within the general criteria established by the Supreme Court regarding the limits that may be placed on the President's power to remove an official from office, Congress has considerable authority to assure an agency's independence.

Congress has made the Social Security Administration one of the most independent executive agencies. It is unique among the single-headed agencies. The Commissioner serves a six-year term and may not be removed except for cause. While its budgetary and staffing requests may be subject to revision by OMB, its own budget is sent to the Appropriations Committees. Finally, as an independent agency, its communications with Congress and regulatory actions may not be subject to OMB clearance. Such independence is shared only by a handful of agencies.

Departments & Independent Agencies	Position	Term	Statute
Department of Agriculture Rural Electrification Administration	Administrator	10	7 USC 901
Department of Health & Human Services Office of Surgeon General	Surgeon General	4	42 USC 205
Department of Justice Community Relations Service	Director	4	42 USC 2000g
Federal Bureau of Investigation	Director	10	28 USC 532 note
Office of Immigration Related Unfair Employment Services	Special Counsel	4	8 USC 1324b(C)(1)
Executive Office for U.S. Attorneys	U.S. Attorney (94)	4	28 USC 541(b)
United States Marshals Service	U.S. Marshal (94)	4	28 USC 561(d)
Department of Labor Bureau of Labor Statistics	Commissioner	4	29 USC 3
Department of Transportation Saint Lawrence Seaway Development Administration	Administrator	7	33 USC 982
Department of the Treasury Office of Comptroller of the Currency	Comptroller	5	12 USC 2
Office of Thrift Supervisor	Director	5	12 USC 1462a(c)(2)
United States Mint	Director	5	31 USC 304(b)
Department of Veterans Affairs Veterans Benefits Administration	Under Secretary	4	38 USC 306(c)
Veterans Health Administration	Under Secretary	4	38 USC 305(c)
National Endowment for the Arts	Chairman	4	20 USC 954(b)(2)
National Endowment for the Humanities	Chairman	4	20 USC 956(b)(2)
National Science Foundation	Director	6	42 USC 1864(a)
Office of Personnel Management	Director	4	5 USC 1102(a)
Office of Government Ethics	Director	5	5 USC Ap.5 401(b)
Office of Special Counsel	Special Counsel	5	5 USC 1211(b)
Social Security Administration	Commissioner	6	42 USC 902(a)
	Deputy Commissioner	6	42 USC 902(b)

* Independent in the sense that they are located outside of executive departments.

Collegial Board or Commission	Position	Years	Statute
Commodity Futures Trading Commission	Commissioners (5)	5	7 USC 4a(a)
Consumer Product Safety Commission	Commissioners (5)	7	15 USC 2053(b)
Defense Nuclear Facilities Safety Board	Commissioners (5)	5	42 USC 2286(b)
Equal Employment Opportunity Commission	Commissioners (5)	5	42 USC 2000e-4(a)
	General Counsel	4	42 USC 2000e-4(b)
Export-Import Bank	Directors (5)	4	12 USC 635(c)
Farm Credit Administration	Members (3)	6	12 USC 2242
Federal Communications Commission	Commissioners (5)	7	47 USC 154(c)
Federal Deposit Insurance Corporation	Directors (2)	6	12 USC 1812
Federal Election Commission	Commissioners (6)	6	2 USC 437(c)(a)
Federal Energy Regulatory Commission	Commissioners (5)	4	42 USC 7171(b)
Federal Labor Relations Authority	Members (3)	5	5 USC 7104(c)
Federal Maritime Commission	Commissioners (5)	4	46 USC 1111 note
Federal Mine Safety & Health Commission	Commissioners (5)	6	30 USC 823(a)
Federal Reserve System	Directors (7)	14	12 USC 242
Federal Trade Commission	Commissioners (5)	7	15 USC 41
Foreign Claims Settlement Commission	Chairman	3	22 USC 1622 note
Inter American Development Bank	Executive Director	3	22 USC 283a
International Bank for Reconstruction and Development	Executive Director	2	22 USC 286(a)
	Alternate Exec Dir	2	22 USC 286(a)
International Monetary Fund	Executive Director	2	22 USC 286a(a)
	Alternate Exec Dir	2	22 USC 286a(b)
Merit Systems Protection Board	Members (3)	7	5 USC 1202(c)
National Credit Union Administration	Members (3)	6	12 USC 1762(a)
National Labor Relations Board	Members (5)	5	29 USC 153(a)
	General Counsel	4	29 USC 153(d)
National Mediation Board	Members (3)	3	45 USC 154
National Transportation Safety Board	Members (5)	5	49 USC 1902(b)
Nuclear Regulatory Commission	Commissioners (5)	5	42 USC 5841(c)
Occupational Safety and Health Review Commission	Commissioners (3)	6	29 USC 661(a)
Postal Rate Commission	Commissioners (5)	6	39 USC 3601(b)
Railroad Retirement Board	Members (3)	5	45 USC 231f(a)
Securities & Exchange Commission	Commissioners (5)	5	15 USC 78d(a)
Surface Transportation Board	Members (3)	5	49 USC 701(b)
Tennessee Valley Authority	Directors (3)	9	16 USC 831a
U.S. International Trade Commission	Commissioners (6)	9	19 USC 1330(b)
U. S. Parole Commission	Commissioners (9)	6	18 USC 4202

Note: Number in parenthesis under 'Position' indicates number of positions.

TABLE 3. Statutes Limiting President's Authority to Remove Officials Appointed with Advice and Consent of Senate

A. Positions where statutes stipulate that the President may remove an official only for the cause or causes cited:

1. Only for inefficiency, neglect of duty, malfeasance in office

- Federal Energy Regulatory Commission, Commissioners, P.L. 95-91, title IV, 91 Stat. 682, 42 U.S.C. 7171(b)
- Federal Labor Relations Authority, Members, P.L. 95-454, title VII, 92 Stat. 1196, 5 U.S.C. 7104(b)
- Merit Systems Protection Board, Members, P.L. 95-454, title II, Sec. 202(a), 92 Stat. 1122, 5 U.S.C. 1202(d)
- Merit Systems Protection Board, Chairman of Special Panel, P.L. 95-454, Title II, Sec. 7702, 5 U.S.C. 7702(d)(6)(A)(iii)
- Office of Special Counsel, Special Counsel, P.L. 95-454, 92 Stat. 1122, 5 U.S.C. 1211(b)

2. Only for inefficiency, neglect of duty, malfeasance in office, or ineligibility

- National Mediation Board, Members, Act of June 21, 1934, 48 Stat. 1193, 45 U.S.C. 154, First

3. Only for neglect of duty or malfeasance in office

- Consumer Product Safety Commission, Commissioners, P.L. 92-573, 86 Stat. 1210, 15 U.S.C. 2053(a)
- National Labor Relations Board, Members, P.L. 86-257, title VII, 73 Stat. 542, 29 U.S.C. 153(a)
- Social Security Administration, Commissioner, P.L. 103-296, 108 Stat. 1466, 42 U.S.C. 902(a)

4. Only for general cause

- Postal Rate Commission, Commissioners, P.L. 94-421, 90 Stat. 1304, 39 U.S.C. 3601

B. Positions where statutes omit the term only before the cause or causes cited for removal:**1. Inefficiency, neglect of duty, or malfeasance in office**

- Federal Maritime Commission, Commissioners, 46 U.S.C. 1111, Reorganization Plan # 7 of 1961
- Federal Mine Safety and Health Review Commission, Commissioners, P.L. 91-173, title 1, 91 Stat. 1313, 30 U.S.C. 823(b)(1)
- Federal Trade Commission, Commissioners, Act of Sept. 26, 1914, 38 Stat. 717, 718; 15 U.S.C. 41
- National Transportation Safety Board, Members, P.L. 93-633, 88 Stat. 2167, 49 U.S.C. 1111(c)
- Nuclear Regulatory Commission, Commissioners, P.L. 93-438, 88 Stat. 1242, 42 U.S.C. 5841(e)
- Occupational Safety and Health Review Commission, Commissioners, P.L. 91-596, 84 Stat. 1603, 29 U.S.C. 661(b)
- Surface Transportation Board, Members, P.L. 104-88, 109 Stat. 932-933, 49 U.S.C. 702(b)

2. For cause

- Federal Reserve System, Board of Governors, Act of June 3, 1922, 42 Stat. 620, 12 U.S.C. 242

C. Positions where President need only communicate reasons for removal to the Senate or to both Houses of Congress:

- Archivist of the United States, P.L. 98-497, 98 Stat. 2280, 44 U.S.C. 2103
- Chief Benefits Officer, Department of Veterans Affairs, 38 USC 306(C)
- Chief Medical Officer, Department of Veterans Affairs, 38 U.S.C. 305(c)
- Comptroller of the Currency, Act of June 3, 1864, 13 Stat. 99; R.S. Sec. 325; Aug. 23, 1935, 49 Stat. 707, 12 U.S.C. 2
- Director of the Mint, Act of Feb. 12, 1873, 17 Stat. 424; P.L. 97-258, 96 Stat. 879, 31 U.S.C. 304(b)(1)
- Director of Operational Testing and Evaluation, Department of Defense, P.L. 98-94, title XII, 79 Stat. 684, 10 U.S.C. 138
- Inspector General Act; P.L. 95-452, 92 Stat. 1101, 5 U.S.C. Ap 3, 3(b)
- Office of Inspector General and Deputy Inspector General, Department of Energy, P.L. 95-91, title II, 91 Stat. 676, 42 U.S.C. 7138

D. Positions where removal probably requires cause or causes even though statutes are silent on matter

- Commodity Futures Trade Commission, Commissioners
- Defense Nuclear Facilities Safety Board, Members
- Equal Employment Opportunity Commission
- Farm Credit Administration, Commissioners
- Federal Communications Commission, Commissioners
- Federal Deposit Insurance Corporation, Board of Directors
- Federal Election Commission, Commissioners
- National Credit Union Administration, Board of Directors
- Railroad Retirement Board
- Securities and Exchange Commission, Commissioners
- United States International Trade Commission, Commissioners
- United States Parole Commission, Commissioners

The absence of a removal provision regarding a fixed-term position does not mean that the President can remove an incumbent whenever he wishes. In 1958 the Supreme Court ruled that unless specifically authorized by statute, the President may not remove members of a body created to exercise purely adjudicatory functions that are not subject to review by any other executive branch official.⁴⁹ Since then the Court has expanded and extended the grounds under which Congress can impose limits on the President's power to remove incumbents before their term of office expire.⁵⁰

⁴⁹ *Wiener v. United States*, 357 U.S. 349 (1958). See also *Securities Exchange Commission v. Blinder, Robinson, and Co.*, 865 F.2d 677 (10th Cir. 1988). (SEC commissioners may only be removed for cause despite statutory silence on removal.)

⁵⁰ See *Morrison v. Olson*, 487 U.S. 685-86 (1988), and *Mistretta v. United States*, 488 U.S. 361 (1989) n. 13 (quoting *Nixon v. Administrator of General Services*, 433 U.S. 443 (1979)).

Chairman BUNNING. Thank you, Mr. Garcia.

I will start it off and then, as we normally do, proceed through the Members as they want to ask questions.

You mentioned in your testimony that SSA, as an independent agency, no longer reports to the Department of Health and Human Services. In addition, you stated that SSA has independence from the direction and control of the President.

Given that the Commissioner has a fixed term of office, 6 years, in fact, thereby overlapping presidential terms, and that the President may only remove the Commissioner for cause, in your view, how much independence does this provide the Social Security Administration?

Mr. GARCIA. It provides it with the independence that, if there is a disagreement with the President over policy, the President is not free to remove the Commissioner the way he would be free to remove an official who does not have the protection against removal.

Chairman BUNNING. Like the Secretary of Defense or the Secretary of State or any of those Cabinet-level offices?

Mr. GARCIA. Yes, Mr. Chairman. They could be removed at any time by the President.

Chairman BUNNING. You have summarized five factors to determine an agency's degree of independence. In your analysis of various independent agencies, would you say the agency's degree of independence is more the result of statutory authority or more the result of the attitude of the agency's head in interpreting its statutory authority to be independent?

Mr. GARCIA. Well, the statutory authority for independence has to be there for the head of the agency to be able to act on the particular authority he or she has. How the head of the agency acts on that authority depends on his or her attitude.

Chairman BUNNING. Could you name another independent agency, headed by a single person with a fixed term of office, that was given statutory authority similar to that afforded SSA when it was established as an independent agency?

Mr. GARCIA. There is only one single head of agency that fits that description, and that is the Office of Special Counsel. The head of that agency is appointed for 5 years and is also removable only for cause. So it has a similar protection. But it's a much smaller office, not as large as the Social Security Administration.

Chairman BUNNING. In fact, it only has 92 employees and an \$8 million budget, according to the research that I have on it.

Mr. GARCIA. Yes, sir.

Chairman BUNNING. Ninety-two employees and an \$8 million budget, compared to SSA's 65,000-plus employees and a budget of over \$400 billion, \$6 billion for operating and administrative expenses alone.

Mr. Jacobs.

Mr. JACOBS. I have no questions, Mr. Chairman.

Chairman BUNNING. Mr. Johnson.

Mr. JOHNSON. Thank you, Mr. Chairman.

Would you agree that it's one of the Commissioner's responsibilities to protect the independent SSA from politically motivated manipulation on the part of the executive branch?

Mr. GARCIA. That has been Congress' intent, so I would agree that that's the reason Congress made the agency independent.

Mr. JOHNSON. So it's clear then in the legislation, in your view?

Mr. GARCIA. During hearings, those were the intentions that were announced by many Members.

Mr. JOHNSON. You mention also that the statute specifies that they submit their budget directly to the Congress without revision as well as to the Congress as part of the overall budget of the President.

Can you tell me what leverage the President has to ensure that the SSA, now that it's independent, submits a budget that is acceptable to the President?

Mr. GARCIA. Well, the agencies will normally negotiate with OMB regarding their budgets. By statute, SSA's original budget is eventually submitted to Congress. But along with that budget, Congress receives the budget that's prepared by OMB for all of the agencies. The latter budget, the presidential budget, may be a revised version of the budget that has been prepared by the agency.

However, the Appropriations Committees are aware of the original budget that the agency submitted to the OMB, and whatever changes OMB has made in the President's budget regarding the agency.

Mr. JOHNSON. But Social Security doesn't have to submit their budget to OMB, is that true?

Mr. GARCIA. Yes, they do, sir.

Mr. JOHNSON. They do?

Mr. GARCIA. Yes. There are some agencies that do not submit budgets because they generate their own funding. These are primarily multiheaded, regulatory banking agencies—the Federal Reserve Board, the Federal Deposit Insurance Corp. However, the Social Security Administration, by law, must submit, as other agencies, must submit its budget to OMB.

Now, there are two agencies that have statutes which prohibit OMB from revising their budgets. They are the U.S. International Trade Commission and the U.S. Postal Service. There are other agencies that submit their budgets to OMB and at the same time submit budgets to Congress, but in those instances where there's no stipulation preventing OMB from revising the budget, those budgets may be revised. So the SSA budget——

Mr. JOHNSON [continuing]. Falls into that category.

Mr. GARCIA [continuing]. Falls into that category.

Mr. JOHNSON. Thank you, sir.

No more questions, Mr. Chairman. Thank you.

Chairman BUNNING. Mr. Neal.

Mr. NEAL. Thanks, Mr. Chairman.

Mr. Garcia, you seemed to indicate that SSA could, on its own volition, decide to issue regulations or send communications to Congress without having been reviewed by OMB. The independent agency legislation was thoroughly studied and reviewed by Congress and legislation was introduced repeatedly over a decade, and there were many, many hearings.

Don't you think that Congress would have made the Social Security Administration independent of OMB if it had intended to?

Mr. GARCIA. It's possible, sir, but the fact that the agency was made independent—Let me back up.

It's possible. Why they did not do so, I don't know.

Mr. NEAL. That's the only question I had, Mr. Chairman.

Chairman BUNNING. Mr. Collins.

Mr. COLLINS. I just have one question, Mr. Chairman.

Mr. Garcia, without passing additional legislation, what can Congress do to further the Social Security Administration's independence and insulation from political pressures?

Mr. GARCIA. I would venture to say, to provide SSA greater independence or to see that the independence it has is utilized, would likely depend on the support given to it by its oversight committees and the Congress. Support in the sense of backing the agency when it may have a conflict with the administration over budget and staff, policy and other matters.

But I'm not—I don't have sufficient knowledge to go into those areas. The area that I'm particularly involved with is simply what is in the statutes and how the particular characteristics of the agencies are applicable, or of their independence, are applicable to one agency or another agency.

Mr. COLLINS. As a followup, without additional legislation, though, it primarily would depend on the person appointed as Commissioner and their interpretation and their attitude toward loyalty to the congressional intent to establish an independent agency or to the President?

Mr. GARCIA. I would assume, sir, that any head of agency that is independent, how he or she exercises his or her independence, is determined by various factors—the attitude of the individual heading the agency and various political considerations.

Beyond that, the Congress could look at certain reports that are required to be filed, to determine how the agency is operating. I'm thinking now, for instance, of the Senior Executive Service. The level of Senior Executive Service positions are established by the Office of Personnel Management, in consultation with OMB. The statute establishing the agency as an independent agency stipulates that when OMB establishes the number of senior executive positions for the agency, the number should be substantially greater than it was when the agency was in HHS, and also stipulates that whatever numbers are established by OPM, that OPM provides that information to the Committees. So I would imagine that scrutinizing those reports would help the Committees determine what is happening in that area.

Mr. COLLINS. Another followup question. I thought I just had one, but it's getting interesting.

Chairman BUNNING. The green light is still on.

Mr. COLLINS. The cash flow of the Social Security Administration, too, can drive the attitude, not only of the chief executive officer of the country but those political pressures upon the Commissioner who handles that cash flow, as to how independent that agency will be; is that not true?

Mr. GARCIA. Sir, I'm not qualified to comment on those issues. I don't know what the pressures are. I have no knowledge, really, of the substantive issues that the agency is involved with, apart from what I read in the newspaper.

I can address the characteristics that help to make an agency independent, but as to what political pressures there are, I'm really not qualified to comment on that.

Mr. COLLINS. As long as the cash flow is deposited into the U.S. Treasury, and the checks for the Social Security benefits are drawn on the U.S. Treasury, rather than an independent Social Security Administration, political pressures will remain to keep that cash flow in a place so that it can offset and hide the deficit. That's what I'm referring to.

The cash flow of the Social Security Administration plays an important role in the pressures that they receive, as the Commissioner and as the agency, from the chief executive officer of this country to help, as I said, offset or hide the deficit. I think, if you're going to make it an independent agency, you ought to make it an independent bank account. Surpluses could then be used to purchase government securities, but make it an arm's-length transaction, as any other independent, private sector agency would do.

Thank you, Mr. Chairman.

Chairman BUNNING. Mr. Portman.

Mr. PORTMAN. Mr. Garcia, thank you for your testimony. I enjoyed it.

I think there is a remarkable independence that most Americans would be surprised at, thanks to Mr. Bunning and Mr. Jacobs and other people's efforts. I think you described it pretty well.

What confuses me still is on the regulatory side. Under the statute, can the Social Security Administration send regulations directly to Congress without going through the OMB review process, and if they can, I would like your appraisal as to whether that has been done, to your knowledge, and whether there are other agencies perhaps not even as independent that have that authority.

Mr. GARCIA. The rulemaking I was referring to deals with agency rules and regulations issued under the Administrative Procedure Act. Those regulations are not normally submitted to Congress, although under the recently amended Regulatory Flexibility Act, major regulations are now subject to congressional disapproval by joint resolution.

But regarding rulemaking, under Executive Order 12866, which was issued in September 1993—and that followed an earlier order first issued in 1981—agencies in the executive branch are required to send their rulemaking, their regulations, to OMB for review and, in effect, clearance before the agency can publish in the *Federal Register* the draft and the final regulation.

The Executive order mandating the agencies to send their regulations to OMB exempted the multiheaded, independent regulatory agencies. There is some question whether SSA—which is not a regulatory agency but which is independent—there is some question whether SSA has to submit its regulations to OMB for clearance because of its independent—

Mr. PORTMAN. In your estimation, is SSA more or less independent than those regulatory agencies that you mentioned, in other respects than regulatory and the rulemaking?

Mr. GARCIA. Since OMB may insist on changes to a particular regulation, this would impact on the independence of the particular agency that issues the regulation.

Mr. PORTMAN. I guess what I'm suggesting is, do you think there is a logic to having SSA treated differently than those other independent agencies as it relates to rulemaking, given the fact that SSA's independence by statute is so broad?

Mr. GARCIA. That's again a question that will have to be handled by Congress, depending on the responsibilities of the particular agencies. There are established independent regulatory boards and commissions with certain independence for certain reasons—political, policy, and so forth—and the same would be true for the Social Security Administration.

Mr. PORTMAN. What is your interpretation of the statute? Because of the Executive order and not specifically exempting SSA, is SSA mandated to submit its proposed rules to OMB for review prior to being published in the *Federal Register*?

Mr. GARCIA. The question is whether an Executive order can require an agency with certain independent status to follow certain procedures. I'm not qualified to evaluate these procedures—

Mr. PORTMAN. So you would say it's a gray area at this point?

Mr. GARCIA. It's a gray area as to whether the agency must submit its regulations—

Mr. PORTMAN. Under current practice—I don't know the answer to this—you indicated the budget is submitted separately so that Congress sees the budget and the appropriators know what the budget is. Does SSA do that with rules as well?

Mr. GARCIA. No. The rules and regulations are not sent to Congress, except for the—

Mr. PORTMAN. So prior to the OMB screening, there would be no way for Congress to know what the rules were being proposed?

Mr. GARCIA. That's correct.

Mr. PORTMAN. Thank you.

Thank you, Mr. Chairman.

Chairman BUNNING. Mr. Christensen.

Mr. CHRISTENSEN. Thank you, Mr. Chairman.

Mr. Garcia, which key SSA vacancies are needed to be filled by presidential appointment, assuming—I don't know if there's hundreds or tens—

Mr. GARCIA. No, there are at least three with Senate confirmation. It's the Commissioner, the Deputy Commissioner, who is also appointed for a 6-year term, but there's no provision regarding the removal of the Deputy Commissioner, and the Inspector General. Those are the three primary positions, presidential appointees requiring Senate confirmation.

Mr. CHRISTENSEN. And you say the Deputy and the Inspector General are there with—as far as cause? How are they—

Mr. GARCIA. No, the Deputy can be removed at any time. The Inspector General can be removed as long as the President submits his reasons for removal to Congress. The statute just stipulates that he just has to submit reasons for removal.

Mr. CHRISTENSEN. During your time here in Washington, have you ever seen a situation where the President has refused to make a key appointment in terms of trying to find leverage over the SSA Director?

Mr. GARCIA. I can't specifically mention any instances, but that is one of the leverages that a President might have, to postpone making an appointment or submitting a nomination to Congress.

Mr. CHRISTENSEN. As far as an agency goes, if the Commissioner is willing to argue his or her case strongly, and is a tough negotiator, do you see that the Commissioner tends to have quite a bit of independence subsequent to what the President tries to do to him or her in terms of leveraging their power?

Mr. GARCIA. I would say the fact that the President cannot remove a head of an agency gives the head of the agency much greater authority than someone who can be removed because he or she disagrees with the President.

Mr. CHRISTENSEN. During your time here over the various Commissioners that have served, which Commissioner showed the most independence as far as being a strong agency head over that time?

Mr. GARCIA. Well, the one that comes to mind, and the one that's often referred to, is the Federal Reserve Board.

Mr. CHRISTENSEN. No, I meant with the SSA. Which SSA Commissioner over the last—

Mr. GARCIA. Sir, I haven't followed the activities of SSA. I'm not familiar with its responsibilities or even with its prior Commissioners.

Mr. CHRISTENSEN. OK. On a scale of 1 to 10, with the Federal Reserve Board being a 10 as the most independent agency, how would you rank SSA's degree of independence?

Mr. GARCIA. It's hard to say, because the various factors that I mentioned before, not all of the agencies have the same characteristics, so that one agency which could have protection against the revision of its budget doesn't necessarily have the ability to submit its communications to Congress without OMB review.

I would say that, among the multiheaded regulatory agencies, there are a few others besides the Federal Reserve Board, especially the banking agencies, that have relatively more independence. Among the independent singleheaded agencies, it's unique in its authority and in the independence that has been granted to it by Congress. It has a little more independence than the Office of Special Counsel because the Office of Special Counsel cannot submit its budget to Congress directly—it goes through OMB, and Congress has only the budget that OMB has placed into the President's budget.

Mr. CHRISTENSEN. Thank you, Mr. Garcia.

No further questions, Mr. Chairman.

Chairman BUNNING. Mr. Laughlin, we have about 6 minutes.

Mr. LAUGHLIN. I'll try not to use all that much, Mr. Chairman.

Mr. Garcia, as I listened to your testimony and talking about the attitude of the independent agency, it reminds me of the time after I had graduated from law school and was a company commander in the Army, and had about 110 men under my command. My mother called me and she wanted me to review what I had been doing.

After I told her what I had been doing, she wanted to know what I was going to be doing, and when I told her, at some point she said, "Well, you've got my permission to do that."

As I listened to some of your testimony, it kind of reminded me of that relationship. Here was my mother, who I had deep love and affection and respect for—and we're talking about an independent agency that may have that political connection to the President—yet in my instance I had far greater independence than what I'm hearing you talk about, because I was solely dependent upon my Army paycheck as a means of living, and I had a clear understanding of the court martial procedure if I didn't follow what the battalion commander told me.

As I listened to your talking about the independent head here in the agency we're talking about, who submits communications, regulations, to OMB—and I'm not sure I understood about the budget—dependent upon the President's agency for litigation, it seems that the independent agency head that we're talking about here doesn't quite have the independence I had from my mother in this military relationship.

Is that kind of what you're telling us here today?

Mr. GARCIA. I'm only trying to say what authority or what independence Congress has given to the agency through statute. The heads of all executive agencies are to an extent members of an administration and they have to depend to a certain extent on the administration for legislation, for support of its policies, legislation through Congress, and so forth.

Mr. LAUGHLIN. Very quickly, is there anything you would recommend that Congress do other than pass legislation? Are there any actions that you would recommend that we take?

Mr. GARCIA. I'm really not qualified to get into that because that's primarily in political areas, sir.

Mr. LAUGHLIN. OK. So we're talking about altering a political relationship then?

Chairman BUNNING. Mr. Laughlin, I'm going to ring the bell just a little prematurely, because we have 5 minutes to get to the vote on the floor—

Mr. LAUGHLIN. And there's four votes.

Chairman BUNNING. And we will recess until we finish our voting. We apologize.

Mr. LAUGHLIN. Thank you, Mr. Garcia.

Mr. GARCIA. Thank you.

[Recess.]

Chairman BUNNING. The Subcommittee will resume.

I would like to ask Mr. Garcia a couple of questions.

You mentioned political considerations numerous times in your testimony. What do you mean by political considerations for the record?

Mr. GARCIA. The political environment, the various constituency groups that would be involved and interested in particular issues, the support or opposition generated by these groups, the political dynamics that are involved in any policy, any action that the administration is pursuing.

I don't know anything beyond that. I'm not really qualified to get into Social Security issues.

Chairman BUNNING. In lieu of what you just said, what recourse would the President have if the Commissioner chooses to communicate to Congress directly and not submit communications to the

White House, or OMB, first, given the legislation and the statutory authority that Congress gave this independent Social Security Administration? What recourse would the President have?

Mr. GARCIA. Since the agency has to submit its budget to OMB, and OMB can revise the budget when it presents it in the President's budget to Congress, it could possibly cut the budget or possibly even cut the staff. But I don't—I mention this in a general sense, that of the actions that OMB can take against an agency, I don't have any knowledge of whether these actions are taken, have been taken, or will be taken. I don't know.

Chairman BUNNING. The Social Security independent agency could do just about what they want to do and Congress could back them up? SSA could submit their budget, and if the administration and OMB decides to delete certain things in the budget, the Social Security independent agency could come to Congress and plead their case. SSA could say to Congress, This is why we submitted x amount of dollars for this. Can this independent agency do just about anything they want to do to make the Social Security Administration independent from anyone?

Why else would we have given overlapping terms to the Commissioner? Why else would we give the Deputy Commissioner the same term?

Mr. GARCIA. The reasons that Congress has established these positions with their fixed times in office I can't really discuss, sir, because I'm not knowledgeable about that.

Chairman BUNNING. It's in the legislation.

Mr. GARCIA. Yes. What I can say is that Congress has the ultimate authority regarding any agency regarding the budget of the particular agency.

Chairman BUNNING. That's correct.

Mr. GARCIA. And regarding the staffing for the particular agency is Congress' decision.

Chairman BUNNING. Just like when we did our earnings limit bill, we put an appropriation in for more money for continuing disability reviews. The administration didn't ask for that, nor did the Social Security Administration. We took it upon ourselves to say this is a way to clear out the backlog of continuing disability reviews at SSA.

So the cooperation between the Congress of the United States, the Commissioner and Deputy Commissioner and other appointed offices at SSA can make that agency just about as independent as they want it to be.

Mr. GARCIA. Within the statutes provided by Congress and within the President's constitutional authority, responsibilities and accountability as head of the executive branch.

Chairman BUNNING. Mr. Garcia, I appreciate that very much.

Mr. Collins, do you have anything else?

Mr. COLLINS. No. Thank you, Mr. Garcia.

Chairman BUNNING. Thank you for your testimony. We appreciate it.

Mr. GARCIA. Thank you, Mr. Chairman.

Chairman BUNNING. I would like now to ask the witness from the U.S. General Accounting Office to come forward, Hon. Charles A. Bowsher, Comptroller General of the United States, accom-

panied by Jane Ross, Director, Income Security Issues, Health, Education and Human Services Division; Cynthia Fagnoni, Assistant Director, Income Security Issues, Health, Education, and Human Services; and Patricia Taylor, Director, Information Resources Management for Health, Education, and Human Services, Accounting and Information Management Division.

Welcome to you all. For the benefit of our guests, GAO is the audit and investigative arm of Congress.

Mr. Bowsheer, it is an honor to have you here today, and I want to thank you for personally presenting the GAO testimony on the issue of SSA's performance as an independent agency. Your presence illustrates the great importance of this hearing.

Having read your testimony, I know that you particularly understand how important a strong, efficient independent Social Security Administration is to the American public. My personal thanks to you and your outstanding staff once again for their continued excellent work. I thought that the title of your testimony was right on the mark and I look forward to hearing your findings.

Mr. Bowsheer, would you please begin.

STATEMENT OF HON. CHARLES A. BOWSHER, COMPTROLLER GENERAL OF THE UNITED STATES; ACCOMPANIED BY JANE L. ROSS, DIRECTOR, INCOME SECURITY ISSUES, HEALTH, EDUCATION, AND HUMAN SERVICES DIVISION; CYNTHIA M. FAGNONI, ASSISTANT DIRECTOR, INCOME SECURITY ISSUES, HEALTH, EDUCATION, AND HUMAN SERVICES DIVISION; AND PATRICIA T. TAYLOR, DIRECTOR, INFORMATION RESOURCES MANAGEMENT FOR HEALTH, EDUCATION, AND HUMAN SERVICES, ACCOUNTING AND INFORMATION MANAGEMENT DIVISION, U.S. GENERAL ACCOUNTING OFFICE

Mr. BOWSHER. Thank you very much, Mr. Chairman, Mr. Collins. It's a pleasure to be here today.

What I thought I would do is summarize my testimony, but I would appreciate if the full text of my testimony could be put in the record.

Chairman BUNNING. Without objection.

Mr. BOWSHER. As you know, Mr. Chairman, the Social Security Administration administers one of the largest Federal programs in our whole government, and it has a very large staff of 64,000. The expenditures totaled \$363 billion in 1995, nearly one-fourth of the Nation's \$1.5 trillion Federal budget.

I think it's also important to realize that SSA serves 50 million beneficiaries, nearly 1 out of every 5 individuals in this country.

Managing SSA, I think, is one of the great management challenges. You have a huge work force, you have a complicated program, you have old systems and some modern systems, and so managing this organization is no small task.

In 1995, Congress, in an effort to address some of the critical policy issues and correct some of the programmatic and operational weaknesses, passed legislation to make SSA independent of HHS. Today we are here to provide GAO's assessment of SSA's efforts to address the policy, program, and operational issues and their ef-

forts to prepare for managing the challenges they face in the 21st century.

First, the good news. SSA has surpassed, I think, many of the Federal agencies in financial accountability. In both their ability to perform under the CFO Act and as a pilot agency under the GPRA Act of 1993, we certainly give them high marks.

Second, I think SSA has, as most everyone knows, a big financial problem facing them, namely, that their trust funds are in a surplus position now but will not be some time in the next century. So one thing I would like to do is just read one paragraph that I do have here on page 3 of my statement.

As the baby boom generation ages, growing numbers of people will receive Social Security retirement and survivors benefits in the years to come. By the year 2015, as baby boomers begin entering their midsixties, the numbers of individuals receiving benefits will reach an estimated 50 million, more than one-third greater than the 37 million receiving Social Security retirement and survivors benefits in this past year, 1995.

Once on the rolls, retirees can be expected to receive benefits for longer time periods than past recipients. A 65-year-old male who began receiving Social Security benefits in 1940—the first year SSA began paying monthly benefits—was expected to live, on average, about an additional 12 years. By the year 2015, a 65-year-old male will have a life expectancy of 16 years, or a 35-percent increase. During that same time period, the life expectancy for women aged 65 will actually increase by 50 percent. Meanwhile, the ratio of contributing workers to beneficiaries will decline. By 2015, an estimated 2.6 workers will be paying taxes into the Social Security system per beneficiary, and in 1950, it was 16.5 workers paying Social Security taxes per beneficiary.

Now, when the Congress passed legislation for an independent SSA, they were expecting more leadership on how to deal with these big financial problems that are looming in the future. A very big political issue is how to deal with Social Security funding in the future. I think each, the President and the Congress, are facing this; Democrats and Republicans are facing this; and everybody is somewhat hoping that the other one will go first. So I think one of the things that SSA has to do is to be able to do the research, develop the appropriate policy options and be more of a leader in helping the Congress and the President in the public debate that is going to be a very crucial issue here in the future.

SSA is only now strengthening its research, policy analysis and evaluating capabilities to be better prepared to assist the decisionmakers in this debate. The sooner the research is done, the sooner some of the options can be debated and, hopefully, decided, because sooner means less draconian changes later. This is also true for individual Americans who possibly will have to adjust their retirement plans.

Next I would just like to say a few words about the disability program. In recent years, disability caseloads have really shown unprecedented growth. In other words, in 1986 you had 4.4 million people in the programs, and in 1995 you had 7.5 million, a 69-percent increase. The dollars were up practically as much, 66 percent, from \$25 to \$57 billion. And the characteristics of the new beneficiaries changed. From 1982 to 1992, the mental impairment awards to younger workers increased by about 500 percent. In 1992, the new DI awardees were on average 48 years old. Therefore, they might spend as much as a third of their adult life on disability before reaching age 65.

As more applied, SSA became slower in processing these claims and appeals. Currently, the disability claims process accounts for about 50 percent of SSA's administrative budget. They are now trying to reengineer the processes in this disability area. SSA's redesign plans include 82 initiatives over a 6-year period, from 1995 to the year 2000. Forty are supposed to be done in the next 2 years.

GAO has some concerns about this program. It seems to be very slow to move into implementation. What you really need in a program like this, for Congress and the Commissioner to understand how much progress is being achieved, is milestones and regular reporting on outcomes and the return on investment.

GAO recently issued a report on improving performance through technology, and this is one of the things we have stressed, not only for the Social Security Administration but for IRS and other agencies, and that is, you have got to have a program on your technology improvement that shows what kind of progress we're supposed to be making at key times. The Congress, by the way, has passed CIO, Chief Information Officer legislation based on this work that we have done.

On the return to work efforts, we have reported to you that Social Security has placed little priority on helping claimants to move off the rolls by obtaining employment, and we have pointed out that if only an additional 1 percent of the 6.6 million working aged people receiving disability benefits in 1995 were to leave the rolls, lifetime cash benefits would be reduced by an estimated \$3 billion.

We have reported on the inadequate oversight of SSI. There is where we've been concerned about some of the fraud, waste and abuse in that program. We have also reported on some specific things, like prisoners receiving millions of dollars in cash payments and problems in the eligibility process for SSI children with disabilities.

So in summary, let me say that SSA must manage the growing workloads that they are facing, with reduced resources. The Federal downsizing here in the future is going to be dictated by the budget resolutions that have been passed, which show a 20 to 30 percent decline in discretionary funding. SSA is down from higher staffing levels of the mideighties to approximately 64,000 staff now. So one of the great things they need to do is to reengineer processes and to make sure the technology investment really is a payoff for less cost and more efficient improvement.

I think you need strong, capable leadership in an organization like this. I'm a strong believer in the 6-year term. I believe that the Congress made the right decision there. I think that you need a strong SES, Senior Executive Service, to manage an organization of this size, and I think you need some very good personnel development and training programs.

We see four major issues, really, that are badly needed. You need the research and the options being developed by the SSA, so that the leadership of the Congress and the President can debate these issues.

Two, we think this reengineering effort in the disability area is very key to the future of SSA. We think you've got to get on top of the fraud, waste and abuse in the SSI Program, and we think you've got to make this technology program a success and make it pay off both in customer service and in cost.

That would conclude my summary, Mr. Chairman. We would be happy to answer any questions.

[The prepared statement follows:]

**STATEMENT OF CHARLES A. BOWSER
COMPTROLLER GENERAL OF THE UNITED STATES
SOCIAL SECURITY ADMINISTRATION
U.S. GENERAL ACCOUNTING OFFICE**

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to provide our assessment of the Social Security Administration's (SSA) efforts to address policy and program issues and to prepare for managing the challenges it faces in the 21st century. With a staff of 64,000, SSA administers the nation's largest federal program--Social Security--as well as the largest cash welfare program, Supplemental Security Income (SSI). SSA's expenditures totaled \$363 billion in fiscal year 1995, nearly one-fourth of this nation's \$1.5 trillion federal budget.

SSA's programs touch the lives of nearly every individual in this country. Social Security¹ provides benefits to retired and disabled workers and their dependents and survivors; SSI provides assistance to the needy aged, blind, and disabled. In 1995, 50 million beneficiaries--nearly one out of every five individuals in this country--received benefits from SSA each month. In addition to administering benefits, SSA records the wages of nearly every U.S. worker and issued almost 17 million Social Security cards in 1995. Moreover, SSA maintains a large and visible presence in communities nationwide. In 1995 alone, an estimated 24 million people visited SSA's 1,300 field offices, and SSA received 62 million calls on the agency's nationwide toll-free 800 number.

SSA recognizes that the American public depends on SSA to quickly and accurately provide benefits, properly record workers' earnings, and effectively safeguard benefit programs from fraud and abuse. Any failure to do so seriously undermines the public's confidence in government and its ability to efficiently and cost-effectively administer programs and protect taxpayer dollars. Yet as SSA acknowledges, public confidence in its programs is low and has been low for some time. Although much of this lack of confidence stems from concerns about the future solvency of the Social Security system, public confidence is also eroded by reports of fraud and abuse. Media accounts of prisoners erroneously receiving disability checks and allegations that immigrants and children are feigning mental illness to obtain SSI undermine the public's trust in SSA and in the federal government.

To bolster SSA's ability to address critical policy issues and correct programmatic weaknesses, the Congress enacted legislation making SSA independent of the Department of Health and Human Services (HHS) as of March 31, 1995. In establishing SSA's independence, the Congress recognized the importance of strong and stable leadership for the agency. As we noted in our February 1995 report on SSA's transition to independence,² independence heightens the importance of SSA's playing a strong leadership role in addressing long-standing problems and preparing for future challenges.

In that report, we highlighted the challenges that SSA would face as an independent agency: the shortfall in funds to pay future Social Security benefits, growing and changing disability caseloads, and public concerns about SSI program growth. Today, I will describe these policy and program challenges and assess SSA's progress in addressing them and in preparing to manage its future challenges. I will also assess what additional actions are needed to help SSA meet these challenges. These observations are drawn from completed and ongoing GAO work on Social Security issues. We also spoke with SSA officials, selected officials of the Social Security Advisory Council and Advisory Board, and other experts to determine SSA's progress so far, what problems remain, and what else is needed to make SSA a premier agency.

¹The Social Security program has two parts--Old Age and Survivors Insurance (OASI) and Disability Insurance (DI).

²Social Security Administration: Leadership Challenges Accompany Transition to an Independent Agency (GAO/HEHS-95-59, Feb. 15, 1995)

In summary, SSA is ahead of many federal agencies in managing for results and improving financial accountability. This gives the agency a sound base from which to manage its current and future challenges, which are significant. SSA, however, has not performed the research, analysis, and evaluation needed to inform the public debate on the future financing of Social Security--the most critical long-term issue facing SSA. The aging of the baby boom generation, coupled with increasing life expectancy and the declining ratio of contributing workers to beneficiaries, will place unprecedented strains on the Social Security program in the next century. Unless the Congress acts, the Social Security trust funds are expected to be exhausted by 2029. More than a year after gaining independence, SSA is just now strengthening its research, policy analysis, and evaluation capabilities to more actively participate in the financing debate.

Also challenging SSA have been disability caseloads that have grown by nearly 70 percent in the past decade. To its credit, SSA has undertaken an important effort to fundamentally redesign its inefficient disability claims process. However, while SSA has begun many of its planned initiatives, none is far enough along for the agency to know whether specific proposed process changes will achieve the desired results. Moreover, SSA has not sufficiently promoted return-to-work efforts in the administration and design of its disability programs. If even an additional 1 percent of the 6.6 million working-age people receiving disability benefits were to leave SSA's disability rolls by returning to work, lifetime cash benefits would be reduced by an estimated \$3 billion. In addition, SSA has not done enough to combat fraud and abuse in the SSI program and address program weaknesses.

SSA faces increasing responsibilities in the future and must manage its growing workloads with reduced resources. SSA estimates that it would need over 76,000 workers to handle its growing workloads if it conducts business as usual. Instead, SSA expects to do this work with about 62,000 workers--fewer than it has today. To successfully meet its workload challenges, SSA knows that it must increasingly rely on technology and build a workforce with the flexibility and skills to operate in a changing environment. SSA faces significant challenges, however, in modernizing its information systems--a complex, multiyear effort that could easily cost billions of dollars. Compounding this challenge will be the possible loss of many senior managers and executives--over the next 5 years, nearly half of SSA's senior executives will be eligible to retire. Moreover, SSA faces difficult decisions on how best to deliver services in the future.

At this critical juncture, effective leadership is needed so the agency can take the following actions to better ensure its success in the 21st century: inform the national debate on Social Security financing issues, complete its redesign of the disability claims process and promote return to work in its disability programs, enhance efforts to ensure program integrity, and make the technology enhancements and workforce decisions needed to meet increasing workloads with fewer resources

SSA STEPS AHEAD WITH RESULTS-ORIENTED MANAGEMENT AND IMPROVED FINANCIAL ACCOUNTABILITY

At this time of heightened attention to the costs and effectiveness of all federal programs, the Congress and the Administration have acted to promote a more efficient federal government that stresses managing for results and accountability. These efforts include the Chief Financial Officers Act of 1990 (CFO Act), the Government Performance and Results Act of 1993 (GPRA), and the Government Management Reform Act of 1994 (GMRA). In addition, the Administration has undertaken, under the Vice President's direction, the National Performance Review (NPR) aimed at making government work better and cost less. We strongly

support these efforts as important and necessary steps to improving federal management.

SSA has surpassed many other federal agencies in these areas. For example, as a pilot agency under GPRA, SSA has worked to strengthen its strategic management process and to identify and develop performance measures that help its managers, the Congress, and the public assess its performance. In addition, for several years now, it has measured satisfaction levels among some of its customers and used focus groups to understand its customers' and employees' views, reflecting the customer service focus promoted by NPR. SSA is also a leader among federal agencies in producing complete, accurate, and timely financial statements as required by the CFO Act and GMRA. For example, for fiscal year 1995, SSA issued audited financial statements 3 months before its legal mandate. Moreover, SSA was among the first federal agencies to produce an accountability report, which is designed to consolidate current reporting requirements under various laws and provide a comprehensive picture of an agency's program performance and its financial condition.

To be most effective, SSA's ongoing efforts in strategic management, performance measurement, and accountability reporting will need to be continually improved and integrated into the agency's daily operations and management. SSA has a foundation in place on which it can build to manage the significant policy and program challenges it faces in the future.

LONG-TERM SOLVENCY IS THREATENED; SSA IS NOT YET ACTIVELY PARTICIPATING IN FINANCING DEBATE

As the baby boom generation ages, growing numbers of people will receive Social Security retirement and survivors benefits in the years to come, as shown in figure 1. By the year 2015--as baby boomers begin entering their mid-60s--the numbers of individuals receiving benefits will reach an estimated 50.4 million: more than one-third greater than the 37.4 million people receiving Social Security retirement and survivors benefits in 1995. Once on the rolls, retirees can be expected to receive benefits for longer time periods than past recipients. A 65-year-old male who began receiving Social Security benefits in 1940--the first year SSA began paying monthly benefits--was expected to live, on average, about an additional 12 years. By 2015, a 65-year-old male will have a life expectancy of 16 years--a 35-percent increase. During that same time period, the life expectancy for women aged 65 will increase by almost 50 percent--from an average of over 13 years to an average of nearly 20 years. Meanwhile, the ratio of contributing workers to beneficiaries will decline. By 2015, an estimated 2.6 workers will be paying taxes into the Social Security system per beneficiary; in 1950, 16.5 workers were paying Social Security taxes per beneficiary.

SSA Is Now Taking Steps to Be More Active

In our report on SSA's transition to independence, we noted that the agency's independence would heighten the need for it to work with the Congress in developing options for ensuring that revenues are adequate to make future Social Security benefit payments. More than a year after gaining independence, however, SSA is not yet ready to fully support policymakers in the current public debate on financing issues.

SSA has been involved in financing issues through its Office of the Actuary, which has provided data and analyses to the Advisory Council and policymakers developing financing options. The Office of the Actuary plays a unique role within the agency because it serves both the Congress and the Administration.⁵ SSA will also be providing assistance to the Social Security Advisory Board, which was established by the independence legislation to advise the Commissioner and make recommendations to the Congress and the President on SSA program policy.

These supportive roles represent SSA's major activities related to long-term financing issues. SSA has acknowledged that it has not undertaken the policy and research activities it needs to examine critical issues affecting its programs, including long-term financing, and to provide additional support to policymakers. The agency recognizes the need to be more active in these areas and, in May of 1996, took steps to reorganize and strengthen its policy analysis, research, and evaluation offices. It believes this reorganization will better position it to take a leadership role in critical policy and research issues related to its programs. At the time of our review, however, the reorganization had just begun, and the office responsible for coordinating all policy planning activities was only partially staffed. Although SSA did not have a specific time frame for when the reorganized policy office would be fully staffed and operational, it did expect to be better prepared to join the public debate over the next year.

SSA is in a unique position to inform policymakers and the public about the critical nature of long-term financing issues. Focus groups conducted by SSA have demonstrated that the public's knowledge of Social Security programs is generally low and the public's confidence in the Social Security system is undermined by its future financing problems. To address these issues, SSA is conducting a public education campaign that discusses what the current system offers in disability, retirement, and survivors benefits. It also emphasizes that the Social Security system can pay benefits for many more years and that the Congress has time to act before the trust funds are depleted. SSA, however, is not discussing options for maintaining or changing the current system. Feedback SSA has received from its focus groups indicates that addressing the public's lack of knowledge without also discussing possible options for ensuring the system's future solvency does not instill confidence and weakens the agency's credibility with the public.

We are concerned that SSA has not seized the opportunity as an independent agency to speak out on the importance of addressing the long-term financing issues sooner rather than later. As we have

⁵In recognition of this, in March of this year, the Contract with America Advancement Act of 1996, P.L. 104-121, established the Actuary as a permanent position within SSA and required that the Actuary report directly to the Commissioner. The Actuary had previously reported to a Deputy Commissioner; this change is expected to better ensure the Actuary's objectivity and independence.

noted in our previous work,⁶ the sooner action is taken to resolve the future funding shortfall, the smaller the changes to the system need to be and the more time individuals will have to adjust their financial and retirement plans.

SSA IS REDESIGNING ITS DISABILITY CLAIMS PROCESS BUT HAS PLACED LITTLE PRIORITY ON RETURN-TO-WORK EFFORTS

In recent years, disability caseloads have faced unprecedented growth. To manage this caseload growth and the resulting slow processing times, SSA plans to redesign and dramatically improve its disability claims process. However, SSA's redesign effort has encountered serious implementation problems. Moreover, while SSA is taking steps to improve the process for moving eligible individuals onto the disability rolls more quickly, it has not sufficiently emphasized helping beneficiaries return to work and leave the disability rolls.

Disability Caseloads Continue to Grow

During the past decade, SSA has faced significant increases in caseloads and expenditures for its two disability programs--DI and SSI. DI, enacted in 1956 and funded through payroll taxes, provides monthly cash benefits to severely disabled workers and their families; SSI was enacted in 1972 and provides assistance to needy individuals with insufficient work histories to qualify for DI. Unlike DI, SSI is funded through general revenues.⁷ DI and SSI caseloads and expenditures increased dramatically between 1986 and 1995, and the pace of this growth accelerated in the early 1990s. In 1986, 4.4 million blind and disabled persons under age 65 received DI or SSI benefits; by 1995, this number had soared to 7.5 million--a 69-percent increase.⁸ As the number of DI and SSI beneficiaries increased, so did the amount paid in cash benefits. The combined DI and SSI cash benefits increased from \$25 billion to \$57 billion in 10 years.⁹ Adjusted for inflation, the increase in the value of these cash benefits was 66 percent.

As these programs have grown, the characteristics of new beneficiaries have changed in ways that pose additional challenges for SSA. Beneficiaries are, on average, younger and more likely to have longer lasting impairments. Increases in beneficiaries with mental illness or mental retardation, especially, have driven this trend. Between 1982 and 1992, for example, mental impairment awards to younger workers increased by about 500 percent. This growing proportion of younger beneficiaries with longer lasting impairments means that the beneficiary population, on average, is likely to spend more time on the disability rolls. In 1992, for example, new DI awardees were, on average, 48 years old. Depending on the type of impairment that qualified them for benefits, these beneficiaries could spend nearly one-third of their adult lives on disability before reaching age 65.

Implementation of Redesigned Claims Process Faces Problems

As more and more people have filed for disability benefits, SSA has been slow to process initial claims, and appeals and backlogs have grown. To manage the disability caseload growth,

Deficit Reduction: Opportunities to Address Long-Standing Government Performance Issues (GAO/T-OCG 95-6, Sep. 13, 1995).

⁷Some states supplement federal SSI funds with their own funds.

⁸This number includes about 900,000 children receiving SSI disability benefits.

⁹This includes DI payments to disabled workers aged 18 to 64 and federal-only SSI payments to all SSI blind and disabled beneficiaries regardless of age.

increase efficiency, and improve service to its customers, SSA has started a massive effort to fundamentally change how disability decisions are made. Making disability decisions is one of the agency's most important tasks; it accounted for more than half of SSA's total administrative budget--about \$3 billion--in fiscal year 1995. Even so, claimants face long waits for disability decisions. As of June 1996, the wait for initial decisions averaged 78 days for DI claims and 94 days for SSI claims, with an additional 373-day wait for appealed decisions. Overall, the current disability claims process is not meeting the needs of claimants, the agency, or taxpayers.

To deal with these problems, in 1993 SSA formed a team to fundamentally rethink and develop a proposal to redesign the disability claims process. This labor-intensive and paper-reliant process has changed little since the DI program began in the 1950s.¹⁰ Efforts like SSA's--business process reengineering--have been used successfully by leading private-sector organizations to dramatically improve their operations. In April 1994, we informed the Congress that the agency's redesign proposal was its first valid attempt to address the fundamental changes needed to cope with disability workloads. At that time, however, we also acknowledged that implementing this needed change would be difficult and that we would be monitoring SSA's progress.¹¹

During this past year, we have been reviewing various aspects of SSA's redesign effort for this Subcommittee and have identified several implementation problems. SSA's redesign plan includes 83 initiatives to be started during a 6-year period (1995-2000), with 40 of these to be completed or under way in the first 2 years. On the basis of our ongoing work, we have found that the scope and complexity of many initiatives have limited SSA's progress toward its redesign goals. Although SSA has begun many of its planned initiatives, none is far enough along for SSA to know whether specific proposed process changes will achieve the desired results. Moreover, we are concerned that SSA has undertaken too many complex tasks and has not given sufficient priority to those redesign initiatives most likely to reduce processing times and administrative costs.

Some of its planned initiatives require extensive design and years of development before full implementation can begin. For example, a key initiative of the redesign involves consolidating the duties, skills, and knowledge of at least two current positions into a new Disability Claim Manager (DCM) position. SSA plans to establish over 11,000 DCM positions in about 1,350 federal and state locations, recruiting these DCMs from its current workforce of federal claims representatives and state disability examiners. SSA is currently struggling to resolve stakeholder disagreements among representatives of federal and state employees about how to proceed with testing this new position. SSA must also develop training plans, conduct tests at pilot sites, post vacancy announcements for positions, and select and train DCMs.

Developing software designed to allow SSA to move from its current manual, labor-intensive process to an automated process is critical to the success of SSA's disability redesign. The scheduled implementation of this new software, however, has been delayed by more than 2 years. Moreover, although SSA has separate implementation schedules for its various redesign initiatives and for its systems development activities, these two schedules are not linked. In addition, although SSA has developed individual plans for its redesign initiatives and for its system development activities, it has not developed a comprehensive detailed plan that

¹⁰The same disability claims process is used for the SSI program.

¹¹Social Security Administration: Major Changes in SSA's Business Processes Are Imperative (GAO/T-AIMD-94-14, p. 14, 1994).

integrates these two efforts. Such a plan should reflect priorities, resource allocations needed, key milestones, and decision points and identify relationships among ongoing and planned process and systems changes. For example, SSA cannot effectively develop software to support its key DCM position until it has completed a pilot for this position and determined in more detail what its duties will be and what information will be needed by the new claims manager. Although SSA officials recognize the need to develop such a plan, in June 1996 they noted that the testing of process redesign features involved too many uncertainties for SSA to develop an integrated plan.

Weak Return-to-Work Efforts

Although SSA has focused on improving its processes for moving eligible claimants onto the disability rolls, it has placed little priority on helping them move off the rolls by obtaining employment. This spring, we reported that policies guiding SSA's disability programs are out of sync with today's view of the capabilities of individuals with disabilities.¹² At one time, the common business practice was to encourage someone with a disability to leave the workforce. Today, however, a growing number of private companies have been focusing on enabling people with disabilities to return to work.

In contrast, SSA's programs lack a focus on providing the support and assistance that many people with disabilities need to return to work. Eligibility requirements, for example, focus on applicants' inabilities, not their abilities; once on the rolls, beneficiaries receive little encouragement to use rehabilitation services. A greater emphasis on beneficiaries' returning to work is needed to identify and encourage the productive capacities of those who might benefit from rehabilitation and employment assistance. Although the main reason for emphasizing returning to work is so that people maximize their productive potential, it is also true that an estimated \$3 billion could be saved in subsequent years if only an additional 1 percent of the 6.6 million working-age people receiving disability benefits in 1995 were to leave the rolls by returning to work.

SSA needs to develop a comprehensive return-to-work strategy that includes providing return-to-work assistance to applicants and beneficiaries and changing the structure of cash and medical benefits. As part of an effort to place greater priority on beneficiaries' returning to work, we recommended that SSA identify legislative changes required to implement such a strategy. Although evaluating any SSA response to our recommendations would be premature, we will be assessing SSA's efforts to help beneficiaries return to work.

SSA has also missed opportunities to promote work among disabled beneficiaries where it has the legislative authority to do so. In 1972, the Congress created the plan for achieving self-support (PASS) program as part of SSI to help low-income individuals with disabilities return to work.¹³ However, SSA has not translated the Congress' broad goals for the PASS work

¹²See SSA Disability: Program Redesign Necessary to Encourage Return to Work (GAO/HEHS-96-62, Apr. 24, 1996) and Social Security: Disability Programs Lag in Promoting Return to Work (GAO/T-HEHS-96-147, June 5, 1996).

¹³The PASS program provides for work-related expenses, such as training or transportation, to be excluded when an individual's eligibility or benefit amount is determined. In some cases, this allows DI beneficiaries who would not otherwise be eligible for SSI to receive SSI benefits in addition to their DI benefits. See PASS Program: SSA Work Incentive for Disabled Beneficiaries Poorly Managed (GAO/HEHS-96-51, Feb. 28, 1996).

incentive into a coherent program design. We recently reported that SSA needs to improve PASS program management, and it has taken steps to better manage the program in accordance with our recommendations.

INADEQUATE OVERSIGHT OF SSI UNDERMINES PUBLIC CONFIDENCE

Limiting opportunities for fraud, waste, and abuse in government programs is an important goal and essential to promoting public confidence in the government's ability to wisely use taxpayer dollars. Moreover, problems in any one of the programs that SSA administers can undermine confidence in all of its programs. Recent media reports on SSI fraud and abuse have focused attention on SSA's management of this program. Several of our recent reviews of the SSI program have shown that SSA's oversight and management of SSI have been inadequate and that the agency is not aggressively pursuing opportunities to increase program efficiencies. Although quantifying the extent of fraud, waste, and abuse is difficult, we have repeatedly identified program weaknesses that SSA needs to address either on its own or with the Congress to better control these problems.

For example, the media have reported allegations that some parents coach their children to fake mental impairments so that they can qualify for cash benefits. These benefits can total almost \$5,500 per year for each disabled child. Our review of SSI for children with disabilities found that part of the process for determining eligibility is overly subjective and susceptible to manipulation. The Congress may want to consider legislation to improve eligibility determinations for children with disabilities.¹⁴ Current legislative proposals incorporate changes addressing this problem.

In addition, in our review of the fraudulent use of translators to help individuals become eligible for SSI, we reported that SSA could reduce this type of fraud if it had a more comprehensive, programwide strategy for keeping ineligible applicants from ever receiving benefits.¹⁵ Moreover, we have several reviews under way of other program weaknesses. For example, in our ongoing work for the Subcommittees on Human Resources and Oversight of the House Committee on Ways and Means, we have found that even though prisoners are ineligible for SSI if they have been in jail for 1 calendar month or longer, prisoners in many large county and local jail systems have received millions of dollars in cash benefits. This means that taxpayers have been paying twice to support these individuals--both for SSI benefits and the cost of imprisonment. SSA has taken steps to review information on current prisoners to stop inappropriate payments; however, it is not taking action to develop information that would allow it to recover benefits paid to those who may have been incarcerated and received benefits in prior years, although this information is available.

SSA acknowledges that it needs to do more to prevent and detect fraud, waste, and abuse. It has several initiatives under way to accomplish this, and we will be monitoring these efforts. In addition, the new SSA Inspector General's Office, created when SSA gained independence from HHS, is increasing its emphasis on fraud and abuse.

¹⁴Social Security: New Functional Assessments for Children Raise Eligibility Questions (GAO/HEHS-95-66, Mar. 10, 1995).

¹⁵Supplemental Security Income: Disability Program Vulnerable to Applicant Fraud When Middlemen Are Used (GAO/HEHS-95-116, Aug. 31, 1995).

SSA FACES DIFFICULT CHALLENGES IN PREPARING FOR FUTURE WORKLOADS

In addition to its policy and program challenges, SSA will need to meet customer expectations in the face of growing workloads and reduced resources. SSA expects to redesign inefficient work processes and modernize its information systems to increase productivity, knowing that its customer service will deteriorate to unacceptable levels if it continues to conduct business as in the past. In addition, it faces the urgent need to complete year-2000 software conversion to avoid major service disruption at the turn of the century. SSA will also need to effectively manage its workforce and consider what service delivery structure will work best in the future.

SSA Must Manage Growing Workloads With Reduced Resources

As the baby boom generation ages, more and more people will be applying for and receiving SSA program benefits. In addition to increasing retirement and disability caseloads, SSA's other workloads will grow because of increasing responsibilities. For example, SSA must meet a legislative requirement that most workers be mailed annual statements of their earnings and estimated retirement benefits,¹⁶ called Personal Earnings and Benefit Estimate Statements. The creation and mailing of these annual statements to all workers aged 60 and older, begun in 1995, must be expanded to those aged 25 and older--about 123 million individuals--by the year 2000. We are currently reviewing for this Subcommittee whether the usefulness of these statements can be improved and what impact they will have on SSA's workloads.

Moreover, SSA has been unable to fully meet legislative requirements to periodically review the status of disabled beneficiaries to ensure that those who are no longer disabled are removed from the rolls. SSA now has plans to review the status of more than 8 million beneficiaries in the next 7 years. To accomplish this, SSA would have to conduct about twice as many reviews as it has conducted over the past 20 years combined.¹⁷

SSA knows that it must meet these increasing demands in an era of federal downsizing and spending reductions. SSA has estimated that it would need the equivalent of about 76,400 workers to handle its workloads by the end of the century if it conducted business as usual. Instead, it expects to handle this work with about 62,000 workers--fewer than it has today.

Technology Critical to SSA's Future Success

To handle increasing workloads and improve public service, SSA has begun to redesign inefficient work processes and develop supporting modernized information systems. SSA is in the process of a multiyear, multibillion dollar systems modernization effort expected to support new ways of doing business and improve productivity. SSA's Automation Investment Fund of \$1.1 billion supports its 5-year plan, from fiscal years 1994 to 1998, of moving from reliance on computer terminals hooked to mainframe computers in its Baltimore headquarters to a state-of-the-art, nationwide network of personal computers. The new network is expected to improve productivity and customer service in field offices and teleservice centers and allow for further technology enhancements.

Although this new computer network environment may yield productivity improvements, it poses significant challenges for SSA.

¹⁶Under the legislation, SSA must provide individuals aged 50 and over estimates of their potential monthly retirement benefits, beginning no later than Oct. 1, 1999.

¹⁷Special funding has been authorized for 7 years for SSA to complete these reviews.

The usefulness of new computer systems will depend on the software developed for them. Software development has been identified by many experts as one of the most risky and costly aspects of systems development. To mitigate the risk of failing to deliver high-quality software on time and within budget, SSA must have a disciplined and consistent process for developing software. SSA has already experienced problems, however, in developing its first major software application for use in its new network. These problems include (1) using programmers with insufficient experience, (2) using software development tools that have not performed effectively, and (3) developing initial schedules that were too optimistic. As we noted earlier, these problems have collectively contributed to a delay of over 2 years in implementing this new software. Although SSA has begun to take steps to better position itself to successfully develop and maintain its software, it faces many challenges as it works to develop software in its new computer network environment.

Year 2000: Converting Software Top Priority to Avoid Benefits Disruption

SSA faces another systems challenge--one of the highest priority--that affects not only its new network but computer programs that exist for both its mainframe and personal computers. Most computer software in use today is limited to two-digit date fields, such as 96 for 1996. Consequently, at the turn of the century, computer software will be unable to distinguish between 1900 and 2000 because both would be designated "00." By the end of this century, SSA must review all of its computer software--about 30 million lines of computer code--and make the changes needed to ensure that its systems can handle the first change to a new century since the computer age began.

This year-2000 software conversion must be completed to avoid major service disruption such as erroneous payments or failure to process benefits at the turn of the century. Errors in SSA programs could also cause difficulties in determining who is eligible for retirement benefits. For example, an individual born in 1920 could be seen as being 20 years old--not 80--and therefore ineligible for benefits. Similarly, someone born in 1980 could be seen as 80 years old--not 20--and therefore entitled to receive Social Security benefits.

Beginning work on this problem as early as 1989, SSA has reviewed and corrected about 20 percent of the computer code that must be checked, according to its Deputy Commissioner for Systems. To complete the job, SSA estimates that it will take 500 work-years, the equivalent of about \$30 million. Agency officials reported that the amount of resources dedicated to the year-2000 effort could impact staff availability for lower priority projects and SSA's ability to tackle new systems development work.

Developing a Trained and Flexible Workforce Is Essential

SSA recognizes that to maximize the effectiveness of its reengineered work processes and investments in technology, it must invest in ongoing employee training and career development. Ultimately, SSA envisions a less specialized workforce with a broader range of technical skills that can be flexibly used in areas of greatest need. In addition, SSA has taken steps to reduce its number of supervisors, as part of the Administration's efforts to eliminate unnecessary bureaucracy by working with fewer supervisory layers. To manage these changes, SSA is training some of its headquarters employees on the concepts and techniques of teamwork. To manage with fewer supervisors in its field operations, SSA also plans to work with its unions to test a number of team concepts.

Complicating SSA's efforts is its aging workforce: 47 percent of SSA's senior executives and 30 percent of its grade 13 to 15

personnel are eligible to retire over the next 5 years. In the 2 fiscal years ending this September alone, SSA will have lost, and have needed to replace, two of its seven Deputy Commissioners to retirement.¹⁸ SSA has acknowledged the importance of having skilled managers to prepare for the demands of heavier workloads, new technology, and expected changes in its employee and client base. However, it has been 4 years since SSA participated in HHS' executive level management development program, and it has not announced its own program since becoming an independent agency. SSA also has not selected candidates for its mid-level management development program since 1993. The agency recognizes the need for management development programs but has not yet scheduled future programs.

Difficult Restructuring Decisions Lie Ahead

Although SSA has begun to discuss its use of improved technology and a more flexible workforce to conduct its business in new ways in the future, it has maintained its traditional service delivery structure, including 1,300 field offices. Given the significant changes facing SSA, it has not adequately considered whether its current service delivery structure is really what is needed for the future. This important issue needs serious consideration.

According to SSA officials, the agency has not developed specific plans for restructuring its organization and redeploying staff in response to demographic and workforce changes and shifting customer expectations. 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 and more of their business. Customer feedback also indicates that customers would like to complete their business in a single contact. Over time, SSA will likely need to restructure how it does business to cost-effectively meet changing customer preferences; this may ultimately involve office closures. Issues of where, how, and by whom work will be done entail sensitive human resources issues and may have negative impacts on local communities; to resolve these, SSA will need to work closely with its unions, employee groups, and the Congress.

To improve its 800-number service, for example, SSA has many initiatives under way, which we are reviewing at your request. SSA currently has 39 teleservice centers. Studies indicate that this is far too many teleservice centers to operate SSA's 800-number system in the most cost-effective way. A 1990 report from HHS' Inspector General, for example, indicates that SSA could operate more efficiently and cost-effectively with one-third the number of centers it currently has. SSA is studying and plans to work with employee groups on this issue but has not developed specific plans for reducing the number of teleservice centers.

LEADERSHIP NEEDED TO HANDLE CHALLENGES

As the 21st century approaches, SSA faces dramatic challenges: funding future retirement benefits, rethinking disability processes and programs, combating fraud and abuse, and restructuring how work is performed and services delivered. How SSA performs in these areas can have a powerful effect on its success in fulfilling its mission and on the public's confidence in this agency and the federal government.

To help SSA meet these challenges, the Congress took steps through the independence legislation to build public confidence in and strengthen the agency. The independence legislation provides

¹⁸SSA currently has seven Deputy Commissioners, who oversee the following functions: operations; systems; finance, assessment, and management; programs and policy; communications; human resources; and legislation and congressional affairs.

that SSA's Commissioner be appointed by the President with the advice and consent of the Senate for a fixed 6-year term, with removal from office by the President only for a finding of neglect of duty or malfeasance in office. As the Congress was considering the legislation, we testified that a fixed term of several years for Commissioner would help stabilize and strengthen SSA's leadership. We continue to support the need for a fixed term. The legislation also calls for a fixed 6-year term for a Deputy Commissioner, also to be appointed by the President with the Senate's advice and consent.

The Commissioner and Deputy Commissioner head the leadership team needed to address the agency's existing problems and manage its future challenges. SSA's efforts to maintain an effective cadre of leaders are complicated by the impending retirement of many of its executives and managers and by the absence of a Commissioner and Deputy Commissioner with the stability of fixed terms.¹⁹ This leadership must be in place for SSA to progress on the four fronts we have highlighted.

First, SSA must step up to its role as the nation's expert on Social Security issues; it is uniquely positioned to inform the public policy debate on the future financing and structure of Social Security.

Second, SSA must redesign the disability claims process and place greater emphasis on return to work in its disability programs. To increase the redesign project's likelihood of success, SSA needs to ensure that those initiatives most likely to save significant costs and time are implemented. Because of the scope and duration of SSA's redesign, it should report on an annual basis the extent to which it is meeting its processing time reduction goals. It must also sustain its efforts to build and maintain stakeholder support. In addition, SSA must develop a comprehensive detailed plan that integrates its redesign initiatives and systems development activities. The Commissioner also needs to act immediately to place greater emphasis on return to work by changing both the design and the administration of the disability programs.

Third, SSA must better protect taxpayer dollars. As the administrator of the nation's largest cash welfare program, SSA must ensure program integrity in SSI. Reports of fraud and abuse trigger public perceptions that SSA is not making cost-effective and efficient use of taxpayer dollars.

Finally, SSA must manage technology investments and its workforce, and--when needed--make difficult decisions about handling increasing workloads with reduced resources. It must also continue to focus on and closely manage its year-2000 conversion to help ensure that SSA will move into the 21st century with systems that function correctly. Moreover, as SSA prepares to meet greater demands and changes in its employee and client base, it may have to make difficult workforce decisions to better respond to customer needs. For example, SSA may need to close offices and move its workers to different locations to better meet growing demand. In an environment of shrinking budgets and increased expectations for government agency performance, ensuring that agency decisions are based on comprehensive planning and sound analyses will be even more essential.

SSA's success in meeting these challenges is critical. The agency is all important, accounting for one-fourth of federal spending and touching the lives of almost all Americans. How it meets its challenges as it moves into the next century can make a

¹⁹The current Commissioner was appointed by the President and confirmed by the Senate before the agency gained independence; the current Deputy Commissioner serves in an acting capacity.

significant difference in the well-being of America's vulnerable populations--the aged, disabled, and poor--and in how the public feels about its government.

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Mr. Chairman, this concludes my formal remarks. I would be happy to answer any questions from you or other members of the Subcommittee. Thank you.

For more information on this testimony, please call Jane L. Ross, Director, Income Security Issues, Health, Education, and Human Services Division, at (202) 512-7215, or Cynthia M. Fagnoni, Assistant Director, at (202) 512-7202.

(105935)

Chairman BUNNING. Mr. Bowsher, since this is probably going to be your last appearance before our Subcommittee, and you're retiring this fall, on behalf of the Subcommittee I want to commend you on your 15 years of distinguished service to the Congress. Thank you and your staff once again for all of your outstanding work. We wish you the very best in retirement. You have done a great job and we appreciate it very much.

Mr. BOWSHER. Thank you.

Chairman BUNNING. You're not off the hook, because I want to go vote, return, and ask you some questions.

Mr. JACOBS. Would the gentleman yield?

Chairman BUNNING. I'll be glad to yield.

Mr. JACOBS. Ditto. [Laughter.]

Chairman BUNNING. Mr. Laughlin, would you start the questioning while I go to vote.

Mr. BOWSHER. We will.

Mr. LAUGHLIN. Mr. Bowsher, don't you think that the public's personal stake in the Social Security Program makes it particularly important for the Social Security Administration to preserve the integrity of the programs in the eyes of the public through a strong Office of Inspector General, particularly since the IG has enforcement power granted in statute?

Mr. BOWSHER. Yes, I do.

Mr. LAUGHLIN. From the GAO's perspective and experience, what are some of the particular challenges that the SSA Inspector General's Office will face in auditing and investigating SSA programs and operations? What are some of the greatest SSA vulnerabilities?

You mentioned fraud and abuse. What about computer fraud, and program abuse and fraud, and employee fraud?

Mr. BOWSHER. Those are the main concerns. In other words, in SSI you've got a program that is vulnerable to fraud, waste and abuse. We've seen it and we've reported on it. What the IG needs is the expertise to go out and review that area.

Also, I think there are two areas that worry me a little bit about the SSA IG, and that is that you've got to have experienced systems talent to review all this investment that you're making in technology, and also the systems that are in place now, to see if the proper controls are there to prevent that kind of abuse.

Also in the CFO Act. In other words, you need CPAs, you need experienced accountants and everything like that. So I think the IG Office, which is just getting started under its first IG—and I might for full disclosure here point out that the new IG did serve some time at GAO; in other words, he was with our organization for a period of time—I think he's got to build a strong staff over there and build the right mix of talent to do his job.

Mr. LAUGHLIN. Mr. Bowsher, as head of the congressional auditing and investigative arm, I'm sure you understand the need for an adequate number of auditors and investigators if you are to do the work properly.

How the SSA is setting up and staffing its new Inspector General's Office is of serious concern to this Subcommittee. This year the SSA's total budget will include Social Security and SSI benefit payments of close to \$400 billion, going to roughly 50 million people, both here and abroad. As you know, the disability programs

are poorly monitored and are particularly easy targets for fraud and abuse. Yet, SSA's Inspector General's Office has only 215 auditors and investigators combined.

Consider these agencies in comparison: The Veterans' Administration has a \$40 billion budget versus \$400 billion at SSA. The VA has a \$40 billion budget monitored by 300 auditors and investigators. The Department of Energy has a \$30 billion budget monitored by 277 auditors. The Department of Education, \$30 billion, monitored by 273. HHS, with a workload not unlike SSA's, has 579 auditors and investigators, monitoring \$319 billion. And DOD has a whopping 1,338 auditors and investigators monitoring \$277 billion.

Don't you agree that SSA's Inspector General's Office is woefully understaffed, given the challenges it faces, and given the size and complexity of SSA's programs, the growing problems with computer fraud and the need to maintain public confidence in the integrity of the program? Wouldn't you suggest that SSA shift personnel resources to substantially increase its current IG staff—maybe double or triple?

Mr. BOWSER. Well, I'm not sure. What I would like to see, and maybe the Subcommittee should request this from the IG, is what is the talent base that he has inherited.

One of the problems with the IGs historically has been that when the legislation was passed, some of the departments had large numbers and some had very small numbers, so we've been out of balance, I think, in the whole government you might say, in the IG community. Gradually, some of them have been better balanced, let's say, and in pretty good shape. I think that's what you want to achieve here at the SSA.

In other words, I wouldn't want to jump to say they should be doubled or tripled or anything like that, but I do believe that it ought to be adequately staffed, and you need the right skills every bit as much as the numbers that you need.

I think one of the things that maybe the Subcommittee would want to do at some point next year is have the IG come forward with what he thinks is necessary in that.

Mr. LAUGHLIN. My time is about to expire, but you mention in your testimony the waste, abuse and fraud.

From your review, do you consider the SSA's Inspector General's Office adequate to monitor, to correct or to address the waste, abuse and fraud that you have reviewed?

Mr. BOWSER. Without having done a study, I can't give you a definitive answer. But I would be concerned that it might not—I'm quite sure it doesn't have the right mix. What I'm not sure of is how many more people are needed.

Mr. LAUGHLIN. I yield back.

Thank you, Mr. Chairman. Sam, I think you're the Chairman.

Mr. JOHNSON [presiding]. The time of the gentleman has expired.

Mr. Jacobs.

Mr. JACOBS. Mr. Chairman, I have two housekeeping items. First, I would like unanimous consent to insert in the record a couple of newspaper articles and a summary of the accomplishments of SSA since it's been made an independent agency.

Mr. JOHNSON. Without objection, so ordered.

[The articles were not available at the time of printing.]

Mr. JACOBS. I only have one question for you, Mr. Bowsher. Have you an opinion as to whether the independent agency of Social Security should be allowed by law to submit directly its budget to the Congress?

Mr. BOWSHER. Well, I think you have a history here that's important, and that is, when you created the OMB in 1921, you were bringing all of the budgets of the Federal Government under the President, you might say. That was started by Teddy Roosevelt. You remember the executive budget movement. It finally got passed in 1921.

Mr. JACOBS. Except the correct pronunciation in that case was Roosevelt. He was Roosevelt and Franklin was "Rosevelt," and most people think Eleanor did not change her name when she married Franklin, but, in fact, she changed the pronunciation of her name.

Mr. BOWSHER. I see. I'll keep that in mind.

Mr. JACOBS. Little known and less useful facts. [Laughter.]

Mr. BOWSHER. So I think what you did set up here by legislation—in other words, the Congress can see what SSA has submitted to OMB. OMB has the right to modify that when OMB sends over the President's budget, and then the Congress has the right to appropriate whatever they think is appropriate. So I think you have the information available for you at this time.

Mr. JACOBS. Thank you.

Mr. JOHNSON. Thank you, Mr. Jacobs.

Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

Mr. Jacobs, my daddy's name was Henry Roosevelt Collins. He was born in 1903, and I'll give you a guess at which Roosevelt he was named after.

Mr. JACOBS. Well, my dad continued to call Franklin Roosevelt, and I always wondered why everybody else was saying "Rosevelt" but he was old enough as a kid to remember Ted.

Mr. BOWSHER. If I could just take 1 minute, you know, I grew up in Elkhart, Indiana, and I went to Roosevelt school, which was named after Teddy. So, you know—

Mr. JACOBS. You've got to admit that in Indiana, Versailles is "Versales." [Laughter.]

Mr. JOHNSON. Now that this history class is over—

Mr. JACOBS. Wait 1 minute, Mr. Chairman. I have to add one other thing, since we're both—By the way, you said when you did this in 1921. Like you, I'm retiring, but I wasn't here in 1921.

I should add, too, so Indiana can be better understood by the world, that they say the Hoosier rule of grammar is that if it sounds wrong, it's right. [Laughter.]

Mr. BOWSHER. Right.

Mr. COLLINS. One other bit, tidbit. My father was short in stature but he toted a big stick. I have felt that big stick on occasions.

Mr. Bowsher, let me get back to my question.

What issues should the Social Security Administration focus on to improve the public's confidence in it as an agency and the programs it administers? Every townhall meeting that I have, I'm asked about Social Security and about the IOUs and the notes and

the use of the money, the robbing of the till. What should the SSA focus on so that we can build confidence back in people of all ages, and what would especially be effective among young adults?

Mr. BOWSHER. Well, I think what you've got here is you've got a financing issue. In other words, will the money be there for the younger people. That's being asked. So you've got to develop a program, Congress working with the President at some point in time, that will put the program on a very sound financial basis in the next century.

It's on a sound basis at the moment. The big concern is, as the baby boomer comes to retirement, and we have fewer workers and more beneficiaries, you have got to have some change in the program. I think that's one of my strong recommendations here, to have a strong policy group in SSA that is developing the research and the policy options and everything like that, to see what can be done here.

I think what you need also is a good explanation of how the money actually does flow. I think there's a lot of confusion on that. I think if that was articulated in a brochure of some sort and could be given out to people, that could be distributed, I think that might be very helpful.

Then I think the other big thing is to run the department successfully. In other words, you've got to get rid of the fraud, waste and abuse in the SSI area, to the extent that you can. You have got to be able to have your programs operated with modern technology.

I think a good example of this is—you know, there's a big insurance firm down in San Antonio that has insurance for the military, but a lot of retired military. Ten years ago they said they had to hire every college kid in the neighborhood at night to find missing files. Then they actually got their system in and working, which is on a PC, where if you call up, they can get your file right up, whoever takes your call. That's what more and more organizations are going to. That's the basic thrust of the reengineering that they're trying to do at SSA.

If that could become successful, then the calls that would come in, people would feel that, boy, they're on top of my problem. So I think it's the reengineering and the technology program. It's getting the proper controls on your SSI programs.

Mr. COLLINS. Those proper controls would answer a lot of the questions, or the problem. But the real issue is, you know, people have these funds deducted from their paycheck, and it's their money.

Mr. BOWSHER. Yes.

Mr. COLLINS. Of course, it's hard for any of us to trust other people with your money. Of course, this is a mandated deal. We have no choice. It's going to come out of our paycheck and it's going to the government. There's a lot of distrust there.

You heard my questions earlier about the cash flow. How could we establish that cash flow that would take away some of that reluctance or that distrust?

Mr. BOWSHER. I don't think you can create a new bank account. In other words, I think that would be destroying what was set up here in 1921 and in 1967 with the unified budget. But I think if

you could get a better explanation of how the trust fund actually works, and the fact that the money is there now and things like that, then what you need is a new financing plan that is credible to the average American, including the young people. That's what is needed.

Mr. COLLINS. In my closing seconds here, on Sunday's "Meet the Press" with Tim Russert, Sam Nunn gave a very good explanation that no one group in this town has the answer. But when you get to Social Security and Medicare, it is politically incorrect because one side or the other is going to attack, attack, attack the other side, to use it as a political tool.

How can we get rid of that political tool that is used by both sides?

Mr. BOWSHER. I think you need some kind of a bipartisan approach to it, whether you go to a commission or some kind of thing to give you cover. But you will never solve this problem except on a bipartisan basis.

There is one thing I would like to add to a previous answer I gave you. I think that this annual statement going out to the citizens will be a very key communications tool. I think that is very important to the building of future confidence.

Mr. COLLINS. Thank you, and thank you, Mr. Chairman.

Chairman BUNNING [presiding]. Sam, do you have any questions?

Mr. JOHNSON. No questions.

Chairman BUNNING. Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

I would like to follow up, Mr. Bowsher, on your last comment. What is your assessment of SSA's progress in implementing issuance of the Personal Earnings and Benefit Estimate Statement, the PEBES that you just referenced?

Mr. BOWSHER. We're doing a study on that right now, and we don't have it completed. But I think one of your problems there is that, when you send those statements out, the information on it has got to be accurate or, needless to say, you will have more of a lack of confidence.

But I think it's important to send the statements out and make sure that the systems are working, and you've got to have accuracy. Once you achieve that, I think people are going to feel good about the program. If you think of most of the large employers in this country, and when I was in the private sector, I always got an annual statement as to what my Keogh said, where my pension stood and everything like that. The employers do that because they want the employees to feel good about what's being taken out of their paycheck.

I think once SSA can produce accurate annual statements to the public here, I think it can be a big boon to the confidence level.

Mr. ENGLISH. Thank you very much.

Shifting topics a little bit, I would like to get your observations on the legislative policy and budget role the Office of Management and Budget has played in SSA's affairs since it became an independent agency.

Mr. BOWSHER. I believe what happened is that SSA submitted their budget to OMB, as they normally did. OMB may, with the legislation that you passed, modify that as part of the President's

budget which is sent to Congress. SSA's unrevised budget is required to be sent to you at the same time as the President's budget.

But, as I said earlier, Congress then has the right to change the appropriation—you know, to send an appropriation back different than the President's budget. So you have every right to converse with the Commissioner as to what that person thinks is needed.

Mr. ENGLISH. How would you characterize the level of independence that SSA recently has had from OMB? Do you consider it to be very independent?

Mr. BOWSHER. No, I think OMB still basically has oversight over SSA. In other words, I think SSA came out from under HHS's review of the budget and everything like that. But you have this information flow to the Congress on what is needed.

You know, one of the things that's interesting, if I could just take 1 minute, is that once you have the executive budget of the President coming over here, in most departments, the head of the agency is asked to specifically support the President's budget. You know, sometimes, like at the Pentagon, they slip over here and the head guy says we support, but somebody else might say we need a B-2 bomber, Mr. Congressman.

But what you gave the Commissioner is official authority to discuss, I think, with the Congress their budget that they submitted to OMB, their needs.

Mr. ENGLISH. That point is well taken.

Let me just ask a final question. When Congress made SSA an independent agency, we required the Office of Personnel Management, by statute, to authorize substantially more Senior Executive Service positions at SSA.

From your findings, can you tell us how many SES positions SSA had as part of HHS, and what kind of increase OPM authorized for SSA as specified in the law?

Mr. BOWSHER. Yes. I can tell you that OPM did not approve their request. I think what they had at the time of independence, they were authorized 104, which was an increase of 14 percent at that time. Since independence, SSA has identified 113 and requested an increase of 5, and OPM denied that request.

Mr. ENGLISH. Can you comment on the policy implications of that denial?

Mr. BOWSHER. Well, I think it's unfortunate, to be very blunt about it. In other words, I think the request of five more SES to manage a department of this size was very reasonable. I understand the administration is under some pressure to try to bring down the number of SESers, but I think it's shortsighted myself.

Mr. ENGLISH. Thank you, Mr. Bowsher. I appreciate your testimony here today.

Thank you, Mr. Chairman. I yield.

Chairman BUNNING. Mr. Portman.

Mr. PORTMAN. Thank you, Mr. Chairman.

Mr. Bowsher, I appreciate your being here, and I'm glad you sat through the earlier testimony as well, so you have some sense of where we are in terms of our questioning. I think part of the problem that SSA has is that we could make improvements to the law that it has to administer. Part of the problem you indicated is they are not necessarily fulfilling the big picture role. I think the annual

reports, the PEBESs, are going to help with regard to that, but I couldn't agree with you more, that they have a role there to educate our constituents, the American public in general, as to what the situation is currently and how we will have to deal with an increasing aging population and fewer and fewer workers.

But on the management side, which is really where you have given us a lot of good input, as a service organization, you have indicated some shortfalls, and I want to focus on a couple of those.

One is the disability area, and particularly the CDRs. In your testimony I think you talk about the fact that there's a rather ambitious plan to complete 8 million CDRs in the next 7 years. Do you think that's realistic?

Mr. BOWSHER. I think it's going to be tough, yeah.

Jane, would you want to add anything to that? You're pretty close to that.

Ms. ROSS. Yes. We think it's an ambitious goal. SSA says they can make it, but some of the assumptions on which they base their optimism is that they will be able to put some fairly major improvements in place in order to do more CDRs.

We are in the process now of looking for this Subcommittee at whether we think they can complete their work on the backlog.

Mr. PORTMAN. Do you think, Ms. Ross, that by more private contracting, more aggressive contracting than the pilot programs that are out there, that there's a better chance that that ambitious number could be reached, based on GAO's study of this?

Ms. ROSS. I think this is an area where contracting out would be something that SSA might want to look at. We haven't done any looking at it. But they have pretty much thought about how you would do this strictly internally, and perhaps that's another option they ought to examine.

Mr. PORTMAN. Any thoughts on that, Mr. Bowsher?

Mr. BOWSHER. I think they ought to consider it and do some pilots maybe.

Mr. PORTMAN. In terms of technology, the whole notion of bringing a Federal Government agency into the nineties, if not into the 21st century, how would you judge SSA as compared to other agencies? The IRS comes to mind, and others.

Mr. BOWSHER. I used to consider SSA one of the worst, and I was wondering whether they were ever going to get beyond their tape drives over there. But they have made some progress in recent years on that. So I think now they have got a department that has made real improvements and I would hope that this technology program that they're currently involved in would be successful.

But one thing, of course, that now worries us is we hear about the 28-month slippage on the software, that is a concern. Pat might just add a few words on that. Because this is very important.

Mr. PORTMAN. If you could also address the redesign issues and kind of the bigger issue of whether there is, I guess, an architecture for design.

Ms. TAYLOR. Right. On the 28-month delay, though, only 10 months of the delay is really due to the software development problems. SSA knows about those. Right now their biggest challenge is they're moving from the old mainframe computers and going to a more modern, PC-based network system, and the people that they

have are trained in the mainframe environment. That means that everybody needs to get trained in the new environment, and SSA recognizes that that's a problem.

Also, some of the tools that they used in the software development didn't work the way they were supposed to, so that means they ended up doing a lot of manual entry of data and that's part of that 10-month delay.

Now, the remaining 18 months, though, are due to SSA's response to feedback from outside consultants, who said that their initial rollout schedule was too ambitious from the very beginning, so they have made some adjustments there.

Also, their consultants told them that they needed to do at least one more pilot test than what they were originally planning to do and that test should be in the reengineered environment. I think we would be in support of that. That's a little bit more conservative approach.

Mr. PORTMAN. So they were unrealistic in their initial expectations?

Ms. TAYLOR. Right, which we see a lot.

Mr. PORTMAN. Again, getting back to the CDRs, do you have some solutions that you would recommend in terms of more private contractors, anything else? I'm about to run out of time here.

Ms. TAYLOR. I'm not sure how the technology supports the CDRs, because we haven't really—

Mr. PORTMAN. I'm just making an analogy to CDRs, whether there are some specific recommendations you would make with regard to the technology.

Mr. BOWSHER. Whether we need to have more privatization of the effort, you might say, with outsourcing of the effort.

Ms. TAYLOR. Right. Really, about 90 percent of the software development and systems they do in-house, and they really haven't contracted out much at all.

I think the caution there, as we've seen in other places, is that even if you bring in outside consultants or contractors, you need to know how to manage them. I think SSA, since they haven't had that experience a lot, that's going to be one thing we'll probably need to watch.

Mr. PORTMAN. Thank you, Mr. Chairman.

Chairman BUNNING. Mr. Christensen.

Mr. CHRISTENSEN. No questions.

Chairman BUNNING. OK.

In my letter to you, I specifically asked GAO to analyze the extent to which SSA is establishing a research agenda, and you addressed that by saying it should be bipartisan. If we're going to solve the problem on funding, for the Social Security Administration, it has to be bipartisan.

I couldn't agree with you more. It's very difficult when the Commissioner of Social Security is out speaking on behalf of the administration on political issues, to have bipartisan cooperation between the two parties that sit at this table.

I would just ask you, as a personal observation, do you think the head of an independent agency should be out speaking politically on issues that the administration and the Congress might have a difference of opinion on?

Mr. BOWSHER. Well, I think that often heads of independent agencies try to avoid that, for the very reason that—In other words, they certainly should be out there explaining the program, but just what you're referring to, as to any statements made by the Commissioner, I don't have that background.

But I think it's important, in a role like this, to try to be as independent of other politics as you can, other than the program that you are in charge of.

Chairman BUNNING. You said that the Social Security Trust Funds would be solvent until approximately 2015, and if we don't do something prior to that, we're going to run into some funding problems, and confidence problems between the individuals who are waiting to retire and the retirement program itself.

Wouldn't it be better to address funding and confidence problems sooner rather than later?

Mr. BOWSHER. Very definitely. In other words, we have issued some reports on the overall budget deficit problem, and the entitlement programs, of course, are a big part of the problem that is building, and the retirement program is there, too.

The 2013–15 period is when you start to have greater expense, and you still have the trust fund balances at that point in time. But the confidence level is a very important factor here. I think the sooner that decisions can be made on whatever changes are needed, I think it helps both the running of the Federal Government but also very much helps the individual Americans out there who have to plan for their retirement.

Chairman BUNNING. Do you think it's very important for the Social Security independent agency to lead in those suggestions on how we can solve these funding problems?

Mr. BOWSHER. I think it's important that they do the research so that you can be looking at various options and policy changes. I think eventually it's the Congress and the President that will, of course, have to make the final policy decisions that get enacted and signed into law.

I think it is very much appropriate for the agency to do a great deal of policy and research to help shape that final product.

Chairman BUNNING. Mr. Bowsher, I've been getting suggestions from everyone; Latin America, think tanks up here in Washington, other individuals, who know how to solve this problem. I have yet to have a suggestion or a policy suggestion from SSA on how we can eventually solve this funding problem. I await their suggestions, so that we can take a look at what the agency itself believes is a solution.

You also suggested there might be an independent commission set up to do that. The last commission that was set up in 1983 got us through this century. I would like to see the funding issue solved on a more permanent basis, even though it has been solved for 20 or 30 years. That time span doesn't give the confidence that I think is necessary for those that are dependent on the Social Security Administration to deliver what they said they would deliver and what the Congress promised to deliver. So I look forward to their suggestions.

Does anyone else have any other questions?

Sam.

Mr. JOHNSON. Thank you, Mr. Chairman.

In regard to that, what specific role do you think SSA should play in that long-term solvency debate?

Mr. BOWSHER. Well, as I have said, I think they ought to have a good research and policy unit over there that is doing research and maybe even going out and doing focus groups. You have to find out what the people are thinking and how they would react to various policy changes. So I think you need a good research group and that's what they have started over there. So I think now hopefully they will come—

Mr. JOHNSON. I was under the assumption they hadn't done any of that, or at least it wasn't being done as rapidly as—

Mr. BOWSHER. It just got started. I think what happened was that some time back they had a policy group, and that disappeared. So you've had an organization here for a number of years that didn't have that capability, not that maybe some people weren't working on some of that at the agency. But I think now what they're doing is starting to rebuild that capability and I think, hopefully, you will get products.

Cindy, would you want to add to that? You've kind of been following this area more.

Ms. FAGNONI. Just to comment on or explain specifically, the SSA had a fairly major reorganization of its policy component and just in May 1996 they have added a new office that will look at long-term research. They've added an evaluation component to their research shop, to help evaluate existing legislation and to help develop policy options. So they do recognize the need to bolster their ability in these areas and they do now have a plan to beef up those areas. But their plan was just set in action in May, so some of these pieces are not fully staffed up at this point.

Mr. JOHNSON. Are they, in fact, trying to educate the public on the problem, and the long-term solvency in particular?

Ms. FAGNONI. Their public education campaign at this point has been focused more on explaining what their programs are and not talking about the long-term solvency issue.

When SSA does talk about long-term solvency, they tend to talk about it in terms of there are a lot of years and there is time to make a decision, rather than perhaps discussing options and emphasizing the need to take action sooner rather than later.

Mr. JOHNSON. Thank you.

Thank you, Mr. Chairman.

Chairman BUNNING. Mr. Jacobs.

Mr. JACOBS. Mr. Chairman, I may have something relevant—and I don't necessarily say I agree with it. But it's a quotation from the Speaker, who says, in an article on January 3, 1995, under the title "Gingrich says Social Security may need new look, but not now," that "it would be unwise to try to deal with Social Security's own long-range financing problems until early in the next century." So there are various points of view on this subject.

Chairman BUNNING. I would just comment that I don't agree with the Speaker on a lot of issues, and that's one of them.

Mr. JACOBS. I just thought he had a right to be heard from.
[Laughter.]

Chairman BUNNING. Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

I just want to follow up on your comments, Mr. Chairman, and your inquiry about waiting for the agency to come forward with some proposals that will address the problems that exist, the solvency problems for the future.

My question, though, is based on the current status of the Commissioner—and I may have a misunderstanding of the status—but the current Commissioner was nominated and confirmed as Commissioner of SSA under HHS, but since SSA has become an independent agency confirmation as Commissioner of the new independent agency has not happened.

With the Commissioner's current status as the carryover Commissioner of the former agency under HHS, and politics as they are, can we realistically expect proposals based on political vulnerability, even at the White House or here in Congress, from the current Commissioner?

Mr. BOWSER. I think it puts the current Commissioner in a more difficult position and certainly not as independent as if she was confirmed under the new legislation. No question about it.

Mr. COLLINS. As a followup to that, going back to the first witness, would a good, strong attitude toward the agency, the beneficiaries, the contributors, rather than the politics of it—and I refer back to the Chairman's comment about the current Commissioner stumping politically, political rhetoric for one side versus the other, that's a situation that will not render good policy and will not assist those beneficiaries or those who are paying into the system. Do you concur with that?

Mr. BOWSER. Well, when I'm talking about policy, I would like to see it rooted in the research and in the policy analysis, which would then be articulated up to the Congress and to the President. That's what I'm talking about.

Mr. COLLINS. Thank you, sir.

Thank you, Mr. Chairman.

Chairman BUNNING. A final question. In your view, what is the single most important thing that's needed to be done at SSA? If you had your choice of all the things over there, what would it be?

Mr. BOWSER. I think the summary of my statement, those four major things, I think in the final analysis you need strong leadership and a great management team, including technology experts, to modernize the systems and the processes.

Chairman BUNNING. And what do you think are the criteria for that type of strong leadership? Would it be a great manager, a great "nuts and bolts" person, somebody who has program knowledge?

Mr. BOWSER. You know, that's always difficult to say because, to a certain extent, I'm a great believer that you've got to build a great management team. If you're going to be a great leader, you have to build a great team under you—

Chairman BUNNING. For 65,000 employees?

Mr. BOWSER. For 65,000, exactly. That's why I think the SES issue is so important.

Chairman BUNNING. OK. We appreciate your testimony. Thank you very much for being here. Good luck.

Mr. BOWSER. Thank you. Thank you very much.

Chairman BUNNING. Usually our hearings do not last past 2 hours, but we have had 45 minutes of voting, so we're going to pass a little past 2 hours and continue on.

Our final witness is Hon. Shirley Chater, Commissioner of Social Security since October 1993. Commissioner Chater, we appreciate your willingness to appear before the Subcommittee. Please proceed when you are ready.

Thank you.

**STATEMENT OF HON. SHIRLEY S. CHATER, PH.D.,
COMMISSIONER, SOCIAL SECURITY ADMINISTRATION**

Ms. CHATER. Thank you, Mr. Bunning.

I do want to say before I begin my testimony that, since this may be Congressman Jacobs' last hearing, I would like to thank you for your longstanding support of the Social Security Administration, and I do that on behalf of all of our employees, especially those in Indiana, and those in Baltimore and Washington. We couldn't have asked for a better champion and I thank you.

Mr. JACOBS. Thank you very much.

Ms. CHATER. I am pleased to address this Subcommittee this morning and talk with you about what we have done during this transition year of Social Security. I want to say, too, that we are very well aware of the challenges that we face today. We are very well aware of the challenges that we face in the future. They are daunting challenges.

But I am also aware that we have had extra difficulties during this transition year. We have worked through 2 shutdowns, and we have had 13 continuing resolutions. Nevertheless, in the first year, beginning with the transition process itself, we have met with success. I am frankly very proud of the success of our employees who have all worked together to meet some of the challenges that are before us.

Since we became independent, we have continued to distribute benefits to the right person, in the right amount, at the right time, just as we have for the past 55 years. We have continued to fulfill the requirements of the legislation that gave us independent status. We have assumed the personnel responsibilities for all of our 65,000 employees. We have continued to ensure the integrity of SSA's programs, as we have worked hard to put together an Office of the Inspector General and our own Office of the General Counsel. In addition, the Office of the Actuary and a Chief Financial Officer now report directly to the Commissioner.

Since the Commissioner now participates in Cabinet meetings, and serves on the President's Management Council, our independent status has given SSA and its programs a greater visibility, not only to other areas of the Federal Government, but also to our customers, the millions of Americans that we serve.

Our agency focus is on providing our customers with world class service, and we work very hard to accomplish that goal.

If you look at the material on our service delivery accomplishments—that's over there on the board—I want to remind you that SSA's 800 number service is recognized as the best in both the public and private sectors, according to an outside and independent surveyor, Dalbar, Inc., that 41 percent more disability applicants

received hearings in 1995 than in 1993, that processing times for disability claim applicants decreased by 11 percent between 1993 and 1995, and that continuing disability reviews increased from 116,000 in 1993 to 285,000 in 1995.

Next, our average processing time to assign a Social Security number was cut in half between those years. Social Security's new Office of the Inspector General recovered more than \$9.6 million during its first year, which included its transition and startup time. And in fiscal year 1995, we issued 10.7 million Personal Earnings and Benefit Estimate Statements, and we are right on track in doing the number that we said we would do.

In fiscal year 1995, SSA maintained 240 million earnings records. We processed more than 5 million benefit claims, and over 6,200 disability beneficiaries were successfully rehabilitated through our vocational rehabilitation program and returned to work. This will result in a savings to the trust fund of \$257 million.

We are working now with all 50 States, the District of Columbia, and the Federal prison system to make sure that prisoners are taken off the rolls. I also want to point out that it is this administration, it is we, who found this to be a problem and have corrected it.

We have met with success in modernizing our automation systems, and, because we have been successful in dealing with the computer change for the year 2000, one of our employees serves as the leader of an interagency group planning on how to change computer systems for the year 2000.

Now, in order to inform the public and build confidence in Social Security, we created an Office of Communications, led by a Deputy Commissioner, and we have put into place a nationwide educational program because we feel strongly that people must understand "what is" before they can understand what "might be." So, in addition to sending out the PEBES statement, we're speaking across the country and meeting with journalists at every opportunity. We're writing OpEd pieces and letters to the editor, that correct the mythology of Social Security and the misinformation. And we are sending out Social Security Public Service Announcements for radio and television broadcast. In fact, we had about 1.2 million dollars' worth of broadcast time for these public service announcements donated to us.

We have also at the schools' requests, distributed about 17,000 teacher's kits to schools, high schools, and colleges across the Nation, in an attempt to have faculty incorporate this information so that young people will know what the Social Security Program is about.

One minute ago, I mentioned that the creation of the OIG and the Office of General Counsel is part of our transition. They are both making quite a significant contribution to the agency. We are absolutely determined, as a very high priority, to deal with the issues of fraud, waste, and abuse. The OIG is strengthening its investigative resources in particular by increasing the number of criminal investigators from 124, as of August this year, to 158 by September 30, more than a 25-percent increase.

With the OIG and Office of General Counsel now working with other components across the Nation on a daily basis, we're taking

the position that we're not waiting for problems to arise. We are trying to solve the problems before they arise.

I want to say something about planning. We have always thought that long-range policy and program planning was important, and that's why I recently approved a reorganization of our policy office, now known as the Office of Programs and Policy. We are recruiting about 12 FTEs to fill empty slots in that newly created office, and we know that this component will be responsible for developing research and long-range policy options.

As we enter the 21st century, we're updating our strategic plan and beginning to address the challenges that lie ahead. We know we're faced with increasing numbers of disability insurance claims, and we're working, as you know, on a thorough redesign of the disability claims process. And while this is a long-term initiative, we have already made some major accomplishments to improve current service and prepare for the future.

Preparing for the future also requires us to ensure the solvency of Social Security, and we all recognize and state that changes will be required to sustain the program in the long term. We know, too, that those changes should be ideally made sooner rather than later. The Advisory Council, which has been charged to come up with some policy options, is close to completing its assessment for long-range solvency, and we understand its report will be forthcoming some time in August.

I am confident that, with informed discussion, we can reach a bipartisan agreement on the changes that will be needed to ensure the continuing success of the program. And with the crucial role that Social Security plays in our society, our efforts are of critical importance to the Nation and the future of its citizens.

In closing, I would like to give you a larger overview of SSA's accomplishments in the first year of independence, and they, too, appear before you on the posterboard.

First, we accomplished a seamless transition to independent agency status, with very, very few problems. We restructured the SSA policy organization for increased effectiveness; we increased SSA focus on fraud, waste, and abuse; we have continued momentum in reengineering of the disability program; and we have begun and implemented a program to increase public confidence in Social Security.

I would be pleased to have my formal, written testimony entered into the record, and I would be happy to answer your questions.

Chairman BUNNING. Without objection.

[The prepared statement follows:]

**STATEMENT OF SHIRLEY S. CHATER
COMMISSIONER
SOCIAL SECURITY ADMINISTRATION**

Mr. Chairman and Members of the Subcommittee:

Thank you for your invitation to testify today concerning the Social Security Administration (SSA) as a separate independent agency within the executive branch. I am happy to have the opportunity to talk about our first year as an independent agency, one which is marked with exceptional achievements.

In our first year, despite two furloughs and thirteen continuing resolutions, we have fulfilled the requirements of the legislation establishing SSA as an independent agency. We not only accomplished a seamless transition to independent status, we also maintained our longstanding commitment to providing the best possible service to the American people. SSA's service delivery remains consistently well rated by our customers.

We are justifiably proud of the accomplishments of our 65,000 employees. SSA makes timely and accurate benefit payments to 47 million beneficiaries every month. In fiscal year (FY) 95, SSA maintained 240 million earnings records; processed 16.9 million requests for Social Security numbers; processed over 5 million claims for benefits; handled more than 62 million calls to the 800 telephone service; and sent 10.7 million Personal Earnings and Benefit Estimate Statements (PEBES). All of this while holding our administrative budget to less than two percent of all benefits paid.

Independent agency status has given SSA greater visibility in the executive branch and throughout the Federal government. Because of our independent status, issues are raised to the level that they deserve commensurate with the importance of the Social Security programs to the American people. The Commissioner of Social Security now communicates directly with the President and his Cabinet officers. I serve on the President's Management Council. Because SSA is a recognized leader in customer service, I head the PMC's Workgroup on Customer Service.

Organizational Changes

In addition to transferring the personnel functions for 65,000 employees from HHS to SSA, we have established an Office of the Inspector General (OIG) and an Office of the General Counsel (OGC).

SSA gains significantly from having our own OIG and OGC. Both Offices are able to focus exclusively on issues related to the Social Security programs. SSA is always the number one priority, and both components have a greater day-to-day level of involvement with all SSA components both at SSA headquarters and in field offices.

In addition to the above mentioned changes, we have also made changes in our structure creating three new offices, each headed by a Deputy Commissioner. These offices are: Programs and Policy; Communications; and Legislation and Congressional Affairs, all of which report directly to the Commissioner. We have also provided for a Chief Financial Officer and an Office of the Actuary that reports directly to the Commissioner.

Strategic Planning Key to SSA Success

SSA places great importance on long-range planning and management, and we use our strategic planning process as a framework to coordinate our efforts. Strategic management encompasses the range of activities needed to "get the job done," from planning and budgeting to implementing, tracking, and measuring performance outcomes. Strategic management at SSA

allows us to recognize the forces changing our world--rising workloads, changing customer expectations, reductions in resources--as well as the technological innovations that allow us to deal with those changes. It has enabled us to respond to these pressures while keeping a steady eye on our mission and our vision for the future.

Our current strategic plan, *A Framework for the Future*, includes:

- o Identification of societal trends and their applicability to SSA and the programs we administer;
- o Statement of SSA's mission;
- o General goals, which are to:
 - Rebuild public confidence in Social Security;
 - Provide world-class service;
 - Create a supportive environment for SSA employees; and
- o Quantifiable service delivery performance measures.

The Social Security Administration was one of several agencies to volunteer to participate as a Government Performance Review Act pilot agency. Thus we have outlined performance goals to serve as standards for delivery of customer service. In addition, we have developed a technology strategy consistent with the Strategic Plan and our Business Plan. Our annual Accountability Report released to Congress in December 1995 is also a first for government agencies.

Service Delivery

Service delivery improvements continue under independent agency status. As I noted in my testimony before you last month, we cut busy signal rates on our national 800 number in recent months to less than half of last year's rate. We have been rated the best provider of telephone customer service, not only for the public sector but the private sector as well, in a 1995 survey by Dalbar Inc., a financial services company.

In addition, we also improved processing time for issuing Social Security numbers by issuing 97 percent of Social Security cards within 5 days of the request in fiscal year 1995. In the disability area, we processed 41 percent more hearings in 1995 than in 1993, and decreased our claims processing time by 11 percent for the same period.

Stewardship

To preserve the integrity of the disability programs, it is essential that we conduct periodic CDRs to ensure that only beneficiaries who continue to be disabled remain on the disability rolls. A more efficient CDR process, which relies in part on a questionnaire mailed to disabled beneficiaries, has allowed us to significantly increase the number of CDRs performed annually. During FY 1995, we processed 285,000 CDRs--an almost 84 percent increase over the previous fiscal year--and made initial determinations in 41,800 cases that benefits should be ceased due to medical improvement and the ability to work. This year, the President requested an increase of \$260 million for CDRs over last year. The house passed Appropriations bill included \$160 million of that request. The Administration supports funding of CDRs at a level to ensure full implementation of CDR reviews for all recipients on a timely basis. Congress is to be commended for supporting and funding this initiative.

Working with our State partners, other public agencies and private organizations, SSA has made major progress in returning our beneficiaries to work. In fiscal year 1995, over 6,200 beneficiaries were successfully rehabilitated and returned to

work. This is a net estimated lifetime savings of \$256.7 million. We have recently published regulations to increase the pool of providers to include private vocational rehabilitation service providers when a state does not serve a beneficiary.

SSA has asked the Congress to extend the current demonstration authority and to further expand that authority to include new applicants. This authority will enable SSA to explore new ways to help beneficiaries return to work.

A Leader in Technology

Our accomplishments in our first year of independence go far beyond simply fulfilling the requirements of the legislation. SSA has become an acknowledged leader in the Federal government in technological advancement. Back in 1988, long before the issue surfaced publicly, SSA began changing computer systems to accept dates in the 21st century. Today SSA leads an interagency group on this subject that is working to change software used by all federal agencies.

We have successfully modernized our automated systems. As part of an agency initiative to create a state-of-the-art computer processing environment for all agency employees, a contract of over \$279 million was awarded to provide hardware, installation, software, and support of 56,500 computer workstations (including over 1,700 local area networks) over the 30-month period beginning November 1996. This will serve as the architecture for the Redesigned Disability System.

SSA has been a leader in offering on-line Internet services. In May 1995, we were named one of the 101 best web sites by PC-Computing Magazine. More recently, this year the Washington Post business section called us, "the ultimate Federal web site." In June alone, our "Home Page" was accessed 56,000 times. Access requests have been increasing at the rate of 20 percent each month.

In April of this year, SSA began a test of an on-line request for Personal Earnings and Benefit Estimate Statements (PEBES) on the Internet's World Wide Web. Anyone with "secure browser" and access to the Internet is able to complete an online form and request a statement that will be mailed to them in less than 4 weeks. Since the test began, it has been enthusiastically accepted by the public. Through mid-July, more than 13,000 people have made an on-line request for a PEBES. More than 2,500 comments have been received. These comments have been overwhelmingly positive and supportive of SSA's efforts at providing a real on-line service for the public.

One of my priorities as Commissioner has been to create a management environment which emphasizes communication and teamwork among agency components with other agencies and groups. This environment was essential to facilitate all of the technological improvements discussed above. I am proud that we have achieved cooperation and interaction of groups at an early level of policy planning and development, when it is the most effective.

Disability Redesign

One of the most daunting challenges we faced these last few years was initiating solutions to the projected increasing growth in the disability insurance (DI) program. As I have testified in prior hearings before this Subcommittee, program growth is a product of the complex interaction of a number of economic, demographic, social, programmatic, and other factors--internal and external to the program, long-standing and short-term--that influence application, award, and termination rates. The

enormous demands confronting SSA in the form of unprecedented DI workloads resulting from the projected increase in applications, combined with staffing reductions, required us to evaluate policies and procedures which might be streamlined or altered to protect the workload more efficiently.

The redesign of the disability claims process is a long-term initiative expected to run beyond the turn of the century. Nevertheless, we have made major strides in implementing near-term features and setting the stage for future implementation efforts. More specifically, in the past 12 months we have:

- o strengthened the relationship between SSA field offices and State Disability Determination Services (DDSs) by asking claims representatives and disability examiners to work in teams to expedite and improve initial disability interviews;
- o begun testing the Single Decisionmaker Model, which allows the disability examiner to utilize medical consultants on an as needed basis;
- o implemented piloting for the new adjudication officer position in 9 State sites and in 17 Federal sites;
- o published 9 new Social Security rulings clarifying disability policy for all levels of adjudication. Training on these rulings is scheduled to begin within the month for over 14,000 disability decisionmakers.

Efforts to Reduce Fraud and Abuse

One of SSA's most important responsibilities is protecting the integrity of the trust funds, and ensuring accurate and timely payment of benefits. As an independent agency, SSA has given priority attention to our responsibilities for uncovering waste, fraud, and abuse. Social Security's Inspector General is directly responsible for promoting economy, efficiency, and effectiveness in SSA programs and detecting and preventing fraud, waste, and abuse.

During the first year of independence, OIG activities resulted in the recovery of more than \$9.6 million in fines, judgments, and restitutions. Our recoveries and recommended cost avoidances in the last 6-month period more than exceeded the OIG's total budget for the reporting period.

An example of recent OIG activity was its investigation of a fraudulent credit card scheme in New York. We are working with the authorities to ensure that all participants are prosecuted to the fullest extent of the law. Similarly OIG is initiating a major nationwide investigation targeting individuals illegally receiving Supplemental Security Income (SSI) payments while living in other countries. Allegations from SSA field offices in border areas suggest that individuals who have left the country may be obtaining benefits for which they are no longer entitled. OIG will identify and terminate SSI payments to recipients receiving payments based on false statements regarding residency or other eligibility factors.

Finally, the OIG continues to work with the States of Washington and California in cases involving suspected interpreter fraud. Thirty-three arrests of middlemen have already been made, 14 have resulted in conviction and the remaining cases are pending. We continue to implement aggressive actions to detect and deter fraud by and against non-citizens through the hiring of bilingual employees and other reviews to ensure program integrity.

These increased activities have required strengthening the investigative resources of the OIG. As a result, the OIG plans

to increase the number of criminal investigators, from 124 investigators to be employed as of August 1 to 158 investigators by September 30.

Another challenge we face is administering the prohibition against paying benefits to prisoners. Toward this end, SSA has undertaken affirmative steps to ensure that institutions report inmates timely and accurately and that ineligible individuals do not receive Social Security and Supplemental Security Income (SSI) benefits. We now have agreements to receive prisoner data from 47 States, the District of Columbia, Puerto Rico, the Federal Bureau of Prisons, and all but a small percentage of the more than 3500 local jurisdictions. This represents an almost 20 fold increase of those jurisdictions reporting now over the number reporting in 1993. We are renegotiating the agreements with the 3 States whose agreements have lapsed. However, we have received prisoner reports from those States.

In order to provide an additional incentive for State and local institutions to provide prisoner data on a timely basis, SSA supports legislation which would provide State and local correctional institutions with a one-time \$400 payment (from program funds) for each prisoner identified as receiving a Social Security or SSI benefit if the data is supplied to SSA within 30 days of confinement. SSA would provide a \$200 payment if the information is supplied from 31 through 90 days after confinement.

SSJ Reform

P.L. 104-121, enacted on March 29, 1996, eliminates drug addiction and alcoholism as the basis for receiving SSI and DI benefits. This change was effective immediately for new applicants and will be effective January 1, 1997 for current recipients. SSA is expeditiously implementing the new provisions. Notices have been sent to approximately 200,000 affected beneficiaries advising them of the change in the law.

In the pending welfare reform legislation, the criteria used to determine eligibility for disabled children are revised. This legislation would eliminate the individualized functional assessment as well as the double counting of maladaptive behavior. SSA supports these changes. Also contained in welfare reform are provisions that would restrict benefits to certain noncitizens. All of these provisions would result in significant workloads for SSA.

Future Challenges

Despite two furloughs and thirteen continuing resolutions during our first year as an independent agency the Social Security Administration has made progress toward its goals and increased employee productivity. Still, we are also aware of the significant challenges that lie ahead.

o Policy Development

To enhance policy development, I recently approved a reorganization of the former Office of Programs, Policy, Evaluation, and Communications, renamed the Office of Programs and Policy, which will be responsible for developing long-range policy options, and for improving SSA's ability to engage in rapid decisionmaking. Through this new office, SSA will intensify its focus on policy planning and development by working with the management of other components, the Administration, Congress, advocacy groups and our customers.

o Advisory Board

The Independent Agency legislation established a bipartisan Social Security Advisory Board composed of seven members. Three

of the members are appointed by the President and two each are appointed by the Speaker of the House and the President Pro Tempore of the Senate. This Board is to advise the Commissioner, the President and the Congress. The Board is fully operating and has had several meetings.

o Solvency Issues

As you are aware, under the 1996 Trustees Report's intermediate assumptions, the assets of the combined OASI and DI Trust Funds are expected to grow until 2019, and then to decline until they would become exhausted in 2029, a year earlier than was estimated in last year's Report. Clearly, considering the crucial role that Social Security plays in our society, its future solvency is of critical importance to the nation.

We all recognize that changes to the program will be required to sustain Social Security in the long term. The Advisory Council on Social Security is close to completing its assessment of long-range solvency options. Although the Advisory Council is not expected to reach a consensus, its work demonstrates that there are a number of options available for consideration.

As past successful efforts to reform Social Security have shown, changes to the program can occur only after bipartisan debate and public discussion.

I have emphasized that the Social Security program is not in immediate financial danger and there is no immediate crisis. Under the intermediate assumptions, the program will be able to fully meet its benefit obligations for the next 33 years. In addition, even if no changes in the program were made by then, payroll taxes in 2029 would be sufficient to pay 77 percent of benefits.

I want to emphasize, however it is important to address the Social Security financing issue earlier rather than later. The earlier a bipartisan solution can be achieved, the less dramatic the changes will need to be.

Educating the American public is critical to achieving a resolution. An accurate understanding of the program is needed as the foundation for public discussion. I have been traveling around the country, talking to senior citizens and young people alike, to discuss the Social Security program and the need for long term changes. In addition, during my travels across this country over the past 2 years, I have used every opportunity in the cities across America that I have visited to meet with journalists, both print and broadcast, to educate them on the current state of Social Security. By taking the time to meet with numerous editorial boards, participate in many radio and television programs, and sit down in countless one-on-one interviews with newspaper and magazine reporters, I have been able to put journalists in a much better position to accurately inform the millions of Americans who get their information each day from the news media about the current financial status of Social Security.

In addition to public addresses by agency officials, we have developed a Teacher's Kit which has been distributed to more than 17,000 secondary schools around the country. The kits use lesson plans, factsheets, handouts, a video, and a teacher's guide to present a comprehensive overview of the program.

We also issue PEBES, so that workers can see exactly how much they have paid into Social Security, and what benefits they can expect when they retire. By 2000 everyone age 25 and over will receive an annual statement. As I travel around the

Nation, I have had countless people tell me how much they appreciate getting their PEBES, and how useful they are in helping to plan for retirement. The people I meet are consistent in their praise of the information provided.

We launched a multi-media "National Education Campaign" on August 14, 1995. This includes a series of public service announcements to educate the public about the value of Social Security benefits sent to 5000 TV and radio stations-over \$1.2 million worth of air time has been donated in 46 states. These announcements point out that Social Security is a family program covering dependents and survivors as well as retirees. Thus we cannot analyze Social Security's value to young workers strictly by projecting retirement benefits.

In conclusion, Mr. Chairman, SSA has successfully completed its transition to an independent agency and is hard at work on meeting the challenges that lie ahead.

Chairman BUNNING. Commissioner Chater, before we get into questions on the substance of this hearing, I would like to ask you a very straightforward question.

Why is it that you and your agency can't seem to provide this Subcommittee with even the most routine information in a reasonable amount of time? For example, since the June 27 hearing, I have been trying to obtain through GAO copies of regional award agreements documents that were signed some time ago. You delivered them this morning. That is, all but two were delivered this morning, before this hearing.

Then Ruth Pierce promised to provide various information on how employees can decertify the union as their representative. GAO followed up on Ms. Pierce's promise several weeks ago, and yet, we have had no response. And last week I sent Ruth Pierce a letter regarding the revelations by NBC news that political activity was being conducted on government time by SSA union representatives.

I have a copy of it, without objection, I will put into the record. [The following was subsequently received:]

JIM BUNNING, KENTUCKY, CHAIRMAN
SUBCOMMITTEE ON SOCIAL SECURITY

SEAN JOHNSON, TEXAS
MARC COLLINS, GEORGIA
BOB PORTMAN, OHIO
PHILIP D. ENGLISH, PENNSYLVANIA
JOHN CHRISTENSEN, NEBRASKA
CONCEPCION N. TEXAS

JACOB JACOBI, INDIANA
BARBARA B. KENNEDY, CONNECTICUT
L. J. RYAN, CALIFORNIA
MICHAEL E. WALSH, MASSACHUSETTS

FRANK
BILL ARCHER, TEXAS
SAM W. LEEBURN, FLORIDA

BILL ARCHER, TEXAS, CHAIRMAN
COMMITTEE ON WAYS AND MEANS

PHILIP D. MODELEY, CHIEF OF STAFF
VALERIE SARAPAS, DEPUTY, SUBCOMMITTEE STAFF DIRECTOR

JAMES HAYS, MINORITY CHIEF COUNSEL
SANDRA CARMER, WIFE, SUBCOMMITTEE MINORITY

July 16, 1996

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

SUBCOMMITTEE ON SOCIAL SECURITY

Ms. Ruth A. Pierce
Deputy Commissioner for Human Resources
Social Security Administration
Baltimore, MD 21235

Dear Ms. Pierce:

On July 10, 1996, you appeared on the NBC "Nightly News" segment, "The Fleecing of America." During the segment, you were asked by Lisa Myers if union representatives at the Social Security Administration engaged in partisan political activities, to which you replied, "No, not in this organization they do not."

Ms. Myers then showed you a fax sent from the Democratic Leader, Congressman Richard Gephardt, to a full time union representative at SSA, entitled, "Top Ten Worst Things About the Final Republican Budget." You replied that the fax was not appropriate and that you would look into it because it is clearly not something SSA condones. I am glad to know that SSA does not condone this action and will be conducting an investigation.

Attached are four other correspondences which were distributed via official Social Security E-mail or fax systems. I advise you to investigate these as well.

In your investigation of this matter, I would like to be kept completely informed of your actions as you take them. Please let me know what steps you have taken or intend to take to ensure that SSA union representatives do not engage in partisan political activities. If you have not taken any action in this matter, please let me know when you intend to do this. I would appreciate your providing me with copies of all correspondence associated with your investigation, including agency memoranda and correspondence with SSA unions. Thank you for your cooperation in this matter. I look forward to your reply not later than July 23, 1996.

Best personal regards,


JIM BUNNING
Chairman

Attachments

House E-Mail Fax Cover Sheet



**Congress of the United States
House of Representatives
Washington, D.C.**

Company:

To: Mary Hanson

From: Democratic Leader Richard Gephardt

Subject: Message for 6/11/96 (5)

Sent at: 23:59 on 10 Jun 1996

Number of pages (including this cover sheet) - 3.



From the House Democratic Policy Committee Phone (202) 225-4760 Fax (202) 226-0938

Today's Message

Tuesday, June 11, 1996

Page 6
House
Democratic
Leadership

Communications

Richard Gephardt, Chair
Richard Durbin, Vice Chair

Top Ten Worst Things About the Final Republican Budget

House Republicans vote today on their final budget blueprint for FY 1997. With this budget, the GOP continues down their path of harming American families at the expense of the wealthy and special interests -- including maintaining deep cuts in Medicare to pay for tax breaks for the wealthy. Here are the top ten worst things about this bill:

- 10. Fewer toxic waste cleanups.** The Republican budget will result in fewer cleanups, thanks to a funding freeze for Superfund, with no allowance for inflation.
- 9. Welfare reform that's weak on work and tough on kids.** The Republican budget would devastate children, without moving enough adults off welfare and into the workforce.
- 8. Bigger deficits to pay for frontloaded tax breaks.** By cramming tax breaks into the first three years of their six-year budget, Republicans will actually increase the deficit for the next three years. This could also force huge automatic cuts in Medicare and Medicaid.
- 7. Limits direct student loans.** The Republican budget caps the popular and successful direct loan program -- probably at the Senate level, forcing 700 schools and 700,000 students out of the program in '97 alone, and about 7 million students by FY 2002.
- 6. Tax increases on working families.** The Republican budget would increase taxes on millions of working families earning less than \$28,000 a year.
- 5. Eliminates guarantees for health care for low-income women and children, seniors in nursing homes, and the disabled.** The Republican budget makes deep cuts in Medicaid funding and assumes enactment of a bill that would end the requirement that states, with federal support, provide health care to the most vulnerable in society.

(continued)

U.S. House Democratic Leadership on the World Wide Web... <http://www.house.gov/democrats/>

4. Hundreds of rural hospitals could close because of deep Medicare cuts. The average rural hospital relies on Medicare for nearly half of its revenue. According to the American Hospital Association, the GOP's deep Medicare cuts could force many to close.

3. Allows doctors to overcharge seniors for their medical care. The Republican proposal would allow doctors who leave the traditional Medicare program to overbill their patients, which could increase seniors' out-of-pocket medical costs by 40 percent.

2. Public relations gimmicks to hide reason for Medicare cuts. Republicans have separated their budget into three pieces, in a desperate attempt to preempt arguments that they cut Medicare to pay for tax breaks for the wealthy. Don't be fooled -- it's all one budget, even if pieces of it get voted on separately. Medicare cuts still pay for tax breaks.

1. SECRET PLAN to cut Medicare to pay for "crown jewel" tax breaks for the wealthy. The GOP budget cuts Medicare just as deeply by 2002 as their budget from last year. Where does the money go? Into a slush fund to pay for as yet unnamed tax breaks -- likely the "crown jewel" of the Contract with America, which GOP leaders repeatedly put first on their legislative priority list: capital gains tax breaks, which benefit the very wealthy.

NATIONAL COUNCIL OF SSA FIELD OPERATIONS LOCALS
 COUNCIL 220, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES
 P.O. BOX 617576
 CHICAGO, IL 60661-7576
 (312)886-1047 FAX (312)353-1938
 JULY 10, 1996

FROM: Witold Skwarczynski, President *Witold Skwarczynski*
 TO: Executive Committee, Local Presidents and Local Reps
 SUBJECT: The "Fleeing" of the Public

A few hours from now, on the Wednesday edition of the NBC Evening News, that network is running a story about APGE and SSA, on its "Fleeing of America" series. It appears that NBC will adopt the criticisms that Congressman Jim Bunning (R-KY) recently made of our use of official time. And this is unfortunate.

Mr. Bunning really does not understand federal-sector labor relations. Or, if he does, he would like to send our LMR back to the stone age. Or, more likely, he is just fulfilling the Republican election-year agenda to "get" unions--especially the effective federal-employees union that made a shambles of Newt's plan to hold the government hostage last winter.

There is no substantive truth to Mr. Bunning's allegations, and so we expect this satter to dissipate once the light hits it. But, given the open, public nature of these latest attacks, neither can we sit back and ignore his potential influence on the gullible and the naive.

Attached, therefore, are some talking points, to use as a start to responding to local media, and to give to your bargaining-unit members who may have seen the broadcast. Remember to mention how joint SSA/APGE initiatives, especially, have taken up more and more of the official-time used in the agency. And that these joint activities are directly related to increasing the efficiency of the agency and improving service to the public.

But, this is complicated, as are the other 5 pages of information in the six-page talking points. I recommend, therefore, that if local media do contact a Local Rep or other bargaining-unit member, that person should get the name and phone number of the caller, get on the line with your Local President and together call the reporter back. Or you can have the reporter call me or Executive Vice President Ralph deJulius (201/357-4175).

In conclusion, there is more than one way to "fleece" the public, and it appears that NBC and a member of Congress are going to try out a new one tonight. We cannot stop them, but we will try to correct their more outrageous errors.

Please send me a copy of any media coverage that you get on this.

**TALKING POINTS FOR POSSIBLE AMENDMENT
TO LABOR-BES APPROPRIATIONS ON
UNIONS' OFFICIAL TIME AND SSA**

**REPUBLICAN ATTACKS ON OFFICIAL TIME ARE PART OF GOP ANTI-WORKER
WITCH HUNT**

1 Ways and Means Subcommittee on Social Security Chairman Jim Bunning (R-KY) said he wanted to know why some union representatives at SSA are allowed to perform "union work" full-time "instead of serving the public." His implicit assumption that union activities are incompatible with public service demonstrates just how out of touch the Republican leadership is with the new federal workplace and the changing face of labor unions.

1 It is unfortunate that the Committee has chosen to use the GAO as part of the GOP majority's witchhunt against the democratically elected representatives of working men and women. The Committee will find that federal employees and their union representatives are proud of the service they provide for the American people, and they will not shrink from an attack on their good work.

WHAT IS OFFICIAL TIME?

1 All federal employees represented by a union are entitled to receive the benefits of the union's services and representation even if they are not union members. When Congress enacted the Civil Service Reform Act in 1978, a deliberate decision was made to directly support certain union functions by allowing the use of "official time", rather than require non-members to pay their fair share of the representation and services the union is obligated by law to provide.

1 Union representatives can use official time only for those activities which are reasonable, necessary, and in the public interest. These standards are imposed by law. Legally permitted union activities include negotiating collective bargaining agreements, handling employee grievances, and conducting and receiving training.

1 Union representatives are prohibited from using official time on any internal union matters. This means they cannot use official time to organize workers, solicit new members, campaign for office, or conduct union elections. Union representatives are also forbidden to use official time for any partisan political activities.

1 The emergence of labor-management partnership in the federal sector over the past few years is based on the understanding that genuine changes to the effectiveness of government are possible only where labor and management are working hand-in-hand to improve quality

and deliver the best possible service to the American people.

! With these mutual goals serving as the foundation for partnership, union representatives at SSA and elsewhere throughout government are using official time to work together with management to improve productivity, efficiency, and service delivery. Official time is an essential tool for bringing about a government that works better and costs less.

THE CHALLENGE FOR SSA

! SSA touches more lives than any other government agency, maintaining records on almost 140 million Americans and paying out benefits totalling nearly \$300 billion to some 50 million customers every month.

! The federal workforce is smaller than at any time since 1963, yet there is no less demand for efficient, high-quality public service. SSA is a prime example of an agency that has to do more with less. Even as its workforce has shrunk from 80,000 in the late 1980s to 65,000 today, over 3.5 million new beneficiaries are added to the Social Security rolls every year.

! SSA employees field over 60 million telephone calls on the agency's toll-free number each year, sometimes as many as 1.7 million on a single day.

HOW UNIONS AT SSA ARE WORKING FOR THE TAXPAYER

! SSA is setting the gold standard for high-quality performance and customer service. These gains are being made for the American taxpayer not in spite of "union activity," but because of what unions and management have been able to accomplish by working together in partnership.

! Here's an example. When Dalbar Financial Services, the largest financial news publisher in North America went looking for the best toll-free customer service in the world, it was SSA that ranked number one, beating out such service-oriented companies as Federal Express, LL Bean, Southwest Airlines, Disney, and Nordstrom.

! This success did not come by accident. By working with union representatives and their members on the front lines, SSA was able to transform the way work is done and customers served.

! Here's another example. Faced with angry customers and a mounting backlog of disability

claims that could take as long as two and a half years to resolve, SSA got together with AFGE and completely reengineered the way disability claims are handled. Working together, SSA and its unions designed a new disability system which will be able to process more claims in less time with fewer people. Fashioned with the customer -- and taxpayer -- in mind, this new system promises to cut the total waiting time by nearly 20 months, saving hundreds of millions of dollars.

1 SSA learned that if you want government to operate with the efficiency and productivity of the best private sector companies, you have to learn the right lessons and study the best that private industry has to offer. That's what SSA and many other federal agencies have done.

1 And what they've learned is that, in a unionized workforce, long-term success and real gains in quality and customer service are linked directly to effective working partnerships between labor and management.

1 Union activities* and greater union involvement do not come at the expense of the American people, but rather in their service.

1 By any reasonable measure, SSA's investment in better labor-management relations is paying big dividends through better service to the American taxpayer.

1 AFGE represents over 55,000 employees at SSA, and yet there are only 145 full-time rank-and-file union leaders, or three-tenths of one-percent of the unionized workforce. This lean, efficient use of agency and union resources is right in line with other government agencies and as good or better than large private sector companies.

1 For federal workers, American citizens, and taxpayers, union leaders and members want better government.

LEADING AMERICAN COMPANIES KNOW THAT PARTNERSHIPS WITH LABOR ARE GOOD FOR BUSINESS

1 SSA's workplace partnership with its unions is simply good business. High-performance organizations like Saturn, Corning Glass, and Harley Davidson have demonstrated that work reengineering and quality improvements are doomed to fail without the support and active involvement of unions and their elected representatives.

1 The best and the brightest in both the private and public sectors all preach the same

greater union involvement in workplace decisionmaking as a vehicle for productivity, efficiency, and better customer service. These have traditionally been seen as the exclusive province of management. That outdated notion is precisely what unions are trying to change by working in partnership with SSA and other agencies.

1 The nature of "union activities" has undergone a radical transformation over the past few years with the advent of partnerships between labor and management. Union leaders in today's federal workplace are dedicating more and more of their time to improving government performance and delivering higher-quality services to the American people.

1 At a time when downsizing and privatization efforts are threatening to reshape the federal workforce, the shift in focus away from labor-management confrontation and toward cooperation and mutual goals has become a matter of survival for both labor and management.

1 If Republicans were truly interested in how well the public is served by SSA, they would not ask how much time and resources are spent on union work, but how much of the work done by today's unions is dedicated toward gains in productivity, improvements in customer service, redesigning antiquated work systems, and cutting the costs of doing business.

1 It is especially hard to believe the Republicans' motives are genuine in light of the Republican majority's support for the TEAM Act. This bill would change labor laws to allow management to create "company unions" under the guise of labor-management cooperation committees. The Republican majority apparently has no trouble embracing the virtues of workplace cooperation and teamwork -- all on paid company time -- as long as there are no unions around. But when employees want an independent voice in the workplace and elect a union to speak for them on these very same matters, the virtues of cooperation and workplace parrot. .!ps suddenly become, in one Republican's words, "a case of misplaced priorities."

1 The only time Social Security workers were not on the job serving social security recipients was when the Republican leadership decided last year that it would rather shut down the government than negotiate a clean continuing resolution with the President. Union members held demonstrations called "work-ins" in front of Social Security offices all over the nation. So if you ask us who cares more about senior citizens, the House Republican leadership or rank-and-file SSA employees, we don't think that's a hard call.

1 The Republican leaders effort to question labor's commitment to the elderly lies in the face of the labor movement's staunch opposition to the Republicans' proposed Medicare cuts. And no one has been a stronger defender of Social Security benefits -- on which the elderly rely for a dignified life -- than the American labor movement.

presently. It is with good reason.

P. 3/E

What has triggered their concern is the AFL-CIO's radio and television advertisements which have portrayed Republicans in Congress as flint-hearted enemies of the working poor for opposing an increase in the minimum wage. While the ad campaign was targeted to 27 Republicans and two Democrats, it has had a national impact, so that the minimum wage issue has moved to the forefront in the election debate.

Since 1989, the last time federal minimums were increased, Republicans have had no problem about opposing an increase in minimum wages. While being showered with huge campaign contributions from fast-food chains and other retail businesses, they have insisted, hypocritically, that their opposition is based on studies that thousands of low-paid workers will lose their jobs if the minimum wage is raised from \$4.25 an hour to \$5.15 over two years. Now, many Republicans seeking re-election fear that unless they approve an increase in the minimum wage, they may lose the votes of the Reagan Democrats and the 40 percent of union members who voted for them in the 1994 congressional elections.

The division among Republicans on this issue is now out in the open. Candidates in the Northeast and Midwest, where unions represent important constituencies, favor passage of minimum wage legislation, while those in the South and Southwest oppose it. Like abortion, it has become a "wedge" issue, provoking heated debate and dissension within the Republican Party.

There are also sharp differences in what attitude to take to a revitalized union movement that has launched a well-financed political campaign to oust anti-labor lawmakers from Congress. Newt Gingrich and other right-wing Republicans refer to the AFL-CIO as "Big Labor" and to labor leaders as "bosses," steeped in corruption. But a growing number of Republicans consider these epithets counter-productive, serving to further alienate union members who have become disillusioned with the G.O.P. record in Congress.

It is significant that a prominent Republican, Senator Alphonse D'Amato, hardly a friend of labor, attacked the House leadership. "We make a mistake if we just say labor is the enemy," he said. "Sometimes we're deeply wrong when we simply use harsh rhetoric and label them as thieves. That just antagonizes people."

Republicans have other causes for worry. The AFL-CIO will have 100 well-trained political operatives campaigning in each of 75 congressional districts where their incumbents face a difficult race. And they haven't figured out how they'll respond to the AFL-CIO's "union summer" campaign when 1,000 articulate college students and young workers start ringing doorbells, distributing handbills and talking to voters on issues like the minimum wage, education, Medicare and Medicaid.

It is hard to predict whether the right-wing control of Congress will be ended this November, but the possibility is there--and growing.

16] From: Ralph de Jullis Council 220 at --NY 7/11/96 3:35PM (3989 bytes: 1 ln)
 priority: Urgent
 subject: Amendment Introduced to Eliminate Official Time in SSA
 unknown recipient: ^AFGE BROADCAST at --SSA, ^AFGE Council 220 Broadcast at
 --SSA, ^AFGE Officers-Reps-Designees at --SSA

----- Message Contents -----
 From AFGE National Office:

Amendment to HR 3755, As Reported

Offered By Mr. Bunning of Kentucky

page 87, after line 1, insert the following new section:

- 1 Sect. ___ None of the funds made available in this
- 2 Act for transfer from the Federal Old-Age and Survivors
- 3 Insurance Trust Fund or the Federal Disability Insurance
- 4 Trust Fund may be used for expenditures for official time
- 5 for employees of the Social Security Administration pursu-
- 6 ant to section 7131 of title 5, United States Code, or for
- 7 facilities or support services for labor organizations pursu-
- 8 ant to policies, regulations, or procedures referred to in
- 9 section 7185(b) of such title.

Author: DIANNE TRIPP ac -S2D445206
date: 7/8/96 12:37 PM
riority: Normal
o: Mail List - #-S2D445206 ALL
ubject: Official Time/Awards/Fleeing of American/MBC World News 7/8
----- Message Contents -----

NBC World News

7/8/96

Nightly News 6:30 P.M. Eastern Daylight Time

John Gage and Ruth Pierce were interviewed for the FLEEING of AMERICA segment. It will deal with Official Time and Awards.

You probably don't want to miss it...I mean you probably will want to miss it; but, you should know what is being said bad about us.

On a related note, Dave Glassford said he spoke with Cong. Bunning's staffer about these issues and said Bunning was Union busting. He said that got a very strong reaction. Apparently, the Republicans are very sensitive to accusations that they are Union busting.

I agree with Dave that they are and we should not let up on them for Union-busting as we get closer to the election.

Chairman BUNNING. During the news segment, Ms. Pierce told NBC that SSA didn't condone such activity and promised to look into it. Although I have asked Ms. Pierce in my letter to let me know by July 23 what she was doing about this serious abuse of government time and equipment, I have yet to receive even the courtesy of an acknowledgment from her. It's almost like requests fall into a deep, black pit when we send them over to SSA headquarters.

So tell me, Madam Commissioner, how does this Subcommittee, which has the responsibility for oversight of SSA, get the courtesy of a prompt response from you or from your staff? Tell us what we must do to get your attention to these and other various problems.

Let me explain why. When you send a proposal to us, such as the technical corrections bill that you thought was necessary, we had no problem receiving that from you. This Subcommittee, in a bipartisan fashion, passed that bill this morning without anyone objecting to it. I expect the same courtesy on the other end from the Social Security Administration and from you personally, because we have to cooperate if we are going to get this job done.

Do you have some reason for the problems we are having with communications?

Ms. CHATER. Yes, Mr. Bunning. We have had some problems.

First I want to state very clearly that, of course, we want to cooperate with you. One of the bits of information that you asked for had to do with people. You asked for the amounts of awards for particular people. We did take a long time to get that back to you—but for a very good reason.

First, I wanted to be sure that the numbers that we had on a printout were, indeed, accurate, so we verified that information, which took a bit of time. Second, I felt, because of the Privacy Act, it was our responsibility to inform the employees that we were going to be sending this data that you asked for. So we made every effort to contact the employees individually to let them know that. At the end of that process, which I agree took longer than we anticipated, we forwarded it to you.

On the other issue of having Ms. Pierce look into the union and who can do what and what they have done, I have referred that to our General Counsel, to examine the laws, the rules, the regulations, so that we can give you the most accurate response.

Chairman BUNNING. Well, we have the American Federation of Government Employees sending into Social Security offices around this country a legislative update, with very false information. We think this is an abuse of the SSA fax machines, and that SSA's management should be aware that these things are going on. When this abuse continues, we need answers as quickly as we can from the Social Security Administration, so that we can try to understand what you're doing to combat this.

If Ms. Pierce says that SSA is doing something, or you're going to look into it, we would like to know what results are taking place.

Ms. CHATER. And we will send you that.

We have already, for example, taken away all of the privileges of e-mail, computers, and so forth, from one employee, and we will certainly look at all the rest.

Chairman BUNNING. This is dated July 22, so this just occurred.

Ms. CHATER. A recent one.

Chairman BUNNING. Yes.

Let's get on with the hearing and get on with what we're trying to accomplish here.

Do you agree that Congress and the American public should be able to look to SSA to frame the debate over national Social Security policy, as far as the overall policy and where we are heading with SSA in the future? Do you think that's the independent agency's job?

Ms. CHATER. Yes, I do. And toward that end, as I said, we are putting together our Office of Research, under the Office of Programs and Policy, so that we can better respond to long-range policy issues and become much more proactive than this agency has been in the past.

Chairman BUNNING. Did it take you 14 months as an independent agency to discover that, or is that something you were trying to put off? Explain to me why it took 14 months to get a research group at Social Security?

Ms. CHATER. Well, why did it take so long? Because we studied the problem, because I personally, for example, went over to our research office and interviewed our researchers, and talked with them about the kind of research they're doing, trying to make a decision about what we needed and how best to organize.

It isn't that we were just looking at that unit independently of all the others. We're trying in Social Security to change the culture, to create an atmosphere where we can work together as teams, because I feel strongly that each individual component, when it makes a decision, influences another component. So as we work together and sort out these issues, it does take time.

I don't believe in coming in with a command and control attitude and saying it shall be done. I want us all to work together to figure out how to do this, so that our management team buys into the kinds of initiatives that we put on the table.

Chairman BUNNING. Well, I'm going to let Andy go ahead.

Mr. JACOBS. Mr. Chairman, on that point of the July 22 fax, I think it would be important for the record—

Chairman BUNNING. I've entered it.

Mr. JACOBS. No, I think it would be important for the record if we can identify the person who sent it and determine whether it's the person that Dr. Chater says was ordered not to use the fax.

Chairman BUNNING. It says who it's to, and it says who it's from.

Mr. JACOBS. I just wonder if we could tell Ms. Chater so that she could say whether that person was the one she was referring to. I think that would be pretty important for the record. If you told somebody not to do it and he or she did it, I think that would be really egregious.

Chairman BUNNING. That's Marjorie Johnson.

Mr. JACOBS. Is that the employee?

Ms. CHATER. No, it is not.

Mr. JACOBS. Not the employee.

Chairman BUNNING. Since it's in the record, you will be able to discover very quickly who it went to and the contents.

Mr. JACOBS. Mr. Chairman, I was only interested in whether the person who was directed not to engage in that activity had violated that direction. That's all I had in mind there.

Ms. Chater, would you comment on the government shutdown? Did that have any effect on the independent agency's progress in this matter?

Ms. CHATER. The shutdown had a tremendous effect on our agency. We calculated actually that the shutdown cost the agency about \$77 million. That's not just in salaries, but it has to do with millions of dollars in rent and maintenance for buildings that were not fully utilized.

Besides the heavy cost, the shutdown meant that we were unable to do some of our regular work. We couldn't, for example, verify Social Security numbers, we didn't issue the Personal Earnings and Benefit Estimate Statements, we didn't do a number of things. We didn't even answer the 800 number to the extent that we would have liked to. So all of that simply meant that we had carryover work to do, catchup work to do.

At the same time, we were working with uncertain budgets, so we didn't have overtime and flexibilities in our budget to do all the—

Mr. JACOBS. You're referring to the continuing resolution?

Ms. CHATER. Yes.

Mr. JACOBS. Mr. Chairman, I have kind of a parting shot I would like to make here. It's an idea that I wish to spread on the record. I think I can state it fairly concisely.

In the problem of the long-range security of Social Security, financial security, I have a feeling that a lot of us have seen the trees more clearly than the forest. By that I mean this:

In 1937, when the first Social Security check was paid—I think there was only one person, one lady up in New England who received it—if productivity in the United States had remained the same between 1937 and the early fifties, say 1952, I think it's demonstrable that the Social Security system could not have met its obligations to retirees in as early as 1952.

The productivity did not remain the same. In 1937, 25 percent of our population was on the land producing food and fiber essentially for the United States. Today, the figure is about one-tenth that, around 2 percent, producing food and fiber in such excess that it helps feed and clothe the world. So productivity has improved.

I think the "forest" of this thing, if you get away from the dollars and the adjusted dollars, what is it today and what will it be 10 years from now, 20, 40, 50, 70 years from now, and get to the fundamental "forest" of the matter, the question is what will productivity be.

Today, three people pay taxes to pay Social Security benefits to one retiree. By the year 2025, I guess it will be a little over two people, or 2020, along in there. It will be a little over two people. So fundamentally, the question to be answered is, can two people produce as much 25 or 30 years from now as three people can produce now. That's about all I have to say.

The ultimate question, of course, is why did productivity increase in this country? Did it increase because we became better people and harder workers? Lots of luck. Did it improve because of tech-

nology improvements? Obviously. So ultimately, roads tend to lead back to "luc mentus luc orbis," the "light of the mind is the light of the world."

If our educational system in this country produces better scientists and better mousetraps and better economics and better productivity, if some kid who today is in a ghetto somewhere, who's a genius but whose destiny is to sack up groceries, and for entertainment demonstrates to everybody else on the payroll that he can look at a bushel of apples and see the size of the apples and tell you exactly how many apples are in that bushel just at a glance, that that same kid ends up at Cal Tech and learns to invent a paint that will erase gravity for manufacturing purposes, can you even begin to imagine what that does to productivity in the country?

So ultimately, there will be a lot of discussion about who should be taxed, who should not, whose benefits should be cut and all that, and all that is very worthwhile. But I am only laying out for the record the forest itself and ask that future Members of Congress and executives give that some exercise.

I thank you, Mr. Chairman.

Chairman BUNNING. Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

In reference to your question about the two to one, Mr. Jacobs, if I live to be 30 years older, I hope that it does work. Because these young people today who will continue working at that time, will enable me to receive my benefits.

Under the current status and situation as it deals with politics in the Social Security Administration, and the political atmosphere that surrounds it as well as a lot of other agencies, I doubt very seriously if we're going to be able to come up with any type of serious proposals that will address beneficiaries and benefits and such, because it makes everybody politically vulnerable.

You know, Ms. Chater, I regret the shutdowns. I regret that the President chose the veto route on those appropriation bills and budget that led to those shutdowns. But in view of the shutdowns, I was under the assumption—and maybe assuming can get you in trouble—but those workers who were affected were supposed to be nonessential.

Do you consider people who handle the applications and the benefit problems of those beneficiaries of the system, do you consider those nonessential workers? Are they classified as nonessential? If not, then why would it affect the processing of that paperwork? I mean, those were supposed to be essential workers, but the way you were shaking your head—for the record, you were shaking sideways, which means no.

Ms. CHATER. Our agency never ever used the word "non-essential." We feel very strongly that every employee we have is most essential to the work of our business.

In the first furlough, we had almost everyone go home, and we kept only people in the agency to take emergency kinds of questions and claims and to maintain the security of the buildings. That didn't last very long. The next one, the next furlough, we had many, many more people working.

The fact of the matter is, just closing our offices and not seeing all of our customers, even though most employees worked during the second furlough, did, in fact, have the effect that I just described to you.

Mr. COLLINS. I think we actually talked during that first furlough, as you call it, a shutdown.

Ms. CHATER. Yes.

Mr. COLLINS. And I voiced my concern then, that these people who handle this paperwork for those beneficiaries to address those problems, even to address new applications, were essential people. Therefore, as you said, they came back to work very shortly after the furlough. They were not out the full time.

Ms. CHATER. That's correct.

Mr. COLLINS. What is your response to the previous witnesses who have put a lot of emphasis on the fact that the attitude of the Commissioner, of the leader of the Social Security Administration, is most important to be able to address problems, solve problems, accomplishments—and I know you have listed a number of accomplishments over here, and I don't blame you. I wouldn't have listed a bunch of failures, either.

What is your reaction to the previous witnesses as they refer to you as, you know, evidently being a very weak leader?

Ms. CHATER. Well, I choose not to use that word, and I don't know that I actually heard that, if I understand what you're saying.

But the attitude of an administrator for an agency is, of course, important. I find myself in a very difficult position. I am a commissioner of an independent agency, with absolutely every responsibility, total accountability, which I take very seriously. But I have not been confirmed by the Congress to assume the position that would have given me a 6-year term to have had the attitude perhaps that you would request.

Mr. COLLINS. That leads me to the next question, then. You mentioned the President's Council and the President's Cabinet. Do you feel uncomfortable, politically, as the head of this agency, having to sit at a political table, and yet you're supposed to be head of an independent agency?

Ms. CHATER. No, I don't feel uncomfortable at all. In fact, I think it's a distinct advantage to Social Security because, prior to becoming an independent agency, Mr. Collins, we received information about the management of government from the Secretary of HHS.

To give Social Security a seat at the table, to hear about the management of government, reinventing government and so on, as part of other governmental agency heads, has been very, very important. It takes away a level of bureaucracy for us, and we're at the table where we can participate in discussions as well.

I consider it a distinct advantage.

Mr. COLLINS. Could I have one followup to that?

Chairman BUNNING. Go right ahead, Mr. Collins.

This is the longest we've ever had on a hearing. I just want you to know that.

Mr. COLLINS. Everybody is acting very patient. Thank you.

Well, that brings me around to another point—and I appreciate you making that point. There are actually three branches of gov-

ernment. There's the judicial, the executive, and the legislative. The legislative branch has the responsibility to raise funds, appropriate funds, and set policy. The executive branch is to carry out that policy, to use those funds to appropriately run the day-to-day operation of the government.

Do you see that as the role of the executive branch?

Ms. CHATER. Yes, I see that as the role of the executive. But I also think the executive branch is influential in determining policy as well.

Mr. COLLINS. It's very influential, because the executive branch administers the daily operations, sets the regulations and the rules by which those agencies operate. Oftentimes those rules and regulations lead to the excessive cost of the operation of government. That's the point I'm making.

Chairman BUNNING. The gentleman's time has expired.

Mr. COLLINS. Politics becomes a very major player in that day-to-day operation.

Thank you, Mr. Chairman.

Chairman BUNNING. Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman, and welcome, Dr. Chater. We appreciate your coming in today.

You heard the exchange I had with Mr. Bowsher earlier, and I wanted to follow up on that.

When Congress made SSA an independent agency, we wrote a requirement, as you know, into the law that the Office of Personnel Management authorize "substantially," I think is the operative word, more Senior Executive Service positions at SSA.

Following up on my exchange with Dr. Bowsher, can you tell us what kind of a case you made to OPM for additional SES positions based on this provision in the law, and how many SES positions OPM actually authorized, and your level of satisfaction with that response.

Ms. CHATER. Yes, I certainly can respond to that.

When we became an independent agency, you heard the numbers and so you know we received about 103 SES positions. I went personally to talk with the Office of Personnel Management, and in that discussion we made the point that we needed to formulate some units within Social Security that we didn't have before, some of which I have already mentioned in my testimony. Therefore, we had a great need for more.

We asked for five, which I agree is modest, and I would also say to you that the door is still open. Jim King has not said no. He has simply said that, because he is under a directive to decrease the number of SES positions governmentwide by between 5 and 10 percent, he wanted to wait to see how many he could gather together across government and create perhaps a pool—

Mr. ENGLISH. I appreciate that, Dr. Chater, but reclaiming my time, you had asked for five more, you didn't get them, and that sounds like "no" to me. Maybe that is a temporary situation, but in the near term, I think that has a significance.

Did you alert this Subcommittee that OPM had apparently ignored the intent of Congress, that had been spelled out in the law, to provide SSA with those additional positions?

Ms. CHATER. I think the law did not mention numbers of positions. It—

Mr. ENGLISH. But it said “substantially.”

Ms. CHATER. It said substantial.

And your question was did I alert Congress to that effect? No.

Mr. ENGLISH. This Subcommittee. OK.

Ms. CHATER. Or this Subcommittee.

Mr. ENGLISH. According to GAO and OPM, compared to all other Federal agencies, SSA has fewer SESers on board than any other agency, except two—Education, which has 75 for a staff of 5,000, and OPM, which has 39 for a staff of 4,000. By comparison, HHS, with a staff similar in size to the SSA, 58,000 as opposed to 65,000 for SSA, has 540 SES positions to your 104.

What action are you taking with OPM to correct this imbalance, and isn't SSA just as important as HHS?

Ms. CHATER. Yes, of course it is. The action that we're taking is continuing to have conversations with the Office of Personnel Management.

Mr. ENGLISH. So you intend to pursue additional positions beyond, say, the five that you've requested and so far have been turned down for?

Ms. CHATER. Yes.

Mr. ENGLISH. OK.

GAO also reported that 47 percent of your senior executives and 30 percent of your senior managers are eligible to retire in the next 5 years. This, I know, is a real challenge to any public organization.

What are you doing to prepare for the loss of this experienced personnel?

Ms. CHATER. Well, this year we're able to do some recruiting, so that's part of it. We are also trying very, very hard to redeploy people who work in headquarters and move them out to direct service positions.

We have in place new and different training opportunities with our interactive distance learning, so that internally we can train lots of people at one time and bring them up to speed on management techniques and other content that would ordinarily be shared with people who we would want later on.

Mr. ENGLISH. I have a related question.

Is it true that only 91 of your current 104 SES positions are permanently filled right now?

Ms. CHATER. We have 11 vacancies at the moment, 8 of which are in the recruitment process now, and 3 are still to be allocated.

Mr. ENGLISH. So how many positions at the Deputy and Associate Commissioner level are currently filled by temporary candidates in an acting capacity?

Ms. CHATER. I can't give you that information off the top of my head, but I will certainly provide it to you.

Mr. ENGLISH. I would be very interested. Our information was that only 91 of the 104 SES positions allocated to SSA are permanently filled, and I would like to determine if that's true.

Thank you for your testimony.

[The following was subsequently received:]

SSA has 103 Senior Executive Service (SES) allocations. As of July 25, 1996, 92 SES positions were permanently filled. Recruitment activities are underway to fill 8 of the remaining 11 positions, and we are evaluating the appropriate organizational placement of the other 3 positions.

It is normal for an agency to have a number of SES vacancies at any given time. As vacancies occur, agency heads must examine the most appropriate use of the vacated position: The position may be refilled, or either redescribed or abolished, in keeping with organizational needs.

In addition, the recruitment process is a lengthy one. Positions must be advertised, applicants rated, and careful consideration given to determine the selectees. While this time-consuming process takes place, SSA calls on current SES employees or GS-15 employees to perform temporarily in the vacant positions.

Chairman BUNNING. Mr. Christensen.

Mr. CHRISTENSEN. Thank you, Mr. Chairman, and welcome, Madam Commissioner.

You mentioned the word "recruiting" and I wanted to explore that a little bit. I also think it's important that Americans know how their trust funds are being used, and trying to find the most talented people to fill these positions, to work in an area that's very important to all of us.

It is my understanding—and I wanted to make sure this is the correct situation—that your office spent \$30,000 of trust fund money on a "headhunter," to hire two of SSA's political appointees; is that correct?

Ms. CHATER. I actually spent \$49,000 to hire two political appointees.

Mr. CHRISTENSEN. \$49,000?

Ms. CHATER. But could I point out that because our budget comes from multiple sources, only approximately one-half would have come from the trust fund.

Mr. CHRISTENSEN. OK. And it was my understanding that SSA refused to provide that information to GAO.

Is it true that the two individuals that you hired for this \$49,000 fee had no Social Security background? In fact, weren't both former political lobbyists, and one was a former city of New York administrator and the other was a former State of Maryland administrator? Is that correct?

Ms. CHATER. No.

Mr. CHRISTENSEN. Yes or no.

Ms. CHATER. No, sir. That is not correct.

Mr. CHRISTENSEN. What is incorrect about that statement?

Ms. CHATER. One of the employees was, indeed, the former Secretary of Human Resources from a nearby State.

Mr. CHRISTENSEN. What State was that?

Ms. CHATER. Maryland. But the other part of your statement is not correct.

Mr. CHRISTENSEN. And the other individual did not have any Social Security Administration experience?

Ms. CHATER. No, she did not, but she had health-related and welfare-related experience.

Mr. CHRISTENSEN. In light of the fact that a lot of hardworking Americans are paying their FICA taxes and they're being used for headhunter fees instead of Social Security benefits, I'm not saying it's illegal but do you consider that a right justification of taxpayer dollars?

Ms. CHATER. I checked to make sure that it was, indeed, legal, as it is. And yes, I feel very good about having made the decision.

When I came to Social Security, we had vacancies, and I wanted the best possible person to do what I knew had to be done in the future. I wanted people with lots of experience, expertise, qualifications, for the expectations that we had to meet in the future. I was determined to have the very best.

Mr. CHRISTENSEN. Do you consider political lobbyists to be the type of positions that you're looking to fill, that would experience—

Ms. CHATER. I did not hire political lobbyists in those two slots.

Mr. CHRISTENSEN. It's our understanding that you did.

Ms. CHATER. No, I didn't.

Mr. CHRISTENSEN. Did you supply GAO with the information that they repeatedly asked for concerning this area?

Ms. CHATER. Well, I would think so.

Mr. CHRISTENSEN. It's our understanding that you did not.

Ms. CHATER. Oh, they just asked yesterday. I'm sorry. If it was yesterday. I don't know that.

Mr. CHRISTENSEN. I think they have asked earlier than that as well.

I have one more question before my time runs out, Mr. Chairman.

In your testimony you discuss that there's 8 million continuing disability reviews in the next 7 years, which means SSA would have to conduct about twice as many reviews as it has conducted over the past 20 years combined.

Do you believe you're up to the task and can realistically meet this goal of continuing disability reviews?

Ms. CHATER. We have set a goal for ourselves that I hope very much that we can meet, and we fully expect to meet it. We plan to do about 1 million CDRs a year over the next 7 years, so we will eventually catch up.

This year so far, for example, we already have done approximately one-half of our CDR target, and I am hopeful that we'll meet our 1 million target by the end of the year. If we do, we will have even more success at reaching the overall target in a 7-year period.

Mr. CHRISTENSEN. OK. I'm running out of time. Maybe the Chairman can follow up on my previous question.

Thank you, Mr. Chairman.

Chairman BUNNING. Dr. Chater, we want to thank you for coming today, and discussing these things with us.

I am going to submit some questions to you for answers.

[The questions and answers follow:]

1. How will the CDR workload processing targets be determined for each State for the remainder of the next 7 years?

Each State receives the number of CDRs that is proportionate to the percentage of disability beneficiaries in that State.

2. Discuss the current level of preparedness overall, in the DDS nationwide, to address expected CDR workload. How many new hires are expected in the DDSs? What is the current average training time for these new CDR adjudicators? Once the current backlog is reduced, what will happen to the new staff assigned to process the CDR workload?

The DDSs are currently undergoing a major hiring effort in order to process the increase in CDRs in the coming years. Despite the impact of the drug addiction and alcoholism workload, and the impending childhood workload resulting from the Welfare Reform Legislation we remain confident that we will meet our CDR workload targets.

We project the need to hire approximately 2,100 staff in FY 1997 (this includes normal losses from attrition) and another 1,100 in FY 1998. Further hiring may be necessary depending on overall workloads and receipts.

Even after we become current on our CDR workload, much of this staff will need to remain on duty. In order for our CDR workload to remain current, it will be necessary to perform large numbers of CDRs each year. If some staff losses are warranted, we will realize those losses through normal attrition.

Currently, the average classroom training for a disability examiner is approximately 11 weeks. However, the trainee spends additional time with a mentor doing some simple case processing. We estimate that the entire training process takes about 28 weeks. However, it takes approximately one full year for an examiner to become fully productive.

3. Do States have the flexibility to contract out their CDR workload? Are any States pursuing this option?

State DDSs have the flexibility to contract out various portions of their operations. However, State DDSs cannot contract out the disability determination authority. The Social Security Act requires that only the State or the Commissioner determine whether or not a person is disabled or the disability continues.

Currently, there are no States that have contracted out any portion of their CDR workload. Additionally, we are not aware of any States that are planning to do so.

4. What efficiencies is SSA or State DDSs developing to improve CDR case processing in terms of lowering processing times and costs?

The development and implementation of the CDR mailer/profile process has greatly increased the cost-effectiveness, and timeliness of the CDR process and expanded SSA's capacity to process large numbers of cases. The mailer/profile process identifies those cases that have such a low likelihood of cessation that conducting full medical reviews of these cases in the disability determination services is not cost effective. These cases require only a less expensive mailer questionnaire that examines the individual's current medical status and work history. Studies and analyses to incorporate further improvements and efficiencies in the process are ongoing.

5. Is SSA considering any recommendations for legislative changes to the Congre- If so, what is being con- -d and when might these be sub-??=3?

SSA is not contemplating any specific recommendations for legislative changes. However, information obtained from experience with the CDR mailer/profiling process is reviewed and analyzed on an ongoing basis for new ideas that will enhance the effectiveness of the disability program. All new ideas, including those which might require legislative action, will be carefully considered. We will seek legislation, if needed, for those that improve the CDR process.

1. Please provide your views on what role SSA should take in framing the debate over national Social Security policy for the Congress and the American public?

Educating the American public is critical to achieving a resolution of the long-term solvency issue. An accurate understanding of the facts is needed as the foundation for public discussion. As part of this effort, SSA developed Teacher's Kits, which we made available to secondary schools, which used lesson plans, factsheets, handouts, a video, and a teacher's guide to present a comprehensive overview of the program. At the request of secondary schools, we have distributed seventeen thousand of these kits. We also issue Personal Earnings and Benefit Estimate Statements so that workers can see exactly how much they have paid into Social Security and how much their benefit will be when they retire. By the year 2000, PEBES will be sent to every working American over the age of twenty-five. In addition, we began a multi-media campaign to educate the public about the value of Social Security benefits through a series of public service announcements. Over a million dollars of free air time has been donated to date.

As the head of an independent Agency, the Commissioner of Social Security has greater visibility. I have given presentations on Social Security programs in one hundred forty-seven cities in thirty-one states. I have addressed groups of all ages but have tried to concentrate particularly on reaching those of university age, who, our focus groups tell us, are least confident in Social Security's future.

As of March 31, 1996, the one-year anniversary of SSA becoming independent, GAO reported to us that SSA had not even begun to reorganize and strengthen its policy analysis, research and evaluation component capable of anticipating and responding to expected Congressional requests for data and policy analysis, particularly on long-term solvency issues. Please provide an action plan and describe specific actions that SSA has since taken to strengthen its capacity in these areas. In addition, please provide the Subcommittee an additional progress report by March 31, 1997.

The Office of Programs and Policy was created to enhance policy development by formulating long-range policy options, engaging in rapid decisionmaking, and intensifying its efforts to work with its customers. The former Office of Research and Statistics was given formal responsibility for policy evaluation and renamed the Office of Research, Evaluation and Statistics. A new component, the Office of Policy and Planning, was established to develop long-range policy options, and improve SSA's ability to engage in rapid decisionmaking. Through this new office, SSA is intensifying its focus on policy planning and development by generating well-conceived policies in a timely, effective manner.

Currently:

- o Efforts are underway to identify and recruit staff into these new areas.
- o An expedited contracting mechanism has been put in place (a task order contract) which enables the Agency to quickly issue policy evaluation tasks to private firms which are under contract with the Agency. SSA's fiscal year 1997 extramural research budget contains \$2 million for policy evaluation studies to be done under this mechanism.

The first evaluation project will center around the effects of recently-enacted welfare reform legislation.

- o An effort is underway to address issues related to growth in the disability programs. A contract for phase 1 of a multi-year, national disability survey is expected to be awarded by July 1997.
- o SSA is also considering options feasible to ensuring the long-term solvency of the Old Age and Survivors and Disability Insurance Trust funds.

3. The Subcommittee has concerns about eliminating the duplication of responsibility between the new SSA Office of the Inspector General and the Office of Program Integrity Reviews (OPIR). To enable the Subcommittee to better understand the role, scope, and responsibility of OPIR in SSA operations, please provide the following:

- a. A listing of all OPIR reports undertaken or finalized since 1993. Please include special studies and quality assurance reviews.
- b. The beginning and ending date (or projected ending date) of each of the above, and the estimated staff time involved for each.
- c. For each of the items in (a) above, please list the recommendation(s) made, and the status of each (implemented and date, or not implemented and rationale). For each recommendation implemented, please describe as quantitatively as possible the results achieved and benefits derived.

OPIR REPORTS (initiated or finalized since 1993)

Name of Study/ - Recommendation	Start/End Date/ Staff Time	Implementation Date/ Not Implemented	Benefits and Results/ Rationale
Stewardship Review (RSI and SSI) <i>Ongoing</i>	66.7 WY (in FY96)	Data and analysis only	
RSI Index of Dollar Accuracy (IDA) <i>Ongoing</i>	131.3 WY in FY96 (Includes SSI IDA WYs)		
- Issue a program circular on using the Modernized Claims System (MCS) 3.4 earnings records alerts and the interactive computation facility (FY 1993).		Special Program Operations Manual System procedures issued in 8/94 and 11/94	Special program operations manual system procedures resulted in a more simplified and efficient process.
- Earnings record alerts should be controlled, requiring computer input before proceeding with the next claims step (FY 1994, 1995).		Not adopted but will be re-evaluated.	Will be re-evaluated by intercomponent workgroup reviewing previously unadopted recommendations.
- Provide a copy of the earnings record to the claimant with the appointment letter (FY 1993, 1994, 1995).		Not adopted as Agency policy.	The Chicago RPIR developed and made available to the field offices (FO) a Dynacomm script that can do the same thing. Will be re-evaluated by intercomponent workgroup reviewing previously unadopted recommendations.
- MCS and the Claims Automated Processing System (CAPS) should be identical for prior periods of disability (FY 1994).		Scheduled for 9/98	The Office of Systems advises that this will be resolved when CAPS is eliminated in 9/98. Therefore, computation errors due to improper treatment of prior periods of disability will be reduced.
- An intercomponent workgroup should examine historical IDA data on convincing evidence of age and material discrepancies to evaluate potential policy changes related to proof of age tolerances (FY 1993).		Not adopted.	There is insufficient data for a decision. Analysis continues with each additional year of IDA data.

<ul style="list-style-type: none"> - Revise POMS to require a review of the spouse's earnings record whenever a claimant alleges self-employment income (SEI) involvement or their earnings record shows SEI involvement. Many errors involving SEI occur because SEI was erroneously allocated between spouses (total exceeds \$20 million). 	Not adopted.	Will be re-evaluated by intercomponent workgroup reviewing previously unadopted recommendations.
<ul style="list-style-type: none"> - Create an MCS alert to identify potential SEI gaps when the SEI quarters of coverage field on the earnings record shows a pattern of "YNY" for a 3 year period 	Not adopted.	Will be re-evaluated by intercomponent workgroup reviewing previously unadopted recommendations.
<ul style="list-style-type: none"> - Generate questionable posting alerts in the application path rather than in the earnings computation process as a more efficient method of reviewing the earnings record resulting in reduced error rates. 	No decision has been made.	Will be re-evaluated by intercomponent workgroup reviewing previously unadopted recommendations.
<ul style="list-style-type: none"> - Create an MCS alert or processing limitation when military service after 1956 is precluded and it is not being used by the Railroad Retirement Board. 	Not adopted.	Will be re-evaluated by intercomponent workgroup reviewing previously unadopted recommendations.
<ul style="list-style-type: none"> - Establish a Windfall Elimination Provision (WEP) field to allow for WEP input changes; if not feasible, a systems modification to allow WEP data to be input or changed after the initial earnings record request. 	Not adopted.	Will be re-evaluated by intercomponent workgroup reviewing previously unadopted recommendations.
<ul style="list-style-type: none"> - Develop special processing limitations and alerts to identify when the primary insurance amount (PIA) on the new claim differs from the PIA of record or there is a possible retirement insurance benefit limitation, delayed retirement credit or widow(er) indexing applicability. 	Not adopted.	Will be re-evaluated by intercomponent workgroup reviewing previously unadopted recommendations.
<ul style="list-style-type: none"> - Automatically propagate through MCS the protective filing date on the DW01 screen to the filing date on the DECI screen. 	Not adopted.	Will be re-evaluated by intercomponent workgroup reviewing previously unadopted recommendations.
<ul style="list-style-type: none"> - Develop systems alerts when: 1) the beneficiary elects an option code of "B" and the date of entitlement was established prior to age 65 and there are no excess earnings, 2) the beneficiary elects an option code of "A" and the month of entitlement is not the earliest possible month and there are no excess earnings. 	Not adopted.	Will be re-evaluated by intercomponent workgroup reviewing previously unadopted recommendations.
<ul style="list-style-type: none"> - Modify POMS procedures to review the deceased number holder's earnings record (E/R) with the survivor on any claim. 	Pending.	Many earnings records (total exceeds \$70 million) occur on survivor claims; current procedure directs that the E/R not be reviewed in a subsequent claim.

<ul style="list-style-type: none"> - Revise POMS sections on the development of incomplete postings to state that any year with a posting lower than the prior and subsequent years should be developed. POMS sections on duplicate/erroneous postings should be more specific with respect to required development. - Revise MCS to solicit information about Reserve and National Guard service. 	Pending.	Accuracy rates would be increased and beneficiaries better served.
<ul style="list-style-type: none"> - Generate the claimant's statement on military service, as shown on the MCS screens, on the printed application. 	Pending.	Would ensure that proper credit is given for military service in benefit computation in all cases.
<ul style="list-style-type: none"> - Generate a systems alert when post-1956 military service is incorrectly shown to be precluded on the MCS screens. 	Not adopted.	Would ensure that proper credit is given for military service in benefit computation in all cases.
<ul style="list-style-type: none"> - Automate more of the computations required in widow(er) claims. 	Not adopted.	Would ensure that proper credit is given for military service in benefit computation in all cases.
<ul style="list-style-type: none"> - Develop user friendly software to evaluate very complex computation comparison situations (e.g., multiple entitlement claims involving delayed retirement credits, work deductions, widow(er)'s indexing, PIA's, etc.). Establish a requirement that claims include documentation of the factors that were considered in the selection of the most advantageous type of benefit. 	Not adopted.	Reduce error--Nearly one-half of the computation deficiency dollars occur in widow(er) claims. Reduce error--Many situations of overlooked entitlement occur because potential entitlement amounts are very complicated and difficult to determine.
<ul style="list-style-type: none"> - All systems involving Annual Earnings Test should use a consistent protocol for recording work/nonwork months (FY 1994). 	Scheduled for 9/98	The Office of Systems advised that this will be rectified when CAPS is eliminated in 9/98 with the title II redesigns. Errors from incorrect recording of work/nonwork months will be reduced.
<ul style="list-style-type: none"> - Based on historical IDA data, the Claims Quality Appraisal Discussion Group should investigate improving policy or procedures regarding misinformation. 	Not adopted.	There is insufficient data on misinformation at this time. Therefore no changes have been recommended.

SSI IDA	<i>Ongoing (WY included in RSI IDA)</i>			
<ul style="list-style-type: none"> - Emphasize/provide periodic training in award cases and undetermined claims redetermination cases to ensure that the living arrangement "A" has been carefully considered and ruled out before applying the one-third reduction (FY 1993 - 1994). 	FY 1994, 1995	This was included in the Targeted Assessment System (TAS) reviews.		
<ul style="list-style-type: none"> - Emphasize/provide periodic training on cases in which Inkind Support and Maintenance (ISM) is an issue and to emphasize adjudicator's awareness of the complexities surrounding the issue--be alert to the possibility of cash contributions, especially in disabled adult award cases in which ISM is an issue (FY 1993 - 1994). 	FY 1995.	OPIR and other components conducted a field test of the revised form SSA-8202. The revised form should assist in eliminating these errors. Contributed to reduction in ISM deficiencies from \$93.2 million in FY 1992 to \$73.9 million in FY 1995.		
<ul style="list-style-type: none"> - Emphasize/provide periodic training in careful review of deeming cases to ensure that the correct amounts of income and ineligible child and parent allocations are being used (FY 1993 - 1994). 	FY 1995.	The Deputy Commissioner for Operations stated that it will continue to stress proper adjudication of the deeming provisions in regional circulars and training materials.		
<ul style="list-style-type: none"> - Emphasize skillful interviewing techniques and target cases with alleged financial accounts (especially those with representative payee involvement) for more thorough interviews to yield better estimates or proof of known financial account balances and to uncover undetected accounts. (FY 1993-1994) 	FY 1995	The Office of Operations stated that it will continue to provide field offices (FOs) with interviewing guidelines for detecting undisclosed accounts.		
<ul style="list-style-type: none"> - During the redetermination interview, any case with earnings during the last 24 months should be a candidate for the FO to look for unreported wages (even if no current chargeable wages are alleged by the recipient). (FY 1993 and 1994) 	FY 1995	Included in the TAS reviews.		
<ul style="list-style-type: none"> - SSA should continue efforts to expand nationwide State data matching operations for the detection of unemployment insurance and workers compensation payments. (FY 1993 and 1994) 	FY 1995	By FY 1995, 40 states and the District of Columbia were participating in unemployment insurance matching operations.		
<ul style="list-style-type: none"> - Emphasize periodic training in award cases. Explore the possibility of receipt of unemployment benefits, especially by deemons. (FY 1993 - 1994) 	FY 1995	Operations states that it will stress the importance of adjudicators being alert to unemployment income.		

<p>- The Office of Systems (OS) should establish a specific code to identify unemployment insurance on the unearned income segment of the Supplemental Security Record (SSR). (FY 1994)</p> <p>- Conduct a match of SSI records and State records on income based on need. (FY 1993)</p> <p>- Emphasize periodic training on the importance of carefully reviewing information in the folder before making adjudicative decisions. (FY 1993 - 1994)</p>	<p>Scheduled for late 1998</p>	<p>OS indicated that this information is collected on the Modernized SSI Claims System screen. The 5-year plan calls for the Agency to use (in late 1998) the information on the screen in matching operations that are performed.</p>
<p>- Conduct a match of SSI records and State records on income based on need. (FY 1993)</p>	<p>10/95</p>	<p>An indicator was established to identify "income based on need" limited issue cases for FO review.</p>
<p>- Emphasize periodic training on the importance of carefully reviewing information in the folder before making adjudicative decisions. (FY 1993 - 1994)</p>	<p>FY 1995</p>	<p>Operations will continue to emphasize quality adjudication to FOs as well as provide the technical training and support needed to process their workloads efficiently and effectively.</p>
<p>Probe of SSI Initial Denial Cases due to Excess Income and Excess Resources 8/93 - 2/96 2.0 WY</p>		
<p>- Establish an ongoing Review of denial cases to provide the Agency with information needed to identify and address causes of erroneous denials.</p>	<p>5/96</p>	<p>This initiative will result in improved service to the public in that the Agency will have ongoing data on the accuracy of these SSI claims denials and to identify needed corrective actions.</p>
<p>Evaluation of SSI Recipient Understanding of Reporting Requirements and Use of Form SSA-4122 (SSI folder) 10/95 - 3/96 1.0 WY</p>	<p>4</p>	
<p>- Field offices should be reminded of the requirements to distribute the SSA-4122 to all SSI recipients.</p>	<p>5/96</p>	<p>In FY 1995, about \$173 million in deficiencies on redetermination cases were attributable to information not obtained or withheld. This initiative will improve recipient reporting and reduce overpayments.</p>

<p>National Follow-Up Study of Reestablished SSI Records 11/90 - 4/94 4 WY</p>	<p>- Systems should accelerate preparation of an action/implementation plan for elimination of the remaining systems limitations. At a minimum, the two highest percentage error categories, "Ineligible Spouse Removed/Added" and "Formation of a Couple" should be addressed. (The T30/SD process has been declared a material weakness under EMFIA and should receive priority attention.</p>	<p>10/95</p>	<p>Although no formal plan was developed, Systems advised in 10/95 that the MSSICS 4.4 release, now scheduled for 5/97, will address remaining systems limitations. Elimination of the system limitations is projected to save an additional 200 FO WY's annually and eliminate overpayments of \$11 million per year and prevent underpayments of \$7 million per year.</p>
<p>- To obtain complete information from recipients, FOs should use form SSA-8203BK for all T30/SD redeterminations.</p>	<p>Not adopted</p>	<p>Operations did not support this recommendation because, in their view, the study did not provide data showing that use of the SSA-8203BK would prevent errors identified.</p>	<p>Not adopted</p>
<p>- Develop a supplemental form or checklist for FO use in T30/SD redeterminations to cover issues unique to the T30/SD process.</p>	<p>4/94</p>	<p>Although all components agreed, work was never completed to develop a national form/checklist. However, MSSICS 4.4 release will make the form/checklist unnecessary.</p>	<p>Will serve to focus on the quality of reestablished records until all systems limitations are eliminated.</p>
<p>- Continue or establish TAS review of T30/SD cases until the process is demonstrated to be sufficiently error free. The reviews should cover, at a minimum, development and disposition of underpayments and overpayments on the T30 record and review the completed redetermination form.</p>	<p>Not adopted</p>	<p>Operations did not support this recommendation because targets are not standardized across regions.</p>	<p>Operations did not support this recommendation because targets are not standardized across regions.</p>
<p>- Develop an audit trail for TAS reviews so that their effectiveness can be monitored and improved.</p>	<p>5/96</p>	<p>Implementation of MSSICS 4.4 in May 1997 will result in improved FO processing of record reestablishment.</p>	<p>Implementation of MSSICS 4.4 in May 1997 will result in improved FO processing of record reestablishment.</p>
<p>Evaluation of Regional Efforts to Improve SSI Reestablished Records Process 4/94 - 5/95 75 WY</p>	<p>- Systems should pursue enhancements to eliminate processing limitations.</p>		

<p>Regional Study on the Doctrine of Collateral Estoppel 5/93 - 12/93 2 WY</p>	<p>9/93</p>	<p>Some SSR improvements were made to provide easier recognition of cases involving collateral estoppel prior to completion of the study report.</p>
<p>Study of SSI Plans for Achieving Self-Support 8/94 - 6/95 20 WY</p>	<p>Pending</p>	<p>Study data indicate that this change would serve to make the PASS program cost-effective rather than the current process where program/administrative costs outweigh program savings.</p>
<p>- Require eligibility for SSI before applying any PASS exclusions.</p>	<p>4/96</p>	<p>POMS has been revised to provide better guidance in the preparation of PASS plans.</p>
<p>- Provide better definition of "self-support" as used in the PASS program.</p>	<p>4/96</p>	<p>Regional cadres of PASS adjudicators have been formed and are being provided specialized PASS training, including the application of vocational factors.</p>
<p>- Take action to assure that vocational factors are considered in establishing PASS plans.</p>	<p>4/96</p>	<p>Implementation with MSSICS 4.4 (5/97) should result in improved administration of the PASS program.</p>
<p>- Office of Systems and the Office of Program Benefits Policy (OPBP) should ensure that a system of diaries and controls is established for timely completion of compliance reviews.</p>	<p>Implementation scheduled for spring 1997.</p>	<p>Should result in improved administration of the PASS program.</p>
<p>- Office of Systems should provide a data base or modify the SSR to provide better management information on PASSES.</p>	<p>5/96</p>	<p>Should result in improved administration of the PASS program.</p>
<p>- OPBP should develop a national PASS application form.</p>		

<p>Pilot of Ongoing Review of SSI Initial Claims Denials 5/95 - still in progress 4 WY</p>			
<p>Ongoing Review of SSI Initial Claims Denials 02/96 - Ongoing 5.5 WY</p>			
<p>Service Representative (SR), Service Representative and/or Data Review Technician and Teleservice Representative (TSR) Pilot Project Quality Reviews 2/93 - 6/93 2.5 WY</p>		Adopted	SR/TSR responsibilities expanded and training addressed problem situations identified.
<p>- If it is decided to transfer some or all of the workloads evaluated to the SR/TSRs, their training should address the quality problems identified in the study.</p>			
<p>Postentitlement Title II Death Terminations Final Report 4/90 - 8/93 4.0 WY</p>		Not yet adopted	The recommendation produced varying opinions regarding workload implications. This recommendation is expected to reappear in the report of the Death Process Review Team.
<p>- SSA should discontinue its current practice of routinely terminating benefits for reason of death without prior verification when incomplete information is received from the Department of the Treasury.</p>		10/93	This addresses an estimated \$33 million, the largest underpayment problem associated with death terminations.
<p>- The current Automatic Earnings Reappraisal Operation (AERO) selection specifications concerning disability death recalculations should be revised to include children and young widow beneficiaries.</p>		Adopted	This will correct the recalculations that were not given for death terminations prior to 1991. This roundup could be expected to identify increases to 50,000 or more beneficiaries and result in additional lifetime payments of \$100 million or more.
<p>- Identify past disability death recalculation errors in an AERO roundup operation.</p>		No accounts to be processed before 12/97.	
<p>- Modify procedures in the regional finance centers to provide SSA with the exact date of death received.</p>		Deferred	Action necessary to implement change superseded by higher priority activities. This will increase accuracy and reduce the volume of subsequent verification actions.

<p>Evaluation of RSI Postentitlement Payment Changes 4/91 - 9/94 8 WY</p>	<ul style="list-style-type: none"> - Modify the student reporting process to obtain sufficient information with the initial student benefit application to pay benefits until secondary school attendance is scheduled to stop or the beneficiary is age 19 and 3 months, whichever comes first. - Develop a legislative proposal to terminate benefits because of marriage/remarriage effective with the month after the month of the marriage. - Develop an automated special enrollment period process. - Ensure that the Form SSA-1696-U4, Appointment of Representation, is routinely reviewed to identify situations where the attorneys have waived their fees before offsetting benefits. - Modify the POMS to require that a query be obtained in apparent concurrent title III/XVI situations to determine the status of the title XVI account before withholding title II benefits; and state that the windfall code should be entered only if concurrent entitlement is involved for the period covered by the current title II claim. 	<p>Deferred</p> <p>Not Adopted</p> <p>Adopted To be included in redesign</p> <p>Adopted</p> <p>POMS has not yet been updated.</p>	<p>Corrective action test necessary as first step of implementation. Test deferred until other corrective action work (e.g., ARF/DRC roundup, REGO II activities) is completed.</p> <p>Policy component believes that other initiatives (e.g., beneficiary contact programs) would produce process improvements.</p> <p>Will automate about 150,000 actions per year.</p> <p>Will accelerate payments of about \$80 million annually which were previously delayed.</p> <p>OPIR is investigating why POMS modification has not yet occurred.</p>
<p>RSI Overpayments 1/93 - 10/94 8 WY</p>	<ul style="list-style-type: none"> - Information concerning reported service months should routinely be included in the notice sent based on the receipt of an annual earnings report, and information concerning presumed service months should be included in the notice when an earnings enforcement action is processed. - When SSA knows that the beneficiary is without fault in regard to the occurrence of an overpayment, the beneficiary should be so informed and advised that the first condition--"without fault"--for waiver of repayment is met. 	<p>Implementation scheduled for 6/97</p> <p>Deferred pending additional information to be provided by OPIR in 1997.</p>	<p>Beneficiaries will be in a position to know when the information previously obtained/processed by SSA was incorrect.</p> <p>Action deferred until OPIR can provide a clear method of distinguishing when an SSA error produced the overpayment.</p>

<ul style="list-style-type: none"> - Automated and manual overpayment notices should be consistent in regard to describing partial repayment. 	Deferred	No decision has been made on how to prioritize notices requiring modification.
<ul style="list-style-type: none"> - SSA should experiment with providing most beneficiaries with a telephone number staffed by personnel in the program service centers' debt management sections. Those beneficiaries needing an explanation of how the overpayment occurred, wishing to protest the overpayment, or wanting to arrange for a reduced withholding rate would be advised to use this number. Those wishing to file for a waiver would be advised that they could call or visit their local SSA office. 	Scheduled for 2/97	Experiment to begin in the Mid America PSC with the goal of improved service to the public.
<p align="center">Evaluation of Primary Insurance Amount Increases <i>1/93 - 10/94</i> <i>8 WY</i></p>		
<ul style="list-style-type: none"> - SSA needs to identify and correct cases where AERO increases were overlooked. 	FY 1995	Agency took action to identify about \$1 billion in underpayments.
<ul style="list-style-type: none"> - MCS 3.4 alert that identifies possible duplicate postings should be modified for use in the AERO process to prevent inappropriate PIA increases. 	Deferred	Additional work necessary to define the new process deferred until involved staff complete the automation required to pay retroactive underpayments.
<ul style="list-style-type: none"> - Expand the scope of the modified alert for use in identifying accounts for prior years where inappropriate PIA increases may have been given. The amount of the error that could be corrected by identifying previously used duplicate postings is estimated at over \$100 million. 	Deferred	Additional work necessary to define the new process deferred until involved staff complete the automation required to pay retroactive underpayments.
<p align="center">Postentitlement Title II Annual Earnings Test (AET) Final Report <i>4/91 - 4/95</i> <i>16 WY</i></p>		
<ul style="list-style-type: none"> - Modify the adjustments of the reduction factor (ARF) and delayed retirement credits (DRC) roundup operation to finalize withholding for the latest ARF/DRC year included; and where some but not all benefits have been withheld, no annual report has been received and the withholding year is at least 3 years, 3 months and 15 days in the past. 	8/95	ARF/DRC roundup was modified beginning 8/95 based on the more specific recommendations that followed the ARF/DRC corrective action test.
<ul style="list-style-type: none"> - Expand the scope of the first modified ARF/DRC roundup to include as many prior years as can be included using data on the benefit record. 	8/95	Correction process complete. Dollar impact is projected to be about \$1 billion in underpayments.

<ul style="list-style-type: none"> - Expand the scope of the underpayment detection aspect of the earnings enforcement operation to include amounts where no annual report has been filed and the beneficiary's estimate exceeds the amount shown on the earnings record. - Change the AET enforcement underpayment notice to make it clear that it is highly likely that additional benefits are payable. 	Scheduled for 1997	New AET process will provide automated underpayment detection in the earnings enforcement process.
<ul style="list-style-type: none"> - Include a description of the special excess earnings rule for the age 70 attainment year in the notices sent to beneficiaries reinstated at age 70. - Resubmit a legislative change to make the penalty resulting from late filing of the annual report of earnings a percentage of the overpayment rather (as is now the case) equal to the lesser of the whole amount or a full month's benefit. 	Implemented beginning 1996. January 1995	<p>\$20 million in additional benefits to 30,000 beneficiaries involved.</p> <p>Additional benefits of \$22 million to 13,000 beneficiaries involved.</p> <p>Obsoluted by Rego II AET initiative effective January 1997. Since there will be very few penalties in the new AET process, legislation to change the penalty provisions of the law are not needed.</p>
<p>SSI Overpayment Resolution Study 1/91 - 7/93 4 WY</p> <ul style="list-style-type: none"> - Ensure that POMS instructions (SI 02201.015) for netting overpayments against underpayments and resolving overpayment and underpayment diaries are consistent with policy instructions on notification of overpayment and underpayment prior to adjustment. 	FY 1994	Ensures that overpaid recipients are notified when an overpayment exists and is recouped by withholding from an underpayment that is due.
<ul style="list-style-type: none"> - Issue a program circular to remind field offices of the proper procedure to follow when manually resolving SSI overpayments. - Remind the field offices to give greater attention to documenting the application of the penalty provisions. 	FY 1994 FY 1994	<p>Serves to improve the accuracy of resolved overpayments.</p> <p>Serves to ensure that the penalty provisions are consistently applied.</p>

Field Office Assistance Visits (FAV) <i>10/93 - Ongoing</i> <i>25 WY (in FY96)</i>			
- Individual recommendations are targeted to specific FO cases reviewed and are driven by inaccuracies found. They vary from FO to FO.			Feedback to FO is immediate for corrective action and/or additional training.
Analysis of Payment Changes Resulting from Redeterminations <i>10/94 - Ongoing</i> <i>1.3 WY (in FY96)</i>			
- Recommendations called for automating data collection and using payment change data to profile redetermination processing.	In process of implementation.		Automating data collection would provide universe data rather than sample data and improved redetermination profiling would make redeterminations more cost-effective.
Review of Update Procedures in Medical Allowances <i>7/92 - 11/95</i> <i>1 WY</i>			
- The May 1992 decision to eliminate updates of nonmedical factors of eligibility in certain living arrangements "A" and "B" should be reversed.	FY 1996		Updates were shown to be cost effective and prevented underpayments.
Redeterminations Requiring Reinstatement of SSI Payments <i>5/92 - 11/95</i> <i>.9 WY</i>			
- Maintain the current 31 day tolerance for redeterminations and couples.	FY 1996		Will maintain current accuracy of eligibility updates.
Probe of PreRelease Agreements <i>11/93 - 5/95</i> <i>2 WY</i>			
- If Field Offices continue to be assigned the responsibility for engaging in SSI outreach initiatives, they should concentrate on contacting all appropriate facilities in their service areas concerning the establishment of prelease agreements.	FY 1996		DCO provided reminder to Field Offices.
Probe of Generation and Processing Critical Birthday Alerts <i>FY93 - FY94</i> <i>3.5 WY</i>			
- Set automatic diaries on more of the currently identified potential eligibles.	FY 1995		Focus field office personnel on specific instructions not being followed. Increase identification of potential other benefits payable.

- Ensure that clearance inputs for redeterminations and limited issues include clearance of pending diaries.	FY 1995	Focus field office personnel on specific instructions not being followed. Reduce pending unresolved diaries.
- Issue reminder to field offices to ensure clearance of K2, K8 and K9 diaries.	FY 1995	Reminder issued should reduce the number of unresolved K2, K8 and K9 diaries.
Liquid Resource Development Tolerance in Redeterminations and Couples Cases 3/93 - 11/95 2 WY	4	
- The requirement of FO to verify the countable value of liquid resources when the claimant alleges liquid resources over 1,250 but less than \$2,000 for an individual or \$3,000 for a couple not be changed.	FY 1996	Maintain rather than compromise the efficiency of current procedures.
Probe Accuracy of Redetermination Dates FY94 - FY94 1.8 WY		
- Operations should enforce FO instructions to correctly record and input RZ instruction dates.	FY 1995	Reduction of unnecessary duplicative development for eligibility periods previously developed.
Dollar Impact of Redetermination Upgrade with Supplemental Security Record (SSR) and Modernized Supplemental Security Income Claims System (MSSICS) 10/94 - In Progress .5 WY		
- Develop methodology for interface between SSR and MSSICS	In progress	
Study of Goldberg/Kelly Notice Procedure 9/91 - 12/95 0.5 WY		
- Continue to explore the possibility of changing the formula used to determine each month's G/K cutoff date for automated notices to allow FOs to more time to take action.	Implementation scheduled for FY 1997	Developments in electronic processing now allow some more time for field offices to take action and MSSICS 4.4 will enable automated payment correction. Has potential for eliminating a projected \$43.4 million in overpayments.

<ul style="list-style-type: none"> - Have FO management encourage the use of the PV version of Retrospective Monthly Accounting software in manual computations for the next month. - Encourage FO use of G/K notice procedures through training and reminders. 	FY 1996	Will result in more accurate computations of payment changes.
<ul style="list-style-type: none"> - FO to maintain folder when one time payments are issued . - Overpayments on prior records should be addressed before one time payment made 	FY 1995	Will result in more accurate processing of payment changes. Has potential for eliminating a projected \$50 million in overpayments (in addition to the \$43.4 million above).
<p>Study of Supplemental Security Income One-Time Payments 11/91 - 4/94 8 WY</p>		
<ul style="list-style-type: none"> - Take the necessary steps to ensure that comprehensive management information on PASS cases is collected/recorded. - Modify the MSSICS release 4.4 default compliance review diary maturity date to 12 months after the start of the PASS, rather than 17 months. 	Implemented in 1994	Improved documentation of one time payments.
<ul style="list-style-type: none"> - Revise POMS instructions to mandate use of the release 4.4 MSSICS screens for PASS cases. 	Not Implemented Pending MSSICS development.	Would enhance collection of overpayments on prior records.
<ul style="list-style-type: none"> - Closely monitor the quality of field office development in PASS case and issue developmental reminders as needed. 	Final report in preparation	
<ul style="list-style-type: none"> - Collect and disseminate data from the PASS cadres to quantify the numbers of returns to field offices for additional development and the reasons for these returns. 		

<p>- Modify POMS to require: (1) Reconstruction of PASSs and amendments that cannot be located at the time a compliance review is conducted; (2) Retention of photocopies of bills, receipts etc., or specified itemized documentation from completed compliance reviews for use in any subsequent reconciliation action; (3) input of an appropriate end date with the "D" income exclusion; and (4) Submittal of plan amendments in a form consistent with the new form SSA-545.</p>			
<p>Followup Study of Entitlement to Other Benefits Overlooked in the SSI Process 10/91 - 8/93 .5 WY</p>			
<p>- Include questions on form SSA-8203BK to identify potential entitlement to title II and veteran's benefits.</p>	FY 1995	Implemented recommendations would identify about 20 percent of the overlooked benefits (\$63 million out of \$317 million -- 1993 benefit levels).	
<p>- Include lead questions on form SSA-8202 to identify potential entitlement to title II benefits, where recipients are not currently entitled to such benefits, and veteran's benefits.</p>	FY 1995		
<p>- Implement an interim emergency measure to expedite the development of a single page form containing lead questions to identify potential entitlement to title II and veteran's benefits to be used as a supplement to all FO-processed redeterminations until the 2 redetermination forms are revised to include these lead questions.</p>	Not implemented	Development time for the interim measure was close to the time needed to revise the form.	
<p>- Appropriate components to work together to determine what additional information needs to be collected and input to the SSR regarding the results of the investigation of potential entitlement to other benefits.</p>	Delayed	Will be implemented as part of MSSICS 4.4 release to include redeterminations (5/97).	
<p>- Ensure that FOs become especially alert to overlooked entitlement to primary entitlement benefits, aged widows, children, and aged wives' benefits.</p>	FY 1994		
<p>Study of the Impact of MSSICS 4.2 on SSI Claims Quality FY 1994 - FY 1995 4.5 WY</p>			
<p>- DCPPEC should proceed to automate the form SSA-41169 in MSSICS at the earliest opportunity.</p>	FY 1995	Should result in improved payment accuracy.	

<p>- The Deputy Commissioners should coordinate with other impacted Deputy Commissioners to ensure that MASSICS retains adequate documentation to provide an audit trail.</p>	<p>Not Yet Implemented</p>	<p>Deputy Commissioners agreed with the recommendation but have not yet agreed on what documentation would be an appropriate audit trail</p>
<p>Adjustment of the Reduction Factor/ Delayed Retirement Credits (ARF/DRC) Corrective Action Test 6/93 - 8/94 5 WY</p>	<p>8/95</p>	<p>The dollar impact from increased accuracy is \$70 million per year.</p>
<p>- Modify the ARF/DRC roundup operation to finalize withholding for the latest ARF/DRC year included, where some but not all benefits have been withheld, no annual report has been received and the withholding year is 3 years, 3 months and 15 days in the past.</p> <p>- Expand the scope of the first modified ARF/DRC roundup to include as many prior years as can be included using data as it exists on the benefit record.</p>	<p>In Process OPIK is working with Offices of Systems, Programs, and Operations to develop an automated roundup operation using the automated job stream (AJS) and/or other programs to ensure fallout workloads and beneficiary recontacts are minimized.</p>	<p>ARF/DRC roundup process is nearing completion. Benefit increases processed are estimated at more than \$700 million and will be close to the initially projected \$1 billion when the process is completed, with savings of several hundred workyears and increased product quality.</p>
<p>Study of the Targeted Review of SSI Recipients Age 65 and Above 3/93 - still in progress 10 WY</p>	<p>Final report in preparation</p>	
<p>Analysis of FY 1991 IDA AFDC Deficiencies 1/94 - 8/94 .5 WY</p>	<p>Analysis provided to Policy -- no recommendations.</p>	

<p>Alternative Proof of Relationship for Legitimate Children <i>1/94 - 7/95</i></p>	<p>- Accept the Numident record established at birth of legitimate child as proof of relationship for auxiliary or survivor child's benefits.</p>	<p>FY 1996</p>	<p>Reduction in development required will save an estimated 39 workyears in FY 1996, increasing each year thereafter as the number of children enumerated at birth increases.</p>
<p>Mid-Atlantic Program Service Center (MATPSC) Check, Claims and Remittance Examiner (CCRE) Backlog Study <i>1/92 - 1/94</i></p>	<p>- Update POMS GN 02406 (nonreceipt and photocopy requests); GN 02408 (stop payment requests; SM 00619.035B.10 (RETAP termination overpayment alerts); and SM 00624 (REACT returned checks and credit processing to provide CCRE with processing instructions reflecting the role of the REACT (Returned Check Actions) and ARS (Accounts Receivable System) processes.</p>	<p>5/94 SM 00624 updated. GN 02406 and GN 02408 updates pending coordination with Treasury with no release date scheduled.</p>	<p>Reduction in backlog through improved CCRE understanding of job duties.</p>
<p>- Publish the MATPSC listing with issue dates and check ranges for courtesy disbursements and the listing with the same data for PMA (prior monthly accrual, CPS (critical payments) and "OCO A" (one check only) payments in a single monthly operations bulletin. MATPSC should also publish desk aids for nonreceipt and stop payment process. These desk aids should be explained in detail, perhaps as part of refresher training.</p>	<p>NEPSC FALCON system will be shared with all PSCs to publish the listings. MATPSC has a group to develop and distribute the desk aids.</p>	<p>6/94 MADCAP enhancements implemented in 6/94. Local programs have been developed to transfer cases to the IBFS.</p>	<p>Reduction in backlog through improved CCRE performance.</p>
<p>- Modify postentitlement systems to provide reminders for BAs that should reduce subsequent CCRE backlogs. First MACADE death terminations with outstanding payments should result in Category 4 output to remind the BA to forward the case to a CCRE for stop payment preparation 1, if necessary. Second, when appropriate, TATTER (Terminations and Attainments, Transfers and Termination Program) and MACADE death terminations should result in output reminding BAs to transfer jurisdiction to IBFS (Interim Billing and Followup System) if there is a representative payee and outstanding payments.</p>			<p>Reduction in CCRE backlog through improved workflow from BA to CCRE.</p>

<ul style="list-style-type: none"> - Modify REACT programming so that debit accounting alerts are not produced when a courtesy disbursement has been returned - Modify the designation for other output/paper routed to CCRs unnecessarily as follows: (1) SALT (Suspensions and Life Terminations) review output with no actionable remarks should be changed to a prongfile category; (2) MA TPSC should reclassify SALT Category 3 output containing only code "410" from CCRE to NPR (Notice Preparation Reviewer); (3) TATTER SSA-3926 Category 2 output showing "CCE/WOF" should be reclassified "NPR/WOF"; and (4) TATTER output should display an automated stop payment remark whenever REACT will post the stop payment. 	<p>FY 1994</p> <p>Partially Adopted Adoption deferred on changing output distribution as local (reg) programming would be required. Recommendation to change TATTER output obsoleted by a related change to computer output.</p>	<p>REACT code "054" has now suppressed, eliminating unnecessary REACT output/paper.</p> <p>Reduction at CCR based on improved workflow and elimination of paper.</p>
<p>Compensation for Representative Payees <i>10/92 - 11/93</i></p> <p><i>2.1 WY</i></p>	<p>Adopted No change in policy</p>	<p>No fraud or misuse found.</p>
<p>RSI Claims Spouse's Marriage Certification (SSA-2/3 Rule) <i>10/92 - 9/93</i></p>	<p>Adopted No change in policy</p>	<p>Current policy shown to be sound and to avoid unnecessary claims development.</p>
<p>Analysis of SSI Program Debt <i>FY 1990 - 7/93</i></p> <p><i>.5 WY</i></p>	<p>Not adopted</p>	<p>Concern that underpayments may not be identified.</p>
<ul style="list-style-type: none"> - Implement ADP plan project to clear from the SSR backlogged debt that has been written off. - Appropriate components should work together to conduct the analysis necessary to determine the criteria/methodology to develop an automated means of reconciling excess postings. - Appropriate components to work together to validate amount of SSI debt using direct calculations of overpayment and disposition data on the SSR. 	<p>Pending</p> <p>FY 1994</p>	<p>Pending decision by the Principal Deputy Commissioner.</p> <p>Corrected the overstatement in outstanding SSI debt balances by over \$300 million.</p>

- Appropriate components to work together to implement ADP plan to automate the posting of overpayments from terminated to reestablished records.		Deferred	Will be implemented with MSSICS in 4/97.
- Appropriate components to work together to conduct analysis to determine the criteria/methodology to develop automated means to eliminate pending debt on prior terminated records.		Pending	Pending decision by Principal Deputy Commissioner. Analysis indicates that \$150 million in overpayments exists on terminated records; however, it is not known how much of the debt has been brought forward to new records and is double counted or how much has already been collected/recovered on the new record.
Study of SSI Initial Applications Taken by Telephone 1/90 - 8/93 11 WY			
- Continue the use of the telephone in taking SSI applications		FY 1994	This option does not compromise the accuracy of payments nor the integrity of the SSI program. It increases accessibility to potential SSI applicants.
Title XVI Approved Waiver Decisions 11/90 - 1/94 4 WY			
- Continue the requirement for FO supervisory review of proposed waivers of overpayments of \$1,000 or more.		FY 1994	This decision was in effect until July 1996 when the waiver tolerance was increased to \$2,000.
- Revise POMS to require that the fact and results of the supervisory review be documented in file.		FY 1994	DCP began the process to revise POMS in 1994. The revision was completed in early 1995.
- Explore the feasibility of capturing data on the disposition of all waiver requests that require decisions.		FY 1994	SSR currently captures data on both approved and denied waivers.
SSI Terminations Probe 6/91 - 2/94 10 WY			
- Conduct a targeted study of T31 terminations not caused by Federal benefits.		FY 1994	T31 terminations are included in ongoing PE review.
- Take corrective action by verifying reports of death received from the Department of Treasury before termination.		8/93	Implementation pending software changes to death match procedures.

<p>SSI Force Payment Study 11/91 - 8/94</p> <p>2 WY</p>	<ul style="list-style-type: none"> - Direct FOs to maintain a folder for each force payment case including documentation of management approval for the force payment. - Stress that all FOs recompute the SSI amount for those individuals who do not receive their cost of living adjustment (COLA) update on force payment cases. - Operations and Policy to develop and publish specific folder documentation requirements in POMS. 	<p>8/94</p> <p>8/94</p> <p>Deferred</p>	<p>Reduces error cases.</p> <p>Ensures that recipients receive COLAs.</p> <p>Implementation has been deferred by Systems.</p>
<ul style="list-style-type: none"> - Systems to work with Operations and OFAM to develop alternative solutions to address the more common situations that result in choosing force payment as the preferred method of payment. - Systems and Operations to identify any oversights in POMS instructions regarding overpayment processing for force payment cases. 	<p>8/94</p> <p>8/94</p>	<p>Improved service to the public.</p> <p>Implementation was deferred by Systems.</p>	
<p>Study of SSI Undetermined Claim Profile 1 Abridged Procedures 10/93 - 8/95</p> <p>1.5 WY</p>	<p>10/95</p>	<p>Implementation will save about 55 FO WYs annually.</p>	
<p>SSI Recipient Verification Study FY 1996 - 04/96</p> <p>7 WY</p>	<p>4/96</p>	<p>Findings show no need for establishing procedure to identify unreported deaths in cases where there has been no contact with the recipient for 2 years; for males 79 and above; for females 83 and above.</p>	

<p>SSI Claims Denied for Failure to Pursue (N17) 6/92 - 8/94 11 WY</p>		
<p>- Strengthen POMS to ensure that FOs provide SSI applicants with needed assistance in pursuing their claims.</p>	08/94	Serves to protect claimants' eligibility for payments.
<p>- Initiate an intercomponent effort to identify and correct erroneous N17 denials for the period 1/1/92 through 8/31/94.</p>	FY 1995	Over 70,000 denied applicants (denials 3/1/91 - 8/31/94) received a notice asking whether they wanted SSA to look at their applications again to see if the claims were handled correctly. Projecting the study results to these applicants would indicate that over 21,000 denials would be reversed and these applicants would become entitled to continuing SSI monthly payments totaling \$2.2 million annually and retroactive payments totaling \$1.9 million (1995 benefit levels).
<p>800# Caller Recontact Survey-November 1992 11/92 - 3/93 2.1 WY</p>		
<p>SSI State Wage/Unemployment Compensation Match 2/91 - 3/93 1.5 WY</p>		
<p>- Raise the tolerance for both of these matches for cases involving (deeming of income.</p>	Implemented FY 1994	Elimination of about 70,000 wage alerts saving 79 FO workyears. Elimination of 6,000 unemployment compensation alerts saving about 7 workyears. Very little cost in program dollars since benefits and costs were almost equal for eliminated alerts.
<p>DI State Wage Match 9/90 - 3/93 1.2 WY</p>		

<p>- Conduct national match between State wage records and the title II disability rolls.</p>	<p>Pending Implementation Overlaken by other systems priorities.</p>	<p>About \$8 million in savings at a cost of about \$3 million by detecting disabled individuals who return to work. Most of the savings would result from detecting work activity earlier than the annual disability earnings enforcement operation which matches disability rolls to SSA's wage records.</p>
<p>800# Caller Recontact Survey-February 1993 2/93 - 6/93 2.1 WY</p>	<p>Data and analysis only</p>	
<p>800# Caller Recontact Survey-May 1993 5/93 - 9/93 2.1 WY</p>	<p>Data and analysis only</p>	
<p>Analysis of Misassigned SSNs 3/92 - 9/93 5 WY</p>		
<p>- Expand ADP plan to include in the category of enumeration feedback messages, situations that would otherwise permit assignment of an original SSN to an applicant age 18 or over alleging birth in the United States.</p>	<p>Implementation pending development of software</p>	<p>Serves as a fraud deterrent.</p>
<p>- Revise POMS RM 00205.010 and/or POMS RM 00205.020 to simplify instructions as to when a second SSN is permissible in wrong number situations.</p>	<p>12/93</p>	<p>Serves as a fraud deterrent and simplifies instructions.</p>
<p>FY 1994 SSI Redetermination Profiling 6/93 - 10/93 7 WY</p>		
<p>- Yearly modification of SSI redetermination selection profiles based on analysis of QA Stewardship data base.</p>	<p>Implemented</p>	<p>This profiling technique saves about 1,400 workyears each year over the prior selection criteria while detecting the same number of incorrect payments.</p>
<p>VA Death File 6/92 -10/93 1 WY</p>		
<p>- Conduct a one-time match with VA's historical death file.</p>	<p>Implementation began 11/96</p>	<p>Expected detection of more than \$5 million in incorrect payments.</p>

<p>Service Delivery Analytical Report 5/93 - 11/93 .5 WY</p>			
<p>SSI Initial Claims Profile 6/93 - 12/93 .3 WY</p>	<p>Not implemented due to programs and Operations concerns. † about FO time required to determine characteristics to apply the profile. Implementation delayed until Modernized Disability System is operational.</p>	<p>- Pilot testing of a statistical profile which would do a better job than current procedures at determining which SSI initial disability claims should undergo simultaneous development (SD) of medical and non-medical factors. Several options, including reduction of current SD workload or increase in number of initial claims undergoing SD.</p>	<p>Would result in reduction in current SD workload without decrease in medical allowances undergoing SD, or increase in number of initial claims undergoing SD (and decrease in processing time) with no increase in FO workyears.</p>
<p>Tax Year 1991 Wage Posting Accuracy Study 11/93 - 2/94 .5 WY</p>	<p>Data and analysis only.</p>		
<p>SSA-8202 Study 10/91 - 2/94 3.2 WY</p>	<p>10/94</p>	<p>- National implementation of revised SSI redetermination form.</p>	<p>Detection of as many incorrect payments as previous form with estimated yearly savings of 150 FO workyears.</p>
<p>FY 1993 IRS Interface Alert Study 10/93 - 5/94 1.5 WY</p>			
<p>- Raise tolerances for two groups of alerts from match between SSR and IRS 1099 file which were barely cost effective.</p>	<p>FY 1994</p>		<p>Elimination of about 117,000 alerts which were barely cost effective at savings of 135 FO workyears.</p>
<p>Evaluation of Process Year 1993 System Alerts for Statements of Corrected Income and Tax Amounts (Form W-2C) 8/93 - 5/94 .2 WY</p>			

- Modify earnings modernization release 3.2 software to suppress code 1 alert when there are no earnings on the MEF for the process year involved.	Not Implemented Due to higher priorities in Office of Systems.	Reduction in number of alerts generated to FOs.
- Modify earnings modernization release 3.2 software to suppress code 4 alert when there is only one W-2 entry on the MEF which one W-2C is correcting.	Not Implemented Due to higher priorities in Office of Systems.	Reduction in number of alerts generated to FOs.
Quality of the Enumeration Process January-June 1993 <i>1/93 - 6/94 2.5 WY</i>	Data and analysis only	
Tax Year 1991 Earnings After Death (EAD) Study <i>11/92 - 6/94 1 WY</i>		
- Educate employers via the American Payroll Association and the Internal Revenue Service instructions to minimize the receipt of faulty employer reports.	FY 1995	
- Modify the EAD process software to reduce the volume of items alerted for investigation.	Not adopted	Overall volume not burdensome and reducing volume would fail to resolve some cases.
- Change procedures to assist SSA employees in processing EAD inquiries.	10/94	
- Post valid EAD earnings to the noncovered portion of the earnings records, thereby clearing open items from the suspense file.	Partially adopted in FY 1995	It was agreed to remove these earnings from "suspense" but not to post to the earnings record since earnings after year of death are not covered for FICA.
- Enhance the death update system to provide an EAD audit trail.	Accepted. Delayed implementation until release #3 of ADP Plan Project #6864.	
- Send clearly written EAD letters to employees. Make it easier for them to supply data SSA needs without having to go to the local FO.	Not adopted	The notices are necessarily vague in that SSA is bound by agreements with the States not to reveal that the original death report came from a State source.

IRS Interface--Followup Analysis 5/94 - 7/94 .5 WY			
- Use a statistical profile to better target the number of IRS alerts the FO must develop.	FY 1995		Reduction in the number of IRS alerts by an estimated 225,000 alerts per year at a savings of 275 FO work-years.
Service Delivery Evaluation--Preliminary Data (2nd Survey) 6/94 - 8/94 .5 WY			
Comment Card Survey 3/94 - 8/94 1.5 WY	Data and analysis only		
Phase II of 800# Network Prompt Evaluation 2/94 - 8/94 1.5 WY	Data and analysis only		
800# Expert Systems (ES) Test in Albuquerque 7/93 - 9/94 1 WY			
- Make 800 number ES available to all teleservice representatives (TSR), program service center (PSC) SPIKES (staff assigned to answer calls during peak periods) and FOs and management should encourage use of ES.	Operations to provide ES to all TSRs and SPIKES when IWSS/LAN is installed in each of the offices.		Established that use of ES results in statistically significant improvements in payment and service accuracy.
- ES Development Staff should continue to develop and implement further enhancements to the 800 number ES, especially enhancements making ES quicker and more user friendly.	Ongoing		Will improve accuracy of SSA responses to 800 number callers.
Caller Recontact Survey--May 1994 5/94 - 9/94 2.1 WY	Data and analysis only		
FY 1995 SSI Redetermination Profiling 6/94 - 10/94 .7 WY			

<p>- Increase volume of High Error Profile (HEP) redeterminations, which have benefit cost ratio of 14 to 1, from about 237,000 per year since 1988 to about 310,000 because the number of recipients on the rolls has increased by 40 percent since 1988.</p> <p>Gating SSI FE Calls Into Auburn Teleservice Center (TSC) 8/93 - 10/94 2 WY</p>	Not Implemented	Selection profiles were implemented but Operations decided field offices could not absorb the increased HEP workload.
<p>Spanish Language Call Monitoring and Caller Recontact Survey 4/93 - 10/94 1.5 WY</p>	Data and analysis only	
<p>- Provide reminders/training on identified major problem areas to Spanish-speaking TSRs.</p>	12/94	Improved service to SSA's Spanish-speaking 800 number callers.
<p>- Provide reliable 800 number call volume data for Spanish-speaking callers.</p>	12/94	Enhanced management information data resulting in improved service to Spanish-speaking 800 number callers.
<p>1994 SIPEBES 04/94 - 11/94 1 WY</p>	Data and analysis only	
<p>Protective Filing Dates in Claims Initiated by Calling the 800 Number 11/92 - 12/94 4 WY</p>		
<p>- Issue a program circular to all FO staff reminding them to be alert to possibility that an earlier filing date may be appropriate based on a call to the 800 number.</p>	6/95	Reminder issued and POMS rewritten to address protective filing dates based on calls to the 800 number, which will result in improved accuracy of handling claims received through the 800 number.
<p>800# Accuracy for April - September 1993 4/93 - 1/95 1.5 WY</p>		
<p>- Operations should reemphasize importance of obtaining SSN and securing all systematic queries relating to claims status inquiries</p>	Operations will highlight pertinent systems queries in TSC Operating Guide (TSCOG) update.	Improved service to public and increased safeguarding of SSA records

<p>- Adapt then-available Expert System (ES) help screens to SSA's mainframe computer system.</p>	<p>ES help screens will become available as IWS/LAN initiative progresses.</p>	<p>Simplified processing and improved service to public.</p>
<p>- Limit TSR query access by requiring input of all caller identification items.</p>	<p>Not implemented</p>	<p>Initiatives already undertaken to improve instructions and revise POMS. New caller identification screen had become operational since issuance of draft report.</p>
<p>- Modify then-available mainframe Postentitlement Menu (PEMU) to elicit required acceptable reporter identifiers, prohibiting processing of title II reports without them.</p>	<p>Implementation delayed</p>	<p>Implementation delayed until impact of new mainframe computer system caller identification screens and POMS revisions assessed.</p>
<p>- Clarify policy to bring reporter and disclosure requirements into alignment.</p>	<p>Not implemented</p>	<p>Addition of address to requirements for disclosure has brought more consistency to reporter/disclosure requirements.</p>
<p>- Issue reminder items to SPIKEs which outline acceptable reporter identification requirements, emphasize their importance and remind SPIKEs to thoroughly screen general inquiries for possible eligibility.</p>	<p>FY 1995</p>	<p>Improved service to the public and increased safeguarding of SSAs records.</p>
<p>SSA's FY 1994 Customer Satisfaction Survey of the Enumeration Process 3/94 - 2/95 1 WY</p>	<p>Data and analysis only</p>	
<p>800# Caller Recontact Survey for August 1994 8/94 - 3/95 2.1 WY</p>	<p>Data and analysis only</p>	
<p>Study to Evaluate the Extent to Which Uncredited Earnings Can be Resolved by Using IRS Data 11/93 - 3/95 1 WY</p>	<p>Implemented. SSA negotiating for IRS to share its National Account Profile. Systems modifications to begin late 1996.</p>	<p>Revised program software will use IRS data in SSA's suspense reinstatement to credit the earnings to the individual's master earnings file. Will result in annual reinstatements of 21,000 items with dollar value of \$136 million.</p>
<p>- SSA should pursue effort to use IRS data to help reduce uncredited earnings.</p>		

<p>Study of Applications for Original SSNs by Applicants Who are Age 18 or Over and Alleged Being Born in the U.S. 7/93 - 4/95 .5 WY</p> <p>- Issue a reminder item immediately to the FOs reemphasizing procedural requirements for developing applications for original SSNs from alleged U.S.-born adults over age 18.</p>	<p>Implemented SSA program circular released 3/95.</p>	<p>Serves as fraud deterrent.</p>	
<p>- Application should automatically be considered "suspect" as soon as age and U.S. place of birth are keyed into the system for an applicant for an original SSN who is over age 18. The MES should then prevent issuance of the SSN until two different personal identification numbers are input, one of which belongs to a supervisor or other management official. While not foolproof, bypassing these safeguards will require a conscious effort by FO employees.</p>	<p>Implementation pending. Systems to implement in 8/97 as part of Release 2 of the Integrated Client Database.</p>	<p>Serves as fraud deterrent.</p>	
<p>Field Office Referral Study</p>	<p>2/94 - 4/95 2.5 WY</p>	<p>Data and analysis only</p>	
<p>800# Accuracy for April - September 1994</p>	<p>4/94 - 4/95 15.5 WY</p>	<p>Data and analysis only</p>	
<p>800# Caller Recontact Survey - November 1994</p>	<p>11/94 - 5/95 2.1 WY</p>	<p>Data and analysis only</p>	
<p>FO Teleservice Monitoring Evaluation</p>	<p>9/94 - 5/95 5.5 WY</p>	<p>Not yet implemented</p>	<p>Interest-based bargaining to conduct pilot went to impasse. Review before Federal Services Impasse panel held 12/96. Decision pending.</p>
<p>- Conduct another test in all ten regions to obtain more information on policy/procedural problems in obtaining sample FO calls based on a different sampling scheme than used in the first pilot.</p>	<p>SSA's FY 1994 Customer Satisfaction Survey of Initial Claims</p>	<p>Data and analysis only</p>	
<p>800# Quality Study of SPJKE Use of the 800# Expert System</p>	<p>8/94 - 6/95 1.7 WY</p>	<p>Data and analysis only</p>	

<p>800# Caller Recontact Survey - February 1995 2/95 - 6/95 2.1 WY</p>	<p>Data and analysis only</p>	
<p>Probe of Multiple Requests for Replacement SSN Cards 11/94 - 7/95 1 WY</p>	<p>Data and analysis only</p>	
<p>800# Accuracy for October 1994 Through March 1995 10/94 - 8/95 9.5 WY</p>	<p>Data and analysis only</p>	<p>TSCOG not being expanded due to plans to transfer to on-line instructions in POMS through IWS/LAN technology. Recommendation to be addressed regionally and through refresher training or written reminder items to TSKs and SPIKEs. Should lead to improved service to public.</p>
<p>- Include a section in the Medicare chapter of the TSCOG outlining SMI direct billing procedures.</p>	<p>Partially Adopted</p>	<p>Planned transition to on-line POMS instructions obviated need for recommendations.</p>
<p>- Incorporate TSCOG Work Notices chapter in the Annual Report of Earnings chapter and rename the chapter Annual Earnings Test (AET).</p>	<p>Not Adopted</p>	<p>Should lead to improved service by ensuring that claimants are screened for all potential benefits.</p>
<p>- Remind TSRs and SPIKEs to be alert to check for potential entitlement.</p>	<p>10/95</p>	<p>Regional reminder items should lead to improved service to the public and increased safeguarding of SSA records.</p>
<p>- Remind TSRs and SPIKEs of recently implemented caller identification requirements and review additional identifiers required before permitting disclosure from SSA records.</p>	<p>10/95</p>	
<p>800# Caller Recontact Survey - May 1995 5/95 - 9/95 2.1 WY</p>	<p>Data and analysis only</p>	
<p>FY 1996 SSI Redetermination Profiling 6/95 - 10/95 7 WY</p>		
<p>- SSI redetermination selection profiles are modified each year based on analysis of QA Stewardship data base.</p>	<p>Implemented</p>	<p>Savings of about 1,400 workyears each year with detection of the same number of incorrect payments.</p>

Quality of the Enumeration Process - January - December 1993 1/94 - 10/95 2.5 WY	Data and analysis only	
800# Final Report on TTY Call Monitoring and Caller Recontact Survey 5/94 - 11/95 1.5 WY		
- Refine TTY 800 number MI and provide TSRS with a way to identify which callers waited ON HOLD the longest.	4/96	The Office of Telephone Services (OTS) was to remind TTY TSRS how to identify which TTY callers have waited the longest on hold. OTS was also to remind regions to monitor TTY traffic and add staff or request rerouting of TTY calls when necessary. This will improve service to 800 number TTY customers.
- Investigate whether equipment or software was available to which could provide more extensive programming of commonly used question/information, e.g., the capability to program more macros.	6/96	OTS was to order an upgrade to software for the TTY equipment which will provide up to 20 additional macros, allowing pre-programming of frequently used phrases, etc.
- Provide training/reminders on major error prone areas and training for non-hearing impaired TSRS on communication differences.	2/96	OTS was to research the availability of a training package that specifically addresses differences in American Sign Language and English. This will improve service to 800 number TTY callers.
FY 1994 Customer Satisfaction Survey of Initial Denials 10/93 - 11/95 6 WY	Data and analysis only	
800# Caller Recontact Survey August 1995 8/95 - 11/95 2.1 WY	Data and analysis only	
Public Confidence Survey 5/95 - 12/95 1 WY	Data and analysis only	
800# PSC SPIKE Study 4/95 - 12/95 4 WY		
- SPIKEs should be encouraged to use the 800 number ES when they receive IWS/LAN since they only answer calls during peak work/load times.	3/96	Improved 800 number service to the public.

- Allow SPIK-ES to gate title XVI calls since PSC routine workloads do not include SSI issues.	3/96	Special gate has been established which allow PSC SPIK-ES to transfer SSI-related calls if a representative is unable to handle SSI issues. This results in improved SSI 800 number service to the public.
- Provide training and desk aids for the major problem areas noted.	3/96	Training provided by OTS in SPIKE sites and desk aids developed locally. This should result in improved 800 number service to the public.
Evaluation of SSA's Kiosk Pilot 8/95 - 12/95 .3 WY	Data and analysis only	
Evaluation of a New Computer Matching Operation 9/93 - 2/96 2.9 WY	Data and analysis only	
Evaluation of Notice Improvements Study 4/95 - 3/96 2.5 WY	Data and analysis only	
800# Accuracy -- April - September 1995 4/95 - 4/96 9.5 WY	Data and analysis only	
Quality of the Enumeration Process, Calendar Year 1995 1/95 - 5/96 1.8 WY	Data and analysis only	
SSA's FY 1994 Customer Satisfaction Survey of the Redetermination Process 10/93 - 5/96 6 WY	Data and analysis only	
800# Caller Recontact Survey February 1996 2/96 - 7/96 3 WY	Data and analysis only	
Caller Reaction to FO's Automated Telephone Service 4/95 - 9/96 6 WY	Data and analysis only	

800# Accuracy October 1995 - March 1996 10/95 - 9/96 10.5 WY	Data and analysis only		
Use of W-2/Schedule SE as a Source of Addresses for SIPEBES 5/95 - 9/96 3 WY	Data and analysis only		
FY 1997 SSI Redetermination Profiling 6/96 - 10/96 7 WY	Data and analysis only		
- SSI redetermination selection profiles are modified each year based on analysis of QA Stewardship data base.	Implemented		This profiling technique allows the Agency to save about 1,400 workyears each year over the prior selection criteria and detect the same number of incorrect payments.
DISABILITY REPORTS:			
Initial QA Ongoing 73.8 WY (in FY96)	Data and analysis only		Provides ongoing MI on a monthly basis. Sample enriched when accuracy declines. Focuses attention on quality.
Reconsideration QA Ongoing 18.7 WY (in FY96)	Data and analysis only		Provides ongoing MI on a monthly basis. Focuses attention on quality.
CDR QA Ongoing 20.4 WY (in FY96)	Data and analysis only		Provides ongoing MI on a monthly basis. Focuses attention on quality.
Prefecture Review Ongoing 268.1 WY (in FY96)	Data and analysis only		Saved \$1.50-200 million in lifetime benefits by correcting error.
Consistency Review Ongoing 1.9 WY (in FY96)	Data and analysis only		Measures consistency among review components.
OHA Screening Ongoing 58.8 WY (in FY96)	Data and analysis only		Helped manage OHA backlogs and paid claimants more timely.
Disability Hearings QA 3/93 - Ongoing 10.7 WY (in FY96)			

<p>- Improve the hearings process and ALJ decisions.</p>	<p>Adopted</p>	<p>4</p>	<p>Training of new ALJs now includes a session on the quality review process, thus emphasizing the Agency's interest in quality. Some ALJs have received vocational training. ALJs who have served as peer reviewers in the QA process have, in most instances, become advocates for the quality review process.</p>
<p>Racial Bias Study</p>	<p>3/93 - 12/95</p>	<p>1 WY</p>	<p>Study showed no systemic racial bias in ALJ decisions at the national and regional levels.</p>
<p>Rebuttal Review</p>	<p>Ongoing</p>	<p>3 WY (in FY96)</p>	<p>Brings case with adjudication problems to the surface for OPIR and OD review resulting in the issuance of many policy clarifications.</p>
<p>Linear Growth Case Bank</p>	<p>8/96 - Not ended</p>	<p>1 WY (in FY96)</p>	<p>Case banks provide adjudicators training on difficult issues.</p>
<p>HIV Focus Review</p>	<p>5/96 - Not ended</p>	<p>2.4 WY (in FY96)</p>	<p>Clarification of policy issues and increase national consistency in case adjudication.</p>
<p>Adjudication Officer</p>	<p>11/95 - Not ended</p>	<p>11.3 WY (in FY96)</p>	<p>Evaluating performance and program implications of AO. Recommendation to extend test period and institute corrective action approved and implemented.</p>
<p>Staff Attorney (SA)</p>	<p>6/96 - Not ended</p>	<p>5.1 WY (in FY96)</p>	<p>Evaluating performance of SA. Clarification of decisional and documentation policy approved and implemented</p>

<p>Single Decision Maker 5/96 - Not Ended 24.3 WY (in FY96)</p>	<p>Will evaluate feasibility of the disability examiner acting as the decisionmaker, using the physician only as a consultant.</p>	<p>Review in progress</p>	
<p>Exercise Electrocardiographic (ECG) Tracings Study 3/95 - 7/96 3.9 WY</p> <p>- Do not eliminate the current regulatory requirement that the disability file contain ECG tracings from an exercise test.</p>	<p>Implementation of the recommendation prevented \$71.6 million in underpayments and \$122.5 million in overpayments (for a net program savings of \$50.9 million) that would have resulted if the ECG tracings requirement had been eliminated</p>	<p>12/96</p>	
<p>Residual Functional Capacity 4/95 - 1/96 1.7 WY</p>	<p>Intent of study is to identify sources of RFC information. Report shows problems of consistency and completeness of current methods of documenting RFC which will be considered when testing the redesign functional standard for disability.</p>	<p>Report in clearance</p>	
<p>Pain Case Bank 5/94 - 6/95 5.7 WY</p> <p>- Emphasize the importance of pain in the adjudication of claims.</p>	<p>Provides adjudicators training on difficult pain issues and focuses attention on quality. Provides all adjudicators with the same guidelines for consideration of pain and enhances progress toward the goals of process unification.</p>	<p>Process unification training underway for adjudicators and ALJs provides emphasis on consideration of pain.</p>	
<p>Linear Growth Impairment Probe 5/94 - 5/95 .3 WY</p> <p>- Conduct a case bank on linear growth impairments.</p>	<p>Provides training using a national case bank of cases containing many of the pitfalls which occur in linear growth development. Identified issues needing policy clarification.</p>	<p>Case bank on linear growth impairments was conducted in FY 1996.</p>	

Ultimate Allowance Rate Study <i>Ongoing</i>		Data and analysis only	Provided disability program baseline data by tracking denials longitudinally through the appeals process.
Disabled Child Review <i>Ongoing</i>	<i>16.5 WY (in FY96)</i>	Data and analysis only	Ongoing MI. Measured accuracy of childhood claims.
Tier 1 Review <i>Ongoing</i>	<i>45 WY (in FY96)</i>	Data and analysis only	Direct Feedback to DDSs. Freed DDS resources for online work.
Multiple Impairment Case Analysis <i>10/93 - 6/94</i>	<i>3.8 WY</i>	Data and analysis only	Evaluate accuracy of claims with multiple impairments.
RPC Case Bank	<i>5.7 WY</i>	Data and analysis only	Provided adjudicators training on difficult RFC issues. Focused attention on quality.
ALJ 1988 Reversals <i>1/93 - 9/94</i>		Data and analysis only	Focused on ALJ decision quality.
Medical Source Statement <i>1/93 - 10/93</i>		Data and analysis only	Improve development of DI claims.
Reconsideration Denial Study		Study provided input to recommendations made by Office of Disability to direct corrective action in States having problems with reconsideration denial accuracy.	Corrective action taken.
Impairment Code Analysis		Analyzed data used in briefings.	Provides baseline data for studies and disability redesign data.

- d. Number OPIR staffing level in total and by position
Classification and grade, and location (headquarters,
Specific regional office, etc.).

GRADE	series: 105	301	303	318	326	334	335	343	344	998	1515	1530	TOT
15	24	0	0	0	0	0	0	0	0	0	1	0	25
14	45	0	0	0	0	0	0	1	0	0	1	0	47
13	153	1	0	0	0	0	0	5	0	0	3	1	163
12	802	0	0	0	0	8	0	12	0	0	1	0	823
11	46	0	0	0	1	1	0	0	0	0	0	0	48
9	19	1	0	0	0	2	0	0	0	0	0	0	22
8	0	0	1	1	0	0	0	0	1	0	0	0	3
7	6	0	0	9	1	0	0	1	9	5	0	0	31
6	0	0	4	29	0	0	2	0	9	2	0	0	46
5	3	0	25	21	6	0	2	0	5	13	0	0	75
4	0	0	1	0	10	0	0	0	0	1	0	0	12
3	0	0	2	0	0	0	0	0	0	0	0	0	2
TOTAL	1098	2	33	60	18	11	4	19	24	21	6	1	1297

OFFICE OF PROGRAM AND INTEGRITY REVIEWS (OPIR)
NUMBER OF EMPLOYEES BY SERIES AND GRADE (12/96)

(INCLUDES FT AND PT PERMANENT EMPLOYEES AND EMPLOYEES DETAILED OUTSIDE OF OPIR)

OFFICE OF PROGRAM AND INTEGRITY REVIEWS
 NUMBER OF EMPLOYEES BY SERIES AND GRADE
 PHILADELPHIA

GRADE	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	TOTAL
	105	301	303	318	326	334	335	343	344	998	1515					
GS-15	1															
GS-14	4															
GS-13	12															
GS-12	62															
GS-11	2															
GS-9	1															
GS-8																
GS-7	1			1												
GS-6				3												
GS-5			3	2												
GS-4					2											
GS-3																
GS-2																
Total	83		3	6	2	0	94									

Includes Full-Time and Part-Time-Permanent Employees and Employees Detailed Outside of OPIR

OFFICE OF PROGRAM AND INTEGRITY REVIEWS
 NUMBER OF EMPLOYEES BY SERIES AND GRADE
 CHICAGO

GRADE	SERIES	TOTAL																			
	105	301	303	318	326	334	335	343	344	344	344	344	344	344	344	344	344	344	344	344	
GS-15	1																				
GS-14	3																				
GS-13	17																				
GS-12	105																				
GS-11	6																				
GS-9	2																				
GS-8																					
GS-7																					
GS-6																					
GS-5				3	4																
GS-4																					
GS-3																					
GS-2																					
Total	134	0	0	3	4	0	0	0	1	6	0	0	0	0	0	0	0	0	0	0	148

Includes Full-Time and Part-Time-Permanent Employees and Employees Detailed Outside of OPIR

OFFICE OF PROGRAM AND INTEGRITY REVIEWS
 NUMBER OF EMPLOYEES BY SERIES AND GRADE
 KANSAS CITY

GRADE	SERIES	TOTAL														
	105	301	303	318	326	334	335	343	344	998	1515					
GS-15	1															
GS-14	3															
GS-13	9															
GS-12	41															
GS-11	1															
GS-9	1															
GS-8																
GS-7																
GS-6																
GS-5																
GS-4																
GS-3																
GS-2																
TOTAL	56	1	8	5	0	0	0	0	0	1	0	0	0	0	0	71

Includes Full-Time and Part-Time-Permanent Employees and Employees Detailed Outside of OPIR

OFFICE OF PROGRAM AND INTEGRITY REVIEWS
 NUMBER OF EMPLOYEES BY SERIES AND GRADE
 DENVER

GRADE	SERIES	TOTAL															
	105	301	303	318	326	334	335	343	344	344	344	344	344	344	344	344	1515
GS-15	1																
GS-14	3																
GS-13	5																
GS-12	39																
GS-11	1																
GS-9	1																
GS-8																	
GS-7	1																
GS-6				1													
GS-5				1													
GS-4																	
GS-3																	
GS-2																	
Total	51	0	0	2	0	0	0	0	1	0	0	0	0	0	0	0	54

Includes Full-Time and Part-Time-Permanent Employees and Employees Detailed Outside of OPIR

OFFICE OF PROGRAM AND INTEGRITY REVIEWS
 NUMBER OF EMPLOYEES BY SERIES AND GRADE
 SEATTLE

GRADE	SERIES	TOTAL														
	105	301	303	318	326	334	335	343	344	344	344	998	1515			
GS-15	1															
GS-14	2															
GS-13	4															
GS-12	34							1								
GS-11	3															
GS-9																
GS-8																
GS-7					1											
GS-6												4				
GS-5																
GS-4						1										
GS-3																
GS-2																
Total	44	0	0	1	1	1	0	0	1	4	4	0	0	0	0	51

4

Includes Full-Time and Part-Time-Permanent Employees Detailed Outside of OPIR

OFFICE OF PROGRAM AND INTEGRITY REVIEWS
 NUMBER OF EMPLOYEES BY SERIES AND GRADE
 OAC/AMDMS

GRADE	SERIES	TOTAL															
	105	301	303	318	326	334	335	343	344	348	349	350	351	352	353	354	355
GS-15	2																
GS-14	1								1								
GS-13	8								3								
GS-12	11					8			8								
GS-11							1										
GS-9							2										
GS-8										1							
GS-7				1													
GS-6								2									
GS-5								2									
GS-4						1											
GS-3																	
GS-2																	
Total	22	0	0	1	1	11	4	13	3	0	0	0	0	0	0	0	55

Includes Full-Time and Part-Time-Permanent Employees and Employees Detailed Outside of OPIR

NUMBER OF EMPLOYEES BY SERIES AND GRADE
ODPQ

GRADE	SERIES	TOTAL																			
	105	301	303	318	326	334	335	343	344	998	1515	1530									
GS-15			3																		
GS-14			8																		
GS-13			14																		1
GS-12			71																		
GS-11			5																		
GS-9			1																		
GS-8				1																	
GS-7					1					1											
GS-6																					
GS-5				2	3					2											
GS-4				3	5					3											
GS-3																					
GS-2																					
Total	102	0	7	9	1	0	0	0	0	6	6	1									132

Includes Full-Time and Part-Time-Permanent Employees and Employees Detailed Outside of OPIR

OFFICE OF PROGRAM AND INTEGRITY REVIEWS
 NUMBER OF EMPLOYEES BY SERIES AND GRADE
 OSSAS

GRADE	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	SERIES	TOTAL
	105	301	303	318	326	334	335	343	344	998	1515								
GS-15	3																		1
GS-14	2																		1
GS-13	8							2											3
GS-12	20							1											1
GS-11	1																		
GS-9																			
GS-8																			
GS-7																			
GS-6					2														
GS-5			1																
GS-4																			
GS-3			1																
GS-2																			
Total	36	0	2	2	2	0	0	0	3	2	0	6	0	2	0	0	0	51	

Includes Full-Time and Part-Time-Permanent Employees and Employees Detailed Outside of OPIR

- e. The OPIR work plan (or list) for FY 1997, including the staff resources estimated to accomplish each item of the plan (or list).

**OFFICE OF PROGRAM AND INTEGRITY REVIEWS (OPIR)
FISCAL YEAR (FY) 1997 WORKPLAN**

Ongoing Workload Commitments

RETIREMENT AND SURVIVORS INSURANCE (RSI) STUDIES

RSI Dollar Accuracy Review of Initial Claims to Provide SSA and Oversight Agencies with Payment Accuracy Data (Index of Dollar Accuracy (IDA))

Objectives

To determine the dollar accuracy of claims adjudicative actions expressed as a proportion of dollars paid accurately over life cycle dollars that should be paid.

To identify which specific dollar accuracy problems are most significant and distinguish those that appear most correctable.

To initiate a dialogue in SSA that leads to practical action plans for corrective action.

Description

The reviews for the IDA samples involve an examination of documents in SSA records and verification of payment accuracy through contacts with beneficiaries, their representatives and collateral sources (such as employers). The determination of whether payment is accurate is not limited to whether or not procedural developmental guidelines and tolerances were followed. Dollar impact is described in terms of life cycle effect on benefits.

RSI Stewardship Payment Review of Existing Active Accounts to Provide Congress with Accuracy of Payments

Objectives

To monitor the dollar accuracy of monthly RSI payments.

To identify which specific dollar accuracy problems are most significant.

To distinguish payment accuracy problems that are eventually corrected from those that are not.

Description

OPIR annually reviews samples of the RSI beneficiary rolls. The reviews involve an examination of documents in SSA records and verification of payment accuracy through contacts with beneficiaries, their representatives and collateral sources (such as employers).

RSI Postentitlement (PE) Payment Change Accuracy Review Requested by the Agency

Objectives

To determine the amount of payment changes that occur and the accuracy and timeliness of those changes.

To identify which specific dollar accuracy problems are most significant, distinguish those that appear most correctable and test the most effective methods to correct the problems.

To initiate a dialogue in SSA that leads to practical action plans for corrective action.

Description

OPIR reviews a random sample of accounts on which actions result in payment changes. Separate samples are reviewed to determine the timeliness and accuracy of subsequent correction for those types of payment errors being found. Life cycle dollar projections for errors and the need for new corrective actions are based largely on this aspect of the payment change review.

The review of these samples involves an examination of documents in SSA records and verification of payment accuracy through contacts with beneficiaries, their representatives and collateral sources. Dollar impact is described in terms of life cycle effect on benefits

RSPE Debt Resolution Review Requested by the Agency

Objectives

To monitor the accuracy and effectiveness of the various debt collection actions.

To identify which specific accuracy/efficiency problems are most significant and distinguish those that appear most correctable.

To initiate a dialogue in SSA that leads to practical action plans for corrective action.

Description

OPIR will review a sample of accounts with existing or recently cleared debts, drawn randomly from all such records. The review involves an examination of documents in SSA records. The appropriateness of actions taken will be verified through contacts with beneficiaries and their representatives. Also, collateral sources will be contacted to resolve issues that cannot be satisfactorily explained by beneficiary contact alone.

RSI PE Payment Delivery Service Review Requested by the Agency

Objectives

To monitor the accuracy and timeliness of actions taken to redirect delivery of benefits, stop benefits when they are undeliverable or resolve nonreceipt of benefits.

To identify which specific quality problems are most significant, distinguish those that appear most correctable and test the most effective methods to correct the problems.

To initiate a dialogue in SSA that leads to practical action plans for corrective action.

Description

OPIR reviews a random sample of actions involving changes to the address to which benefits are delivered, initiation or change in direct deposit, return of benefit checks or correspondence as undeliverable or resolving nonreceipt issues.

The review involves an examination of documents in SSA records. The appropriateness of actions taken is verified through contacts with beneficiaries, their representatives and collateral sources (such as financial institutions).

Corrective Action Tests to Establish Means for Implementing Recommendations

Objectives

To promote efficient implementation of corrective actions affecting large numbers of beneficiaries.

To produce precise budget estimates of the program benefit and administrative costs/savings associated with corrective actions involving high amounts of benefit payments (or collections) and large numbers of beneficiaries.

Description

Some of OPIR's study findings identify incorrect payments to large numbers of beneficiaries and result in corrective actions proposals that would affect many beneficiaries and have important budget implications. For example, a problem identified with unprocessed rate increases in the annual earnings test (AET) reviews concerns more than 400,000 beneficiaries and over \$1 billion in program benefits. In this particular example, OPIR will actually process a substantial part of the workload using DynaComm tools developed in the corrective action tests.

Making changes that efficiently implement corrective actions will be dependent on precise cost/benefit projections and detailed profiling of the accounts affected. By identifying a large sample of the accounts affected using OPIR and/or Systems data bases, and correcting those sampled accounts, OPIR can produce precise budget and cost-benefit estimates and a profile of the accounts affected. This will enable systems, policy and operations components to maximize automation and prepare processing procedures that fully outline what actions are necessary in the nonautomated situations for the operating components.

Workyear Savings Analysis to Detect Unproductive Program Service Centers (PSC) Alerts and Actions

Objectives

To determine whether workloads with very little or no dollar or service delivery impact can be reduced or discontinued. To reduce folder dependency and increase workload automation.

Description

The ongoing dollar accuracy studies provide SSA with a comprehensive picture of the dollar impact of both correct and incorrect actions. In doing so, they also identify some actions that have minimal or no effect on payments or beneficiary service. These ongoing samples, however, do not include most of the actions that have no effect on payments or beneficiary service. Previous systematic reviews of "no impact" workloads identified large volume activities that had become a routine part of SSA processes (e.g., operational reviews of systems alerts) that did not result in any change. Millions of such actions were subsequently discontinued. A number of years have passed since research along these lines has been conducted on a large scale. This kind of research, using samples of low or no impact work, can be expected to produce information that redirects resources more productively towards backlog reductions, higher accuracy and service improvements.

The PSCs process exceptions and alerts from the various computer processing systems. In this project, a series of large volume exceptions and alerts from each of the postentitlement (PE) computer processing systems will be reviewed. Each exception and alert will be analyzed to identify assumptions that could be made to process the action with a high degree of accuracy. These assumptions would be made part of the processing logic for the processing system. In essence, this would overlay the logic of expert systems into the logic of processing systems. A determination will be made concerning the accuracy percentage each assumption would need to achieve to be adopted. The project will help to reduce folder dependency and eliminate quality/service inconsistencies resulting from technicians with different levels of expertise manually processing computer exceptions.

Field Office Assistance Visits (FAV) to Provide Direct, Local Feedback and Advice in the Spirit of Total Quality

Objectives

To provide regional support through field office (FO)-related activities designed to: 1) Reduce dollar error indicated by national IDA data; 2) obtain new insights into the root causes of error; 3) provide timely/indepth feedback to regional/local management on selected offices/issues; and 4) provide information on program simplification through "best practices" analysis.

Description

FAV is focused at the FO level where day-to-day transactions have the greatest potential for reducing payment errors and improving the quality of workload processing. Individually tailored methodologies for each region will employ case and field reviews and individual FO visits according to the needs of the region.

SUPPLEMENTAL SECURITY INCOME (SSI) STUDIES

SSI Stewardship Payment Review of Existing Active Accounts to Provide Congress with Accuracy of Payments

Objectives

To monitor the dollar accuracy of monthly SSI payments

To identify which specific dollar accuracy problems are most significant.

Description

OPR annually reviews samples of the SSI recipient rolls. In FY 1997, OPIR will review 4,000 payments. The review involves an examination of documents in SSA records and verification of payment accuracy through contacts with recipients, their representatives and collateral sources (such as employers).

SSI Dollar Accuracy Review of Initial Payments and FO Redeterminations to Provide Agency Performance Measures (IDA)

Objectives

To determine the dollar accuracy of claims adjudicative actions expressed as a proportion of dollars paid accurately over life cycle dollars that should be paid.

To identify which specific dollar accuracy problems are most significant and distinguish those that appear most correctable.

To initiate a dialogue in SSA that leads to practical action plans for corrective action.

Description

The reviews for the 3,000-case sample of initial claim awards and FO-processed redeterminations involves an examination of documents in SSA records and verification of dollar accuracy through contacts with recipients, their representatives and collateral sources (such as employers). Dollar impact is described in terms of life cycle effect on benefits.

SSI Posteligibility Review System

Objective

To measure the impact and quality of significant SSI posteligibility transactions.

Description

OPIR is expanding its title XVI quality measurement to posteligibility transactions in addition to the IDA review of redeterminations. The review selects posteligibility transactions that either have the potential to affect payment/eligibility or are major service delivery items.

OPIR sampled about 8,200 transactions in FY 1996 and this will continue in FY 1997. These transactions are change of address, limited issue, underpayments, terminated cases and returned checks. The review will consist of both a casefile and field review (FR). To the extent possible, FRs will be conducted by telephone.

OPIR fully implemented the review of change of address and limited issue transactions in October 1994. The review of underpayment transactions was implemented in January 1995. The remaining reviews were implemented in April 1995.

Review of Initial Claims Nonmedical Denials

Objective

To determine whether initial nondisability determinations of SSI ineligibility are correct

Description

OPIR will review the FO casefiles on 1,000 recent denials. If the casefile documentation supports the nonmedical denial, further review is not warranted. When the casefile documentation does not support the denial, contact with the sampled individual is required to resolve discrepancies. We estimate 5 percent of the sample will require face-to-face contact to complete the review.

Analysis of Payment Changes Resulting from Redeterminations

Objective

To identify the amount of payment change and the reason(s) for the payment changes resulting from each type of FO redetermination, i.e., from each of the following redetermination categories: High-error profile cases, Data Operations Center (DOC) transfers, DOC exclusions, previously undetermined and unscheduled cases.

Description

OPIR conducted the original study of the dollar impact of redetermination (DIRZ) for FY 1988. In April 1992, OPIR established the DIRZ review as a piggyback to the IDA review. Currently, OPIR's DIRZ review is the only management information on the dollar impact of FO redeterminations (RZ) and the cost-effectiveness of these actions. The Offices of Regional Program and Integrity Reviews (ORPIR) staffs conduct casefile reviews to identify the amount of payment change discovered at FO RZs and the reason(s) for the changes. Study results are input to the quality assurance (QA) data base via the special studies screen. For FY 1994 and FY 1995, the sample size was increased to allow for more reliable reporting of data by RZ category. An 8,000-case sample was reviewed--4,000 piggybacked IDA RZs and a supplemental sample of 4,000 cases selected from the universe of FO RZs. For FY 1996 the sample was reduced to a total of 3,600 cases--2,000 piggybacked IDA RZs and 1,600 supplemental RZ cases including 600 cases where the RZ resulted in suspension or nonpayment of benefits.

FAV to Provide Direct, Local Feedback and Advice in the Spirit of Total Quality

Objectives

To provide regional support through FO-related activities designed to: 1) Reduce dollar error indicated by national IDA data; 2) obtain new insights into the root causes of error; 3) provide timely/indepth feedback to regional/local management on selected offices/issues; and 4) provide information on program simplification through "best practices" analysis.

Description

FAV is focused at the FO level where day-to-day transactions have the greatest potential for reducing payment errors and improving the quality of workload processing. Thirteen of the 38 FAVs scheduled for FY 1996 have been completed.

Four regions--Philadelphia, Kansas City, Dallas and Seattle--have developed different approaches to FAVs. Philadelphia offers a menu of various FAV services from which to choose; Kansas City focuses on process review, e.g., Overpayments (OP) for 1996; Dallas is exploring work approaches that are similar to both RSI and SSI; Seattle will be doing only telephone reviews. All other FAV reviews consist of casefile reviews and field/telephone interviews tailored to the particular needs of the individual FO.

DISABILITY

Legislative Requirement to Review 50 Percent of Disability Determination Services (DDS) Title II and Concurrent Title II/XVI Allowances Prior to Effectuation (Preeffectuation Review (PER))Objectives

To detect and correct erroneous title II and concurrent title II/title XVI favorable determinations before they are effectuated.

To monitor DDS compliance with SSA policy and procedures in adjudicating disability claims.

Description

A profiled sample of DDS favorable determinations (initial medical allowances and reconsideration reversals) is selected through the automated sample selection process and reviewed for accuracy and uniformity. The profiles are designed to identify error-prone cases. The cases are forwarded to the disability quality branches (DQB) and central office for review. On a yearly basis, SSA is required to submit a report on the review to Congress.

Legislative Requirement to Review a Representative Sample of DDS Initial Determinations (Initial QA Review)Objective

To review a sample of all initial DDS disability determinations for accuracy and provide management information on various aspects of the initial claims process.

Description

A random, stratified sample of initial disability determinations is automatically selected as the DDSs clear the cases. If, for 2 consecutive quarters, a DDS fails to meet the threshold accuracy rate and fails to meet one of the processing time standards, then the DDS is in noncompliance with the Standards of Performance Regulations. The cases are forwarded to the DQBs for review.

Reconsideration QA ReviewObjective

To measure accuracy for all reconsideration determinations at the DDS level and gather management information on various aspects of the reconsideration process.

Description

A random, stratified sample of reconsideration disability determinations is automatically selected as the DDSs clear the cases. The cases are forwarded to the DQBs for review.

Consistency ReviewObjective

To promote consistency in the review process among geographically separate SSA components.

Description

An automated sample of claims reviewed by the DQBs in each of the 10 ORPIRs is selected for review in central office. The DDS determination and the DQB review are scrutinized for accuracy of the determination and uniform application of SSA policy and procedures.

Continuing Disability Review (CDR) QA ReviewObjective

To determine, by sample, accuracy rates for CDR determinations at the DDS level and gather management information on various aspects of the CDR process.

Description

A random, stratified sample of CDR disability determinations is automatically selected as the DDSs clear the cases. The cases are forwarded to the DQBs for review.

Quality Review of CDRs--Office of Disability and International Operations (ODIO)Objective

To measure the accuracy of the disability determination and the application of SSA policy and procedures. To detect and correct erroneous decisions.

Description

ODIO is to perform a quality review of CDR determinations prepared by disability examiners in ODIO. A sample of completed ODIO disability determinations will be selected and reviewed for accuracy and compliance with SSA policy and procedures.

Disability Hearings Quality Review Process (DHQRP)Objective

To promote fair hearing decisions and collect sufficient data to permit analysis of other adjudicative issues at the hearing level.

Description

The DHQRP was instituted as an Administration response to a General Accounting Office report inferring possible bias in the adjudication of claims by administrative law judges (ALJ). The mission of the DHQRP is to conduct an ongoing quality review which provides management and program information about ALJ hearing decisions. (Ad hoc reviews of senior attorney and adjudication officer decisions are also being carried out.)

The ongoing review consists of all ALJ initial disability decisions, with an equal number of allowance and denial decisions being sampled. The sample is randomly selected each month on a postadjudicative basis by the Office of Information Management (OIM) using the Office of

Hearings and Appeals (OHA) case control system; i.e., after the effectuation of the ALJ decision. The sample is stratified by the type of disposition, region and African-American and all other claimants. Currently, the review entails approximately 200 cases per month.

Each case will be reviewed by an ALJ on detail from OHA who will serve as a reviewing judge and conduct substantial evidence and de novo reviews on each case. Cases also will receive reviews from physicians/psychologists in SSA's central office and from OPIR's Disability Examiners (DE) who apply the policy and procedural guidance found in the Program Operations Manual System (POMS) guidelines. The physicians/psychologists/DEs also evaluate the initial and reconsideration denial determinations which preceded each hearing decision.

Case Bank Reviews

Objective

To identify disability policies, procedures and guidelines which are inadequate or are being misinterpreted and to recommend corrective action.

Description

OPIR identifies problematic policy and procedural issues based on data evaluation and program experience. Possible case examples are selected from completed consistency review cases. Selected cases are altered to enhance their value as policy testing and teaching devices. A "textbook" answer is prepared after conferring with physicians/psychologists in the Office of Disability (OD). The selected cases are then sent to the DQB's and regional physicians/psychologists for team reviews after which consensus responses are prepared and returned to central office for evaluation and a final response.

CROSS-CUTTING

Service Evaluation of 800 Number

Objective

To monitor the quality of service provided by the teleservice centers (TSC) and SPIKES and to comply with a congressional request for information on 800 number service levels.

Description

OPIR conducts an ongoing evaluation of SSA's 800 number service. Calls from the public are monitored by all 10 ORPIRs throughout each month. Sample size is being reduced in FY 1997 from 12,800 calls to approximately 4,000 calls. Data are reported on a 6-month basis.

800 Number Caller Recontact Surveys

Objective

To evaluate caller's perceptions of service and to provide Congress with information regarding 800 number service levels on a continuing basis.

Description

OPIR conducts an ongoing customer survey of SSA's 800 number service. On a semiannual basis, about 1,500 callers to SSA's 800 number are surveyed to determine their opinions and perceptions of SSA's service.

Enumeration Quality AppraisalObjective

To measure the level of quality of the enumeration process. Enumeration accuracy is a performance measure included in the Agency Strategic Plan.

Description

OPIR conducts an ongoing end-of-line review of the enumeration process. The Enumeration Quality Appraisal System is based on a review of a random sample of approximately 2,000 enumeration transactions (non-Enumeration at Birth (EAB) Social Security Numbers (SSN)) selected from daily accretions to the Numident. A copy of the application is obtained and the application data are compared to the Numident. The alpha-index file is also queried to determine whether the applicant was either assigned an SSN belonging to someone else or assigned an SSN different from the SSN already assigned to the applicant.

Special Studies (in progress and planned for FY 1997)
RSI STUDIES

Disability Insurance (DI) Claims Nonmedical Review (Retirement, Survivors and Disability Insurance; i.e., nonmedical aspects of title II, claims)

Objective

To review the quality of the nonmedical aspects of DI claims.

Description

This study is a review of nonmedical payment accuracy of DI cases. In the Office of Inspector General's (OIG) review of the IDA study, they were critical of the absence of management information pertaining to nonmedical DI quality. OPIR began a probe which is carrying over to FY 1997.

DI PE ReviewObjective

To determine the accuracy of nonmedical DI PE actions.

Description

The nonmedical PE quality of disability cases will be included in the ongoing title II PE review. Reviews will begin in FY 1997 to provide data for the FY 1998 report.

Representative Payee PilotObjective

To develop and test a review of the representative payee changes and accounting processes for inclusion in the ongoing Postentitlement Quality Manual System (PEQMS). Representative payee accountability is a performance measure for which OPIR has responsibility.

Description

The four noncolocated regions will develop and test the procedures for reviewing representative payee changes and accounting using the general principles in the PEQMS.

Claims Systems UtilizationObjective

To further improve the application, use and efficiency of SSA's basic RSI claims processing system.

Description

SSA has improved many aspects of the RSI claims processing system over the past few years. This study will be a comprehensive examination of the pieces of that system.

The study will focus on Modernized Claims System, Claims Automated Processing System, the automated SSA-101 (A101) and manual processing. It will include the following topics: Reasons and causes for the selection of a particular back-end processing option; implementation of prior recommendations to improve the A101 and its processing and additional corrective actions; the level of identifying information, accuracy and integrity of proofs certified electronically; the effect of increased automation of dual-entitlement processing, as that facility becomes operational; the impact of the earnings item correction process on payment accuracy; and the use of the earnings computation facility and its exceptions and alerts to increase the accuracy of earnings records during claims taking. The study will also feature the collection of subjective data, especially the evaluation by users of the features of the system and how to make them better. Objective data will be obtained via collection of additional information from ongoing IDA cases and special study samples.

Mid-Atlantic PSC Claims Authorizer Screening/BacklogObjective

To determine the relationship between erroneous or incomplete actions and subsequent PSC workloads.

Description

Claims authorizers' work will be sampled and examined to determine whether the workload is related to prior SSA errors. About 600 actions will be reviewed. This is the third in a series of reports on backlogs in the Mid-Atlantic PSC. The first two reviewed the check claims review examiner and the benefit authorizer backlogs. Both prior reviews resulted in a number of systems and operational improvements.

Evaluation of the Automatic Job Stream (AJS) Exception - "Month of Election (MOEL) Option (X)"

Objectives

To eliminate unproductive and/or unnecessary workloads.

To improve service by paying benefits making adjustment actions faster.

To determine why the AJS generates an "Exception" and is unable to automatically determine the most advantageous MOEL without manual processing.

Description

OPIR will select a sample of AJS MOEL exceptions and verify the reasons for the excepted condition and identify any systems problems and/or limitations that prevent automated action.

Evaluation of Month of Entitlement (MOET) and Medicare Date of Entitlement (DOE) for Disabled Widow(er)s--Prior SSI

Objectives

To identify and initiate corrective action on disabled widow(er)'s claims with incorrect MOETs and/or Medicare DOEs.

To produce precise budget estimates of the program benefit and administrative costs/savings.

Description

OPIR will identify cases involving disabled widow(er)s where there is SSI involvement and the Medicare enrollment is after January 1991 and conduct a case file and systems reviews to: Identify claims with an incorrect MOET and/or Medicare DOE and take the necessary corrective action; and develop procedures and processing routines to prevent future errors.

AET Study

Objective

To identify problems with the earnings test information obtained during the initial claims process and how that will affect the AET process under the REGO II proposal.

Description

OPIR will review the AET information gathering during the interview process to determine why certain aspects do not work well and how that will affect the new REGO II process for AET. This will be done in the context of FAV visits to FOs.

Recovery of Overpayments, Accounting and Reporting (ROAR) Diary Alerts

Objective

To analyze ROAR TC23 alerts to see if the debtor inquiries are being resolved timely and to determine if there is a more efficient way to process the workload.

Description

OPIR will obtain a duplicate run of ROAR alerts. The sample will include all major types of beneficiary protests and will include both initial 90-day alerts and 60-day followup alerts. After sufficient time has elapsed, analysts will query the system/obtain folders to determine the status of the protest and review the reconciliation process. Beneficiary contact will be made to resolve remaining problems.

Integrated Work Station/Local Area Network (IWS/LAN) Pilots/Paperless Module ReviewObjective

To develop a comprehensive strategy for assessing quality and recommending solutions for problems in a paperless environment.

Description

The Chicago Insurance Program Quality Branch will continue its pilot study of the IWS/LAN and paperless processing module in the Great Lakes PSC. The review will consist of the full range of functions envisioned for the paperless environment, including claims and PE IDA reviews, stewardship and processing actions. A report of the initial findings with some recommendations for improvements was completed early in 1996. The continuing review will monitor the Agency's progress in moving to a paperless environment.

SSI STUDIES***Study of SSI Recipient Residency and Unreported Absences From the United States***Objectives

To determine if residency/absence (periods of absence of at least 30 consecutive days) problems exist in all or in certain U.S. border areas.

To determine in what geographical areas further study is warranted.

To identify operational policy/procedure that can improve Agency identification of recipients who are not U.S. residents, who move outside the country after eligibility is established or who fail to report absence from the United States for more than 30 days.

Description

The probe will be based on a targeted random sample of foreign-born SSI recipients--both citizens and aliens. The probe will be conducted in all regions except Kansas City. Since past quality review experience has shown that foreign-born recipients are more likely to leave the United States for extended periods of time, the probe will be restricted to this population.

OIG investigators will make unannounced visits to locate sampled individuals and, upon contact, interview the recipient, request documentation of residency, make some verification contacts, and inform the recipient that an SSA representative may need to contact him/her for additional information. The OIG investigator will submit a written report to ORPIR. If the recipient satisfactorily proved that he/she resided at the reported address and no unreported absences

were uncovered, then no ORPIR review will be required. If the investigator could not establish residency or noted extended periods of absence, the ORPIR reviewer will undertake additional development, e.g., revisiting the recipient and/or making additional verification contacts.

Unable to locate or unwilling to cooperate cases will be referred to the servicing FO for appropriate action--redetermination and/or suspension of payments.

Redetermination by Mail Demonstration Project

Objective

To devise and test a process for completing SSI redeterminations completed by FOs by first screening out the considerable portion of such that result in no change. Up to 1,000 FO workyears are expended each year completing the approximately two-thirds of that workload which result in no change.

Description

A workgroup with representation from OPIR, Operations, Programs and Systems has drafted a letter to be sent to recipients scheduled for FO redeterminations. The letter would provide the Agency's most current information on the facts of eligibility for that recipient. The recipient would be asked to confirm or show the change for each eligibility factor and return the document in the envelope provided to the servicing FO.

The FOs would screen all "no change" out and input "completed RZ." Any indications of change would be resolved by the easiest path available: Phone call clarification verifying no change, limited issue development; or call in for regular redetermination. All demonstration project cases input as "no change" will be subject to a complete IDA type OPIR review to confirm the accuracy of that disposition.

Before beginning the demonstration project in all regions, a test of the eligibility factor letter to recipients will be conducted on undetermined claim redeterminations in selected FOs of the Atlanta and Kansas City Regions. This test will allow refinements to the letter design before using it in the nationwide project.

Benefit Restructuring

Objective

To determine the effect the simplified benefit proposal will have on SSI recipients and to estimate any administrative and program savings.

Description

The SSI Modernization Project determined that the elimination of in-kind support and maintenance should be one of SSA's top priorities. To accomplish this, the Agency has proposed that the current living arrangement (LA) development policy be replaced with a 25-percent reduction in benefits for any person residing in a household with another adult.

To determine the effect this simplified benefit proposal will have on SSI recipients and to estimate any administrative and program savings, the Atlanta ORPIR will coordinate a national piggyback review of 1,600 stewardship cases to compare current and proposed LA and benefit policies.

FOs will be asked to participate in a time study to determine the administrative costs of the present policies. OPIR staff will determine the administrative costs of the benefit proposal.

Plans for Achieving Self-Support (PASS)

Objective

To ensure POMS compliance.

Description

Resources have been committed to continue the review of PASS cases as the regional PASS units begin adjudication of these cases. A commitment was made by OPIR to complete an Early Warning review of these cases to ensure POMS compliance.

Supervisory Review Waiver Tolerance Study

Objectives

To measure accuracy of FO OP waiver decisions (approved/denied).

To evaluate the need for supervisory review of SSI waiver decisions and, if needed, determine the appropriate dollar threshold for the reviews.

To measure compliance with POMS instructions for processing SSI OP waiver decisions.

Description

In FY 1995, the threshold of required supervisory review of approved SSI OP waiver decisions was increased from \$1,000 to \$2,000. The Office of Program Benefits Policy requested that OPIR conduct a study to assess the continued need for a supervisory review and, if needed, to determine appropriate dollar threshold for the review of title XVI waiver decisions.

A sample of cases with recent waiver decisions will be selected for review each month. The FOs will forward case folders to the ORPIR staff for review of the accuracy of the waiver development and decision. The folders with review results will be returned to the FOs for appropriate action.

Financial Accounts and Interest Tolerance Study

Objective

To determine the effect of the interest income tolerance on interest income errors in RZs.

Description

A sample of cases where financial accounts are alleged will be identified. The alleged amount(s) from the RZ and from the FR will be compared with the verified amount provided by the financial institution. Cases with alleged interest income on the RZ form after applying the interest tolerance will be compared with actual value of interest alleged and verified during the FR.

Child Support Payment Study

Objectives

To determine the number of child recipients who could be receiving child support from an absent parent or a direct payment of child support from a State or county agency (pass through).

To assess the effectiveness of SSA procedures in identifying receipt of child support or pass through payments and taking adjustment actions if such payments are received.

To determine if SSA policy and procedures adequately address the issue of filing for child support payments.

Description

This is a national study that involves five regions with Chicago as the lead region. The sample size will be 225 cases. Each case will receive a casefile and a field review. In addition, the custodial natural parent(s) will be contacted concerning marital status, household arrangements and child support. If possible, the absent parent(s) will be contacted for additional information on child support payments, employment status, etc.

Data will be compiled on the frequency of absent parents, whether child support has been pursued, and the impact of child support payment arrangements on SSI benefits.

Modernized Supplemental Security Income Claims System (MSSICS) 4.4 Accuracy

Objective

To determine the effect of the 4.4 version of the MSSICS screens on claims quality and casefile review dollar accuracy.

Description

Two past studies of MSSICS releases provided valuable insight on various aspects of FO processing accuracy. Informal discussion between OPIR and Office of Systems staffs indicated the latter would prefer any future study to encompass the results of the 4.4 release.

The study will review redeterminations only and will be a piggyback to the FY 1998 IDA review. The review will be conducted for either the last 6 months of FY 1998 IDA or the entire year. A supplemental sample of targeted 4.4 program areas will be selected as required.

Early Information Systems to Monitor Welfare Reform Implementation

Objective

To determine if the Welfare Reform law is being implemented properly throughout its various stages within the Agency.

Description

All incoming claims will be subject to review with a 1000 case sample spread over six months in each of the RSI and SSI programs. Selection will be determined by citizenship field and/or any other indicators established by Systems. Reviews will be case file to determine adequacy of documentation in determining eligibility.

Tiers 1, 2 and 3 of Sections 401-403 will be sampled to determine continuing eligibility for the more than 400,000 recipients who will be redetermined by FOs. Scope will include Goldberg-Kelly notices through decision and continuing payments. Sample reviews of the remaining 600,000 cases will also be completed, beginning no earlier than September 1997 to determine the accuracy of the suspension actions.

DISABILITY

Disability Redesign: Process Unification (PU) Training Assessment

Objective

To determine the effectiveness of the PU training in improving adjudicators' and reviewers' understanding and application of clarified policies governing the evaluation of pain and other symptoms, the evaluation and weighing of medical evidence and medical source opinions, the assessment of residual functional capacity and other aspects of case review.

Description

In June 1995, the Commissioner approved a group of initiatives prepared by the Disability Process Redesign Team aimed at unifying the process of disability adjudication at all levels under SSA's purview. OD prepared a series of Social Security Rulings and a related training program to address the above-noted adjudicative policies. OPIR's assessment will involve case review of determinations and decisions made at a variety of adjudicative levels beginning with the initial determination and extending to the hearings decisions.

Disability Redesign: Single Decision Maker (SDM)

Objective

To evaluate the SDM process.

Description

One of the redesign actions is to empower an SDM to make disability determinations. OPIR is to evaluate the SDM process to determine effectiveness, cost implications and other impacts. A test and control group of cases will be reviewed to gather data on the SDM process. The data will be compiled and a report issued on the evaluation of the process.

Disability Redesign: Early Decision List (EDL)

Objective

To evaluate the EDL process.

Description

One of the redesign actions is to empower claims representatives to make "early" disability allowance decisions in specific types of cases. OPIR is to evaluate the process to determine effectiveness, cost implications and other impacts. A sample of EDL cases will be reviewed to gather data on the EDL process. The data will be compiled and a report issued on the evaluation of the process.

Disability Redesign: Full Process (FP)Objective

To determine if the FP process can produce an accurate and appropriately documented disability determination more efficiently than the current process in terms of time and resources and the number of administrative steps a claimant must go through to receive a final decision.

Description

One of the redesign actions is to test the full process model. OPIR is to evaluate the quality of the proposed process with an FP test conducted in seven States. During the test period, data will be collected from each site and from control groups to answer questions which the test will address.

Disability Redesign: Disability Claims Manager (DCM)Objective

To evaluate the DCM process and to assist the Agency in implementing the DCM position.

Description

As part of the Disability Process Redesign, OPIR is reviewing the DCM workload and process. 1) The nonmedical quality of title II eligibility; 2) the nonmedical portion of the title XVI entitlement; and 3) the medical aspects of both title II and title XVI disability claims. OPIR will establish a nonmedical review baseline evaluation with which to compare actions processed by the DCMs and analyze the results with the baseline information.

Adjudication Officer (AO) Subset of Full Process ReviewObjective

To evaluate the AO work product and provide data to management to assess how the new process is working.

Description

SSA is testing the full process design developed by the Disability Process Redesign consisting of an SDM, no reconsideration determination, a predecision interview and AO involvement. As part of its assessment of the full process design, the OPIR Division of Disability Hearings Quality (DDHQ) will evaluate AO activity in a sample of cases. The review will include both allowances and cases which AOs certify as fully developed and ready for hearing.

AO Process ReviewObjective

To evaluate the AO process and provide management information on how the new process is working.

Description

SSA has created the position of AO to develop the evidentiary record on cases appealed to OHA prior to a hearing by an ALJ. In addition, SSA has authorized AOs to issue fully favorable on-the-record (OTR) decisions when warranted by the evidentiary record. Because the Office of

Management and Budget (OMB) must concur in the continued viability of this project in order to permanently establish an AO at the hearing level, data are required for SSA to inform OMB and others about the continuing feasibility of establishing an AO position.

OPIR is conducting Early Information System (EIS) PERs to ensure that AOs are making accurate decisions. The first EIS consisted of about 856 cases. A second EIS of State Agency AOs has begun and consists of about 615 cases. A second EIS for Federal AOs will be initiated in the next few months and will consist of approximately the same number of cases.

Each case will be reviewed by an ALJ on detail from OHA who will serve as a reviewing judge and conduct substantial evidence and de novo reviews. Cases also will receive reviews from physicians/psychologists and DEs who apply the policy and procedural guidance found in the POMS guidelines. The physicians/psychologists/DEs also evaluate the initial and reconsideration denial determinations which preceded each senior attorney (SA) or attorney advisor (AA) decision or paralegal (PL) determination.

OPIR is responsible for determining the impact of the AO process on program costs by tracking both favorable decisions and hearing certification cases to completion. OPIR is tracking all cases as well as cohorts of cases to provide specific timeframe information. OPIR also will conduct a review of certification cases conducted by ALJs in the hearing offices participating in the AO testing process. This review will assess how well AOs are developing and preparing cases which require hearings before ALJs.

Short-Term Disability Project Initiative #7 (STDP #7)

Objective

To provide the Agency with a program quality assessment of STDP #7 SA, AA and PL fully favorable OTR decisions and determinations.

Description

OPIR continues to conduct a quality review of SA and AA decisions and PL determinations under the STDP #7 to ensure that these OTR determinations and decisions are comparable to OTR allowances made by ALJs.

A posteffectuation review of SA, AA and PL allowances is being done by a random sample selection by OIM from the OHA case control system. The goal is to continue to receive and review 200 cases per month. It is unknown at this point how long STDP #7 will continue. However, it is quite likely that it will extend beyond the original December 1996 sunset.

Each case will be reviewed by an ALJ on detail from OHA who will serve as a reviewing judge and conduct substantial evidence and de novo reviews on each case. Cases also will receive reviews from physicians/psychologists in SSA's central office and OPIR's DEs who apply the policy and procedural guidance found in the POMS guidelines. The physicians/psychologists/DEs also evaluate the initial and reconsideration denial determinations which preceded each SA or AA decision or PL determination.

In addition to its regular quality review reporting, DDHQ will measure the effectiveness of the December 1995 and later corrective action initiatives taken by OHA. DDHQ also will begin providing written feedback to STDP #7 decisionmakers on specific cases.

Human Immunodeficiency Virus (HIV) Focus ReviewObjective

To determine whether policy and procedures are adequate to permit adjudicators and quality reviewers to arrive at correct decisions in cases involving HIV and to provide management with an assessment of the extent to which policies and procedures for adjudicating HIV cases are being consistently followed since revision of the HIV listings.

Description

For 6 months the DQB's will select 500 initial allowances/denials and reconsideration affirmations/reversals from the QA sample in which HIV is the primary or secondary impairment. Data resulting from a review of selected cases will be collected and analyzed.

Drug and Alcohol Addiction (DAA) EISObjective

To determine if the new rules governing eligibility for title II, title XVI and concurrent benefits are being applied properly by the DDSs. Recent legislation changed the eligibility requirements where DAA is material to the finding of disability.

Description

The first 25 allowance cases (DDS decides DAA is not material under the new rules) and the first 25 denial cases (DDS decides DAA is material) from each State will be reviewed. Also, the first 25 DAA redetermination appeal decisions from each Disability Hearing Unit will be reviewed. If a predefined number are found to be correct, no additional sampling is required; if a predefined number are not correct, additional sampling would be done and continued until the State performs satisfactorily.

PER of ALJ DecisionsObjective

To develop actions to support consistent disability decision at all steps of the adjudicative process.

Description

The Intercomponent Policy group has been asked to enforce all changes needed for PU. A PER of OHA allowances has been proposed using the Appeals Council's own-motion review authority to review 10,000 allowances a year. Unsupported cases will be sent to the Appeals Council to review for possible reversal or remand to the deciding ALJ. Sample cases where OPIR and the Appeals Council disagree are to be reviewed by an SSA Intercomponent Panel.

Probe for Performance Measure of Initial Title II and Title XVI DI Claims Payment AccuracyObjective

To measure the accuracy of title II and title XVI DI claims, both medical and nonmedical, and to report on the accuracy of the first payment made to newly awarded claimants as well as any payments that should have been made in erroneous denial cases. OPIR is assigned the task of developing performance measures dealing with stewardship accuracy of DI and SSI payments.

Description

For 1 month, all initial QA cases will be tracked through the completion of all initial benefit payment actions. The cases will be subject to a normal QA review by DQB reviewers to determine the accuracy of the medical factors. Then, when all payment actions have been completed, these cases will be reviewed to determine the accuracy of the nonmedical factors. Due to reduced resources, a comprehensive stewardship review of the disability program is not possible at this time. This initiative will establish a methodology for a measurement system which will be used when resources are available for an extensive review.

CROSS-CUTTING

Annual Customer Satisfaction Survey of Recent TransactionsObjective

To provide data for SSA's customer service standards performance report and to gauge SSA's success in meeting specific objectives of the Agency Strategic Plan and the Government Performance and Results Act.

Description

OPIR has taken over from OIG their annual survey of SSA's customers who have had a recent transaction with SSA. OPIR will use the same questionnaire and methodology as OIG had planned for the 13th annual survey. This year OIG was planning to use a new rating scale which had "excellent" instead of "very good" as the top rating. In order to determine the impact of this scale on the overall satisfaction ratings, OPIR will conduct 1,500 interviews using the new scale and another 1,500 using the prior scale. The survey will begin in December 1996.

Customer Satisfaction Survey of Initial AwardeesObjective

To provide data for SSA's customer service standards performance report and to gauge SSA's success in meeting specific objectives of the Agency Strategic Plan and the Government Performance and Results Act.

Description

OPIR is conducting a scaled down version of the FY 1994 survey of initial awardees to provide the Agency with longitudinal information on key performance indicators. The data will be used for the September 1996 update of SSA's customer service standards performance report. Approximately 500 awardees are being interviewed from each of the RSI, DI and SSI programs.

Customer Satisfaction Surveys of Disability Redesign PilotsObjective

To obtain customer feedback on various aspects of the redesigned disability process.

Description

OPIR will conduct event-specific customer surveys after a particular redesign pilot is fully implemented and adequate time has elapsed for employees to attain a level of competency and comfort with the new process to allow for a representative assessment by customers. In FY 1997 we anticipate carryover of the customer surveys of the AO pilot we are initiating in FY 1996. These include separate surveys of unrepresented claimants, claimants who had representation and claimant representatives themselves. We also expect to conduct surveys related to other pilots (dependent on the implementation timetable for the pilot) where redesigned aspects of the process may be visible to claimants, such as the sequential interviewing or DCM pilots.

Customer Satisfaction Survey of Current BeneficiariesObjective

To obtain feedback from beneficiaries in current pay status on overall perceptions of SSA service and preferred methods for doing business with SSA.

Description

Unlike other satisfaction surveys which are transaction-based, this survey samples beneficiaries in current pay status receiving RSI, title II DI and SSI benefits regardless of whether they have had recent contact with SSA. The survey, with interviews of about 3,000 individuals, will obtain overall perceptions of service and information about beneficiaries' preferred methods for doing business with SSA. Interviews will begin in September 1996 and continue into early FY 1997.

Electronic Service Delivery - VideoconferencingObjective

To measure the quality of and public reaction to the use of videoconferencing technology in taking title II and title XVI disability claims.

Description

This customer survey will use a three-phase approach: 1) A customer satisfaction survey to evaluate public reaction to the use of videoconferencing equipment in the claims process; 2) a QA review to evaluate DDS decisional accuracy; and 3) a review to evaluate integrity of evidence provided during the videoconferencing.

Office of Finance, Assessment and Management (OFAM) Employee SurveyObjective

To obtain ideas from OFAM employees for improving customer service.

Description

This survey will obtain ideas from OFAM employees for improving customer service. In support of Executive Order 12862, all SSA employees were surveyed in 1994; a followup survey will be conducted of all OFAM employees to obtain additional ideas.

Employer Satisfaction SurveyObjective

To determine employers' expectations of the kind and quality of service SSA provides, as well as measures of their satisfaction with SSA.

Description

OPIR will survey employers to identify their expectations in service from SSA and to measure their satisfaction with service provided. We will also solicit comments on their experience with SSA's wage reporting system. The survey will provide information that will assist SSA in setting employer-related customer service standards, provide feedback on the usefulness of the SSA/Internal Revenue Service (IRS) Reporter newsletter for employers, and provide specific filing information that will be integrated into SSA's electronic filing initiative. The survey will involve a random sample of 3,000 employers in 3 strata based on number of employees.

National FO Teleservice Monitoring PilotObjective

To determine the review protocol and procedures to be used if the Agency decides to implement ongoing monitoring of FO teleservice.

Description

OPIR conducted a Phase I study of FO telephone service in 1995 using six pilot sites. The current study will be Phase II and will involve 50 FOs. The purpose of these pilots is to further review the protocol and procedures that would be used if the Agency implements.

Evaluation of Automated Teleservice Initiatives to Achieve PERFECT ACCESSObjective

To obtain data on caller reaction to use of automated scripts on 800 number calls to possibly improve access rates and queue times.

Description

A special caller recontact survey was conducted in May 1996 to gather data on caller reaction to the new automated scripts/services initiated in February 1996. This project, PERFECT ACCESS, was designed to increase access rates and improve queue times. However, during the time the survey was conducted, AT&T had not delivered all previously agreed upon enhancements; e.g., enhancements were not provided to nighttime callers and the voice recognition and Spanish language features were not available. OPIR will conduct another survey in FY 1997 when all the PERFECT ACCESS features are operational. The survey will involve recontacting callers who used the new 800 number automated features with the sample stratified on the options available.

HCFA 800 Number Medicare PilotObjective

To determine if the contractor hired by HCFA to answer 800 number Medicare calls can properly identify and refer/respond to SSA-related issues.

Description

HCFA is conducting a pilot in Maryland and Delaware to obtain information on whether to establish a national 800 number to respond to the public's Medicare questions. Pending agreement from HCFA, RPIR monitors from 3 regions will listen to the contractor's calls from a remote site. The monitors will collect information on the types of calls received, actions taken, etc. Of specific interest is whether the contractors are accurately requesting and interpreting SSA systems queries, identifying SSA-related issues and correctly responding to these issues or referring callers back to SSA's 800 number. The probe will involve the scheduling of 600 calls to the Medicare contractors.

Match of Disabled Beneficiaries Working Under Another SSNObjective

To determine the feasibility and cost-effectiveness of establishing an ongoing matching operation between SSA's payment files and earnings suspense files to detect unreported work activity.

Description

Through an address standardization program, the addresses of titles II and XVI disability beneficiary/recipients were matched against the addresses shown on unpostable 1993 earnings. Alerted cases (1,000) are being developed by ORPIRs to determine if disabled beneficiaries have given employers incorrect SSNs to avoid detection of work activity and medical improvement.

Evaluation of Death AlertsObjective

To measure the costs and benefits of FOs' working alerts resulting from discrepancies in reported dates of death.

Description

Alerts are generated when SSA receives a report of a beneficiary/recipient death that has a different date of death than what is on the Numident file. The Death Alert Control and Update System will be screened to select a sample of death alerts. The study will determine if tolerances can be established to reduce the estimated 100,000 alerts currently released to FOs each year.

Evaluation of a Pilot Computer Matching Program Between the Supplemental Security Records (SSR) and Treasury's Currency and Banking Retrieval System (CBRS)Objective

To obtain cost benefit data on an ongoing matching operation between the SSR and the CBRS.

Description

The CBRS file is a summary of reports from financial institutions of cash transactions of \$10,000 or more, foreign bank account balances, customs reports of individuals entering or leaving the country and reports by gambling casinos of currency transactions. Treasury's file will be matched against the SSR, and a sample of SSI recipients/deemors who have these kinds of transactions will be identified. The sample cases will be developed by FOs for previously unreported income or resources to obtain costs and benefit data and to determine if an ongoing matching operation should be established.

Evaluation of Pilot Match Between the SSR and State (California) Records of Confined Juveniles

Objective

To pilot and obtain cost and benefit data on a matching operation between the SSR and California Records of Confined Juveniles.

Description

This project involves conducting and evaluating a pilot matching operation. A file of juveniles confined in California's public institutions will be matched against the SSR to detect recipients who should be suspended. A sample of about 500 matched records will be developed using existing adult prisoner population procedures.

Test the Effectiveness of the Matching Operations Between the SSR and the Railroad Retirement Board (RRB) File

Objective

To determine the cost-effectiveness of conducting the SSR/RRB matching operation more often than once a year.

Description

The payment files of the RRB will be matched against the SSR 6 months after the regularly scheduled annual match. The extent to which new OPs or ineligible (new accretions or increased payment levels) are detected will be the basis for our recommendation as to whether to expand this match to more than once a year.

Test Effectiveness of the Matching Operations Between the SSR and the Department of Defense (DOD) File

Objective

To determine the cost-effectiveness of conducting the SSR/DOD matching operation more often than once a year.

Description

This study will use a similar methodology to the RRB match evaluation described above.

Prisoner Match Evaluations

Objective

To produce a more accurate SSN verification rate for the reported prisoner population.

Description

OPIR conducted a phase 1 probe of the prisoner matching operation in 1996. As a result of that probe, the Principal Deputy Commissioner asked OPIR to review the prisoner records that are coming to SSA under the Commissioner's March 1 request that all State penal institutions provide files of their current prisoner population. The primary purpose of phase 2 is to determine

if duplicate prisoner reports can be identified so that a more accurate SSN verification rate can be estimated. OPIR is also evaluating the back-end of the prisoner match, i.e., the alerts. Samples of recent prisoner alerts, as well as alerts produced from the "March 1" files and also the 1995 alerts, have been sampled and are being reviewed to determine the effectiveness of the alert process.

Evaluation of the SSN Telephone Replacement Card (TRC) Pilot

Objective

To determine whether SSA should start issuing replacement SSN cards based on information applicants provide over the telephone.

Description

The TRC pilot is a 1-year test. OPIR will conduct a study to determine whether the TRC process would be more fraud prone than the current SSN replacement card procedures. In order to provide baseline data, there will be a review of replacement card applications processed under current procedures. In addition, applicants will be required to submit a photo identification. This phase of the study will be conducted in the 20 pilot FOs prior to the beginning of the pilot. During the pilot, there will be a review consisting of a sample of replacement cards issued using the pilot procedures and will provide data similar to the baseline data. In addition to the 20 pilot FOs, two TSCs and related FOs will be included.

Notice Improvement Evaluation

Objective

To measure whether language used in SSA notices is easy to read and understand and accurately communicates the necessary information in support of the Agency's Tactical Plan.

Description

OPIR conducted a study of a title XVI notice to measure whether the notice language was easy to read and understand; accurately communicated all necessary information, and clearly indicated any action/information SSA expected from the recipient of the notice. The draft report was released in March 1996. OPIR is planning in FY 1997 an evaluation of another notice, the RSD/SSI Notice of Disapproved Claims in FY 1997.

800 Number TSC Referral Study

Objective

To identify types of actions referred by TSCs for FOs and to track actions taken in response.

Description

Slightly over 13 percent of the TSC workload for the period March through September 1995 involved nonappointment referrals to FOs. A special study is proposed to track TSC referrals to completion to provide information on whether or not actions were taken on the issue and what the action was. The study data would also provide information on the types of actions actually taken on TSC referrals. These data may warrant further analysis to determine the necessity of the TSC referral, whether additional steps could be taken by teleservice representatives (TSR) within a relatively short time period (so as not to adversely affect call handle time), etc., and recommendations made so that TSRs could handle more types of actions to completion.

Monitoring of 800 Number Telephone Calls Handled by Office of Central Records Operations (OCRO) Employees

Objective

To evaluate the quality of 800 number service being provided by OCRO employees.

Description

OCRO employees are currently handling 800 number calls involving Personal Earnings and Benefit Estimate Statement(PEBES)-related issues. Callers who select the automated PEBES option during daytime hours are routed to OCRO employees. Assuming equipment can be obtained to permit remote monitoring, OPIR will conduct a special monitoring study to evaluate the quality of the 800 number service that OCRO provides.

Monitoring of 800 Number Calls Handled by the Direct Service Unit (DSU) in Central Office

Objective

To measure the quality of 800 number service provided by DSU employees.

Description

A major activity of the DSU in central office is to help answer 800 number calls during peak periods. If equipment can be obtained to permit monitoring from a remote site, OPIR will conduct a special study to measure the quality of service in calls handled by the DSU. The protocol used will be the same as used in OPIR's ongoing monitoring of other 800 number calls.

IRS Address Acquisition Match

Objective

To determine the cost-effectiveness of the matching operation that obtains the IRS address of record for unlocatable overpaid individuals so that collection efforts can be re-instituted.

Description

For those cases where a "better" IRS address has been obtained, the ROAR will be periodically reviewed to determine the amount of OPs collected and other disposition information.

Evaluation of State Wage and Unemployment Compensation (UC) Data Files with the SSR

Objective

To determine if revised tolerance levels can be established to reduce the number of unproductive alerts.

Description

OPIR will determine the cost/benefit ratio of this matching operation to see if revised tolerance levels can be established to reduce the number of unproductive alerts. A sample of recently alerted wage and UC reports will be tracked to determine their impact on SSI payment amounts and/or continued eligibility.

Probe of SSA Records That Do Not Match State Birth Records Of ChildrenObjective

To determine the incidence of fraud in cases where SSA records do not match State birth records for children born since 1991.

Description

SSA has agreed to provide States with SSNs of children born since January 1, 1991. This information is in support of State immunization programs. A question was raised about what to do when there is no matching birth record for the SSA record; i.e., is this an indication of fraud. A probe will be conducted to determine how these no-match situations should be handled. Selected States will notify SSA when there is no matching birth record for the SSA records. OPIR staff will obtain a Numident record and a copy of the SS-5/EAB information to determine if there are any apparent reasons for the no match. Cases with no apparent reason for the no match of SSA/State records will be forwarded to the servicing FO for development (e.g., contact with parents, hospitals, etc.)

Study of the Accuracy of FO Utilization of the Earnings Modernization (EM) 2.8 SoftwareObjective

To measure the accuracy of the EM 2.8 software.

Description

EM release 2.8 provides field components with the capability of making corrections to earnings records via online screens, including reinstating earnings from the suspense file. To evaluate this process and determine the types and causes of errors, a sample of EM 2.8 transactions involving earnings moved from the Suspense file to the Master Earnings File (MEF) will be reviewed. The findings will be used to develop corrective action recommendations.

Tax Year (TY) 1995 Earnings Posting StudyObjective

To evaluate the accuracy of SSA's posting of reported earnings.

Description

SSA processes more than 250 million earnings items each year. OPIR will select random samples from the FY 1995 annual wage reports--paper, magnetic media and self-employment. The reported wages and earnings will be compared to the MEF entries, or suspense file, if applicable.

Targeted Studies of the Annual Wage Reporting (AWR) ProcessObjective

To identify the types and extent of errors in the AWR process.

Description

A sample of TY96 Transmittal of Wage and Tax Statements, and Forms W-3's and W-2s, Wage and Tax Statements, will be reviewed to identify areas of the AWR process which are error-prone.

Benefit and Tax Statement SurveyObjective

To determine the efficacy of providing retired workers with information about their Social Security benefits and taxes, as required by H.R. 3136.

Description

This statement, to be sent to retired beneficiaries whose entitlement began after 1983, would contain an estimate of the individual's aggregate covered earnings, the aggregate Social Security taxes (including the employer share) and the total amount of benefits paid on that record. OPIR would conduct a customer satisfaction survey to obtain public reaction to receiving this statement.

Employee Perception of FraudObjective

To determine employee perceptions regarding the extent of fraud in SSA's programs, as recommended in the tactical plan.

Description

In December 1995, additional proposals were made for inclusion in the existing tactical plan on fraud, waste and abuse. To support the need to have a way to measure SSA's success in reducing fraud, waste and abuse, it was recommended that an employee survey be conducted by OPIR. Before a decision is made to conduct the full survey, focus groups will be held (scheduled for August 1996) to obtain baseline data on employee's perceptions of fraud in SSA and to get feedback on the survey instrument. If further information on employees perception of fraud issues is required by the Agency, OPIR is prepared to conduct a statistical survey.

Electronic Service Delivery - PEBES on InternetObjective

To determine customer reaction to using the Internet to request a PEBES.

Description

Users of the Internet who request a PEBES through Internet will be recontacted by OPIR to participate in a customer survey to determine their impressions of this service.

FY 1997 RSI RESOURCE ALLOCATION PLANNING

11/12/96

PROJECT	ORIGIN	VOLUME	RSI/RPIR WKYRS	RSI/RPIR CUMUL	RSI/OAIPQ WKYRS	RSI/OAIPQ CUMUL	OPIR WKYRS	TRAV \$ ESTIMATE	REGIONS
1244	IDA		32.0	32.0	6.0	6.0	38.0		ALL
1245	Stewardship	2,500	17.0	49.0	1.5	7.5	18.5	\$70,000	ALL
1246	PE Payment Change	4,000	24.0	73.0	4.4	11.9	28.4	\$30,000	ALL
1247	PE Debt Resolution	3,500	13.0	86.0	4.4	16.3	17.4		2,3,4,5,7,9
1248	PE Payment Delivery	3,500	7.0	93.0	2.0	18.3	9.0		ALL
1249	PE Corr Action Tests/Wkyr Analysis	8,000	25.0	118.0	6.0	24.3	31.0		2,3,4,5,7,9
1250	FO Assistance Visits		20.0	138.0	0.5	24.8	20.5	\$25,000	ALL
1251	DI Claims Nonmedical QA Probe	250	3.2	141.2	1.0	25.8	4.2		ALL
1252	DI Nonmedical IDA Development	533	6.8	148.0	1.0	26.8	7.8		ALL
1253	DI Nonmedical GDRs Probe	390	5.0	153.0	1.0	27.8	6.0		ALL
1254	DI Redesign: DCM Nonmedical QA	1,200	7.5	160.5	3.0	28.8	10.5		ALL
1255	DI PE Review	1,000	6.0	166.5	2.0	30.8	8.0		2,3,4,5,7,9
1256	Rep Payee Study Pilot	500	5.0	171.5	0.1	30.9	5.1		ALL
1257	WB/Medicare Prior SSI	200	1.0	172.5	0.1	31.0	1.1		2,3,4,5,7,9
1258	AET Study	250	0.2	172.7	0.1	31.1	0.3		7
1259	Roar Diary Alerts	250	0.2	172.9	0.1	31.2	0.3		7
1260	IWS/LAN		1.0	173.9	0.4	31.6	1.4		5
1261	Microsoft Platform Training		5.0	178.9	1.0	32.6	6.0		ALL
1262	OSSAS STUDIES		16.0	193.9		32.6	15.0		ALL
1263	RSI Systems Support		2.3	196.2	2.0	34.6	4.3		ALL
1264	Streamlining		4.0	200.2	4.0	38.6	8.0		ALL
1265	Direct Deposit Early Warning Review	4,000	2.0	202.2	0.4	39.0	2.4		ALL
1266	DSU Teleclaims Accuracy	500	2.0	204.2	2.0	41.0	4.0		ALL
1267	SSA/HGFA MOU--PE Data	1,000	4.0	208.2	1.6	42.6	5.6		2,3,4,5,7,9
1268	Critical Payment System	500	1.0	209.2	0.1	42.7	1.1		5,9
1269	Welfare Reform								
1270	Title II Citiz Development	1000	1.0	210.2	1.0	43.7	2.0		CO
1271	INS Document Verification	250	1.0	211.2	0.3	44.0	1.3		CO

Total AIPQB RSI and SSI Workyears Available-----422.9 workyears
Shortfall -----26.4 workyears

OT for ROPIRS= 26.4 divided by 2.13 overhead factor = 12.39 direct workyears x 1776 = 22,004 OT hours needed

FY 1997 SSI RESOURCE ALLOCATION PLANNING

11/12/96

PROJECT	ORIGIN	VOLUME	SSI/RPIR WKYRS	SSI/RPIR CUMUL	SSI/OAIPQ WKYRS	SSI/OAIPQ CUMUL	SSI/OAIPQ CUMUL	OPIR WKYRS	TRAV \$ ESTIMATE	REGIONS
1201 IDA	CORE	3,000	34.2	34.2	6.0	6.0	6.0	40.2	\$130,000	ALL
1202 Stewardship	CORE	4,000	32.4	66.6	3.0	3.0	9.0	35.4	\$165,000	ALL
1203 PE Review	CORE	8,100	49.6	116.2	7.5	16.5	16.5	57.1	\$8,750	ALL
1204 Denial Pilot Review	OPIR	1,000	4.0	120.2	2.0	18.5	2.0	3.4	\$3,000	ALL
1205 DIRZ Supplemental	SSA	1,600	2.6	122.8	0.8	19.3	0.8	21.0	\$25,000	ALL
1206 FO Assistance Visits	DCO	900	20.0	142.8	1.0	20.3	1.0	14.0	\$9,000	All but KC
1207 Nonresident/Absent Recipients	ROPIR	400	5.0	157.8	1.0	25.3	1.0	6.0	\$6,000	4.7
1208 Redet by Mail Demo-Test Phase	OPIR	1,600	4.0	161.8	0.8	26.1	0.8	4.8		ALL
1209 Benefit Restructuring	ROPIR	1,000	4.0	165.8	2.0	28.1	2.0	6.0		ALL
1210 PASS Compliance Review	SSA	2,000	4.0	169.8	0.4	28.5	0.4	4.4		ALL
1211 Overpayment Walver Sup Rev Toler	DCP	2,000	1.5	171.3	2.4	30.9	2.4	3.9		ALL
1212 MSSICS 4.4 (Development Only)	OPIR	500	5.0	176.3	0.1	31.0	0.1	5.1		ALL
1213 Rep Payee Study Pilot	ROPIR	500	10.0	186.3	2.0	33.0	2.0	2.5		5
1214 OSSAS STUDIES	OTC		0.5	186.8	1.0	34.0	1.0	6.0		ALL
1215 IWS/LAN	SSA	500	5.0	191.8	4.0	38.0	4.0	8.0		ALL
1216 Microsoft Platform Training	OPIR	4.0	4.0	195.8	4.0	42.0	4.0	8.0		ALL
1217 SSI Systems Support	OPIR	3,000	2.0	201.8	0.0	42.0	0.0	2.0		ALL
1218 Streamlining	OIG	533	3.2	205.0	1.0	43.0	1.0	4.2		ALL
1219 Direct Deposit Early Warning Review	OPIR	600	3.7	208.7	0.1	43.1	0.1	3.8		ALL
1220 DTIDA Nonmedical Review	SSA	185	0	208.7	0.8	43.9	0.8	4.8		4.7,9
1221 SSI Children with Earned Income	ROPIR	800	4.0	212.7	0.8	44.7	0.8	8.0		ALL
1222 Third Party Assist Claims	ROPIR	400	3.2	215.9	0.4	45.1	0.4	3.6		3,5,6,7,9
1223 Absent Parents Support Payments	ROPIR	2,000	1.2	217.1	0.1	45.2	0.1	1.3		6
1224 EI Paso IG Review	OIG	100	1.5	218.6	0.2	45.4	0.2	1.7	\$150	8
1225 1619B Probe	ROPIR	300	1.5	220.1	0.5	45.9	0.5	2.0		ALL
1226 Welfare Reform-App Effective Date	SSA	300	1.5	221.6	0.5	46.4	0.5	2.0	\$15,000	ALL
1227 Welfare Reform-Instalized Children	SSA	300	1.5	223.1	0.5	46.9	0.5	2.5		ALL
1228 Welfare Reform-Alien Eligibility	SSA	500	2.0	223.6	0.5	46.9	0.5	2.5		ALL
1229 a. Initial Claims - Awards	SSA	500	2.0	225.6	0.5	47.4	0.5	4.1		ALL
1229 b. Initial Claims - Denials	SSA	500	3.6	229.2	0.5	47.9	0.5	2.5		ALL
1229 c. PE - Terminated Nonresponders	SSA	500	1.5	230.7	1.0	48.9	1.0	2.5	\$750	ALL
1229 d. PE - Limited Issue	SSA	250	1.0	231.7	0.3	49.2	0.3	1.3		GO
1230 d. INS Document Verification	SSA	390	4.2	235.9	1.0	50.2	1.0	5.2		ALL
1231 e. Age 18 Childhood CDRs	SSA	200	2.2	238.1	0.5	50.7	0.5	2.7	\$300	ALL
1232 Welfare Reform-UJP Installments	SSA	200	2.2	238.1	0.5	50.7	0.5	2.7		ALL

FY 1997 DI RESOURCE PLANNING

PROJECT	ORIGIN	VOLUME	DIRECT RPIR WYS	TOTAL RPIR WYS	CC WYS	CC CURRIL	OPIN WYS	TRAV \$ BUDGET	ADD'L \$ NEEDED	OPIR CURRIL
QA										
INITIAL	ONGOING	39,100	27.5	50.6	7.6	7.6	7.6			7.6
RECON	ONGOING	8,300	5.1	11.5			58.6			58.6
CDR	ONGOING	49,900	33.9	77.2			11.5			11.5
PER--DOBS	ONGOING	219,000	96.9	206.2	5.6	13.2	211.8			149.9
QA SCREENING	DI SWAHT	6,900	4.7	10.0	0.0	13.2	10.0			361.7
RETURNS	ONGOING	15,815	8.0	17.0	1.9	15.1	18.9			371.7
										390.6
SUBTOTAL RPIR		339,015	176.3	375.5						
BENCHMARK/DESIGN	OPIR	NA	0.0	0.0	0.0	15.1	0.0			390.6
MON & SUPPORT	ONGOING	NA	0.0	0.0	0.0	15.1	0.0			390.6
OHU CDR QA	ONGOING	1,500	1.0	2.3	0.5	15.6	2.6			393.2
QOB SCRAFFING EIS	ONGOING	1,200	0.1	0.2	0.0	15.6	0.2			393.4
EIS T XVI CHLD	D.P.	3,900	2.7	5.8	0.1	15.7	5.9			399.3
EIS T XVI CDR	DCP	3,900	2.6	5.5	0.1	15.8	5.6			404.9
EIS DNA	DCP	2,600	1.8	3.8	0.1	15.9	3.9			408.8
SUBTOTAL RPIR		351,115	184.5	392.9						
ALY PER	ONGOING	6,200			20.7	36.6	20.7			429.5
DDO PER	ONGOING	1,000			2.1	38.7	2.1			431.6
QA HEARING	ONGOING	3,080			25.5	64.2	25.5			457.1
DDHQ ANALYSIS	ONGOING	NA			2.0	66.2	2.0			459.1
QOB CR INITIAL	ONGOING	1,500			4.2	70.4	4.2			463.3
QOB CR PER	ONGOING	1,500			4.2	74.6	4.2			467.2
QOB CR CDR	ONGOING	1,500			6.4	81.0	6.4			473.9
DI SYSTEMS SUPPORT	ONGOING	NA			5.0	86.0	5.0			478.9
QOB SUPPORT/POLICY	ONGOING	NA			6.4	92.4	6.4			485.3
REBUTTALS	OD	40			2.1	94.5	2.1			487.4
RIV FOCUS REVIFH	OPIR	NA			3.2	97.7	3.2			490.6
CASE BANKS	OPIR	NA			0.0	97.7	0.0			490.6
TASK TEAM MEMBERS	OPIR	NA			0.0	97.7	0.0			492.6
LITIGATION	ONGOING	NA			1.0	98.7	1.0			493.6
DICARS MAINTENANCE	OPIR	NA			5.0	103.7	5.0			498.6
HEARING ALLOM RATE	SPEC. STUDY	NA			2.0	105.7	2.0			500.6
VOC. EXPERT PROJECT	SPEC. STUDY	NA			3.0	108.7	3.0			503.6
TOTAL		365,935	184.5	424.2						503.6

FY 1997 DI RESOURCE PLANNING

OOBQ has identified the need for OPIR support in the following areas.

PROJECT	ORIGIN	VOLUME	DIRECT		TOTAL	CO		TRAV \$	ADD'L	OPIR
			RPIN HRS	RPIN HRS		HRYS	CURRU			
EARLY DECISION LIST	DEPT	12,000	6.4	37.9	44.3	1.7	310.4	19.6		523.2
ADJUDICATION OFFICER	DEPT	5,000	0.0	0.0	0.0	4.5	114.9	4.5		527.7
PROCESS UNIFICATION	DEPT	7,200	2.0	4.3	6.3	16.5	131.4	20.8		548.5
FULL PROCESS MODEL	DEPT	15,000	10.5	22.4	32.9	7.7	139.1	30.1		578.6
DIS. CLAG MGR.	DEPT	3,500	2.5	5.3	7.8	2.1	141.2	7.4		506.0
ROLE OF MED CONSULT.	DEPT	0	0.0	0.0	0.0	4.3	141.6	0.4		506.4
SINGLE DEC MAKER	DEPT	23,000	16.2	34.5	50.7	4.3	145.9	38.8		625.2
STAFF ATTORNEY	DEPT	1,000	0.0	0.0	0.0	6.5	152.9	6.5		631.7
REDESIGN TOTAL		67,600	39.6	84.4	124.0	43.7		128.1		

PROJECT	ORIGIN	VOLUME	DIRECT		TOTAL	CO		TRAV \$	ADD'L	OPIR
			RPIN HRS	RPIN HRS		HRYS	CURRU			
IWS/JAN WINDORS NT	UPGRADE	NA	3.4	7.2	10.6	2.7	155.1	9.9		641.6
GRAND TOTAL		433,535	224.1	486.5	710.6			641.6		

HRYS AVAILABLE - FTP *	368.5	128.4	496.9
HRYS AVAILABLE - PTP	12.0	1.3	13.3
NEW STAFF - PART YEAR AVAILABILITY **	40.4	11.2	51.6
SHORTFALL	65.6	14.2	79.8
TOTAL	486.5	155.1	641.6

OT ROPRS 65.6 Total HX / 2.13 (OH Factor) = 30.0 x 1776 hrs. = 54,701 OT hours needed.
 OT CO HRS not applicable to CO, estimated need 14.2 x 1776 hrs. = 25,219 OT hours needed.
 Total DI OT Need 79,920 hours.

- * FTP assumes 4 percent annual attrition (2 percent at year midpoint)
- ** New staff ROPRS: 13 new hires DUS examiners productive 11/96. Remaining new staff productive 3/97.
- *** New staff CO: Estimated 2 new hires DUS examiners productive 12/96.
 Remaining new staff productive 3/97.

4. Please provide a detailed action plan and a progress report on actions SSA has taken since July to consolidate and transfer duplicative program integrity functions from other SSA components, in particular, the Office of Program Integrity Reviews, to the new office of the SSA Inspector General, which has enforcement power granted in statute. In addition, please provide the Subcommittee with additional status reports on the progress this transfer functions to the OIG by March 31 and June 30, 1997, by which time the Subcommittee hopes that transfer of functions will be completed.

Since the newly independent Social Security Administration was established, the Commissioner and other Executive staff have met with the Inspector General on many occasions to identify and discuss issues of concern to our new Inspector General. Most of these issues have been resolved. Discussions are continuing over program assessment issues. Per your request, we will update you on our progress.

5. This Subcommittee has always had a very serious interest in making sure that waste, fraud, and abuse are eliminated in the programs that SSA administers--close to \$400 billion annually. In fact, this Subcommittee was extremely supportive of the increase in resources appropriated recently. Do you share this commitment to providing adequate resources to protect the trust funds? It is interesting that the HHS Inspector General has a budget of about \$75 million and a staff of 927 to monitor spending of about \$320 billion, as compared to SSA's IG, which has a budget of roughly half that, and a staff of roughly a third of HHS's. Do you agree with the Subcommittee view that protecting Social Security trust funds from fraud and abuse is at least as important as protecting Medicare and Medicaid?

In fiscal 1994, the last full year that SSA was part of HHS, the HHS Inspector General had a staff of 1,253. In 1996, the first full year that SSA is independent of HHS, the HHS IG has a staff of 927. In my view, it's reasonable that the staff of the SSA IG should be at least 526, the difference between the current HHS IG staff, and what it had when it did SSA's IG work, yet it had only 313 at the start of this fiscal year. (DOD has 1,388 auditors and investigators in its IG office monitoring spending of \$277 billion!)

Given the growing problems with credit card and general computer fraud, and the increasing assaults on SSA's data base, what action are you taking to ensure that the SSA IG will have the resources needed to guard against these growing threats?

I agree that protecting the Social Security trust funds from fraud and abuse is as important as protecting Medicare and Medicaid. As head of a new independent agency of government, one of my first decisions was to reallocate 50 full-time equivalent (FTE) positions and related funding from SSA components to the Office of the Inspector General (OIG). This reallocation was reflected in the amended FY 1996 appropriation request submitted in Spring 1995. Along with some proposed redistribution of staff within OIG, it represented a first step in building a stronger investigative capacity. We continue to believe that such increased OIG investigative capacity is one of our highest priorities.

For FY 1997, Congress appropriated \$10 million more than requested for OIG. This additional \$10 million carried with it no additional FTEs. As a result, FTEs have again been reallocated to OIG from SSA components. This should allow OIG to hire another 75 new employees in FY 1997 and bring its total strength to around 380, compared to 259 transferred from the Department of Health and Human Services in 1995. At the same time, FTEs for other staff components continue their decline, while FTEs for SSA operational components are projected to remain about the same.

6. What are your views on the role and importance of the new Advisory Board to SSA?

Don't you agree that the Board must function as the independent, credible, bipartisan advisory board that Congress intended if it is to be helpful to the Administration, the public, and the Congress?

As I have testified before Congress during the past year, experience has shown that basic changes to the Social Security program should occur only after extensive bipartisan debate and public discussion regarding the reasons for changes and the options available for addressing problems. I consider the Advisory Board to be an important element in the development of bipartisan consensus, and I agree with you that it must function in an independent manner if it is to play a meaningful role in the future of Social Security.

As set forth by law, the specific functions of the Advisory Board are:

- o Analyze the Nation's retirement and disability systems and make recommendations with respect to how Social Security and the Supplemental Security Income (SSI) programs, supported by other public and private systems, can most effectively ensure economic security;
- o Study and make recommendations relating to coordination of programs that provide health security with Social Security programs;
- o Make recommendations to the President and Congress with respect to policies that will ensure the solvency of Social Security programs in both the short-term and the long-term;
- o Make recommendations with respect to the quality of service that SSA provides to the public;
- o Make recommendations with respect to policies and regulations regarding Social Security programs and SSI;
- o Increase public understanding of Social Security;
- o Make recommendations with respect to a long-range research and program evaluation plan for SSA;
- o Review and assess any major studies of Social Security as may come to the attention of the Board; and
- o Make recommendations with respect to other matters as the Board determines to be appropriate.

7. When Congress made SSA an independent agency, Congress wrote a requirement into the law that the Office of Personnel Management (OPM) authorize substantially more Senior Executive Service (SES) positions at SSA. According to OPM, SSA has an allocation of 103 SES positions--exactly the same number it had as part of HHS, and only 92 executives are on board. OPM staff advised that this allocation is based on the only request it has from SSA, one from Ruth Pierce dated May 26, 1995, requesting "only 102" of the "113 supportable SES positions." OPM staff further advised that OPM based its allocation of 103 SES positions in part on the case SSA made for additional positions, a weak one, and the fact that fewer than the full allocation of slots has been filled.

Please explain why only 92 SES positions are currently filled, what additional SES slots you believe SSA needs (including positions for Regional Offices and "experts," such as economists), specific action you have undertaken with OPM to gain additional SES slots, and what you have been advised by OPM. Please submit copies of any relevant correspondence.

As of January 6, 1997, the Agency had 88 SES slots filled, with recruitment and staffing activities underway to fill a number of SES vacancies. For example, we are actively staffing several positions in the Office of General Counsel as well as 2 leadership positions in the Regions.

As a vacancy occurs, we carefully assess the most appropriate use of the slot. In keeping with mission priorities, we refill the vacancy, redescribe it, or abolish it--transferring the slot to a more critical leadership need if necessary. Since the SES recruitment process takes considerable time because of numerous legal and regulatory requirements, it may appear that little is underway to utilize our allocation--but this is far from true. Further, OPM final decisionmaking on our May 1995 request for a slot increase was protracted by their need to address Governmentwide executive resource needs. Therefore, we have been doubly prudent in weighing the often competing factors at play in determining the best use of SES slots since the SSA allocation has been so limited.

In a number of communications with OPM staff and Director King, including the May 1995 request you reference, we went on record asking for an increase in allocation to address our needs. Specifically, we spoke on behalf of high quality executive direction in the Offices of General Counsel and Inspector General (two new agency components). In addition, we underscored our need to ensure strong leadership in the areas of: communications, legislation and congressional affairs, policy research, program development and evaluations, actuarial science, human resources, finance, systems, information technology, and regional management. We pointed out that all these areas have greatly expanded roles and responsibilities stemming from our independent agency status.

OPM recently agreed to respond favorably to our May 1995 request for 113 SES slots, an increase of 10, and to work with us on the allocation of additional slots provided such could be accommodated within the Governmentwide ceiling. With my closest advisors, we are now carefully developing strategies for optimum placement and expeditious filling of our newly augmented number of slots.

9. According to GAO and OPM, compared to all other Federal agencies, SSA has fewer SESers on board than any other agency except two--Education, which has 75 for a staff of 5,000, and OPM, with 39 for a staff of 4,000. By comparison, HHS, with a staff similar in size to SSA--58,000, versus 65,000 for SSA--has 540 SESers to SSA's 104. Shouldn't the number of SES positions at SSA be more in line with the importance Congress places on SSA programs?

In communications with OPM since the independence of SSA in the spring of 1995, we have emphasized that a pool of 103 SES slots is not commensurate with the pressing leadership needs of either our service delivery mission or the human resource management challenges associated with a 65,000 person workforce.

9. It is reported that 47 percent of SSA's senior executives and 30 percent of its senior managers are eligible to retire over the next 5 years. What is your specific plan to cope with this loss of experienced personnel?

How many of SSA's deputy and associate commissioner positions are currently filled by temporary candidates in an "acting" capacity? Why are there any such important positions not permanently filled?

SSA component heads, under the leadership of the Chairperson of the Executive Resources Board, are now actively considering approaches to prepare for anticipated losses in both senior executive and senior management (GS 13-15) levels in the next 5 years. Following their comprehensive examination of our situation and projected needs, this group will present recommendations on directions we should take in our succession planning efforts.

The following key positions are currently filled by individuals in an "acting" capacity:

- The Principal Deputy Commissioner
- 2 Deputy Commissioners
- 2 Assistant Deputy Commissioners

No Associate Commissioner positions are currently on an "acting" basis.

We have deferred filling these positions on a permanent basis so as to maintain maximum flexibilities for future top leadership of the Agency.

10. In order to advise Congress of the true level of administrative funding it needs, Congress deliberately gave SSA statutory authority to submit a budget that can't be changed by OMB directly to the Congress, in addition to the one that is submitted as part of the budget of the President. Please describe the major differences in SSA's two budget submissions.

Isn't you interested in letting Congress know what SSA's true resource and staffing needs are, so that, to the extent possible, the Subcommittee can go to bat with the appropriators in getting SSA what it needs? What are your plans for the next budget cycle?

A brief description of SSA's original FY 1997 request to OMB (submitted in September 1995) was included in the FY 1997 President's Budget Appendix released in March 1996 (copy attached).

Our FY 1997 administrative budget request of \$6.3 billion was within the range of the President's \$6.1 billion request which represented an increase of nearly \$250 million over the FY 1996 levels being considered by Congress at the time. The President's request also included an additional \$510 million for implementation of the Administration's welfare reform proposals.

Both Congress and the Administration have recognized SSA's need to handle the work at hand as well as to invest in the future. However, this may not always be the case. There may come a day when we will come directly to Congress and ask for more funds than the Administration is willing to provide for SSA.

Attachment

9a.

SOCIAL SECURITY ADMINISTRATION

GENERAL FUND RECEIPT ACCOUNTS
From Public-Continued

11.3	Other personal compensation	1	1	1
11.9	Total personal compensation	10	14	14
12.1	Old-age personnel benefits	2	3	3
22.1	Retiral payments to SSA	2	1	1
23.3	Communications, supplies, and miscellaneous	1	1	1
25.2	Other services	1	1	1
25.4	Operation and maintenance of facilities	3	1	1
31.8	Equipment	1	1	1
32.8	Land and structures	1	1	1
33.8	Liability on deposits	-22	-19	-19
99.9	Subtotal benefit acct--member's contributions	1	1	1

GENERAL FUND RECEIPT ACCOUNTS

(in millions of dollars)

	1996 est.	1996 ac.	1997 est.
Offsetting receipts from the public:			
75-311820 Receipts from SSA administrative fee	102	154	143
75-309600 Recovery of beneficiary employment taxes			
SSA proceeds	825	825	860
General fund offsetting receipts from the public	927	979	1,003
Intergovernmental payments:			
75-310219 Quinquennial adjustment for military service credits, FOIA		179	
75-310520 Quinquennial adjustment for military service credits, Federal disability insurance			701
General fund intergovernmental payments		179	701

The object classification and personnel summary do not include resources related to the adjustment to 1996 continuing resolution levels or to the welfare reform allowance. The welfare reform allowance appears elsewhere in the Budget.

Personnel Summary

Mechanism used 75-8007-6-7-431	Personnel Summary		
	1996 est.	1996 ac.	1997 est.
Liability account--direct			
Total comparable positions			
6001 full-time equivalent employment	64,135	63,463	64,095
6025 full-time equivalent of overtime and policy hours	2,422	805	774
Liability account--manufacture			
Total comparable positions			
7001 full-time equivalent employment	353	291	291
7002 full-time equivalent of overtime and policy hours	9	23	23

As directed by Section 104 of P.L. 103-296, the Social Security, Independence and Program Improvements Act of 1994, the Commissioner of Social Security shall prepare an annual budget for the Social Security Administration (SSA), which shall be submitted by the President to the Congress without revision, together with the President's annual budget for SSA. The Commissioner's annual budget for fiscal year 1997 includes a total of \$6,267,944 thousand in discretionary resources. This total includes \$6,239,410 thousand for SSA administrative expenses, including \$300,000 thousand in no-year funds for the Automation Investment Fund. SSA also requests \$28,534 thousand for the newly formed Office of Inspector General. This request is based on current law. Actual needs will require adjustment for the impact of any newly enacted legislation.



11. What role does OMB play in development of SSA legislation, policy, and budget, now that SSA has become an independent agency?

Why do you choose to submit virtually everything SSA does to OMB for review, when by law you are not required to?

- o The legislation which made SSA an agency independent of the Department of Health and Human Services did not exempt it from Executive Branch oversight. Therefore, SSA is still subject to Administration direction.
- o Under the law, the Commissioner of Social Security is directed to prepare an annual budget for SSA which is submitted by the President to Congress without revision, together with the President's annual budget for SSA. At the same time, we understand the current budget restrictions facing the Congress and the Administration today, and take seriously our responsibility to prepare a budget which recognizes these restrictions.

12. In his testimony, the Comptroller General discussed the fact that implementation of the new redesign software has been delayed by 6 months, and expressed concern about the lack of a comprehensive, detailed plan regarding system efforts. How do you respond to these findings?

What is SSA doing to protect itself against sophisticated fraud within its immense and complex computer system?

Shouldn't the SSA IG be involved in the effort to protect the integrity of SSA's computer systems?

The disability modernization plan, developed in 1992, took a three tier approach:

- Maintaining existing State disability case processing systems;
- Providing new and/or updated case processing systems to some States lacking automation or requiring upgraded software programs; and
- Developing a new, national, client server-based disability processing system.

The original target date for releasing the new software for pilot testing the national disability processing system was October 1995. The actual release date to the Virginia DDS and the Federal DDS was November 29, 1996--a 13-month delay from the initial target date. The delay was caused by a number of factors, including additional time needed to complete the initial software requirements, recruit and train personnel, and complete procurement activities.

OIG needs to be involved in protecting SSA's Computer Systems to the extent that OIG is responsible for investigating, documenting, and prosecuting fraud and misuse of SSA's systems by both employees and the general public.

OIG is the part of the Agency that is responsible for conducting audits of the integrity of SSA computer systems, as well as participating in SSA intercomponent workgroups discussing broad issues in these areas.

OIG participates in fraud committees. There is a National Fraud

Committee (NFC) that is chaired jointly by the SSA Inspector General and the Deputy Commissioner for Finance, Assessment and Management. In the regions, Regional Fraud Committees (also chaired by OIG) coordinate the investigations and other more complex approaches to detection and investigation of fraud.

OIG is a key sponsor of the SSA Tactical Plan to Combat Fraud. The fraud tactical plan demonstrates broad, Agency-wide participation, identifying initiatives at the grass roots level throughout the Agency, with the full support of the NFC. Specific projects under OIG leadership include:

- o Fraud Vulnerability Study
- o SSN Fraud Detection Guide
- o Strengthening Fraud Infrastructure
- o Special Operations (Joint Field Operations)
- o Expanding Sharing of Third Party Information with Federal Agencies
- o Establishing Access to Pooled Fraud Detection Services and Data Bases
- o Implementation of Civil and Monetary Penalty Authorities
- o Building a Single SSA/OIG Database and Control System

13. In your testimony, you discussed the progress of 4 redesign initiatives. GAO has told us there are a total of 83 initiatives planned, and that the scope and complexity of many of these have limited any real progress in implementing them. How do you react to GAO's findings regarding redesign?

GAO recommended that SSA concentrate on those initiatives most crucial to the redesign's ability to produce significant, measurable reductions in claims processing time and administrative cost--including those initiatives intended to achieve process unification, establish new decision making positions, and enhance information systems support; and combine those initiatives into an integrated process, test that process at a few sites, and evaluate testing results before proceeding with full-scale implementation.

SSA responded by stating that we agree in general with the recommended approach, and have been proceeding in a manner consistent with it. We stated further that we have identified a small number of redesign areas in which we are concentrating most of our redesign efforts to support critical, long-term efficiencies. These are:

- Single Decision maker testing;
- Full Process Model (FPM) testing;
- Disability Claims Manager testing;
- Adjudication Officer test evaluation and implementation;
- Process Unification;
- Quality assurance;
- Simplified disability methodology research; and
- Development of systems enablers.

We advised GAO that the FPM will serve as an integrated redesign test site for several other redesign features. FPM testing, which will begin in early 1997, will incorporate several key redesign elements, including the single Decision maker, the pre-decision interview, elimination of the reconsideration and the adjudication officer.

Redesign is our highest priority. Our redesign investment is critical to providing a far more efficient and equitable process that will benefit our customers and SSA's ability to meet the workload demands of the future.

14. GAO reported that SSA now plans to complete 8 million continuing disability reviews (CDRs) in the next 7 years, which means SSA would have to conduct about twice as many reviews as it has conducted over the past 20 years combined? Do you believe SSA is really up to this task and can realistically meet this goal?

Budget and staffing reductions, and historically high workloads, limited our ability to remain current in processing CDR cases. Due to the resulting high CDR backlogs SSA redesigned (i.e., the CDR mailer/profiling process) the CDR process.

In FY 1996, SSA cleared almost 518,000 CDRs which was the second highest number of CDR clearances ever and the most since FY 1983. In FY 1996, a machine-readable CDR mailer form was implemented substantially increasing the number of CDRs that could be processed via the CDR mailer/profiling process. In fact, there were twice the number of mailer clearances in FY 1996 than in FY 1995.

We are confident that our CDR strategy will lead to reliable and cost-effective monitoring of all beneficiaries and the elimination of this backlog in the next 7 years.

15. You mentioned that SSA successfully rehabilitated 6,200 disabled workers in 1995. That's 6,200 out of over 4.3 million-- a little over one-tenth of one percent. How many workers did SSA rehabilitate in previous years? Hasn't the number been roughly the same since 1990, when it hit a high of 7,300? Have you developed a strategy to return disabled individuals to work and self sufficiency? If you have, please submit a copy for the record.

In fiscal year (FY) 1995 SSA reimbursed the State Vocational Rehabilitation agencies for rehabilitating 6,238 beneficiaries with disabilities. Attached is a chart of our reimbursement history from FY 1983 through FY 1996. In an effort to increase the number of SSA beneficiaries with disabilities who are successfully rehabilitated, SSA is actively involved in the development of a comprehensive strategy to increase the number of beneficiaries who work despite their impairments, thereby lessening their dependence on the benefit rolls.

To this end, we are collaborating with a number of other agencies within the Federal government who have a responsibility to our citizens with disabilities; these agencies include the Department of Education, the Department of Labor, and the Health Care Financing Administration within the Department of Health and Human Services.

SSA has been working on a specific strategy that we expect to be ready to release to you shortly.

VR REIMBURSEMENT PROGRAM

**REIMBURSEMENT CLAIMS
14 YEARS AT A GLANCE**

FY	CLAIMS RECEIVED	CLAIMS PROCESSED	CLAIMS ALLOWED	% CLAIMS ALLOWED	\$ ALLOWED	AVERAGE COST
FY 83	3,626	1,813	110	6%	\$216,000.00	\$1,964
FY 84	7,739	4,990	2,202	44%	\$4,094,000.00	\$1,859
FY 85	4,912	5,019	2,645	53%	\$9,850,000.00	\$3,724
FY 86	6,649	6,482	3,693	57%	\$20,195,373.61	\$5,468
FY 87	8,092	7,414	4,469	60%	\$28,087,991.71	\$6,285
FY 88	11,032	9,361	5,092	54%	\$36,456,373.31	\$7,160
FY 89	11,267	9,762	5,828	60%	\$48,740,569.44	\$8,363
FY 90	10,222	12,539	7,330	59%	\$60,245,992.53	\$8,219
FY 91	12,300	11,004	6,032	55%	\$56,593,433.25	\$9,387
FY 92	10,567	11,510	6,269	54%	\$63,692,774.80	\$10,160
FY 93	10,744	10,817	6,154	57%	\$64,467,871.54	\$10,476
FY 94	10,297	10,599	5,653	53%	\$63,462,164.00	\$11,226
FY 95	10,590	10,148	6,238	61%	\$72,733,912.87	\$11,660
FY 96	11,859	8,922	6,024	68%	\$65,480,627.30	\$10,869

16. How have customer expectations shifted over say the last 10 years, and how is SSA positioning itself to address those changing expectations? What specific steps are you taking to downsize headquarters, and beef up staffing of SSA field offices?

From its beginning, SSA has placed a high priority on delivering quality customer service. SSA public contact staff have consistently received high ratings in independent surveys of the Agency's customers. Providing world-class service to the public has been one of my top three goals for the Agency during my tenure.

The difference in SSA's approach to customer service over the last few years is that, instead of assuming we already know, we have begun asking our customers how they define world-class service. This approach is consistent with recommendations from the National Performance Review and Executive Order 12862, "Setting Customer Service Standards." In fact, SSA is proud to be considered a leader among U.S. agencies in "putting customers first."

To respond to the Executive Order, in 1994 we conducted our first major round of activities to solicit information about the expectations of our customers, employees, and other stakeholders. We obtained input in five ways:

- o Focus group discussions with beneficiary and non-beneficiary customer groups across the country;
- o Service-delivery surveys of our recent 800-number callers and recent applicants for benefits by our Office of Program and Integrity Reviews;
- o A World-Class Service Survey that asked SSA employees as well as external stakeholders how they define "world-class service;"
- o Postcard surveys asking customers for specific, numeric measures of good service; and
- o An annual customer satisfaction survey by the Office of the Inspector General.

Customer expectations and preferences clustered around several general themes. Our respondents identified courteous treatment

and employees' job knowledge and helpfulness as critical characteristics of good service. They said they wanted choices in how they deal with us. Customers also wanted quick access to the Agency (short in-office waiting times and easy-to-reach telephone service); short claim processing times, particularly for disability claims; the ability to complete business with one call or visit (or with the same representative if the issue requires multiple contacts); and "one-stop shopping" for doing business with agencies having overlapping requirements. We found that our customers recognize resource limitations and are usually quite reasonable in their expectations of service.

We continue to solicit input from our customers through satisfaction surveys that assess our service delivery performance and explore customer preferences. Further, SSA now routinely uses focus group testing to inform the public about planning and policy initiatives such as Personal Earnings and Benefit Estimate Statements and a reengineered disability claim process.

Currently, we are planning a major new series of activities to solicit customer input that will give us a good sense of how customer expectations have changed since 1994. This information will be a critical resource as we set priorities for the Agency. We recognize that focusing on customers' needs and expectations will become increasingly important as Congress and the Administration work toward a balanced budget. As we hear from our customers and set our priorities, we will begin working to make the process changes needed to support improved customer service. As before, we will obtain and use input not only from our customers, but also from employees, stakeholders, and Agency executives who own the processes.

SSA has made excellent progress in meeting its goals for reducing employment in headquarters and other staff/support functions. From the beginning of FY 1994 to the end of FY 1996, SSA reduced full-time permanent (FTP) employment in staff components by about 1,600, or more than 14 percent overall.

The reductions have been accomplished through attrition (including early-out and buyout program incentives), as well as from Agency programs to redeploy/reassign employees to direct service positions in field or hearing offices or in newly-established direct service units in headquarters.

During this same period, FTP employment increased by more than 1,200 in field offices, teleservice centers, and hearing offices.

KEY INFORMATION:

SSA FTE On Duty (excludes seasonal employees)

	<u>10/93</u>	<u>9/96</u>
Staff	11,222	9,593
Increase for OIG, OGC, CDR quality reviews	--	--
Staff Component Total . . .	11,222	9,593
Workload Operations:		
Processing Centers/DSU/FDDS	14,382	13,121
Field/TSCs	31,146	31,655
Hearings and Appeals	<u>6,002</u>	<u>6,726</u>
Workload Total	51,530	51,502
(Estimated workload supervisors included above)	(6,062)	(4,860)
SSA Total	62,752	61,095

17. Please provide complete details regarding the \$40,000 plus that you spent on a "head hunter" to hire two of SSA's political appointees--most of which was Medicare and Social Security trust fund money. Please provide the exact amount of the fee for each hire, the firm to whom the fees were paid, the names and dates of the persons hired, and the resumes of qualifications they submitted at that time.

Is it true that the two individuals you hired for these large fees had no Social Security background?

How would you justify this expenditure from the trust funds to hardworking Americans who pay the FICA taxes, supposedly for Social Security benefits? To your knowledge, has any other Commissioner used trust funds in this manner (if so, please provide specifics)?

It is within my legal authority to use the services of a headhunter to assist in finding the best candidates for specialized executive positions at the Social Security Administration. The firm used, Goodwin & Company, received \$49,000 - half from trust funds and half general revenues which is in the same proportion as every item in the Social Security Administration's administrative budget as required under section 201(g)(1) of the Social Security Act. This fee was not broken down specifically respective to each search.

One candidate so hired was Joan Wainwright, Deputy Commissioner for Communications and the other was Carolyn Colvin, Deputy Commissioner for Programs and Policy. Resumes as submitted were previously provided with my letter to you of August 7, 1996.

I have no knowledge whether previous Commissioners used search firms.

16 In the case of hiring under your leadership, we understand that instead of hiring political people as "temporary" or Schedule C (political) you have hired (or converted) some as "career," or permanent status. This means that these political employees who are loyal to the current party in the White House, or to the political appointees who actually hire them, will stay on at SSA during future administrations, and encumber scarce FTE positions, which are severely limited within agencies.

How many "career" status employees have you hired at Baltimore headquarters and at the Washington office who report to a political appointee? In particular, how many "career" status employees have you hired for the Office of Legislation? How many have prior Social Security backgrounds? Why did you hire these employees as permanent "career," rather than temporary "political" as would have been more appropriate? How many of the 20 additional non-competitive political slots Congress provided in statute when it made SSA independent have you hired?

How many employees originally hired as "non-career" or "political" have you since converted to "career"?

How can you justify hiring any and giving them permanent "career," rather than temporary "political" status, given how overstuffed Baltimore headquarters is, and how understaffed SSA field offices are? And how can you justify anyone as a permanent "career" employee, rather than as a temporary "political" employee if their qualifications are basically political?

The number of individuals appointed to competitive service positions (Baltimore and Washington, D.C.) who report to a political appointee is as follows:

Office of the Deputy Commissioner for Legislation & Congressional Affairs (ODCLCA)	6
Office of Disability	1 (career transfer from another Federal agency)

During my tenure as Commissioner, only one individual appointed initially as a Schedule C in SSA has been converted to career status following appropriate competitive examining procedures. With the exception of the career transferee (who previously competed for appointment in the former Agency), competitive examining procedures were also followed for the six ODCLCA appointments in accordance with law and regulation.

All of the appointees referred to above met the applicable qualification requirements and were determined to be the best qualified for the positions to which appointed.

Of the 20 positions allotted under the independent agency legislation which may be held by either noncareer SES or Schedule C appointees, 10 are currently filled.

19. What specific action is SSA taking or planning to take in response to GAO's suggestions on improving the Personal Earnings and Benefit estimate Statement (PEBES)? Please provide dates of action or planned action.

SSA is using GAO's suggestions to develop a range of redesign options for the PEBES. As GAO recommended, these options will be tested extensively during 1997 to determine the format and presentation which makes the statements most useful and user-friendly for the recipients while balancing cost effectiveness in terms of both production and operational impact. The testing will be completed in time for final decisions to be included in procurement of the next printing and distribution contract in mid 1998. The redesigned forms will then go into production in January 1999.

20. After three years at SSA's helm, in your view what are the three most important things that must happen at SSA if it is to meet all the challenges it faces?

Throughout my tenure at SSA, I have consistently focused on three main goals, and I believe efforts toward reaching these goals must continue if SSA is to meet the challenges it faces:

- Rebuild public confidence in Social Security. I believe that we must continue to work to educate the public about the value of Social Security because of the income security protection it provides;
- Provide world-class service. SSA must continue to strive for face-to-face and telephone service which is comparable to the best in private industry, and to strive to serve the public with compassion, courtesy, consideration, efficiency, and accuracy; and
- Create a supportive environment for SSA employees. We need to ensure that our workforce has the stability, resources, training, and tools to do its job in an efficient, dedicated, and caring way, and that we recognize and reward employee contributions and provide a variety of opportunities for career development.

Chairman BUNNING. We are pressed a little bit for time, since we do have some other Committee assignments today. I want you to know that you don't have to go directly to OMB and OPM. If they don't cooperate with you, there's an alternative method of getting funding, you can come to Congress and tell us that OPM and OMB are not funding at the level that you might, as an independent agency, want for personnel, just like we did for CDRs. We can take the bull by the horns when we have to.

I can tell you that the cooperation between this Subcommittee and you will continue to be as Andy Jacobs made it for a long time, if we have mutual cooperation, a two-way street, not a one-way street. So I thank you for your testimony.

Mr. JACOBS. Mr. Chairman, before the witness leaves, because the question was raised, I wonder if I may be recognized for just one question.

Chairman BUNNING. Go right ahead.

Mr. JACOBS. It's about this confirmation business.

Dr. Chater, will you state for the record what the then-Chairman of the Senate Finance Committee told you about his disposition toward your confirmation when you made your courtesy call after you were nominated by the President?

Ms. CHATER. Yes.

Mr. JACOBS. Do you recall?

Ms. CHATER. I do recall. He said there won't be any problem, and he elaborated on it.

Mr. JACOBS. I understand he went on to say, "You have my vote"?

Ms. CHATER. Yes.

Mr. JACOBS. Thank you.

Chairman BUNNING. Anything else to come before the Subcommittee? Thank you, Dr. Chater.

The Subcommittee is adjourned.

[Whereupon, at 12:45 p.m., the hearing was adjourned.]



RECOMMENDATIONS TO IMPROVE THE
PERFORMANCE OF THE SOCIAL SECURITY
ADMINISTRATION AS AN INDEPENDENT
AGENCY

HEARING
BEFORE THE
SUBCOMMITTEE ON SOCIAL SECURITY
OF THE
COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES
ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

SEPTEMBER 12, 1996

Serial 104-94

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**RECOMMENDATIONS TO IMPROVE THE
PERFORMANCE OF THE SOCIAL SECURITY
ADMINISTRATION AS AN INDEPENDENT
AGENCY**

THURSDAY, SEPTEMBER 12, 1996

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON SOCIAL SECURITY,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:30 a.m., in room B-318, Rayburn House Office Building, Hon. Jim Bunning, (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY
FROM THE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON SOCIAL SECURITY

FOR IMMEDIATE RELEASE
 September 5, 1996
 No. SS-7

CONTACT: (202) 225-9263

**Bunning Announces Follow-up Hearing on
 Recommendations to Improve the Performance of the
 Social Security Administration as an Independent Agency**

Congressman Jim Bunning (R-KY), Chairman of the Subcommittee on Social Security of the Committee on Ways and Means, today announced that the Subcommittee will hold an oversight hearing to further examine issues raised at its July 25, 1996, hearing on the performance of the Social Security Administration (SSA) as an independent agency. The hearing will take place on Thursday, September 12, 1996, in room B-318 of the Rayburn House Office Building, beginning at 10:30 a.m.

In view of the limited time available, oral testimony will be heard from invited witnesses only. However, any individual or organization may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

On July 25, 1996, the Subcommittee held a hearing to examine SSA's first-year performance as an independent agency. At that hearing, the Comptroller General presented testimony regarding the General Accounting Office (GAO) review and assessment of SSA's performance in areas GAO regarded as critical to SSA's ability to meet future challenges.

In announcing the hearing, Chairman Bunning stated: "I am very interested in following up on the recommendations made by the Comptroller General to help SSA better prepare to meet both current and future challenges. In particular, I am deeply concerned that the integrity of SSA's programs and its operations, which maintain sensitive records on just about all of the Nation's 260 million citizens, be adequately monitored and protected by the new Office of the Inspector General from fraud and abuse. I have asked the new SSA Inspector General to advise the Subcommittee on what steps need to be taken to maintain the integrity of SSA programs and operations.

"I am also concerned that SSA more realistically focus its disability redesign efforts so that there are measurable results in the near term, not the next century. Finally, I am concerned that SSA be prepared to best take advantage of its statutory mandate to send a Personal Earnings and Benefit Statement to each of the roughly 123 million working Americans in the year 2000. I have asked GAO to present the results of additional work it has done on these issues at the hearing."

FOCUS OF THE HEARING:

This hearing will provide a more in-depth focus on recommendations made by the Comptroller General in three key areas: (1) SSA's need to limit opportunities for waste, fraud, and abuse in both its programs and operations through its newly-established Office of the Inspector General; (2) SSA's need to adequately plan and prepare to meet most effectively its statutory mandate to send a Personal Earnings and Benefit Statement to every worker age 25 and older beginning in the year 2000; and (3) SSA's need to limit and better focus its disability program redesign initiative.

WAYS AND MEANS SUBCOMMITTEE ON SOCIAL SECURITY
PAGE TWO

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit at least six (6) copies of their statement, with their address and date of hearing noted, by close of business, Thursday, September 26, 1996, to Phillip D. Moseley, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Social Security office, room B-316 Rayburn House Office Building, at least two hours before the hearing begins.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages including attachments.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.
4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are now available on the World Wide Web at 'HTTP://WWW.HOUSE.GOV/WAYS_MEANS/' or over the Internet at 'GOPHER.HOUSE.GOV' under 'HOUSE COMMITTEE INFORMATION'

Chairman BUNNING. The Subcommittee will come to order.

Today's hearing is to follow up on the recommendations to improve the performance of the Social Security Administration as an independent agency made by the Comptroller General at the Subcommittee hearing on July 25.

We will hear testimony from the new Social Security Inspector General, David Williams, about how well equipped his office is to combat and prevent waste, fraud, and abuse of the Social Security Trust Funds.

The General Accounting Office will testify on the results of its research into the effectiveness of the personal earnings and benefit estimate statements which SSA will be sending to almost every American worker, 123 million, by the year 2000.

GAO will also update the Subcommittee on the progress of SSA's disability program redesign initiatives.

In addition, we will hear from the representatives of the State DDS, Disability Determination Services, about their views on the redesign of the disability program.

I think this is particularly important that we hear from the State DDSs because these are the people who work the frontlines and know the process best. They make the initial determinations regarding whether a person is disabled or not. I hope that they will share with us their observations and recommendations to make the process more effective and efficient.

This is the last hearing the Subcommittee will hold in this Congress. I will not get another opportunity to thank the Members of the Subcommittee for their hard work and dedication over the past 20 months or so. I could not have asked for better Members, and it has been an honor and pleasure to serve as their Chairman, but none of us has dedicated more time or energy to the Social Security system and its needs than our Ranking Member, Andy Jacobs. Mr. Jacobs has tirelessly worked for the betterment of this program for over 20 years, always putting that concern above partisan politics. He is truly a man of honor. This will be Mr. Jacobs' last official meeting with the Social Security Subcommittee, and I will miss his counsel and advice, but most of all, his friendship.

In the interest of time, it is our practice to dispense with opening statements except from the Ranking Democratic Member. All Members are welcome to submit statements for the record. I yield to Mr. Jacobs for any statement. This is your last chance, so make it good.

Mr. JACOBS. Well, Mr. Chairman, I am speaking for the record here, and that lasts for quite a while, when I say that it is pretty heavy stuff to be praised by a member of Baseball's Hall of Fame. There aren't very many Americans who have achieved that, and your friendship—I used to say the congressional terms are for 2 years, friendships are forever, and I am sure that we regard ours as that.

I return the kind words about devotion to duty. You have always been here promptly. Your hearings start exactly on time. You have been concise, and you have been right in your views about Social Security in every instance except one, which is to say we have agreed on every instance except one. I have seen these things happen over and over again and always thought they were a little bit phony when I would see the Democrat and Republican for Speaker

and Minority Leader get up and make their little comments at the beginning of each Congress, but at this moment, I realize that such exchanges do not necessarily have to be honey because I know yours is heartfelt, and so is mine.

Chairman BUNNING. I thank Mr. Jacobs, and I would like to ask the first panel if they would please take their seats at the table.

Hon. David C. Williams, who is the first Inspector General of the independent Social Security Administration; accompanied by Daniel Blades, Deputy Inspector General; Pamela Gardiner, Assistant Inspector General, Audits; and James Huse, Assistant Inspector General, Investigations.

Mr. Williams, if you will sit down and give us your testimony, I would appreciate it. Take all the time you need.

STATEMENT OF HON. DAVID C. WILLIAMS, INSPECTOR GENERAL, SOCIAL SECURITY ADMINISTRATION; ACCOMPANIED BY DANIEL BLADES, DEPUTY INSPECTOR GENERAL; PAMELA GARDINER, ASSISTANT INSPECTOR GENERAL, AUDITS; AND JAMES HUSE, ASSISTANT INSPECTOR GENERAL, INVESTIGATIONS

Mr. WILLIAMS. Thank you, Mr. Chairman and Mr. Jacobs.

Chairman BUNNING. We will have more Members joining us. They do not start on time, but we do.

Mr. WILLIAMS. Thank you.

I am pleased to appear before you today to discuss the recently created OIG, Office of the Inspector General, at the Social Security Administration. The Subcommittee has asked that I describe the internal and external challenges facing our office and discuss what resources are needed to adequately perform our mission.

The Subcommittee's July 25 hearing focused on the future of SSA and included a discussion of the OIG. U.S. Comptroller General Charles Bowsher testified as to the importance of eliminating fraud, waste, and abuse in SSA operations and programs. Mr. Bowsher expressed concern that the new OIG lacked the expertise and resources to properly audit computer initiatives and financial operations. Congressman Laughlin echoed these concerns and the need to preserve the integrity of SSA's programs through a strong OIG with adequate resources.

I want to begin by thanking this Subcommittee for its unwavering support of the Social Security Independence and Program Improvements Act of 1994, which created an independent OIG for the SSA. The new OIG is able to devote its resources exclusively to protecting the Social Security Trust Funds and U.S. Treasury moneys. The significance of a specifically focused OIG cannot be overstated in light of the 50 million Americans who rely upon SSA's programs.

Our new OIG is dedicated to helping build and maintain a powerful and efficient organization at the SSA. At stake is the reputation and financial viability of an agency that eventually provides benefits to nearly all Americans.

Last year, SSA issued 17 million Social Security numbers, processed 235 million earnings records, and paid \$331 billion in recipient and benefit payments. In fiscal year 1995, SSA's programs accounted for almost one-quarter of the \$1.5 trillion in Federal ex-

penditures. SSA employs nearly 65,000 people in over 1,300 offices and large work processing centers nationwide.

The mission of the OIG is to assess the agency's program efficiency and effectiveness through its 116 auditors and to combat fraud, waste, and abuse through its 166 investigators. Our Office of Audit consists of 14 teams that specialize in SSA's core business processes. Our investigators are located in 6 field offices that serve 1 or more of SSA's 10 nationwide regions.

In evaluating the organization's effectiveness, the OIG has focused on four fundamental activities critical to SSA's success in achieving service level goals and stewardship of government funds. Those are enumeration, earnings, claims, and postentitlement services. In addition, we have focused on other important programs such as information technology, financial management, payment accuracy, disability programs, policy and research, and the operations of the Office of Hearings and Appeals. Let me discuss several of these critical areas.

SSA's workload is increasing substantially as its start is decreasing. To meet this challenge, SSA is, in part, relying upon new and improved computer systems. The OIG needs to independently assure both SSA and the Congress that the agency's initiatives will actually improve productivity, are on schedule, and are protected from associated security risks.

Recent legislation has changed the focus of financial management from simply financial reporting to a much broader focus, which includes performance measurement. We recognize the importance of efficient and effective financial management to protect SSA's Trust Funds and U.S. Treasury moneys. Our audits will assess the adequacy of SSA's overall financial management and performance measurements.

Over 90 percent of the agency's benefit payments are accurately computed. However, annually, SSA processes almost \$2.5 trillion in wage reports and pays \$331 billion in claims. This volume of work means that even the slightest error rate can represent enormous costs to SSA and to the American people. We are currently leading an agency-wide task force to explore solutions for reducing these marginal, though chronic, payment error problems.

Due to significant growth in the number of individuals on disability and the associated increase in benefit payments, a host of problems have developed, such as CDR, continuing disability review backlogs, disability determination problems, and associated reports of fraud, waste, and abuse.

Congress has earmarked major additional funding to reduce the agency's CDR backlog. Further, legislation was recently enacted that discontinues disability payments to drug addicts and alcoholics. We will review and report on SSA's progress in improving the timeliness and cost effectiveness of its disability programs.

Additionally, I believe that an adequate investigative force is necessary to maintain credibility with the agency's employees and, most importantly, the American public. I have been impressed by the dedication of SSA's 65,000 employees in uncovering fraud and referring these concerns to the OIG for action. The American public is also active in reporting incidents of fraud to us. Our investiga-

tions of these allegations are essential to rebuilding public trust and the trust of the SSA employees.

Estimating fraud in government programs has never been done with certainty. However, some estimates, including a recent study by the American Board of Certified Fraud Examiners, reports that fraud within any population ranges from 2 to 6 percent. Even with a more modest estimate, SSA's investigative workload would involve tens of thousands of cases. Such a volume of work would clearly overwhelm the 166 investigators in our office.

To meet this essential workload, we are concerned about whether we have adequate resources in most locations. We have only 19 agents in our Western region, covering 7 States, including California. Here in the mid-Atlantic region, which includes Maryland, Delaware, Pennsylvania, Virginia, West Virginia, North Carolina, and the District of Columbia, we have only 13 agents. In our Denver office, we have four agents to provide total coverage to seven States.

In 1995, the Commissioner added 50 investigators to the OIG. Despite this increase, upon my arrival, the Commissioner suggested that I conduct a more comprehensive assessment of OIG resource needs. One aspect of the assessment was to benchmark our resources against 16 other OIGs. We discovered that our resource levels were well below the OIG community averages.

For example, the Department of Defense OIG has over 1,300 personnel safeguarding \$277 billion. The Department of Health and Human Services OIG has over 1,000 personnel safeguarding \$319 billion. By contrast, SSA/OIG has only 315 personnel safeguarding \$368 billion.

Each SSA auditor is responsible for safeguarding \$3.2 billion. The community average is under \$260 million. Each investigator must safeguard \$3 billion. The OIG community average is \$500 million.

Let me close by assuring you that resources to this new office have been a good public investigation. In the first year, our data indicate that each investigator returned \$181,000 and each auditor returned \$980,000. We also obtained 613 criminal convictions. Additionally, I am confident that these recovery levels and criminal convictions will rise as we mature as an organization and enter the new fiscal year with our full staff on board.

I believe in the mission of the Social Security Administration. It is vital that we as a society provide a financial safety net for our disabled and for the survivors of deceased American workers, and that we protect our citizens as they leave the workplace and rely upon their Federal retirement funds for a decent life.

We are dedicated to the protection of Social Security Trust Funds in which so many Americans have a stake. OIG agents face danger every day, often without thanks or recognition, as they strike at the predators who steal from the vulnerable elements of our society and from the savings of our retired citizens. Today, Mr. Chairman, you and the Members of the Subcommittee have recognized our efforts, and I am extremely grateful.

I wish to thank the Subcommittee again for focusing on the important and serious topic of infrastructure for my office.

I would be pleased to answer any questions you may have at this time.

[The prepared statement follows:]

**STATEMENT OF DAVID C. WILLIAMS
INSPECTOR GENERAL
SOCIAL SECURITY ADMINISTRATION**

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today to discuss the recently created Office of the Inspector General (OIG) at the Social Security Administration (SSA). The Subcommittee has asked that I describe the internal and external challenges facing our office and discuss what resources are needed to adequately perform our mission.

The Subcommittee's July 25, 1996, hearing focused on the future of SSA and included a discussion of the OIG. U.S. Comptroller General Charles Bowsher testified as to the importance of eliminating fraud, waste, and abuse in SSA operations and programs. Mr. Bowsher expressed concern that the new OIG lacked the expertise and resources to properly audit computer initiatives and financial operations at SSA. Congressman Laughlin echoed these concerns and the need to preserve the integrity of SSA's programs through a strong OIG with adequate resources.

I want to begin by thanking this Subcommittee for its unwavering support of the Social Security Independence and Program Improvements Act of 1994, which created an independent OIG for the SSA. The new OIG is able to devote its resources exclusively to protecting the Social Security trust funds and U.S. Treasury monies. The significance of a specifically focused OIG cannot be overstated in light of the 50 million Americans who rely upon SSA's programs.

Our new OIG is dedicated to helping build and maintain a powerful and efficient organization at the SSA. At stake is the reputation and financial viability of an Agency that eventually provides benefits to nearly all Americans. Last year, SSA issued 17 million Social Security numbers (SSN), processed 235 million earnings records, and paid \$331 billion in recipient and benefit payments. In Fiscal Year 1995, SSA's programs accounted for almost one quarter of the \$1.5 trillion in federal expenditures. SSA employs nearly 65,000 people in over 1,300 offices and large work processing centers nationwide.

The mission of the OIG is to assess the Agency's program efficiency and effectiveness through its 116 auditors and to combat fraud, waste, and abuse through its 166 investigators. Our Office of Audit consists of 14 teams that specialize in SSA's core business processes. Our investigators are located in six field offices that serve one or more of SSA's 10 nationwide regions.

In evaluating the organization's effectiveness, the OIG has focused on four fundamental activities critical to SSA's success in achieving service level goals and stewardship of government funds: enumeration, earnings, claims, and post-entitlement services. In addition, we have focused on other important programs such as information technology, financial management, payment accuracy, disability programs, policy and research, and the operations of the Office of Hearings and Appeals. Let me discuss several of these critical areas.

(1) SSA's workload is increasing substantially as its staff is decreasing. To meet this challenge SSA is, in part, relying upon new and improved computer systems. The OIG needs to independently assure both SSA and the Congress that the Agency's initiatives will actually improve productivity, are on schedule, and are protected from associated security risks.

(2) Recent legislation has changed the focus of financial management from simply financial reporting to a much broader focus, which includes performance measurement. We recognize the importance of efficient and effective financial management to protect SSA's trust funds and U.S. Treasury monies. Our

audits will assess the adequacy of SSA's overall financial management and performance measurements.

(3) Over 90 percent of the Agency's benefit payments are accurately computed. However, annually SSA processes almost \$2.5 trillion in wage reports and pays \$331 billion in claims. This volume of work means that even the slightest error rate can represent enormous costs to SSA and the American people. We are currently leading an agencywide task force to explore solutions for reducing these marginal, though chronic payment error problems.

(4) Due to significant growth in the number of individuals on disability, and the associated increase in benefit payments, a host of problems have developed, such as Continuing Disability Review (CDR) backlogs, disability determination problems, and associated reports of fraud, waste, and abuse. Congress has earmarked major additional funding to reduce the Agency's CDR backlog. Further, legislation was recently enacted that discontinues disability payments to drug addicts and alcoholics. We will review and report on SSA's progress in improving the timeliness and cost effectiveness of its disability programs.

Additionally, I believe that an adequate investigative force is necessary to maintain credibility with the Agency's employees and the American public. I have been impressed by the dedication of SSA's 65,000 employees in uncovering fraud and referring their concerns to the OIG for action. The American public is also active in reporting incidents of fraud. Our investigations of these allegations are essential to rebuilding public trust and that of SSA employees.

Estimating fraud in government programs has never been done with certainty. However, some estimates, including a recent study by the American Board of Certified Fraud Examiners, report that fraud within any population ranges from 2 to 6 percent. Even with a more modest estimate, SSA's investigative workload would involve tens of thousands of cases. Such a volume of work would clearly overwhelm the 166 investigators in our office.

To meet this essential workload, we are concerned about whether we have adequate investigative resources in most locations. We have only 19 agents in our Western Region, covering seven States including California. Here in the Mid-Atlantic Region, which includes Maryland, Delaware, Pennsylvania, Virginia, West Virginia, North Carolina and the District of Columbia, we have only 13 agents. In our Denver office, we have four agents to provide total coverage for seven States.

In 1995, the Commissioner added 50 investigators to the OIG. Despite this increase, upon my arrival, the Commissioner suggested that I conduct a more comprehensive assessment of OIG resource needs. One aspect of the assessment was to benchmark our resources against 16 other OIGs. We discovered that our resource levels were well below OIG community averages. For example, the Department of Defense/OIG has over 1,300 personnel safeguarding \$277 billion. The Department of Health and Human Services/OIG has over 1,000 personnel safeguarding \$319 billion. By contrast, the SSA/OIG has only 315 personnel safeguarding \$368 billion.

Each SSA auditor is responsible for safeguarding \$3.2 billion; the community average is under \$260 million. Each investigator must safeguard \$3 billion; the OIG community average is \$500 million.

Let me close by assuring you that the resources of this new office have been a good public investment. In the first year, our data indicate that each investigator returned \$181,000 and each auditor returned \$980,000. We also obtained 613 criminal convictions. Additionally, I am confident that these recovery levels and criminal convictions will rise as we mature as an organization and enter the new fiscal year with our full staff on board.

I believe in the mission of SSA. It is vital that we as a society provide a financial safety net for our disabled and the survivors of deceased American workers, and that we protect our citizens as they leave the workplace and rely upon their Federal retirement funds for a decent life.

We are dedicated to the protection of the Social Security trust funds in which so many Americans have a stake. OIG agents face danger everyday, often without thanks or recognition, as they strike at predators who steal from vulnerable elements of our society and from the savings of our retired citizens. Today, Mr. Chairman, you and the Members of the Subcommittee have recognized our efforts and I am grateful. I wish to thank the Subcommittee again for focusing on the important and serious topic of the infrastructure of my office. I would be pleased to answer any questions you may have at this time.

Chairman BUNNING. Thank you, Mr. Williams.

I noted in your testimony that the Commissioner asked you to assess what resources your office would need to work effectively. Would you please tell us what you reported to her and her response?

Mr. WILLIAMS. I reported, first of all, on the method that we used in conducting the study, which consisted of a benchmarking effort, that I alluded to in my testimony, of the other Inspector General offices.

I also described to the Commissioner the audit universe and what a proper audit cycle would be; in other words, the time it takes to audit an office and then 5 years later return to that office. And I described the other methodology for the study.

I concluded to her that our investigative resources needed to provide a credible deterrent and also coordinate properly with Social Security's employees who are very well equipped to report their suspicions to us.

On the audit side, I suggested that we need to move as close as we were able to to the 5-year audit cycle that GAO has recommended. The Commissioner responded by saying that she understood that the investigative resources were very small, and she has agreed to seek to double those resources in a request to Congress.

We are continuing discussions on the audit side of things, and we are looking at the internal relationship between the Office of Inspector General and other program evaluation units inside the Social Security Administration.

Chairman BUNNING. Is it true or not true that there is a huge staff of auditors in SSA, approximately 1,200, that do similar or duplicative work? Could you recommend that those resources be shared and/or appoint some of those 1,200 people to your staff? I mean, it seems to me that SSA has 1,200 other auditors presently, in some respect, in a different section of SSA.

Mr. WILLIAMS. Yes, sir.

Chairman BUNNING. Wouldn't it be a little more effective if you could reallocate those resources into your shop and use them to do the audits that you think are necessary?

Mr. WILLIAMS. If I may, I will provide just a moment of background on that office.

Chairman BUNNING. That is the OPIR, Office of Program Integrity Review.

Mr. WILLIAMS. Yes, sir, that is correct.

They are led by an Assistant Commissioner within the Social Security Administration, and it is correct that they have 1,200 personnel. They have an approximate \$80-million-a-year budget.

They currently cover two broad areas. First, they do quality assurance checks within the agency to let us know that SSA's work is being done accurately.

Second, they conduct special studies, which are very similar to audits. They look at the programs and make recommendations for improvement.

I have had the concern and I have expressed it to people at the Social Security Administration that these programs do appear to be similar, particularly with regard to the Special Studies Program. Those seem to be audits, much as I conduct, and the Commissioner

has directed us at the Deputy Commissioner level and at my level, and the principal Deputy is involved as well, to engage in conversations much along the line that you have suggested, to try to get a better understanding of how these two components are to go forward.

Chairman BUNNING. Well, let me get down to the nuts and bolts of the thing. OPIR has a budget of \$80 million, staff of 1,200, while the IG's budget is \$26 million, and a staff of 313. There ought to be some discussions between you and the Commissioner and/or the Deputy Commissioner, whoever is in charge of this, somehow to combine the auditing sections. Is there no special program that will combine some of that money and get more auditors into your section where you need them? Could you get some kind of direction by the Commissioner or the Deputy Commissioner in charge of that section?

We are looking at over \$100 million, and a staff of 1,500-plus auditors. Is that correct? I mean, if you combine both sections?

Mr. WILLIAMS. Yes, combining them, that is right.

Chairman BUNNING. Well, if the IG's office is lacking in numbers, or seems not to be lacking, I would suggest that there be some kind of communication going on between you and the Commissioner or Deputy Commissioner in respect to those numbers. This should be done as quickly as possible because doing the audits and stopping the waste, fraud, and abuse we find in the Social Security system ought to be a priority. It's costing the taxpayers, retirees, and the disabled, money, as you might suspect.

Mr. WILLIAMS. Yes, sir. We are focused on that, and we are meeting later this month, in fact, and we have been meeting since my arrival on the topic. It is one that——

Chairman BUNNING. I expect to hear from you shortly on this matter.

Mr. WILLIAMS. Fair enough, sir.

Chairman BUNNING. I am a little surprised and somewhat shocked at the numbers in your testimony. Auditors in other agencies are responsible for safeguarding \$260 million each. Your auditors are safeguarding \$3.2 billion each. Is that correct?

Mr. WILLIAMS. It is correct, sir.

Chairman BUNNING. What is being done to address that presently?

Mr. WILLIAMS. We are concerned about the shortfall, as you are. We are particularly much in line with what the Comptroller General told you. We are particularly concerned about the information technology area and the CFO area that we have proper expertise.

We have divided all of the Social Security's core business processes into 14 issue areas, and those teams do feel thin. We are worried that we are going to have to only concentrate on the most urgent work, which is not what we would like to see. There will be organizations and processes never audited, if that becomes our approach.

We are coordinating very carefully with GAO, and I am pleased to see my friends here today. We are working very carefully to make sure we do not do anything that duplicates their efforts. We are reaching into the bag of tricks as much as we can to leverage everything we have got.

Chairman BUNNING. That is not going to get the job done if you are not getting any more resources to do the job. So, you know you can spin it any way you like, but it is not going to work unless there are more resources devoted to those specific audits.

The four people in Denver cover—how many States?

Mr. WILLIAMS. There are seven States.

Chairman BUNNING. Seven States with four people? How much waste, fraud, and abuse are you going to find with four people covering seven States?

Mr. WILLIAMS. We are very concerned about that, and when I arrived, it felt as though I was holding a fire hose and trying to attach an eyedropper to the end of it. It is a very frustrating feeling.

We want to attack fraud. We feel like we have put together a powerful team, and I am as concerned as you are, and I will dedicate every energy I have to solving this problem that you have raised.

Chairman BUNNING. Mr. Jacobs.

Mr. JACOBS. Is there an issue of independence within the independent agency or your office? How much independence, if any, do you have from the independent agency?

Mr. WILLIAMS. We are guided by the Inspector General Act of 1978 and its amendments. It provides a great deal of independence.

Mr. JACOBS. That leads to the point Mr. Bunning made about the auditors and you. Are they a different breed of pups? I mean, do you mix and dilute the independence if people directed by the Commissioner are in your section? In other words, if there is a change to be made, ought it not be a firewall change? If they have too many and you have too few, one would think that maybe some of the many would go over and completely join the few and not be hybrids, not be somewhat beholden or directed by the administration itself? What say you?

Mr. WILLIAMS. That is a good observation, Mr. Jacobs, and I see that the Chairman agrees as well.

It is absolutely essential, because of my relationship with you, that I become completely independent, and the Inspector General Act had a lot of wisdom inside it that ensured independence. So that would be a requirement.

Mr. JACOBS. We are not talking about good guys and bad guys.

Mr. WILLIAMS. No.

Mr. JACOBS. You just have a different job to do, and they have a different job to do. It is like the separation of the departments of the U.S. Government. It has proved to be a pretty smart thing. So, I think that ought to be taken into account.

On balance, it might be that the auditors, the number of auditors, could be diminished, but if they were transferred to your department or to your section, they ought to have the same independence you do. Well, the point is made.

We had a case out in our Indianapolis Social Security office recently where the police, Federal and local, and the DEA were looking for a significant drug offender. I do not mean a kid smoking pot. I mean a dealer. And a staffer at the Social Security office knew where this person was, but only knew because of Social Security records. Therefore, it was said to be barred from disclosing to the authorities the location of this public enemy.

Does the law need to be changed? Do we, Congress, need to give a little more discretion in order to arrive at a commonsense solution in a situation like that?

Mr. WILLIAMS. Certainly. We absolutely believe that law enforcement agents cannot be placed in more danger because we are breasting our cards. We cannot permit someone's life to be in danger or lost, and we do not want fugitives and escapees and other people that are committing serious offenses out and about when we could easily help the authorities apprehend them.

We believe we are doing something to address it, and I hope it is adequate. We want most of our investigative resources to protect the funds, but we have held back a few resources in light of the Welfare Reform Act and initiatives of our own to work with law enforcement agencies, to receive those kinds of requests, and provide very aggressive support.

Mr. JACOBS. Well, now, Mr. Williams, in this case, there would not be any request. It is in the newspaper. They are looking for Charlie Smith or whomever. Here is the Social Security staffer, "Gosh, I just talked to Charlie Smith today. He is out at 1409 Canal Street, and they could nab him right now," but the regulations are that this is Social Security private information and I cannot call up and tell the sheriff or the DEA person that this guy who is badly wanted is out there. So, it is not a request from the agency.

The question is, does the law need to be changed, and if not the law, do the regulations need to be changed so that such an employee could go to the supervisor of that office who I presume would be a responsible enough person to exercise discretion in such a matter and say here is what I have, don't you think you ought to call the high sheriff and give him the information and they can get this guy today, whereas, in the meantime, he may be off to Timbuktu?

Mr. WILLIAMS. Actually, there is a solution, and I would like to describe it to you. We would be glad to look at a legislative change, though, that would make such cooperation more accessible.

The solution is that if they make that expression to my office, there is nothing that bars my office from jointly working with the law enforcement agencies, and that has some—

Mr. JACOBS. Your office would have the authority to disclose the information in my private Social Security file if I am being sought by the law enforcement people and they have probable cause to arrest me; that the law allows you to do that now.

Mr. WILLIAMS. Yes.

Mr. JACOBS. And that is probably the answer to the problem out in Indianapolis. The employee should have gone to the supervisor, who should have gone to you, and you could have made the disclosure.

That is comforting to know, because I know that there is an exception for tracking people down for child support. And, we got through a law a couple of years ago where if someone gives blood and does not know he or she has AIDS, you can go through the system to notify that person, but this is another exception in the discretion of your office.

Mr. WILLIAMS. It is, sir, and we would aggressively—

Mr. JACOBS. I am sorry, Mr. Chair. Just let me make one last point.

Does everybody know that? Should you circularize the various offices? Should there be a bulletin from the Commissioner saying that if you do have information that this is the procedure to follow?

Mr. WILLIAMS. That might be a problem, and that is a great idea.

Mr. JACOBS. OK.

Mr. WILLIAMS. We are also doing our best to get to the 65,000 people to tell them that, and other things about our office.

Mr. JACOBS. Forgive me. I happen to be a former police officer in the same community. So, I am acutely aware of the problem.

Chairman BUNNING. Why is it a problem? Why might it be a problem to do that? Circularwise, then, that they should contact the Office of Inspector General if these set of circumstances comes up, why would that be a problem?

Mr. JACOBS. He is saying it is not a problem.

Chairman BUNNING. It is not a problem. OK.

Mr. WILLIAMS. No. I am confident that the Commissioner would be very pleased to do that, and it is a great idea and in line with other initiatives in this direction.

Chairman BUNNING. Mr. Laughlin.

Mr. LAUGHLIN. Thank you, Mr. Chairman.

Mr. Williams, I understand that your office recently broke up one of the largest credit card fraud rings ever. Can you tell us about this and how the SSA employees and its data bank were involved in this fraud ring and what you did to break it up?

Mr. WILLIAMS. Thanks, Congressman Laughlin.

My Assistant for Investigations is here and is in touch with that case daily. That is a big one, and we feel very good about it. If I may, I would like to—

Mr. LAUGHLIN. Yes, please.

Mr. WILLIAMS [continuing]. Give you the most accurate and up-to-date information.

Mr. HUSE. Yes, sir. That investigation is still ongoing. So, some of my comments will be confidential. The investigation—

Mr. LAUGHLIN. Well, if they are going to be confidential, you cannot say them.

Mr. HUSE. Meaning I—

Mr. LAUGHLIN. I used to be in the Intelligence Committee, and we used to say if we tell you what we know, we will have to kill you and I do not want to kill you, but tell us what you can in the general frame without getting into the confidential part of the investigation because—

Mr. HUSE. You said it far better than I did.

Mr. LAUGHLIN [continuing]. We do not want to blow—

Mr. HUSE. I would be glad to.

Mr. LAUGHLIN [continuing]. Your investigation.

Mr. HUSE. No. This investigation involves a West African fraud conspiracy, and I know you are probably all familiar with West African fraud because the Congress has recognized that in the past.

It is a national conspiracy, and it began with West African conspirators suborning the services of some of our Social Security employees. They provided our employees with Social Security numbers.

Mr. LAUGHLIN. Just 1 minute, Mr. Huse. I am an old trial lawyer, and I want to translate that. When you said suborn some of the Social Security employees, you mean some of the Social Security employees got involved in the conspiracy?

Mr. HUSE. Yes, sir.

Mr. LAUGHLIN. Got involved in the criminal misconduct?

Mr. HUSE. Yes, sir.

Mr. LAUGHLIN. OK.

Mr. HUSE. To continue, they engaged them to provide their criminal enterprise with some of the proprietary information inside Social Security data bases, particularly the NumIdent information. They supplied our employees—

Mr. LAUGHLIN. What?

Mr. HUSE. I will explain that in English.

Mr. LAUGHLIN. OK.

Mr. HUSE. They provided the Social Security numbers of credit cardholders. Our employees provided them with the mother's maiden name information that is contained inside Social Security data bases which allowed the West Africans, then, to take a legitimate credit card that was being sent back to somebody to be reactivated.

We all have our credit cards expire, and then they are reissued to us. We have to call in and open the account up again providing some kind of a security identification. Many of these companies use the mother's maiden name as the key to open up the account.

Well, they got this mother's maiden name information, as far as we know, in about 24,000 different instances. It is a very large credit card case.

We, with the first leads aggressively last spring, have worked this case continuously. We think we have the scope of it in front of us now. We have identified approximately 15 of our employees as being involved, working with the Justice Department. Three of those have already been charged. Another four people that were Nigerians have been arrested. And as these cases are developed, of course, more of these 15 employees will be charged in the U.S. courts with these offenses.

The conservative estimate of the loss to the financial community involved in this particular case is about \$5 million.

Mr. LAUGHLIN. What is the potential loss as you evaluate?

Mr. HUSE. That would depend on the actual credit limit of each one of those cards, and I do not think the industry has been able to give us that figure yet. That is something we are working on so we can charge the rest of these employees.

Mr. LAUGHLIN. Is it safe to say so much larger than the \$5 million minimum?

Mr. HUSE. Yes, sir. Yes, sir.

Mr. LAUGHLIN. Now, as I understand, this is financial institution money, not tax—

Mr. HUSE. Not trust fund money. That is right.

Mr. LAUGHLIN. Not trust fund money. But U.S. Federal Government, Social Security Administration, employees are working hand and hand with the criminals?

Mr. HUSE. That is correct.

Mr. LAUGHLIN. And if we prove it, then they are the criminals, also.

Mr. HUSE. That is correct, and three of them have been charged.

Mr. LAUGHLIN. All right. I will hurry to the next question.

Earlier this year, the GAO completed a year-long preliminary audit at the SSA on how official government time spent on union activities is recorded and tracked at SSA. Because the job was so labor intensive, the scope of GAO's work was very limited and showed, if anything, that a much more comprehensive and indepth audit is in order.

Mr. WILLIAMS, would your office be able to undertake such an effort, if asked?

Mr. WILLIAMS. Yes. Of course, we are barred from doing work that duplicates the GAO's work. We would be very pleased to take any request from the Subcommittee.

Mr. LAUGHLIN. I understand you are barred, but if you are asked by the GAO to use your expertise, then you are not barred from supporting and assisting in that investigation; isn't that correct?

Mr. WILLIAMS. That is correct, and we would be very pleased to receive any request that you have, including that request.

Mr. LAUGHLIN. Thank you, Mr. Chairman.

Chairman BUNNING. Mr. Payne.

Mr. PAYNE. Thank you very much, Mr. Chairman, and thank you, Mr. Williams, for your testimony.

I want to follow up on what the Chairman was asking about in terms of resources. In your statement, you said that the number of people working with you had been increased by some, I think it was, 50 people, as I remember the testimony—

Mr. WILLIAMS. It was 50, sir.

Mr. PAYNE. So that it is now 315 people; is that correct?

Mr. WILLIAMS. That is correct.

Mr. PAYNE. And you are now making a recommendation that that be increased?

Mr. WILLIAMS. I have met with the Commissioner, after having conducted the study, I made that recommendation to her, and I believe that she is interested in supporting a major increase on the investigative side that would nearly double the number of investigators that we have.

Mr. PAYNE. So that the number, then, the number 315 would nearly double to a number like 600 or so?

Mr. WILLIAMS. The number of investigators we have is 166. So it would be a little over 300, which would bring our total to about 481 investigators.

Mr. PAYNE. And the amount of money required to do that is?

Mr. WILLIAMS. I believe it is another \$40 million—no, I am sorry, sir. It would bring our total from a little under \$30 to \$55 million. I stand corrected.

Mr. PAYNE. Under \$30 to \$55 million. So, that is \$25 million additional for 150 additional people?

Mr. WILLIAMS. I believe that the investigators alone would be about \$22 million.

Mr. PAYNE. It is \$22 million for 150 additional investigators?

Mr. WILLIAMS. Yes, sir.

Mr. PAYNE. So that is \$150,000, roughly, per investigator. Is that your—

Mr. WILLIAMS. Yes. The salaries represent the lion's share, and, of course, we have program support for them which includes their office and equipment and travel.

Mr. PAYNE. Commissioner Chater is supportive of this type of recommendation?

Mr. WILLIAMS. She is, sir.

Mr. PAYNE. The question, then, that the Chairman asked concerning other people, resources, that might be available, does that enter into this request, or would this request go forward, and there are additional resources as well?

Mr. WILLIAMS. We are treating the two initiatives separately in our meetings regarding the work of OPIR and ourselves. We are not taking into consideration any implications on the budget. Should there be one, of course, that would affect SSA's overall budget request.

Our request is separate from the agency's, and of course, any adjustment to either component would affect the overall request that we would make to you.

Mr. PAYNE. So, you are really working on two tracks. One is a track that would have 150 new people that would be involved in the investigative process, and the other would be working with the people who are already involved in auditing in the Social Security Administration to see if, perhaps, some of those people would not better be utilized under your purview than where they are at present. Is that an accurate summary?

Mr. WILLIAMS. That is an outcome that was suggested. Of course, if that were to occur, we would merge the two efforts, and we would not come to you with a double sort of request.

Until we realize there is a budget implication, we would not begin to factor that into what it is we are suggesting.

If those discussions would lead to an adjustment downward for Social Security and upward for us, we would immediately merge those two so that it would be a single initiative.

Mr. PAYNE. Well, I would just like to support what the Chairman has said, and that is that I think we are all very interested in seeing this function operate on an optimal basis so that we would know what the right number of people and right amount of resources are to minimize the fraud that may exist within the Social Security Administration, and I thank you for your testimony.

Mr. WILLIAMS. Thank you, Congressman Payne.

Chairman BUNNING. Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

Mr. Williams, you have been the Inspector General now for almost 1 year. Is that an accurate statement?

Mr. WILLIAMS. Yes, sir, it is.

Mr. COLLINS. You see the immediate need for more investigators, and you have put in a request for more, a doubling of the number. What do you see after this year other than the need for more investigators? Where will you use them? What are your top priorities? What are the areas that need your most immediate attention?

Mr. WILLIAMS. Thank you, sir. Actually, I was sworn in, in January, and I began my learning curve prior to that. So, I have had at least 1 year to think through the question that you just asked, and I would order them in terms of audit priorities for pro-

gram effectiveness and in terms of investigations priorities for fighting fraud.

On the audit side, I have the same concern that the Comptroller General did. The information technology and financial management areas are very high priorities for us. We think they are most important to the American people.

Payment accuracy is also another initiative that we want to take on. We want to make sure that we are not giving out money that is going to be very difficult to come back to us in terms of errors, or that we are taking someone who is already in need and underpaying them. The payment accuracy is a very big priority for our office.

Disability programs are another area that we are focused on with a large number of our small resources, and the growth in that area concerns us. The fraud inside that area concerns us.

Mr. COLLINS. Have you been able to pinpoint anything, say, an amount in any of these areas of fraud, like in the disability? Have you gotten that far along with it that you can actually estimate how much of the disability expenditures are fraudulent?

Mr. WILLIAMS. Actually, Jim Huse, our Investigative Assistant, would be best to respond to that.

We do have some priorities with regard to investigations, and of course, disability is one. Probably the one that we are most concerned about, and then I will turn to Mr. Huse, is employee corruption. We would be very worried about that.

We just talked about the New York case. We do not want there to be an undetected criminal presence in Social Security. We think that that kind of culture would be very destructive.

Disability fraud does concern us, and we do have a number of cases both on the SSI side and the Social Security side.

Service provider fraud offers a danger and an opportunity. With a single strike against a service provider such as a doctor or an attorney or an interpreter, we can clean up an enormous number of cases, so that those are attractive targets for us.

It is also important to us to support the law enforcement community, as we discussed a moment ago, in terms of their investigation of Social Security crimes, but also our ability to help them track down violent offenders and fugitives.

Jim, you might talk a bit about what we are finding in terms of the proportions of crimes.

Mr. HUSE. Our caseload with the experience we have gained, for almost 1 year, seems to divide itself up this way: Most of our cases that we open are in the SSI, the Supplemental Security Income Program. The disability program is the area that is most subject to fraud and abuse.

We have had—along with the fact that there has been a rapid increase in the disability program outlays in general by Social Security, that accounts for one of the reasons why this is so prominent what seems to be from our experience, a broad street-level knowledge on the part of people who want to find out ways to fake medical symptoms or what have you to get some of this money.

Also, there are criminal service providers, corrupt service providers, who get into the picture there, too. The Inspector General mentioned that we have here a culture of criminal middlemen, inter-

preters who come into the Social Security offices and act as criminal brokers, enabling some of these fake recipients to obtain these benefits, but using the language barrier as a way to accomplish that. We are focused on those, also; and then, finally, doctors and attorneys who participate in an illegal way in the disability benefits Supplemental Security Income process.

Mr. COLLINS. Have you actually pinpointed and been able to prosecute any of this so far, even with service providers?

Mr. HUSE. There have been some successful cases that we have had with this. Certainly, we would like to do a lot more.

Mr. WILLIAMS. We were sort of latecomers to this area, just having been created, and we were able to join with other law enforcement agencies focused on this, particularly in the Northwest where we have had some good success.

Mr. COLLINS. I would think the quicker we could do that and get the word out, maybe we could deter some of it within itself.

My time has expired. Thank you very much.

Mr. WILLIAMS. Thank you, sir.

Chairman BUNNING. Mr. Neal.

Mr. NEAL. Thank you, Mr. Chairman.

Just a fairly general question for Mr. Williams. You have talked about the fraudulent activity that your office obviously has made some gains in attempting to overt. What kind of trends are you finding? What kind of fraudulent activity? What would be a notable example?

Mr. WILLIAMS. The disability area is one that greatly concerns us, and we are finding—as Mr. Hughes began discussing—we are finding trends there with regard to street-level kinds of cottage industries in which people are instructed on how to fake symptoms on certain kinds of disabilities.

We are very concerned about that, but it also allows us to strike effectively at a single head. We think, in some ways, that is what made organized crime vulnerable to the attack that occurred against it. We are almost encouraged by the fact that there is some organization there rather than it is entirely dissembled.

Certainly, the SSI area is one that concerns us. I was a Secret Service agent in the seventies, and I am familiar with all the varieties of Federal entitlement fraud. I worked undercover for 1 year in Chicago. I am very familiar with SSI frauds, and those are going to be with us always. We are not going to be able to wipe those out, but we can be very, vigilant in attacking them. I think, as we get better, we will be able to follow the trends and attack fraud schemes with great effectiveness.

We have a special unit that we have created to study emerging kinds of crime when we first begin to see them, develop recommendations for the agency to prevent them, and to develop techniques for our agents to most efficiently and effectively attack them.

Mr. NEAL. Mr. Huse, would you like to add anything?

Mr. HUSE. Just to follow on that point about our—we call this unit our Strategic Enforcement Unit, or team, and as we learn through our audit activities, or from the Social Security Administration Program people who learn about new and emerging crime issues that come from the total universe of their knowledge, our

strategic enforcement team designs approaches to it. So, we are trying to build in a proactive approach to fraud that perhaps has not been used before.

Mr. NEAL. Thank you, Mr. Chairman.

Chairman BUNNING. Mr. Portman.

Mr. PORTMAN. Thank you, Mr. Chairman.

I want to thank you for having this hearing. The oversight is so crucial, and often, we here in Congress do things, like we did with setting up SSA as an independent agency, and do not follow up on it. So, I want to commend Mr. Bunning for his diligence.

My questions really go to the whole staffing issue, Mr. Williams, and the degree to which you think that you need more resources.

The statistic that I think is very interesting is that each investigator returned \$181,000 in savings, each auditor returned \$990,000 in savings in your first year of operation. I do not know what the cost-to-benefits ratio was in dollar amounts. Can you give me that, roughly?

Mr. WILLIAMS. Yes, sir. For the audit side, it was \$16.50 for every \$1 that we spent. The investigator side, justice is seldom a for-profit business, but we were able to return \$2.25 for each \$1 that we spent.

Mr. PORTMAN. Does that compare favorably with other IGs throughout the Federal Government?

Mr. WILLIAMS. It does, and this was an odd year for us. When I say each investigator returned \$2.25, that includes the 50 investigators that just arrived.

We are optimistic that when we start the next year with our full staff, that those returns will go up.

You also gave us the Civil Monetary Penalty Act, and that allows us specifically to recover dollar amounts for criminal matters.

Mr. PORTMAN. So, we are getting our money's worth.

Mr. WILLIAMS. We certainly believe so, and we are going to do everything we can to deliver that.

Mr. PORTMAN. You have, what, about 313 people now on staff to monitor about, what, \$360 billion in benefits?

Mr. WILLIAMS. Yes, sir. We think it is about \$330 billion in benefits, and then as you said, there are about another \$30 million that we are monitoring in expenses.

Mr. PORTMAN. I just wonder if you can, perhaps, give me your objective appraisal. I am trying to get you to take off your hat, which I know is difficult because you are part of a bigger Federal Government, but at HHS, they now have 927 employees. They monitor about \$319 billion, which means they have three times the people to monitor less money.

If you look back historically, SSA when it was part of HHS had, of course, the IG Office of HHS, had about 1,200 employees. You, in essence, have been downsized. In the first year that the SSA has been independent of HHS, the HHS IG has had a staff of 927—and if one does the math, you would see that SSA should have over 500 people, rather than 313.

Is that a problem? Do you need more people?

Mr. WILLIAMS. We are very concerned with our ability to keep up with Social Security employees and the American public. They are both very aggressive at detecting fraud, but then they need action

to be taken, and we do not think we have enough resources to take appropriate action in response to their concerns. As I have said before, it feels like we are holding a fire hose and I am trying to put an eyedropper on the end of it with the number of resources we have to address the fraud allegations we are receiving. The Social Security people are very attuned to detecting fraud, and they are very angered by it, and so is the American public. They are flooding us with opportunities.

I am reminded of the old joke where Colonel Custer tells his men, "We're not surrounded, we're in a target-rich environment." It's not enough for a few investigators to achieve impressive results. We want to send messages to criminal elements that we are going to inflict certain injury if you defraud our trust fund.

Mr. PORTMAN. Ensure that you can get to it.

And just to restate what I am sure has already been stated, this is about the trust funds. So, it is all the more important.

Thank you, Mr. Williams. Appreciate it, Mr. Chairman.

I yield back.

Chairman BUNNING. I would like to submit for the record additional written questions. There is one specifically in regards to CDR backlog and some other things.

Before I close this panel, I would just like to assure you that this Subcommittee is strongly committed to eliminating waste, or duplication of your efforts. We are strongly committed to making sure that you succeed, and to work with you to get the staff and resources that you need to carry out the responsibility that Congress gave you by law, to protect the Social Security Trust Funds from waste, fraud, and abuse. There is nothing more important to this Subcommittee than that.

I know that you and your staff are using all your resources that you can to safeguard the Social Security system from society's criminals and cheats, and on behalf of the Subcommittee, I want you to know that your efforts are very much appreciated.

Thank you for your appearance here.

Mr. WILLIAMS. Thank you very much.

[The following questions and answers were subsequently received:]

**QUESTIONS FOR THE RECORD SUBMITTED BY CHAIRMAN BUNNING FOR SSA
INSPECTOR GENERAL DAVID WILLIAMS**

Question 1. Just how would you determine the appropriate number of staff -- particularly auditors and investigators -- for your office, and how many is that in your opinion? Please provide information on how the SSA OIG compares with other OIGs in terms of staffing and workloads.

Answer:

The Social Security Administration (SSA) Office of the Inspector General (OIG) conducted a thorough study to determine the appropriate staffing level for the SSA OIG. The SSA OIG recognized early that the 259 positions transferred from the Department of Health and Human Services (HHS) OIG to the new SSA OIG were insufficient. While performing our study, we considered a number of variables. For example, SSA's programs account for almost 25 percent of the \$1.5 trillion in Federal expenditures. Also, the SSA OIG's Office of Investigations investigates fraud, waste, and abuse by external as well as internal parties, unlike many OIGs that only cover internal wrongdoing.

One aspect of our study was to benchmark several resource ratios against 16 other OIGs. Our benchmark effort included comparisons of the staffing levels, agency budget coverage per auditor, agency budget coverage per investigator, agency investment in OIG FTE as a percentage of its overall staff, and the OIG investment as a percentage of the overall Agency budget. The results of every analysis demonstrated a need for additional OIG resources.

To further refine our results and determine the critical number of auditors required to provide audit coverage of SSA's programs, we identified the SSA audit universe. The audit universe encompasses all of SSA's programs, operations, and activities that are subject to audit. Some of these audits are performed annually because of legislative requirements and others are performed less frequently during the 5 year audit cycle depending on the degree of risk or extent of vulnerabilities or problems to the Agency.

In our benchmarking exercise, we especially focused on other agencies that have large budgets and widely dispersed operations, such as the Departments of Defense, Health and Human Services, Agriculture, and Treasury. The following comparison confirmed that our request for 193 auditors is very modest.

<u>Agency</u>	<u>Agency Budget (in millions)</u>	<u>Auditors</u>	<u>\$ Coverage per Auditor</u>
DOD	\$ 277,800	858	\$ 323,776
HHS	318,900	447	713,422
Treasury/IRS	387,600	209/509*	539,832
EPA	7,300	303	24,092
USDA	64,000	450	142,222
SSA	363,000	120	3,025,000

*IRS internal audit

In addition to our own concerns with the number of auditors within the OIG, the General Accounting Office (GAO) has expressed concern that we do not have sufficient resources devoted to the audit of SSA's financial statements in either our systems audit team or financial audit team. GAO has recommended an increase of 10 to 15 FTEs for our financial audit team and a total of 10 to 15 FTEs in the systems audit team to be devoted exclusively to support the audit of SSA's financial statements.

My predecessor was also concerned about the size of the automated systems audit group. As a result, a study was performed by Coopers and Lybrand to determine the appropriate number of staff and expertise required for a systems audit group. Coopers and Lybrand issued its report in February 1996. It recommended that the OIG increase its audit staffing level in the automated systems area to a total of between 40 and 45 FTEs. The 40 to 45 FTEs are necessary to perform both systems audits of SSA's programs and to support the annual audit of SSA's financial statements. The study stated that "the potential risks associated with neglecting to increase resources for this function more than offset the investment. Indeed, the investment may even be viewed as immaterial when compared to billions of dollars in weekly transactions that the EDP function will assist in safeguarding."

At the time of the establishment of the SSA OIG in April 1995, the Office of Investigations had 76 criminal investigative positions (GS-1811s). In FY 1996, Commissioner Chater successfully supported an increase of an additional 53 additional GS-1811 positions. As you are aware, in FY 1997, the Office of Investigations' ceiling was raised again to provide for an increase of 75 more criminal investigative positions, and we are certainly grateful to the Subcommittee for its interest and efforts on our behalf to obtain these additional investigative resources.

The Commissioner is currently supportive of continued growth of the investigative staff. Based on comparing the size of our investigative component against those of 16 other Federal OIGs, we can state with sufficient confidence that, by contrasting our mission and

responsibilities against that of the OIG community on the basis of the overall budgets of these agencies against that of the SSA's, we believe we remain very small.

As the data indicate, the Office of Investigations has the smallest investigative component to agency budget ratio. With all of this in mind, we are attempting to make reasonable projections about the extent of SSA's fraud vulnerability. This is still an active endeavor because we are still a relatively new investigative entity and are simultaneously involved in the effort to recruit and train the additional investigative resources we have obtained during the past year. Despite this, during FY 1996 our investigative efforts were responsible for the conviction of 568 individuals for crimes involving SSA funds or programs, and reported \$22,768,372 in fines, judgments, or restitution to the SSA, or to other Federal government programs. During the same period, we opened 1,544 new criminal investigations. This activity occurred in the same year as the government furlough, and also with a relatively inexperienced investigative workforce.

For the present we are reasonably assured that our investigative capacity is certainly warranted by comparison with the significant investigative mission presented by the SSA. We are continuing to develop data about our operational record and the effect our investigators are making with respect to fraud, waste, and abuse at SSA. From this performance data we can make tighter projections about the potential or appropriate size of the Office of Investigations. I will provide this data to the Subcommittee when it is available.

Question 2. Can you tell us more about the similarities and differences in responsibilities of your office and OPIR? Has your office done any work to evaluate the quality of work done by OPIR?

Answer:

The following information provides some differences and similarities between the OIG's Office of Audit and OPIR.

Resources and Organizational Placement

	<u>OIG OA</u>	<u>OPIR</u>
FY 1996 Staffing	120	1,200
FY 1996 Budget	\$8 million	\$80 million
Organizational placement	Reports to Commissioner and Congress	Reports to Acting Deputy Commissioner for Finance, Assessment and Management

Missions

OPIR's mission is to evaluate and assess the integrity and quality of SSA programs with emphasis on the prevention of program and systems abuse, the elimination of waste, and the increase of efficiency.

The OIG Office of Audit's mission is to promote economy, effectiveness, and efficiency within the agency; prevent and detect fraud, waste, and abuse in agency programs and operations; review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations; and keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

Work Products

OPIR conducts quality assurance reviews and special studies. Quality assurance reviews provide the agency with ongoing performance measures, while special studies are assessments of program integrity and performance.

OA conducts audits of program efficiency and effectiveness in accordance with generally accepted government auditing standards and evaluations and inspections in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency

OIG Audits Concerning OPIR

The OIG completed three audits in 1996 of OPIR's work. We are awaiting comments from SSA on our audit of OPIR's Special Studies. The objective of the audit was to determine whether OPIR's Special Studies are used by management to improve SSA programs, are cost-effective and efficient, and performed in accordance with standards.

We issued final reports on OPIR's Title II and Title XVI Index of Dollar Accuracy (IDA) reviews. The IDA reviews assess the payment accuracy of newly awarded retirement and survivors' claims and the Supplemental Security Income (SSI) initial claims and field office redeterminations. These reviews involve the work of approximately 90 employees and the results are used as the principal indicator under the Government Performance and Results Act (GPRA) to show SSA's benefit payment accuracy. We performed our audits to evaluate the effectiveness of the IDA reviews in accurately measuring and reporting SSA's performance in correctly paying initial and redetermined benefits and to evaluate whether the IDA reviews effectively assisted management in administering the Title II and Title XVI program.

Question 3. Please describe what action is being taken within SSA to resolve the apparent overlap and duplication of responsibilities between the OIG and OPIR.

Answer:

Shortly after I was sworn in, I met with the Commissioner of Social Security to discuss concerns of my predecessor and my own regarding dual program assessment organizations. She suggested that I discuss the matter further with the Acting Deputy Commissioner for Finance, Assessment and Management, Principal Deputy Commissioner, and Chief of Staff. As a result, I met with the SSA Chief of Staff and others (the Principal Deputy Commissioner, and/or Acting Deputy Commissioner for Finance, Assessment and Management) on 11 separate occasions between February 28, 1996 and November 18, 1996. The purpose of the meetings was to cover a number of topics concerning how we would resolve the relationship between the OIG and the other SSA offices with overlapping responsibilities. Discussions regarding the OPIR issue will continue.

At your request, I will provide the status of any action taken in this regard on March 31, 1997 and June 30, 1997.

Question 4. If certain functions in OPIR that duplicate those in the OIG, and OPIR staff became available for other duties, does OPIR staff have the kind of expertise that your office needs? Would transferring OPIR staff to the OIG meet your current staffing needs? What are your views on the idea mentioned at the hearing to share staff with OPIR?

Answer:

To the extent possible, the OIG would be open to accepting OPIR staff interested in transferring to our office. However, we agree with the Comptroller General that the kind of expertise needed is important to the Office of Audit rather than simply increasing the size of our staff. He cited the need for auditors with backgrounds in automated systems as well as Certified Public Accountants. At this time, we are not aware of the qualifications of OPIR evaluators who might be interested in joining the OIG.

Concerning the proposal for OPIR staff to split time between the two offices, we agree with the comments made by Congressman Jacobs at the September 12, 1996 hearing. He had concerns about having "hybrids" who work for both offices, as opposed to building a "firewall." We believe he has valid concerns. Under the Inspector General Act of 1978, as amended, our employees have a significant degree of independence. This statutory independence permits our staff to properly audit and investigate Agency actions without concerns about Agency interference. In contrast, OPIR reports to a principal auditee--the

Deputy Commissioner for Finance, Assessment and Management. Having OPIR staff split their time between one independent function and one management function could create a significant conflict of interest in conducting program assessments.

Question 5. Please explain what each team is responsible for, and what additional staffing resources they would need to adequately cover their responsibilities.

Answer:

Fourteen issue teams are responsible for providing audit coverage of SSA's programs and operations. We estimate that to adequately audit these areas will require an audit staff consisting of 193 FTEs. Any additional FTEs over the current 120 would be placed in the issue teams with the greatest needs. We would like to add at least 13 FTEs to the Financial Management audit team, 12 FTEs to the Systems audit team, and 4 to the SSI/RSI Disability audit team.

The Payment Accuracy task force; staff = 2 FTEs, located in SSA headquarters. In 1996, the OIG initiated a formal effort to improve the accuracy of payments for SSA's Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), and SSI programs. While SSA's Accountability Report for FY 1995 indicates that payment accuracy has been consistently high for several years, payment error rates have remained relatively constant. The Payment Accuracy Task Force, which has the full support of the Commissioner, will examine the nature of payment inaccuracies and explore solutions for improving SSA's ability to issue payments accurately.

DDS issue team; staff = 8 FTEs, located in Kansas City, Missouri. Each State's DDS is responsible for disability determinations under the DI and SSI programs in accordance with Federal regulations. The DDSs are also responsible for developing medical evidence regarding the severity of claimants' impairments. The SSA reimburses the State agencies for 100 percent of necessary costs incurred in performing Federal disability determinations. During FY 1995, initial disability claims numbered 2,611,622, and 3,786,535 total cases were processed by 54 DDS agencies. Total dollars expended for administrative costs during FY 1995 were \$1,178,781,241.

This issue team will also review the Government Performance and Results Act (GPRA) performance measures for DDSs, including the actual number of initial and total DDS cases received, processed, and pending as compared to SSA goals. Other important performance measures are workloads, production per work year, cost per case, case accuracy rates, and claims processing times.

SSI/RSI Disability issue team; staff = 6 FTEs, located in Boston, Massachusetts. The DI program is designed to provide benefits to wage earners and their families in the event that the family wage earner becomes disabled. In 1974, the Congress enacted the SSI program (Public Law 92-603), providing income to financially needy individuals who are aged, blind or disabled. In 1995, nearly 5.9 million disabled individuals and their dependents received \$40.3 billion in benefits under the DI program, and approximately 5 million SSI blind and disabled individuals were paid \$22.8 billion. This issue team will focus on disability claims-related areas contained in the Disability Redesign, payment accuracy, interim assistance/presumptive eligibility, vocational rehabilitation, and the continuing disability review process.

Earnings issue team; staff = 9 FTEs, located in Philadelphia, Pennsylvania. Social Security benefits are based on an individual's earnings as reported to SSA. Reports of earnings must be filed annually (on paper or via electronic or magnetic media) by every employer who is liable for Social Security and Medicare taxes. Through this earnings process, SSA establishes and maintains a record of an individual's earnings for use in determining insured status for entitlement to retirement, survivors', disability, and health insurance benefits and in calculating benefit payment amounts.

In FY 1995, SSA processed over 235 million earnings items. This workload is projected to increase to over 256 million items by FY 2001. Legislation requiring SSA to issue Personal Earnings and Benefits Estimate Statements annually to individuals age 60, which began in FY 1995, and to persons age 25 and over beginning in FY 2000 will generate additional work for the Agency, mostly in the form of public inquiries and requests for earnings corrections. This team will review the operational systems and control points utilized in the processing, recording, safeguarding, and reporting of wage data.

Enumeration issue team, staff = 7 FTEs, located in Birmingham, Alabama. Enumeration is the process by which SSA assigns Social Security numbers (SSN) to identify individuals, i.e., beneficiaries, workers, nonworkers and legal aliens; issue replacement cards to individuals with existing numbers; and verify SSNs for employers and other government agencies. The process for assigning SSNs and issuing cards has changed significantly since the beginning of the program. In 1982, SSA undertook a systems modernization program to improve operations and create a state-of-the-art computer system for the Agency. All field offices now have the capability to take an SSN application using on-line screens rather than using a paper application form.

In FY 1995, SSA processed 16.8 million requests for new or replacement Social Security cards. About 37 percent of all SSN requests are for new numbers and 63 percent are for replacement cards for people with existing numbers. Over 3.3 percent of SSA's administrative resources are expended on enumeration activities. This team will examine major concerns in the enumeration process that relate to the adequacy of controls over the

issuance of SSNs, the integrity of the NUMIDENT file (SSA's file which records all assigned SSNs and the identity of the number holder), the prevention and detection of fraudulent use of Social Security cards, and SSA referrals of fraud to the Office of Investigations.

Financial Management issue team; staff = 10 FTEs, located in SSA headquarters. Each year, SSA must report annually to the Congress on its financial status and other information needed to fairly present the Agency's financial position and results of operations. The vehicle through which SSA meets this reporting requirement is its annual Accountability Report, which consists of an overview of the Agency, the principal financial statements, supplemental financial and management information, financial accountability information, program and financial performance measures, and its Semiannual Reports to the Congress.

This issue team will review SSA's overall financial management structure including safeguarding assets; accounting for financial activity and reporting on the Agency's financial position; internal controls, both manual and automated; the accuracy and integrity of financial, performance, and management information; trust fund financing, including the Department of the Treasury data which serves as the basis for crediting the trust funds for the \$356 billion in employment tax revenue SSA reported in FY 1995; contract audits with third parties; and financial program management ensuring benefit payments are paid correctly.

General Management issue team; staff = 9 FTEs, located in SSA headquarters. The SSA considers its 65,000 employees one of its most valuable assets. When considered in the context of streamlining, additional statutory responsibilities and the increase in workloads, SSA has made a commitment to its employees to help them meet these challenges. In order to provide world-class service, SSA must have a flexible, well-trained workforce that can perform in a technologically advanced and productive environment. These changes require SSA to administer, manage, and support its workforce efficiently as SSA changes the way it does business. The SSA has adopted a business strategy that will help accomplish these changes and make a strong commitment to the integrity and professional standards of the workforce, enabling them to more effectively deliver services and meet customer needs. General Management reviews will encompass a wide range of SSA's administrative functions, analytical staffs, and management activities which directly support SSA's programs.

Office of Hearings and Appeals (OHA) issue team, staff = 12 FTEs, located in Dallas, Texas. SSA's OHA is responsible for hearing cases denied by a State DDS at both the initial determination and/or reconsideration stages. The OHA Administrative Law Judges (ALJ) hear these appealed cases and issue either an allowed or denied decision. The audits and evaluations of OHA will focus on the Disability Redesign Initiatives used to streamline the adjudicative process; ALJ decision-making processes that have led to a substantial number of

reversals (OHA refers to these as allowances) of the cases previously denied by the DDS in 1995; the Hearing Office Tracking System; and the identification of best practices to help OHA improve service delivery.

Performance Monitoring issue team; staff = 7.5 FTEs, located in New York, New York. In recent years, there has been increasing emphasis from the Administration, Congress, and the public for all Federal agencies to measure their performance in implementing programs and core business processes. This emphasis has resulted in two initiatives directly affecting SSA: the National Performance Review (NPR) and GPRA.

GPRA seeks to systematically hold Federal agencies accountable for achieving program results. This means they must set performance goals, measure performance against those goals, and report publicly on performance. More specifically, GPRA calls for agencies to have strategic and performance plans by September 30, 1997. The SSA is currently in the process of establishing performance measures for FY 1998 and revising its strategic plan. The audit activities in this area will focus on determining the appropriateness of SSA's performance measures and service standards, assessing the validity of the performance monitoring process, and benchmarking performance targets

Program Service Centers (PSCs), Teleservice Centers (TSCs) and Nondisability SSI issue team; staff = 10 FTEs, located in Chicago, Illinois. PSCs primarily house and service the records of individuals who are receiving Title II Social Security benefits, as well as provide back-up for the 800 number telephone service. The PSCs are located in seven cities and serve principally as processing centers for Title II postentitlement (PE) actions. In FY 1994 (the latest year for which PE statistics are available), SSA processed over 78 million Title II PE actions at a unit cost of \$8.69 for record changes and \$48.46 for continuing eligibility reviews. An estimated 43 million beneficiaries received \$313 billion in benefits in FY 1994. The PE workloads, which generally grow commensurate with the growth of the Social Security beneficiary population, are projected to increase by about 19 percent from FY 1993 to FY 1999.

TSC operations were started in the 1980's to improve service to beneficiaries using the telephone to conduct SSA business. The TSCs were established in large metropolitan areas to receive general inquiry telephone calls from the public. By 1988, SSA was operating 34 TSCs across the country, each with a separate telephone number. These TSCs were only able to service about 50 percent of the country. To meet the increased public demands for the telephone service and to improve the capability of contacting SSA by phone, a national 800 number service was initiated on October 1, 1988. The national 800 number serves as the primary telephone answering point for general inquiries and reports from beneficiaries and the general public. In FY 1995, TSCs received over 121 million calls and processed over 62 million telephone inquiries. The 800 number network funding for FY 1995 was over

\$250 million and network staffing required over 5,000 work years. In addition to TSC employees, SSA enlists the assistance of PSC employees to answer the 800 number. This assistance is needed on peak calling days, usually at the beginning of each week, each month when checks are received, and any time a change is made to the majority of benefit accounts (such as a cost of living increase).

Retirement and Survivors Insurance issue team; staff = 11 FTEs, located in Richmond, California. The Old-Age, Survivors, and Disability Insurance (OASDI) program provides monthly benefits to retired workers and their dependents and to survivors of deceased insured workers. Benefits are paid as a matter of earned right to workers who gain insured status and to their eligible spouses and children. In this area, we will focus on the RSI program, specifically, representative payee issues, processing applications, systems controls, and fraud and abuse.

Operations issue team; staff = 6 FTEs, located in Atlanta, Georgia. The SSA currently has 1,300 field offices to serve its 50 million clients through its four entitlement programs. The offices are located in cities and rural communities across the Nation and are the Agency's physical points of contact with the public. They are established and managed through a regional office structure under the direction and guidance of the Office of Operations in Baltimore.

Systems issue team; staff = 9 FTEs, located in SSA headquarters. Automated processing systems are a critical element in SSA's efforts to provide services to its clients. In today's environment, SSA's quality of service directly relates to the quality of its automated processing systems. The SSA is faced with huge increases in operational workloads over the next several years due to the demographic changes in our Nation's population. To meet the future demands, SSA is relying on technological changes. The SSA challenge is to give the public the service they expect during a period of increasing demands for service without a corresponding increase in staff. To meet this challenge, SSA must increase reliance on automated systems.

The sensitivity of the data maintained and the magnitude of funds expended make controls in automated systems critical to the integrity of SSA programs. We will focus on evaluating the cost-effectiveness of SSA's automated systems, general and application controls, and the safeguards developed for reducing fraud and preventing costly errors. Also, the Government Management Reform Act generates the need for systems controls audits due to the critical role the automated processing systems have in producing financial statement information. We will also evaluate SSA's preparedness for the year 2000 to ensure that systems can accept and process transactions with new century dates.

Technical Services issue team; staff = 7 FTEs, located in SSA headquarters. This team provides a variety of services to support all the other issue teams, such as developing and

running mainframe and personal computer software programs to analyze data files copied by SSA for OIG use; modifying files for audit sampling, downloading files to personal computers, or transferring files to outlying offices; advising staff about data sources and content pertaining to planned or ongoing reviews; assisting in the development of sampling/estimation plans; and serving as the focal point for desktop publishing activities.

Question 6. According to recent news articles, your office recently broke up one of the largest credit card fraud rings ever. Can you tell us about this -- how SSA employees and its data bank were involved in this fraud ring, what you did to break it up, including what other agencies you worked in coordination with? Please provide more information on how counterfeiting affects SSA operations. Based on your experience in your first year on the job, what is your sense of the degree of criminal fraud out there, and are you adequately staffed to prevent it, or at the least, detect and eliminate it? How many criminal investigators do you estimate you might need, and how soon could they be hired and trained? Please provide a regional breakout of the offices and suboffices you have nationwide, including headquarters in terms of the number of investigative agents currently assigned to each, and the states or areas each office is responsible for. In addition, please explain the kind of work the regional offices and suboffices typically handle, and the volume they have been experiencing. In your opinion, which areas face particularly critical staffing shortages in the investigative area?

Answer:

A. The New York Credit Card Case

During the past year, the Office of Investigations has been engaged in a large scale criminal investigation of an interstate credit card fraud ring comprised primarily of West African conspirators who bribed SSA employees to assist them in furthering their criminal fraud scheme. These criminals stole numbers of valid reissued credit cards from the U. S. mail. For obvious security reasons, credit card companies require a telephone activation protocol for card holders to follow in activating their replacement credit cards. This procedure normally requires that the card holder supply their mothers' maiden names to the credit card company to reinstate their credit cards. These West African conspirators provided Social Security numbers for specific persons to some SSA employees for the purpose of illegally obtaining that person's mother's maiden name information from the SSA NUMIDENT data base. This information was then used by the conspirators to illegally activate stolen credit cards in order to fraudulently obtain goods and services.

These credit card thefts involved thousands of credit cards, and the credit card issuers involved estimated their losses in the millions of dollars. We joined with the U.S. Secret

Service (USSS), the U. S. Postal Inspection Service (USPIS), the Federal Bureau of Investigation (FBI), the Immigration and Naturalization Service (INS), the Internal Revenue Service's (IRS) Inspection Service, the Department of State's Diplomatic Security Service, and the City of New York Police Department in the investigation of these credit card crimes. These agencies are organized into the "West African Task Force" under the aegis of the U. S. Secret Service.

The Office of Investigations took the lead in uncovering the 16 SSA employees suspected of involvement in these crimes. Of this number, eight have been arrested; two convicted; two have been terminated from SSA employment and are awaiting judicial action; and four are still under investigation.

There were 22 other individuals involved in this conspiracy who were not SSA employees. Of this number, 14 have been arrested; four have been indicted; and four have been convicted.

Most of the key leads in this investigation were uncovered by a special search of the SSA data bases by a task force of Office of Investigations' agents and SSA systems analysts supplied with matching data from victims' credit card issuers. This process quickly identified crucial patterns of criminal activity for the special agents developing this investigation for the United States Attorneys' Offices for the Southern and Eastern Districts of New York. These results were converted into the probable cause for the search and arrest warrants that neutralized this complex conspiracy.

B. The Impact of How Counterfeiting Effects SSA Operations

Counterfeiting has a palpable impact on SSA programs and operations. The production of counterfeit identification documents is one of the most serious crime issues confronting law enforcement in the United States today. The new desktop publishing technologies have brought the requisite expertise to produce counterfeit identification documents within the capacity of anyone with access to a personal computer. These criminal activities serve as the first step in a myriad of more involved economic fraud crimes and, in some instances, crimes of violence. All government agencies that dispense benefits are susceptible to these criminals with false identification. Counterfeiting Social Security cards and fraudulent use of SSNs are "breeder crimes" for criminals engaged in a wide variety of other criminal activities that run the spectrum from bank frauds to illegal immigration crimes. The Office of Investigations aggressively focuses on attacking the false identification rings that undergird these criminal schemes in concert with local, state and other Federal law enforcement agencies. The following are several examples of present efforts with respect to these violations:

In one ongoing investigation, two individuals were arrested by the U.S. Customs Service in early November 1996 in connection with the seizure of one the largest shipment of counterfeit Social Security cards and other fraudulent documentation.

In April 1996, a United Parcel Service shipment from Mexico to Milwaukee, Wisconsin containing over 6,000 counterfeit Social Security cards was intercepted by the U.S. Customs Service. This seizure resulted in the criminal indictment of the intended recipient of these cards.

In December 1996, the Office of Investigations executed multiple arrest and search warrants in the St. Louis, Missouri area involving the production of counterfeit identification and Social Security documents as part of a criminal scheme to smuggle illegal East Indian aliens into the United States. In this operation, over 30 illegal aliens were arrested and \$100,000 in contraband and counterfeit identification seized.

In a similar case, Office of Investigations' and INS agents arrested four Polish immigrants in Williamsport, Pennsylvania who were engaged in a scheme to illegally obtain valid Social Security cards by producing counterfeit INS documents as a basis for identification. This scheme was part of an interstate conspiracy to facilitate illegal immigration to the United States.

C. Assessment of the Office of Investigations' Mission with Respect to Criminal Fraud Directed Against the SSA

Assessment of SSA's vulnerability to criminal fraud is a priority project for the Office of Investigations. As we are a new investigative organization, we are amassing the data from our operational experience to make valid assessments about where the SSA is vulnerable to criminal activity, and how best to combat these crimes with our resources. I would be pleased to provide the Subcommittee with this vulnerability assessment when it is completed in the near future. Despite the absence of this pending quantitative data, we can still make some general statements about the nature of SSA's criminal fraud exposure. It is apparent that the SSI and Disability benefit programs are particularly susceptible to fraud. There appears to be substantial street level criminal expertise about how to defraud these particular benefit programs. The other substantial areas for an investigative focus are the crimes devolving from fraudulent or improper enumeration. Since the SSN is the de facto common identifier for most financial and identification transactions in this country, these crimes will continue to proliferate.

After a year's experience as Inspector General, I can accurately state that there is a substantial challenge facing the SSA OIG in safeguarding SSA's Trust Fund and General Treasury monies. It is more difficult to determine the exact or correct size of our investigative component. For most of the months of my tenure, our criminal investigator

staffing has been under strength with respect to the substantial mission we face. At creation in April 1995, we had 76 investigators on staff. The Commissioner actively supported an increase of 53 criminal investigators for the OIG by amending the FY 1996 budget request to shift funding and positions from other SSA components to the OIG. As the Subcommittee is aware, we were granted authority to recruit an additional 75 criminal investigators in FY 1997. All of this is a complex process and the dynamics of recruitment and training require an investment of time and resources that preclude us from making definitive determinations about our appropriate size, and more importantly our operational potential. As these new resources reach their journeyman work potential, their efforts can be factored into an assessment of the success of our overall agency performance vis-à-vis the SSA fraud vulnerability universe. We will continue to carefully track these activities and update the Subcommittee on the results of these efforts.

D. The Regional Breakout of the Office of Investigations

The Office of Investigations is organized into a Headquarters and eight field offices. Each of these field offices has sub-offices in various cities within their respective districts where the volume of work indicates that deployment of resources.

The Boston Field Office covers the New England States and has a staff of 12.

The New York Field Office covers New York and New Jersey and has a staff of 29.

The Washington, D.C. Field Office covers the District of Columbia, Maryland, Pennsylvania, Delaware, Virginia, and West Virginia and has a staff of 25.

The Atlanta Field Office covers the States of Kentucky, Georgia, North and South Carolina, Tennessee, Alabama, and Mississippi, and has a staff of 20.

The Tampa Field Office covers Florida and the Commonwealth of Puerto Rico, and has a staff of 18.

The Chicago Field Office covers the States of Illinois, Michigan, Indiana, Ohio, Missouri, Kansas, Nebraska, Iowa, Minnesota, and Wisconsin, and has a staff of 36.

The Dallas Field Office covers the States of Texas, Montana, North and South Dakota, Colorado, Wyoming, Utah, New Mexico, Oklahoma, Arkansas, and Louisiana, and has a staff of 33.

The Los Angeles Field Office covers the States of California, Washington, Oregon, Idaho, Nevada, Arizona, Hawaii, and Alaska, and has a staff of 40.

E. Overview of the Work in the Office of Investigations' Field Offices

The Commissioner has made an increased investigative response to fraud a major priority within SSA. The Office of Investigations closed FY 1996 with an inventory of 1,551 pending investigations. In the same fiscal year, our investigative efforts led to the convictions of 568 individuals for crimes involving SSA benefit programs or operations. Additionally, we reported either to SSA or the United States Treasury \$22,768,372 in fines, court-ordered restitution, or judgments, as the result of investigative activities. These results outline the scope of the Office of Investigations' mission across the United States. The intensity of our investigative operations matches those locations where SSA's benefits disbursements are similarly most intense: in the major urban centers, and especially in Southern California and Florida. In order to maximize the potential of our investigative operations, I have established the following priorities for our Special Agents in Charge to determine the application of our resources:

Our first priority is the investigation of all internal fraud activity within SSA's operations. In other words, the aggressive investigation of any fraud by SSA employees.

The second priority is the investigation of all frauds involving SSA benefits programs.

The third priority is the investigation of crimes involving the fraud or misuse of SSNs or Social Security cards.

Question 7. What can you tell us about your office's "hotline" since you became Inspector General? We understand that it is different from the one operated earlier, when SSA was part of HHS. Please include general information on the number of calls you are averaging per month and the categories they fall into (employee fraud, beneficiary fraud, etc.), as well as sources of calls by type (SSA employees, the public, etc.). Has the volume of these calls increased? Is your office able to keep up with them? If not, what additional resources do you estimate you might need?

Answer:

At the time of my confirmation as the SSA Inspector General, the Hotline was staffed by one full-time operator with limited supervision. Immediate steps were taken to assess the duties and responsibilities of the SSA OIG Hotline and to refocus its mission and objectives to complement major proactive fraud awareness and investigative initiatives developed by my office and that of the Office of the Commissioner. In addition, the role and function of the Hotline was substantially expanded to include the management and operation of the new OIG Allegation Management System (AMS). This system captures data concerning all allegations

of criminal activity reported to OIG nationwide. The AMS output will permit more timely management analysis of that data and enable OIG to more effectively focus its limited resources on audit and investigative initiatives.

Additional OIG and other manpower and resources were identified and dedicated to the establishment of the new SSA OIG Hotline. Presently, there are six operators. We plan to add five operators to handle the increase in Hotline volume due to the wide-ranging fraud awareness campaign of the Hotline within and outside SSA, and the workload generated by the new AMS system described earlier. Full-time management of the Hotline is provided by seasoned, career OIG employees who are experts in law enforcement and hotline operations.

Contact points at the SSA Deputy Commissioner level have been formally established with the Hotline to coordinate communications concerning Hotline referrals to SSA field and Headquarters components, expediting analysis and the implementation of corrective measures (if necessary), and other matters requiring priority or special handling. This connection also serves as a vital link in keeping senior SSA management officials informed of the types of fraud, waste, and abuse being reported to the OIG Hotline, and may identify trends or vulnerabilities requiring prompt action. After taking into account privacy and investigative considerations, results of selected matters reaching the Hotline will be made available to the Congress, SSA officials and other interested parties, such as the President's Council on Integrity and Efficiency. This basic communication step is designed to cement solid working relationships between SSA components and the Hotline, and to publicize Hotline activities and the disposition of allegations reported to it.

Presently, the average number of telephone calls received monthly by the Hotline is 4,000. On average, 300 letters are also received. Further, about 300 allegations requiring input by the Hotline to the AMS described previously are being received each month.

Generally, allegations reported to the Hotline fall into the following categories: employee fraud, beneficiary fraud, waste, abuse, misconduct, mismanagement, conflict of interest, and miscellaneous. Sources of calls and letters include (but are not limited to) SSA employees, the public, other government hotlines, other Federal, state, and local agencies (including law enforcement agencies), the Congress, GAO, and anonymous tips. The Hotline is growing and expanding as a result of modest preliminary publicity efforts within and outside SSA. Early results indicate that the volume of calls and letters reaching the Hotline will increase exponentially as our fraud awareness campaign moves into high gear. Despite the six-fold increase in the number of operators previously dedicated to the Hotline, our short-term plan is to quickly acquire five additional Program Specialists to more effectively process calls and letters in a timely manner. Long-range plans (late Summer) for fully implementing the increased AMS technology should enable a more efficient use of resources.

Question 8. Your data indicate that each investigator returned \$181,000 in savings, and each auditor returned \$980,000 in savings in your first year of operation. Tell us more about this, in particular what the cost to benefit ratio was in dollar amounts.

Answer:

The estimated savings (recoveries) for investigators consists of an extrapolation of recoveries for the period April 1, 1995 through March 31, 1996 from a baseline of 113 investigators. This extrapolation was increased by 30 percent for the following factors: the base year included furloughs and budget constraints, experienced investigators have now been hired, investigators will obtain program/operations knowledge and experience, and Joint Field Operations will be undertaken with other Federal, State, and local law enforcement agencies.

The \$181,000 in savings per investigator was the amount of base year recoveries (through fines, judgements and restitutions) and consisted of:

SSA Dollars Recovered:

Retirement and Survivors' Insurance	\$2,294,787
Disability Insurance	2,992,184
Supplemental Security Income	<u>3,560,479</u>
Total SSA Dollars	<u>\$8,947,450</u>

Other Non-SSA Dollars (Primarily General Revenue Uncollected Taxes and Other Federal Programs' Benefits) Recovered Attributable to:

Social Security Number Fraud	\$11,356,454
Miscellaneous Fraud	<u>213,716</u>
Total Other Dollars	<u>\$11,570,170</u>

Total All Recoveries	<u>\$20,515,620</u>
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÷ Number of Investigators	113
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Dollar Recoveries Per Agent	<u>\$ 181,572</u>
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The \$980,000 in savings per auditor is attributable to \$112 million in recommendations from 20 reports issued during the base year that would result in reduced benefits or questioned costs if the recommendations were all implemented. The OIG had 114 auditors for the base year. Because the effort needed to implement could not be accomplished during the base year, we did not attempt to guess the actual amount of savings that will be attained from these specific recommendations. Fifteen of these 20 reports also contained recommendations

for funds put to better use totaling \$968 million; however, we did not include recommended funds put to better use in our estimate of base year audit savings.

Based upon these savings, we project our annual benefits to cost ratio would be nearly 3:1.

Question 9. Would you tell us a little more about these SSA computer operations, the number and expertise of the staff you are currently devoting to investigations in this area, and what you would need to establish adequate internal controls and protections? Is this the kind of expertise that you could obtain by hiring current SSA staff, particularly OPIR staff?

Answer:

The size and complexity of SSA's data processing operations are enormous. During FY 1996, SSA processed the following workloads:

- 50 million persons received \$380.6 billion in Title II and Title XVI benefits,
- almost 240 million earnings record accretions were processed,
- about 15.9 million requests for new SSNs or replacement cards were processed, and
- approximately 6.6 million Title II and Title XVI claims were processed.

Nearly all of this activity is directly dependent upon SSA's data processing operations.

In addition, as part of SSA's FY 1998 budget request, the Agency is requesting funding for numerous systems initiatives that it feels are critical to its mission. The following projects are included in its FY 1998 submission:

- \$350 million to fund the installation of Intelligent Workstations/Local Area Networks throughout SSA,
- \$30 million to fund increased automation of work processes,
- \$31 million to fund improved telephone service, and
- \$16 million to fund electronic service delivery initiatives.

To review these and other critical system development projects, the OIG is currently only able to devote nine staff to audits in the systems area. We believe we need 21 staff members to work in the systems area. This number is modest compared to the number suggested in a recent study performed by Coopers and Lybrand. The study recommended that we have 40 to 45 staff perform systems audits to effectively assess the vulnerability of SSA's systems technology on an ongoing basis. We do not know if individual OPIR staff members have the experience in the areas of ADP or auditing that are needed by the OIG.

Question 10. I was pleased to hear your mention of the disability program as an area of focus. You mentioned that you will be reviewing and reporting on SSA's progress in improving the timeliness and cost effectiveness of its disability program. I am deeply concerned about the differences in allowance rates between the State Disability Determination Services and the administrative law judges. Are your people focusing on decisional disparities? What other disability-related issues are you focusing on?

Answer:

The OIG is focusing on decisional disparities. Our FY 1997 Workplan includes the following reviews:

- ALJs' Reasons for Reversing Disability Decisions. This review will determine what factors influence ALJ's stated reasons for reversing disability decisions.
- Comparison of OHA's and DDS's Decision Criteria. This review will address inconsistencies between the DDS and the OHA decisions.

Our FY 1998 Workplan will include a review of:

- ALJ reversals to determine whether applicants presented different medical conditions when appealing the denial decision than they presented initially to the DDS. The DDSs did not consider these cases to be disabled based on the beneficiary's medical condition during the initial review.

In addition, as part of reviewing SSA's Redesign Plan, we plan to review the success of the process unification initiatives. Additional audit work related to the cost effectiveness of SSA's disability program is discussed in our answer to question number 11.

Question 11. Recently, as part of legislation to increase the earnings limit, Congress authorized substantial additional funding to clear up the continuing disability review (CDR)

backlog. I believe it was a whopping \$2.67 billion over 7 years. What role will your office play in advising Congress whether this money -- or any other large sums it authorizes SSA -- is being well spent to achieve what Congress intended?

Answer:

In recent years, SSA's backlog of CDRs that are overdue has grown and the Congress has increased the number of CDRs and medical reviews that must be conducted. The GAO estimated that 4.3 million DI and SSI beneficiaries were due or overdue for a CDR in 1996. To meet this challenge, SSA has established a plan to eliminate the backlog by 2002. In addition, Congress has mandated that SSA report annually on the CDRs conducted, the funds saved and the cost of conducting these CDRs. Congress, with the support of the Administration, provided specific funding for conducting certain kinds of CDRs.

To assess the effectiveness of SSA's actions to eliminate the CDR backlog and report on the cost of specific legislation, the following reviews are planned for FYs 1997 and/or 1998:

- SSA's planned expansion of its profiling system to include Medicare and Medicaid data in order to more reliably predict which beneficiaries would be cost effectively served by a mailer CDR instead of a full medical review.
- SSA's backlog plan to determine whether SSA's emphasis is on saving program funds in the most cost effective manner and not just to reduce the number of CDRs overdue.
- SSA's accounting for the specific funding provided by Congress to conduct certain types of CDRs. SSA estimates it will complete its annual report in early 1997. We will verify SSA's reported investment in CDRs and its related accomplishments.

Question 12. SSA has the responsibility for Old-age, Survivors and Disability Insurance and Supplemental Security Income. In which of these programs are most of the investigations conducted? Do your investigations indicate that any one program is more prone to abuse, waste or fraud?

Answer:

During the 20 months since SSA became an independent agency, the percentage of our investigative activities concentrated in the program areas were as follows:

SSN	RSI	DI	SSI	Other
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51% 15% 12% 20% 2%

The above numbers indicate that investigations have been predominantly enumeration fraud (SSN) cases. Enumeration is the process by which SSA assigns original SSNs, issues replacement cards to people with existing SSNs, and verifies SSNs for employers and other government agencies. The expanded use of SSN's as identifiers has given rise to the practice of counterfeiting SSN cards, obtaining SSN cards based on false information, and fraudulently misusing SSNs to obtain benefits and services from government programs, credit card companies, retailers and other businesses. Additional concerns relate to improperly issuing SSNs for illegal work activity by non-citizens, to issuing multiple SSNs to individuals, and to controls over third party involvement (i.e. hospitals, relatives, and other governmental agencies) in the enumeration process.

Since the inception of the OIG, its investigative resources have been dedicated to fraud in the following manner: 1) employees attempting to defraud SSA programs; 2) cases involving monetary losses to the trust funds; and 3) SSN fraud. As the OIG continues to expand and gain additional resources, we will be able to focus on employee and program fraud. The OIG anticipates that more allegations will be referred to the office thus generating more investigations of these fraud matters.

The Strategic Enforcement Team (SET), staffed with intelligence analysts and technical experts who support the OIG with research and early information about criminal schemes and techniques, has planned a fraud vulnerability study which will identify the types of fraud currently perpetrated against the programs of SSA. The team plans to quantify the impact of such fraud in terms of volume of activity and dollar loss incurred. The study will highlight previously successful efforts used to combat fraud. Additionally, the study will present what measures the Office of Investigations is currently taking or planning that will detect and prevent future criminal activity involving SSA programs and operations.

Question 13. Protecting the Social Security Trust Funds from all manners of waste, fraud and abuse is extremely important to the American public, and this Subcommittee is committed to doing all that it can to assist you to succeed in doing that. In addition to making sure that your office has the resources it needs, is there additional legislation that Congress could provide to help you in this effort?

Answer:

I appreciate your commitment to our efforts to combat waste, fraud, and abuse in the context of the Social Security Trust Funds, and your willingness to bring to Congress' attention any measures which might aid in that effort.

Proposals and implementation of additional tools to aid in combating SSA program fraud is among my highest priorities. To that end, I have created a group charged with identifying areas vulnerable to fraud within SSA's programs and with proposing solutions. The Deterrence and Recovery Measures Task Force (DRM), which consisted of staff members from each OIG component, fulfilled that purpose and created a plan to provide the OIG with additional legislative and regulatory tools to combat fraud. All legislative proposals which grow out of DRM's work will, of course, have to follow established Agency policies for development, review, and comment before they are submitted to Congress as part of the Agency's legislative package. I appreciate your interest in such proposals.

In addition, as you may be aware, a statute known colloquially as the Weingarten Rule (5 U.S.C. 7114(a)(2)(B)), provides for the presence of a union representative under certain circumstances when a union member employed by the agency is examined "by a representative of the agency in connection with an investigation..." (Emphasis added).

This office has been named in an unfair labor practice complaint (ULP) before the Federal Labor Relations Authority (FLRA) for refusing to allow a union representative in an OIG investigative interview of an employee. In addition, several similar charges have been leveled against this office by the AFGE and are under investigation by the FLRA.

Due to its statutory independence from SSA, an OIG investigator does not act as "a representative of the agency" when conducting investigative interviews, so the Weingarten Rule does not apply. Needless to say, the AFGE disagrees with this analysis and has repeatedly filed charges with the FLRA.

These ULP cases are a significant drain on the resources of this office. Legislation clarifying the Weingarten Rule would free those resources for the purpose for which they were intended -- the reduction of fraud, waste and abuse. Any assistance in this regard would be most helpful.

Question 14. Please tell us about cooperative work you are doing with other agencies, such as Office of the Attorney General, and agencies within the Departments of Justice and Treasury.

Answer:

We have conducted over 700 cases with other agencies since April 1, 1995. Specifically, the Office of Investigations has worked jointly with the FBI on 78 cases; 155 cases with the INS; 149 cases with the USSS; 22 cases with the IRS; 83 cases with the USPIS; and more than 50 cases with other OIG's, such as the Departments of Agriculture, Treasury, Health and Human Services, Energy, Housing and Urban Development, Labor, Education, Veteran's Affairs, and Defense; the Small Business Administration, and the General Services Administration. In addition, we have worked cooperatively with State and local law enforcement agencies on over 170 cases since its creation.

The following are some of the investigative operations that currently are being conducted with other agencies:

Utah Counterfeit Card Project

This project began in August 1996 as an effort to gather intelligence information regarding the manufacture/acquisition/trafficking of counterfeit Social Security cards as well as other identification documents and the use of those counterfeit SSA cards in the state of Utah. As specific subjects have been identified, cases have been opened and investigated by the Office of Investigations. This project is being worked jointly with the FBI and local law enforcement agencies in Utah.

Operation Fare Game

In September 1996, the Office of Investigations began joint investigation with the United States Border Patrol aimed at identifying deportable aliens currently working as taxi drivers, tour bus drivers and contract school bus drivers in Dade County, Florida. The targeted subjects have been identified as suspected illegal aliens possessing counterfeit SSNs and using false counterfeit social security documents.

Operation Pinch

The Office of Investigations is engaged in a nationwide, large scale investigation of a fraudulent credit card operation. Aspects of this crime involve West Africans who have bribed SSA employees to assist in the furtherance of their credit card fraud operation. The

We are working cooperatively with a task force including the USPIS and USSS into this widespread credit card scam. In February 1996, this case was presented and accepted for prosecution by the U.S. Attorney's Office for the Southern District of New York.

Southwest Tactical Operations Plan (STOP)

This operation was established to identify and suspend payments to SSI recipients fraudulently receiving benefits while residing in another country. STOP will be tested along our southwest border due to the numerous allegations regarding program fraud and abuse in this area. It is anticipated that this operation will result in the elimination of substantial numbers of illegal recipients and save the associated disbursements.

Presently, the operation's agents have selected 2,107 SSI recipients from El Paso zip codes 79901 and 79912. Each recipient was requested via mail to supply evidence of U.S. residency in the form of rental receipts, utility bills, tax records, etc. Starting on December 19, 1996, the operation sent notices to recipients who have failed to respond to the request for evidence of U.S. Residency, stating that their February 1997 checks will be suspended if they do not comply. The OIG will investigate all cases in which the recipient fails to respond. The operation is expected to be completed by April 15, 1997.

Question 15. I understand that one of your goals is to be more responsive to fraud allegations you receive from SSA employees and the general public, and I commend you for this. Can you tell us, on average, about how many allegations are coming into your office monthly from SSA employees, and also from the public? What steps are you also taking to deter emerging criminal schemes and sophisticated criminal enterprises that may be difficult to detect?

Answer:

On average, prior to the inauguration of the expanded OIG Hotline operation on November 25, 1996, between 5 and 10 percent of all allegations received were from present or former SSA employees.

With the expansion of the OIG Hotline, coupled with our proactive fraud awareness campaign, which includes posters, notices that accompany checks, news articles, and various public announcements of the SSA OIG Hotline, the number of allegations of all types, including reports from employees, has already sharply increased.

Since the official ribbon-cutting on November 25, 1996, more than 9,000 calls have reached the 800 toll-free telephone number and resulted in over 800 fraud allegations. We anticipate

that as many as 150 - 200 of these allegations may be from current or former SSA employees.

The Office of Investigations has established the following two groups that are dedicated to the deterrence and detection of emerging criminal schemes and sophisticated criminal enterprises:

The Enforcement Operations Division coordinates the Joint Field Operations (JFO). The JFO is staffed with highly experienced criminal investigators. These investigators draw upon their experience and established contacts within the law enforcement community to focus on significant fraud and enumeration violations against SSA programs. The JFO criminal investigators are located in strategic sites throughout the United States with special emphasis on States adjacent to the U.S. borders.

The Strategic Enforcement Team is staffed with intelligence analysts and technical experts who support the OIG with research and early warning information about criminal schemes and techniques. The team enhances the OIG's ability to identify crime patterns in a timely manner or trends in the types of frauds being perpetrated, and in developing novel approaches for combating complex fraud schemes.

One of the initiatives developed by the SET this year to detect and deter an emerging criminal scheme has been the Southwest Tactical Operations Plan. This is a pilot program designed to qualify and quantify fraud being perpetrated by large groups of individuals applying for benefits to which they are not entitled. The program will examine recipients who are fraudulently receiving SSI payments while residing outside the United States. This concept will be tested along our southwest border due to the numerous allegations regarding program fraud and abuse in this area. It may be utilized in other border areas at a later time.

Another initiative underway by the team focuses on the problem of doctors and attorneys who facilitate fraudulent applications for benefits. The team is currently targeting an attorney/doctor situation and has received the cooperation of the U.S. Attorney in that district. The pursuit of this investigation is intended to uncover the facilitators of this major source of fraudulent disability benefits and will provide experience and direction for application in several other areas.

Question 16. I understand that before coming to SSA, you were appointed by President Bush as Inspector General for the Nuclear Regulatory Commission, where you served for 7 years. In addition, you also served on the President's Commission on Organized Crime and as head of operations for the Department of Labor Office of Racketeering, both during the

Reagan Administration. Based on your experience as Inspector General for both agencies, and your background in criminal investigations, what are some of the consequences you have seen of not adequately deterring waste, fraud and abuse?

Answer:

My public service career in law enforcement has provided me with an appreciation for the challenges of designing and implementing enforcement programs to combat crime (or as in the case of Inspectors General, in eliminating fraud, waste and abuse). Conversely, my career has also provided me with an understanding of the consequences of failure to have such a program in areas vulnerable to fraud.

In several agencies where I've served, I've participated in the introduction of investigative operations where no prior enforcement operations existed. In these instances, the level of criminal activities had usually increased to provocative, and certainly unhealthy levels, requiring substantial law enforcement intervention.

The most dramatic of these instances involved my service with the Department of Labor, Office of Racketeering, and the President's Commission on Organized Crime, where the focus was on the infiltration of labor unions by organized crime. By the time the government decided to act on this crime issue, certain elements of organized labor in the United States were rife with corruption. Four international unions were completely controlled by the mafia, as were various industries in certain regions of the country. Crime in these mafia-controlled unions, as is the case with any enterprise or activity devoid of any law enforcement focus (to include government benefit programs) was out-of-control. Many of these criminal activities were so common and prolific that they were scarcely recognized by the public as being crimes. The participants seeking and granting benefits understood the schemes so well that they were perpetrated with a wink and a nod, rather than leaving behind more normal trails of criminal evidence. These conditions made evidence gathering and prosecution exceedingly difficult.

Decent union members witnessing the unchecked pillaging of union funds felt foolish for not participating in these criminal acts or cowardly for not attempting to stop them. This culture produced plummeting morale and cynicism among union members and even more damaging, a fear of the workplace. This is also sometimes the case among honest government benefit recipients and government workers where enforcement programs are failing. Government employees are outraged about the fraud and abuse they witness within government. Our challenge is to design and deploy our resources to combat this fraud in ways that make a difference. This is a critical consideration because my experience has also prepared me to understand that attempts to eliminate fraud or crime without a strategy to maximize the impact or effectiveness of these operations are doomed to failure. In areas where little enforcement has occurred over a long period of time, law enforcement attempts to attack

pandemic fraud are defeated by the reluctance of the courts to deal with crimes that have become so common that arrests and prosecutions are rare. As a result, these prosecutions actually appear to be the acts of selective prejudice by the government and are thus rejected by the courts.

There never will be a time where we possess enough resources to completely suppress fraud. Instead, our responsibility is to maximize the impact of our OIG operations by developing projects and procedures that count. What these strategies might be, and how we effectively fulfill them, is our abiding charge.

My past experience has also informed me about the consequences of failure to act effectively on these areas. I have witnessed valuable and important government programs collapse from the weight of abuse. The International Brotherhood of Teamsters' Central States Pension Fund was barred from making loans as investments because so many of their loans were to support mafia enterprises. I have also witnessed the costs of government programs become so prohibitively expensive that they are abandoned because no one could effectively separate deserving applicants from those who would defraud.

In sum, I understand the corrosive effects of failing to act decisively against program areas that are susceptible to fraud, waste and abuse. As I have indicated in these responses to the Subcommittee, we are well underway in the effort to effectively provide an effective enforcement program to the SSA.

Chairman BUNNING. I would like to ask the next panel to come forward. Diana Eisenstat, Associate Director, Income Security Issues, GAO; accompanied by Cynthia Fagnoni, Assistant Director, Income Security Issues; and Michael Blair, another Assistant Director, Income Security Issues from their Atlanta office. The GAO has done a great deal of work for this Subcommittee and this Congress, and we are grateful for their efforts.

Also joining the panel is Jerry Thomas of Decatur, Georgia, president, and Douglas Willman of Lincoln, Nebraska, president-elect of the National Council of DDS; and Larry DeVantier of Springfield, Illinois, president of the National Association of Disability Examiners.

Mr. Thomas testified before this Subcommittee on disability issues last year. This panel will be testifying on two very different issues, personal earnings and benefit estimate statements and SSA's disability program redesign initiatives.

In the interest of saving time, we would like GAO to present testimony on PEBES and then have Members ask any questions that they have on that. Then I would like the GAO to give their testimony on disability redesign, followed by testimony on that issue from the State DDS witnesses.

After all three witnesses have testified on disability redesign, Members can ask questions of the panel on these issues.

Mr. WILLIAMS. Thank you very much.

STATEMENT OF DIANA S. EISENSTAT, ASSOCIATE DIRECTOR, INCOME SECURITY ISSUES, HEALTH, EDUCATION AND HUMAN SERVICES DIVISION, GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY CYNTHIA M. FAGNONI, ASSISTANT DIRECTOR, INCOME SECURITY ISSUES; AND MICHAEL BLAIR, ASSISTANT DIRECTOR, INCOME SECURITY ISSUES

Ms. EISENSTAT. Thank you.

Mr. Chairman and Members of the Subcommittee, I am pleased to be here today to discuss how effectively—

Chairman BUNNING. Would you please put the mike a lot closer so we can all hear you?

Ms. EISENSTAT. Is this better?

Chairman BUNNING. That is better.

Ms. EISENSTAT. I am pleased to be here today to discuss how effectively the Social Security Administration's personal earnings and benefit estimate statements, PEBES, convey information to the public.

PEBES is a 6-page statement which provides workers with information about their yearly earnings on record at SSA and the amount of Social Security retirement, survivor, and disability benefits they will receive. You have a copy of PEBES before you, and I believe it is also going to be displayed over here on these boards.

SSA has provided PEBES statements to the public upon request since 1988, but Congress required SSA to begin sending out PEBES to workers automatically beginning in 1995.

Starting in fiscal year 2000, PEBES will be sent to almost every U.S. worker, age 25 and older, an estimated 123 million each year. SSA projects that this effort will cost more than \$80 million in fiscal year 2000 alone.

By providing PEBES, SSA's goals are to give the public a better understanding of Social Security benefits, assist workers in planning for their financial futures, and to better ensure that Social Security earnings records are accurate and complete.

Our work has shown that SSA has taken steps to improve PEBES, and the public reaction has been positive. However, the statement fails to communicate clearly the complex information readers need to understand SSA's programs and benefits. Also, the design and organization of the statement make it difficult to locate and understand important information.

We believe that PEBES can be improved by making the purpose of the statement more clear in the Commissioner's letter. As you can see by looking at this first board, the presentation is uninviting. The type is too densely packed. The lines are too long. There is not enough white space, and the key points are not highlighted.

After a recent briefing of SSA officials, the agency decided to shorten and clarify the Commissioner's letter for the 1997 mailing. Comments from SSA's public focus groups, SSA employees, and benefit experts, also indicate that the statement contains too much information and is too complex. This is especially true for younger workers who have expressed a preference for a 2-page statement, a simpler 1-page form containing their estimated benefits and taxes paid, and a separate pamphlet containing the explanatory information.

SSA has not made the best use of layout and design to help the reader identify the most important points and move easily from one section to the next. Information in PEBES does not appear where needed.

By looking at the second board, you will note that the statement contains a patchwork of explanations throughout the document. This causes readers to flip from page to page repeatedly.

The blue highlighted material contains information needed to understand the benefit estimates, and the yellow highlighted material contains information needed to understand the earnings record and taxes paid.

Although the public and benefit experts agree that the current statement is too long, there is no clear consensus on how best to present benefit information. The Canadian Government, for example, chose to use a two-part document. They provide the individual earnings record and benefit estimates in a brief 1-page statement and detail the program explanations in a separate brochure.

SSA is considering an extensive redesign of PEBES for the fiscal year 1999 mailings, but only if it saves money on printing costs. However, we suggest that SSA look at the hidden costs of not making changes. For example, readers who have questions or do not understand why they receive the statement may call or visit SSA creating more work for its staff. Furthermore, if PEBES frustrates or confuses people, receiving a statement could undermine public confidence in SSA and its programs.

A number of complex decisions must be made which balance cost and the public's need for information with the risk of providing too much. Our work suggests that improving PEBES will demand attention from SSA senior leadership.

In addition to revising the Commissioner's message, SSA can make some basic changes to improve the statement. However, more extensive revisions are needed to ensure that the statement communicates effectively. SSA will need to start now to complete these changes before its 1999 redesign target date. The changes include making better use of layout and design, working to simplify certain explanations, and testing reader comprehension.

It also needs to evaluate and test alternative formats for communicating the information presented in PEBES in a cost-effective manner.

Mr. Chairman, this concludes my formal remarks. I would be happy to answer any questions.

[The prepared statement and attachment follow:]

**STATEMENT OF DIANA S. EISENSTAT
ASSOCIATE DIRECTOR, INCOME SECURITY ISSUES
HEALTH, EDUCATION, AND HUMAN SERVICES DIVISION, GAO**

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the Social Security Administration's (SSA) Personal Earnings and Benefit Estimate Statement (PEBES). This six-page statement supplies information about a worker's yearly earnings on record at SSA; eligibility for Social Security retirement, survivor, and disability benefits; and estimates of these benefits. The PEBES also explains Social Security programs and benefits.¹

SSA has provided a PEBES to individuals upon request since 1988. As required by the Congress, in 1995 SSA began sending the statements automatically to workers who have reached age 60. Starting in fiscal year 2000, statements will reach an estimated 123 million people each year--almost every U.S. worker age 25 and older. SSA projects that this effort will cost more than \$80 million in fiscal year 2000 alone.

Personal experience with a federal agency and its programs can greatly influence public opinion about that agency. Receiving a PEBES is likely to be most workers only experience with SSA until they retire or possibly become disabled. Both the sponsor of the legislation requiring these statements and SSA officials hope that the statements will help build confidence in Social Security programs by informing the public about Social Security benefits and serve as a useful financial planning tool.

In recent testimony before this Subcommittee,² we noted that legislative requirements for the PEBES present a significant workload challenge for SSA. Today I would like to discuss our ongoing work for the Subcommittee on how effectively the PEBES conveys information to the public. Specifically, I will focus on what SSA has done to improve the statement, the extent to which the PEBES communicates its goals and information clearly, SSA's plans to revise the statement, and actions we believe will improve it. To develop this information, we reviewed SSA's documentation on the PEBES and met with SSA officials and field office staff. We also reviewed selected public- and private-sector pension benefit statements and discussed them with recognized experts in the field. Finally, we consulted an expert in document design and communication to review and provide comments on the PEBES.

In summary, we found that SSA has taken steps to improve the PEBES, and feedback indicates that, overall, the public feels that the statement can be a valuable tool for retirement planning. The statement fails to communicate clearly, however, the complex information readers need to understand SSA's programs and benefits. The statement, for example, does not explicitly state its purpose. In addition, the design and organization of the statement make it difficult for the reader to locate and understand important information. For example, the information needed to fully understand the benefit estimates is spread over five pages. Public feedback on the statement also indicates that readers are confused by several important explanations, such as who in their family is also eligible for benefits and how much these family members might receive.

SSA is considering redesigning the PEBES but only if the redesign results in reduced printing costs. This approach overlooks hidden costs, such as (1) the workload generated by public inquiries when people do not understand the statement and (2) the possibility that a poorly designed statement can undermine, rather than boost, public confidence. Issuing these statements is a significant initiative for SSA, and the agency should take steps now to redesign the statement to more effectively present PEBES

¹Appendix I contains a copy of a 1996 PEBES, which has been slightly reduced for photocopying purposes.

²Social Security Administration: Effective Leadership Needed to Meet Daunting Challenges (GAO/T-OCG-96-7, July 25, 1996).

information. Active leadership from SSA's senior managers needed to ensure the success of this important initiative.

OVERVIEW OF THE PEBES

Since the Social Security Act became law in 1935, workers have had the right to review their earnings records on file at SSA to ensure that they are correct.¹ In 1988, SSA introduced the PEBES to better enable workers who requested such information to review their earnings records and obtain benefit estimates. According to SSA, less than 2 percent of workers who pay Social Security taxes request these statements each year.

The PEBES legislation² requires SSA to begin sending statements to eligible workers³ according to the schedule that appears in table 1. SSA plans to mail some statements even sooner than required. By fiscal year 2000, SSA plans to have mailed statements automatically to over 70 million workers.

Table 1: Schedule for Distributing Benefit Statements

Fiscal year	Eligible individuals	Volume estimated by SSA
1995	age 60 and over	6.7 million ⁴
1996-1999	turning age 60 during the year	1.6 to 1.8 million annually
2000+	age 25 and older	123 million annually

By providing these statements, SSA's goals are to (1) better inform the public of benefits available under SSA's programs, (2) assist workers in planning for their financial future, and (3) better ensure that Social Security earnings records are complete and accurate. Correcting earnings records benefits both SSA and the public because early identification and correction of errors in earnings records can reduce the time and cost required to correct them years later when an individual files for retirement benefits.

Issuing the PEBES is a significant initiative for SSA. The projected cost of more than \$80 million in fiscal year 2000 includes \$56 million for production costs, such as printing and mailing the statement, and \$24 million for personnel costs. SSA estimates that 608 staff-years will be required to handle the PEBES workload in fiscal year 2000: SSA staff are needed to prepare the statements, investigate discrepancies in workers' earnings records, and respond to public inquiries.

¹Overall, the chance of SSA incorrectly recording a wage is small. According to SSA's Accountability Report for Fiscal Year 1995, 98.7 percent of reported earnings are posted accurately to an individual's record. Even this accuracy rate of almost 99 percent, however, results in over 2 million earnings each year that cannot be linked to specific individuals' records.

²P.L. 101-239 and P.L. 101-508.

³SSA must send a PEBES to those who are at least 25 years old, have a Social Security number, have wages or net earnings from self-employment, are not receiving title II benefits, and have a current address obtainable by SSA.

⁴This is SSA's total of mandated statements actually mailed in 1995.

SSA HAS TAKEN STEPS TO ENHANCE THE PEBES;
PUBLIC REACTION HAS BEEN POSITIVE

Since the PEBES was first developed, SSA has conducted several small-scale and national surveys to assess the general public's reaction to receiving an unsolicited PEBES. In addition, SSA has conducted a series of focus groups to elicit the public's and SSA employees' opinion of the statement and what parts of it they did and did not understand.

In response to this feedback and suggestions from SSA staff, SSA revised the statement. For example, early statements routinely provided retirement benefit estimates for age 65, the earliest age at which workers could retire and receive their full Social Security retirement benefit,⁷ and for delayed retirement at age 70. When SSA learned that many people were interested in the effect of early retirement on their benefits, SSA added an estimate for retirement at age 62.

Overall public reaction to receiving an unsolicited PEBES has been consistently favorable. In a nationally representative survey conducted during a 1994 pilot test, the majority of respondents indicated they were glad to receive their statements.⁸ In addition, 95 percent of the respondents said the information provided was helpful to their families. Overall, older individuals reacted more favorably to receiving a PEBES than did younger individuals. In addition, SSA representatives who answer the toll-free telephone calls from the public have stated that most callers are pleased that they received a PEBES and say that the information is useful for financial planning.

CLEARLY COMMUNICATING SSA PROGRAM AND BENEFIT INFORMATION COULD
FURTHER ENHANCE THE PEBES' VALUE

Although SSA has taken steps to improve the PEBES, we found that the current statement still provides too much information, which may overwhelm the reader, and presents the information in a way that undermines its usefulness. These weaknesses are attributable, in part, to the process SSA used to develop the PEBES. Additional information and expanded explanations have made the statement longer, but some explanations still confuse readers. Moreover, SSA has not tested for reader comprehension and has not collected detailed information from its front-line workers on the public's response to the PEBES.

Research suggests that, in general, people find forms, notices, and statements difficult to use and understand. For this reason, many people may approach a PEBES-like statement with fear, frustration, insecurity, and hesitation.⁹ To overcome this challenge, the design expert we consulted suggested that such statements have the following:

- An obvious purpose: Readers need to know immediately why they got the statement, what information it contains, and what they are expected to do with the information.
- An attractive and functional design and organization: The statement should look easy to read, the sections should be

⁷Individuals born in 1937 or earlier can retire at age 65 and receive their full benefit. For individuals born after 1937, the age at which they can retire and receive their full benefit gradually increases, up to 67 for those born in 1960 and later.

⁸As of September 6, 1996, the results of SSA's most recent public opinion survey, conducted in 1995, had not yet been released.

⁹Carolyn Boccella Bagin, A Review of Your Personal Earnings and Benefit Estimate Statement (Rockville, Md.: July 1996), p. 6.

clearly labeled, and the organization should be evident at a glance. When readers need explanations to understand complex information, the explanations should appear with the information.

- Easy-to-understand explanations: Readers need explanations of complex programs and benefits in the simplest and most straightforward language possible.

Commissioner's Message Does Not Effectively Convey Purpose

In the 1996 PEBES, the message from the Commissioner of Social Security does not clearly explain why SSA is providing the statement. Although the message does include information on the statement's contents and the need for individuals to review the earnings recorded by SSA, its presentation is uninviting, according to the design expert we consulted. More specifically, the type is too dense; the lines are too long; white space is lacking; and the key points are not highlighted. If the PEBES' recipients do not read the Commissioner's message, they may not understand why reviewing the statement is important.

The message also attempts to reassure people that the Social Security program will be there when they need it with the following reference (from the 1996 PEBES) to the system's solvency:

The Social Security Board of Trustees projects that the system will continue to have adequate resources to pay benefits in full for more than 30 years. This means that there is time for the Congress to make changes needed to safeguard the program's financial future. I am confident these actions will result in the continuation of the American public's widespread support for Social Security.

Some participants in SSA focus groups, however, thought the message suggested that the resources would not necessarily be there after 30 years. For example, one participant in a 1994 focus group reviewing a similar Commissioner's message said, "...[the] first thing I think about when I read the message is, [Social Security] is not going to be there for me."

Design and Organization Are Not User-Friendly

Comments from SSA's public focus groups, SSA employees, and benefit experts indicate that the statement contains too much information and is too complex. In a 1994 focus group summary, for example, SSA reported that younger workers aged 25 to 35 wanted "a much simplified form--a single page--with estimated benefits and how much in taxes they paid into the system with the remainder of the information put in a pamphlet for future reference." Moreover, given the length and complexity of the current statement, some focus group participants and benefit experts suggested that SSA add an index or a table of contents to help readers navigate the statement.

SSA has not used the best layout and design to help the reader identify the most important points and move easily from one section to the next. The organization of the statement is not clear at a glance. Readers cannot immediately grasp what the sections of the statement are, and in which order they should read them, according to the design expert with whom we consulted. The statement lacks effective use of features such as bulleting and highlighting that would make it more user-friendly.

In addition, the PEBES is disorganized: information does not appear where needed. The statement has a patchwork of explanations scattered throughout, causing readers to flip repeatedly from one page to another to find needed information. For example, page two begins by referring the reader to page four, and page three contains six references to information on other pages.

Furthermore, to understand how the benefit estimates were developed and any limitations to these estimates, a PEBES recipient must read explanations spread over five pages.

The statement's spreading of benefit estimate explanations over several pages may result in individuals missing important information. This is especially true for people whose benefits are affected by special circumstances, which SSA does not take into consideration in developing PEBES benefit estimates. For example, the PEBES estimate is overstated for federal workers who are eligible for both the Civil Service Retirement System and Social Security benefits. For these workers, the law requires a reduction in their Social Security retirement or disability benefits according to a specific formula.¹⁰ In 1996, this reduction may be as much as \$219 per month; however, PEBES' benefit estimates do not reflect this reduction. The benefit estimate appears on page three; the explanation of the possible reduction does not appear until the bottom of page five. Without fully reviewing this additional information, a reader may not realize that the PEBES benefit estimate could be overstated.

Explanations Are Not Always Easy to Understand

Because PEBES addresses complex programs and issues, explaining these points in simple, straightforward language is challenging. Although SSA made changes to improve the explanation of work credits,¹¹ for example, many people still do not understand what these credits are, the relevance of the credits to their benefits, and how they are accumulated.

The public also frequently asks questions about the PEBES' explanation of family benefits.¹² Family benefits are difficult to calculate and explain because the amount depends on several different factors, such as the age of the spouse and the spouse's eligibility for benefits on his or her own work record. Informing the public about family benefits, however, is especially important: a 1995 SSA survey revealed that as much as 40 percent of the public is not aware of these benefits.

Weaknesses of the PEBES Are Linked to SSA's Approach

A team of representatives from a cross section of SSA offices governed SSA's decisions on the PEBES' development, testing, and implementation. The team revised and expanded the statement in response to feedback on individual problems. The design expert we consulted observed that the current statement "appears to have been the result of too many authors, without a designated person to review the entire piece from the eyes of the readers. It seems to have developed over time, piecemeal...."¹³

¹⁰This reduction, commonly known as the Windfall Elimination Provision, was enacted 1983. Its purpose is to remove an unintended advantage in the way benefits are calculated for workers who qualify for Social Security benefits but have spent most of their careers working in jobs that are not covered by Social Security.

¹¹These credits are earned by working for employers that pay taxes to the Social Security system. The minimum number of credits needed varies, depending on the type of benefit and the age of the worker.

¹²SSA uses the term "family benefits" to discuss benefits paid to a worker's spouse or young children when the worker is retired or disabled.

¹³Bagin, p. 18.

Although SSA officials got the public's feedback, they missed some key opportunities along the way to improve the statement. While SSA conducted tests to ensure that the PEBES could be read at a seventh grade level, it has not conducted formal comprehension tests.¹⁴ For example, SSA could have administered either verbal or written tests to a sample of readers to determine whether they actually understood SSA's explanations of certain complex issues. These tests would have provided SSA with quantifiable, objective information to use in revising the statement. SSA has also failed to take advantage of information from its front-line workers who answer the public's questions about the PEBES every day. SSA currently has front-line workers record the reason why people call; however, the information collected does not provide sufficient detail for SSA to understand the problems people are having with the PEBES.

No Consensus on the Best Model for the Statement

Although the public and benefit experts agree that the current statement contains too much information, neither a standard benefit statement model exists in the public or private sector nor does a clear consensus on how best to present benefit information. The Canadian government chose to use a two-part document when it began sending out unsolicited benefit statements in 1985. The Canada Pension Plan's one-page statement provides specific individual information, including the earnings record and benefit estimates. A separate brochure details the program explanations. The first time the Plan mails the statement, it sends both the one-page individual information and the detailed brochure; subsequent mailings contain only the single page with the individual information.

Although some focus group participants and benefit experts prefer a two-part format, others believe that all information should remain in a single document, fearing that statement recipients will lose or might not read the separate explanations. SSA has twice tested the public's reaction to receiving two separate documents. On the basis of a 1987 focus group test, SSA concluded that it needed to either redesign the explanatory brochure or incorporate the information into one document. SSA chose the latter approach. In a 1994 test, people indicated that they preferred receiving one document; however, the single document SSA used in the test had less information and a more readable format than the current PEBES.

REDESIGN PLANS DO NOT FULLY CONSIDER COSTS

SSA, through the Government Printing Office, has awarded a 2-year contract for printing the fiscal years 1997 and 1998 statements. These statements will have the same format as the current PEBES with only a few wording changes. SSA is planning a more extensive redesign of the PEBES for the fiscal year 1999 mailings but only if it will save money on printing costs.

By focusing on reduced printing costs as the main reason for redesigning the PEBES, SSA is overlooking the hidden costs of the statement's existing weaknesses. For example, if people do not understand why they got the statement or have questions about information provided in the statement, they may call or visit SSA, creating more work for SSA staff. Furthermore, if the PEBES frustrates or confuses people, it could undermine public confidence in SSA and its programs.

Our work suggests, and experts agree, that the PEBES' value could be enhanced by several changes. Yet SSA's redesign team is

¹⁴In a 1988 telephone survey during the PEBES early development, SSA asked a few questions to check for reader comprehension. The statement has changed significantly since that time, however.

focusing on reducing printing costs without considering all of the factors that would ensure that PEBES is a cost-effective document.

OBSERVATIONS ON NEEDED PEBES IMPROVEMENTS

The PEBES initiative is an important step in better informing the public about SSA's programs and benefits. To improve the statement, SSA can quickly make some basic changes. For example, SSA officials told us that, on the basis of our findings, they have revised the Commissioner's message for the 1997 PEBES to make it shorter and less complex. More extensive revisions are needed, however, to ensure that the statement communicates effectively. SSA will need to start now to complete these changes before its 1999 redesign target date. The changes include improving the layout and design and simplifying certain explanations. These revisions will require time to collect data and to develop and test alternatives. SSA can help ensure that the changes target the most significant weaknesses by systematically obtaining more detailed feedback from front-line workers. SSA could also ensure that the changes clarify the statement by conducting formal comprehension tests with a sample of future PEBES recipients.

In addition, we believe SSA should evaluate alternative formats for communicating the information presented in PEBES. For example, SSA could present the Commissioner's message in a separate cover letter accompanying the statement, or SSA could consider a two-part option, similar to the approach of the Canada Pension Plan. To select the most cost-effective option, SSA needs to collect and assess additional cost information on options available and test different PEBES formats.

Our work suggests that improving PEBES will demand attention from SSA's senior leadership. For example, how best to balance the public's need for information with the problems resulting from providing too much information are too difficult and complex to resolve without senior-level SSA involvement.

Mr. Chairman, this concludes my formal remarks. I would be happy to answer any questions from you and other members of the Subcommittee. Thank you.

For more information on this testimony, please call Diana S. Eisenstat, Associate Director, Income Security Issues, at (202) 512-5562 or Cynthia M. Fagnoni, Assistant Director, at (202) 512-7202. Other major contributors include Evaluators Kay Brown, Nora Perry, and Elizabeth Jones.

YOUR PERSONAL EARNINGS AND BENEFIT ESTIMATE STATEMENT**Your Personal Earnings and Benefit Estimate Statement**
from the SOCIAL SECURITY ADMINISTRATION

February 21, 1996

JANE Q PUBLIC
123 MAIN STREET
WASHINGTON, DC 20223-0000

A Message from the Commissioner of Social Security

Last year, the Social Security Administration sent a Personal Earnings and Benefit Estimate Statement to every American 60 years of age or older who was not receiving Social Security benefits. The purpose of the mailing was to help those individuals understand the value of Social Security in their lives as they plan their financial future. This year, we are sending the statement to people like yourself who are (or soon will be) age 60.

This statement shows the estimated amount of Social Security benefits you and your family may be eligible for now and in the future. The statement also lists the earnings your employers (or you, if you're self-employed) have reported to Social Security over the years. If your records don't agree, please let us know right away. That's important because your benefits will be based on our records of your earnings.

Keep in mind, Social Security benefits are not intended to meet all your financial needs. For example, when you retire, you'll probably need other income, such as savings or a pension.

It's also important to remember that Social Security protection offers more than retirement benefits. Most workers have Social Security disability coverage to protect them from loss of income if they become severely disabled. In addition, financial protection is available to your family through Social Security survivors benefits if you should die.

To help you better understand the basic facts about Social Security, we have included some frequently asked questions on the back of this statement. If you have other questions, we'll be glad to answer them.

For over 60 years, Social Security has worked for all of us and for our families. The Social Security Board of Trustees projects that the system will continue to have adequate resources to pay benefits in full for more than 30 years. This means there is time for the Congress to make changes needed to safeguard the program's financial future. I am confident these actions will result in the continuation of the American public's widespread support for Social Security.

We look forward to serving you today and in the future.

Shirley S. Chater
Commissioner of Social Security

You and Your Social Security

This statement provides information about your own Social Security record only. It does not talk about Social Security benefits you are now getting or might get in the future on anyone else's record. We used the following information to prepare your statement:

Your Name	Jane Q. Public
Your Social Security Number	XXX-XX-XXXX
Your Date of Birth	April 26, 1937
Estimated Future Earnings 1995 On	\$33,375
Other Social Security Numbers Also Assigned to You	None

Your Social Security Earnings

On page 4, we explain more about covered earnings and Social Security and Medicare taxes. The following chart shows your reported earnings. It may not show some or all of your earnings from last year because they are not yet recorded. This year's earnings will not be reported to us until next year.

If your own records do not agree with the earnings amounts shown, please contact us right away.

Years	Social Security			Medicare		
	Maximum Taxable Earnings	Your Reported Earnings	Estimated Taxes You Paid	Maximum Taxable Earnings	Your Reported Earnings	Estimated Taxes You Paid
1937-50	\$3,000	\$ 0	\$ 0			
1951	3,600	0	0			
1952	3,600	155	2			
1953	3,600	945	14			
1954	3,600	0	0			
1955	4,200	0	0			
1956	4,200	0	0			
1957	4,200	1,180	26			
1958	4,200	35	0			
1959	4,800	430	10			
1960	4,800	94	2			
1961	4,800	2,133	64			
1962	4,800	4,696	146			
1963	4,800	4,336	157			
1964	4,800	4,066	147			
1965	4,800	4,292	155			
1966	6,600	4,841	186	\$6,600	\$ 4,841	\$ 16
1967	6,600	3,040	196	6,600	5,040	25
1968	7,800	3,240	199	7,800	5,240	31
1969	7,800	5,560	233	7,800	5,560	33
1970	7,800	6,259	262	7,800	6,259	37
1971	7,800	6,160	283	7,800	6,160	36
1972	9,000	7,216	331	9,000	7,216	43
1973	10,800	8,405	407	10,800	8,405	84
1974	13,200	10,490	519	13,200	10,490	94
1975	14,100	10,652	527	14,100	10,652	95
1976	15,300	12,050	596	15,300	12,050	108
1977	16,500	13,578	672	16,500	13,578	122
1978	17,700	16,224	819	17,700	16,224	162
1979	22,900	16,912	859	22,900	16,912	177
1980	25,300	17,403	884	25,900	17,403	182
1981	29,700	19,732	1,055	29,700	19,732	256
1982	32,400	22,280	1,203	32,400	22,280	289
1983	35,700	22,717	1,226	35,700	22,717	295
1984	37,800	23,694	1,279	37,800	23,694	308
1985	39,600	25,411	1,448	39,600	25,411	343
1986	42,000	26,749	1,524	42,000	26,749	387
1987	43,800	27,970	1,594	43,800	27,970	405
1988	45,000	29,146	1,766	45,000	29,146	422
1989	48,000	30,139	1,826	48,000	30,139	437
1990	51,300	30,472	1,889	51,300	30,472	441
1991	53,400	30,718	1,904	125,000	30,718	445
1992	55,500	30,726	1,905	130,200	30,726	445
1993	57,600	31,307	1,941	135,000	31,307	453
1994	60,600	33,375	2,069	No Limit	33,375	483
1995	61,200	Not Yet Recorded		No Limit	Not Yet Recorded	
1996	62,700			No Limit		
Total estimated Social Security taxes paid			\$ 30,325	Total estimated Medicare taxes paid		\$ 6,654

Your Estimated Social Security Benefits

Your work under Social Security helps you and your family to qualify for benefit payments. The kinds of benefits you might get are described below. For each benefit, you need a certain number of work credits (see page 5). Once you have enough credits, your benefit amounts depend on your average earnings over your working lifetime. We used the earnings in the chart on page 2 to figure your credits and estimate your benefits. We assumed that you will continue to work and make about the same as the latest earnings shown on your records for 1994 or 1995.

Retirement Benefits

To get Social Security retirement benefits, you need 40 credits. That is also how many you need for Medicare at age 65. Your record shows that you have enough credits.

On page 5, we explain about different ages when you can retire. If you worked at your present rate up to each retirement age, your monthly amount would be about:

At age 62 (reduced benefit)	\$	870
At full-retirement age (age 65)	\$	1,100
At age 70	\$	1,480

Disability Benefits

On page 6, we tell you about disability benefits. If you become disabled right now, you need 37 credits to qualify for disability benefits. Of those credits, 20 had to be earned in the last 10 years. Your record shows that you have earned enough credits within the right time.

Right now, your monthly disability benefit amount would be about \$ 1,070

Family Benefits

If you get retirement or disability benefits, your spouse and young children may also qualify for benefits. See page 6 for more information about family benefits.

Survivor Benefits

If you die, certain members of your family may qualify for survivor benefits on your record. See page 6 for an explanation of who may qualify.

If you die this year, you need 37 credits for your survivors to get benefits. Your record shows you have enough. If they met all other requirements, monthly benefit amounts would be about:

For your child	\$	810
For your spouse who is caring for your child	\$	810
When your spouse reaches full-retirement age	\$	1,080
For all your family members, if others also qualify (more children for example)	\$	1,895

We may also be able to pay your spouse or eligible children a one-time death benefit of \$255.

Medicare

Medicare hospital and medical insurance is a two-part benefit program that helps protect you from the high costs of medical care. Hospital insurance benefits (Part A) help pay the cost when you are in the hospital and for certain kinds of follow-up care. Medical insurance benefits (Part B) help pay the cost of doctors' services.

If you have enough work credits, you may qualify for Medicare hospital insurance at age 65, even if you are still working. You may qualify before age 65 if you are disabled or have permanent kidney failure. Your spouse may also qualify for hospital insurance at 65 on your record.

Almost anyone who is 65 or older or who qualifies for Medicare hospital insurance can enroll for medical insurance. You must pay a monthly premium for it.

For More Information or To Correct Your Record

After you read this statement, please call 1-800-537-7005* if you have any questions, if you need to report any missing or wrong earnings on your record, if you want to apply for benefits, or if you want this statement in Spanish. This statement is not a decision on a claim for Social Security or Medicare Benefits. You do not qualify for any of these benefits unless you apply for them and meet all the requirements. This statement is just an estimate of what you may get. In the meantime, your record is updated every year. You can request a new statement to make sure it stays correct.

*Social Security treats all calls confidentially—whether they are made to our toll-free number or to one of our local offices. But we also want to be sure that you receive accurate and courteous service. That is why we have a second Social Security representative listen to some incoming and outgoing telephone calls.

Your Earnings Record

Why does Social Security keep a record of my earnings?

We keep a record of the amount of earnings reported each year under your name and Social Security number. When you apply for benefits, we check your record to see if you worked enough over the years to qualify. Then we base the amount of your payments on your average earnings over your working lifetime.

What kinds of earnings may be on my record?

Almost all kinds of employment and self-employment earnings are covered for Social Security and Medicare:

- Most wages have been covered by Social Security taxes since 1937 and most kinds of self-employment since 1951.
- Medicare taxes on both kinds of earnings started in 1966.
- Some Federal, State and local government workers do not pay Social Security taxes, but most of them do pay Medicare taxes on their "Medicare qualified government earnings."

If you work for wages, your employer reports the amount of your earnings to Social Security after the end of each year. If you are self-employed, you report your net earnings on your yearly income tax return. The chart on page 2 shows the amounts of earnings reported to us. If you had more than one employer during the year, your earnings from all of them have been combined.

If my work is covered for Social Security and Medicare, do all my earnings go on record?

Not necessarily. There are limits each year on how much earnings are taxable for Social Security and for Medicare. If you earn more than the maximum amount, the extra earnings will not be shown.

The chart on page 2 shows the maximum amount that was taxable for each year so far. The amount was the same for both Social Security and Medicare from 1966 through 1990. The Medicare maximum amount was higher from 1991 through 1993. Beginning in 1994, there is no maximum for Medicare. You now pay the Medicare tax on all your wages and self-employment earnings. There is still a limit on taxable Social Security earnings, however.

Are my military service earnings on record?

Your statement shows basic military pay you earned from active duty or active duty for training since 1957 and from inactive duty for training since 1968.

In some cases, you may also qualify for free earnings credits for military service from September 1940 through December 1956. We do not show these free credits on this statement. We decide if you qualify for them when you apply for benefits.

What about railroad work?

If you worked in the railroad industry for less than 10 years, your railroad earnings are included on the chart. We considered these earnings when we counted your credits and estimated your benefits. (If you have 10 or more years of railroad work, you should contact a Railroad Retirement Board office for information about railroad pension benefits.)

Your Social Security Taxes

Why does the chart on page 2 say "Estimated Taxes You Paid"?

The Internal Revenue Service collects your Social Security and Medicare taxes. We do not keep that record. To estimate the Social Security and Medicare taxes you paid, we multiplied your reported earnings by the tax rate for each year. The amounts are shown in separate columns on the chart. If you had both wages and self-employment earnings in the same year, we estimate the taxes as if the total amount was wages. If you had both Social Security earnings and government earnings that qualified for Medicare in the same year, we estimate the combined Medicare taxes you paid.

What are the tax rates this year?

You and your employer each pay Social Security taxes of 6.2 percent on the first \$62,700 of covered wages. You each also pay Medicare taxes of 1.45 percent on *all* your covered wages. If you are self-employed, your Social Security tax is 12.4 percent and your Medicare tax is 2.9 percent on the same amounts of earnings.

Form SSA-7005-SM-SI (2-96)

 Printed on recycled paper

Earning Social Security and Medicare Credits

What are "credits" and how do I earn them?

As you work and pay Social Security taxes, you earn Social Security credits:

- Before 1978, when your employer reported your earnings every 3 months, they were called "quarters of coverage." Back then, you earned a quarter or credit if you earned at least \$30 dollars in a 3-month quarter.
- Starting with 1978 your employer reports your earnings just once a year and credits are based on how much you earn during the year. The amount it takes to earn a credit changes each year.
- In 1996, you get one credit for each \$640 of your covered annual earnings, up to a maximum of 4 credits for the year, no matter when you work during the year.

How many credits do I need for benefits?

On page 3, we tell you how many credits you need for each kind of benefit and whether you have enough. Most people need 40 credits (10 years of work) to qualify for benefits. Younger people need fewer credits for disability or for their family members to get survivors benefits if they should die.

What if I do not have enough credits yet?

The credits you already earned remain on your record, and you add to them as you continue to work and pay Social Security taxes. Under certain conditions, we may also use credits you earned under a foreign social security system to help you qualify for benefits.

What about credits for Medicare benefits?

When you earn credits for Social Security benefits, they also count for Medicare. However, if you have government earnings on which you pay Medicare taxes but not Social Security taxes, those are considered "Medicare-qualified government earnings." Those earnings give you credits for Medicare but do not count for Social Security benefits.

Estimating Your Benefits

How do you figure out the amount of my Social Security benefits?

It is the earnings on your records, not the amount of taxes you paid or the number of credits you have, that we use to figure how much you will get each month. The Social Security law has a special formula for figuring benefits. The formula uses your average earnings over your entire working life. For most retirement benefit estimates, we will be averaging your 35 best years of earnings. If you become disabled or die before retirement, we may use fewer years to figure those benefits.

For the retirement estimates, we assumed that you will continue working up to retirement age. We also assumed you would keep on earning the amount shown as "Estimated Annual Earnings 1995 On." If that still does not give you 35 years, we will use some zero years to figure your average earnings.

When I requested a statement like this several years ago, my retirement benefit was higher. What happened?

We now show benefit estimates in current dollars. If you requested a statement like this before September 1993, we had increased your retirement estimate amount on that statement by 1 percent for each remaining year up to age 62. This reflected expected economic growth. We stopped doing this to make your estimate more consistent with estimates prepared in other pension planning programs.

I worked for the government and so did my spouse. Will our government pensions affect our Social Security?

If your pension is based on work not covered by Social Security, the amount of your Social Security benefits may be lower than shown on this statement. This could include pensions from Federal, State or local governments, nonprofit organizations, or foreign entities. Your spouse's benefits on your record may also be affected by his or her pension. For more information, ask us for the free fact sheets "A Pension From Work Not Covered By Social Security" and "Government Pension Offset."

Retirement Benefits

When can I get retirement benefits?

You can get reduced benefits as early as age 62 or get full-retirement benefits at age 65. (Starting in the year 2000 for people born in 1938 or later, this age will increase gradually. By 2027, full-retirement age will be 67 for people born after 1959.) Your benefits may be higher if you delay retiring until after full-retirement age.

Disability Benefits

Tell me about disability benefits.

These benefits are paid if you become totally disabled before you reach full-retirement age. To get disability benefits, three things are necessary:

- You need a certain number of work credits, and they had to be earned during a specific period of time;
- You must have a physical or mental condition that has lasted, or is expected to last, at least 12 months or to end in your death; and
- Your disability must be severe enough to keep you from doing any substantial work, not just your last job.

Benefits for Your Family

If I retire or become disabled, can my family get benefits with me?

As you work, you also build up protection for your family. Benefits may be payable to:

- Your unmarried children under age 18 (under 19 if in high school) or any age if disabled before age 22; and
- Your spouse or divorced spouse at age 62 (reduced), at full-retirement age, or at any age if caring for your qualified child who is under 16 or disabled.

Usually, each family member qualifies for a monthly benefit that is up to 50 percent of your retirement or disability benefit, subject to the limit explained below.

What about my survivors if I die?

Here again, your unmarried young or disabled children may qualify for monthly payments. We also pay benefits to widows and widowers, starting:

- At age 50 if disabled;
- At age 60 (reduced);
- At full-retirement age; or
- At any age if your widow or widower is caring for your qualified child who is under age 16 or disabled.

Is there a limit on the benefits we can get each month?

Yes. There is a limit on the amount we can pay to you and your family altogether. This total depends on the amount of your benefit and the number of family members who also qualify. The total varies, but is generally equal to about 150 to 180 percent of your retirement benefit. (It may be less for disability benefits.) The family limit also applies to benefits for your survivors.

What if my spouse also worked long enough under Social Security to get benefits?

Your spouse cannot get both his or her own benefit plus a full benefit on your record. We can only pay an amount equal to the larger of the two benefits. Your spouse should call us and ask how to get a Personal Earnings and Benefit Estimate Statement like this. When you both have statements, we can help estimate your spouse's future benefits on the two records.

If You Continue to Work

What if I take my benefits and then want to work some more?

Even if you are still working, you may qualify for benefits. Until you reach age 70, there are limits on how much you can earn without losing some or all of your Social Security retirement benefits. These limits change every year. When you apply for benefits, we will tell you what the limits are at that time and if work would affect your monthly checks and those of your qualified family members.

What if my family members work?

Earnings limits also apply to family members who get any kind of benefits on your record. Their earnings only affect their own benefit payments, however, not yours.

Do these limits also apply if I get disability benefits?

No. Different rules apply to people who get disability benefits. The disability program has incentives to help beneficiaries return to productive work.

Chairman BUNNING. Thank you.

Let me start out by saying a 5-page document sent out by SSA is a little pretentious unless you are going to run for office nationally and you want your name in every household that receives anything from Social Security. Simplification of this statement, like the total amount of money you have contributed toward Social Security, is needed. But this mailing would confuse more people than it would help, resulting in more people calling the Social Security office or coming to the Social Security office unless they are totally and completely familiar with the Social Security system.

Have you been able to convince or have some input on a redesign of this personal earnings and benefit estimate statement?

Ms. EISENSTAT. Mr. Chairman, we briefed Social Security Administration officials in late August with our comments, all of which you have heard today.

They were receptive to our message. They, in fact, made the decision to modify the Commissioner's letter for the 1997 mailing after that briefing. The team that is, day to day, responsible for thinking about how they are going to approach redesign has asked that we meet with them and provide more detailed information. So, I believe they are open to our input.

Chairman BUNNING. Most people that come into our congressional offices are completely unaware of how much money they have contributed into the Social Security system, either the retirement program or the Medicare Program. They are amazed when they get one of these statements that shows that they have totally contributed, like \$7,000 or \$4,000 total.

Like my father, before he passed away, found out that he had contributed \$3,200 and had received back some \$200,000 prior to his decease. The amazing part about it is that most people think they have put in a lot more than they have. Some kind of a statement that shows what they have put in and what their potential benefits are would be, in my opinion, the correct approach, rather than trying to cover every bell and whistle. There ought to be a little block in here that says if you have any questions about how much you have contributed either to the retirement plan or to the Medicare, you ought to give your congressional office a call, rather than the Social Security office, for the simple reason that we are able to get it a lot quicker than getting it from the SSA.

Ms. EISENSTAT. The public has clearly stated that they like receiving this information.

Chairman BUNNING. I understand.

Ms. EISENSTAT. But they do not understand it right now.

Chairman BUNNING. That is right, and at age 62, 65, or 70, this information is very important, but why not give them what their normal benefits are? I mean, 65 is normal.

Ms. EISENSTAT. That is right.

Chairman BUNNING. Why do we estimate what their benefits are going to be at age 70? They may work the additional 5 years and increase their benefits and their quarters. I do not think Social Security knows what their benefits are going to be at age 70.

Ms. EISENSTAT. The feedback that SSA has gotten from focus group participants and individuals who have received the statement suggest that explanations were not clear or maybe they

would like some more information, and over time, the form has evolved to what they have today. And I think SSA lost sight of the impact of providing too much information.

Chairman BUNNING. I think it is great that SSA sends it, but it is confusing. I think everyone should get one, but it is detailed to the point of confusion.

Ms. EISENSTAT. We agree that it can be improved.

Chairman BUNNING. Mr. Jacobs.

Mr. JACOBS. No questions.

Chairman BUNNING. May I make a suggestion that we immediately go to the floor and vote and come back as quickly as possible because we have 10 minutes. We will recess until we get back from the floor.

[Recess.]

Chairman BUNNING. The Subcommittee will reconvene.

Let me just follow up on a couple of things on the statement. According to your testimony, it will cost about \$80 million in the year 2000 to send the PEBES to approximately 123 million workers.

Ms. EISENSTAT. That is correct.

Chairman BUNNING. If we redesign it, cut it back to a more reasonable statement, will that help lower the cost, if we do it quickly?

Ms. EISENSTAT. I do not know that a major redesign could be done quickly. I think that, first of all, SSA has already contracted for the mailings that are going to go out in 1997 and 1998. The soonest they would be able to do a major redesign would be for fiscal year 1999 mailings, largely due to the lead time required to contract something of this magnitude.

Chairman BUNNING. That is unacceptable. I am sorry. They are going to have to do it quicker because they are confusing more people with it than they are assisting.

Ms. EISENSTAT. They can—

Chairman BUNNING. And we think it is very important. We do not want to resort to legislation, but it can always come to that.

The way to solve the problem is to ask them to redesign it and to make it readable and understandable because everybody likes to get it, but it creates a lot of questions.

Ms. EISENSTAT. There are some changes that SSA can make now to clarify some of the explanations that people are finding confusing now, but anything major, we have learned in our discussions with them, would take longer to do.

Chairman BUNNING. Workers do not realize what the maximum taxable earnings are each year or the difference it makes. They want to know what was reported in taxes and what they have paid. That is important. They also want to know, what their benefits potentially will be at age 65, and the same thing with Medicare.

Since we have uncapped Medicare, it is hard to predict how much they are going to be paying in, and if we are going to actually salvage Medicare, we have got to figure out a way that we can—with the money available—continue to pay the benefits that we are paying.

So, what you are saying is not acceptable to me; that it is going to be 1999 before SSA can change PEBES. We will convey that to the Social Security Administration. Lead time should not be 3

years or 2 years. The contract will have to be altered because we want to make sure that the statement is available and effective, and what SSA has now is not either.

Ms. EISENSTAT. There are some things that SSA can be doing now to start testing reader comprehension and getting a much better handle on what an appropriate format would be and what level of information is necessary to satisfy the public. So, there is work that they can be doing now to improve the statement.

Chairman BUNNING. As Chairman of the Social Security Subcommittee, when I got my statement, I had a devil of a time getting through it and understanding exactly what it said. I want everybody to realize that they are not incompetent when they get their statement and they cannot understand it because the level of understanding that I have of Social Security is just a little bit higher than the average person out there. So, we really need some assistance from SSA on this matter.

Ms. EISENSTAT. We are going to be continuing to work with SSA. We have some additional work to complete for you on this matter.

Chairman BUNNING. OK. Mr. Jacobs, go ahead.

Mr. JACOBS. Well, I do not have any questions. Somebody just handed me the Private Industry Guide to Social Security for 1996, and I have not had a chance to read the whole thing. It has some nice pictures in it, but it runs to 47 pages. I realize these statements relate to a specific account, rather than a general overview, but I do think, Mr. Chairman, it is possible sometimes that we write things at 3 o'clock in the morning and they make more sense the next day to someone else.

My dad used to refer to work that he did as a judge when he wrote an opinion—he was an amateur carpenter, and he used to refer to it as sanding it down, and that is what happens. They say probably Ted Sorenson's—or Mr. Kennedy's phrase, "Ask not what your country can do for you," probably stemmed from constantly saying that they want this and they do not want to pay taxes. They probably kept sanding it until it got down. So, I think there was always room for improvement, conciseness, and clarity.

That is all I have to say.

Chairman BUNNING. Craig.

Mr. LAUGHLIN. Thank you, Mr. Chairman.

The only thing I would say is if you do not accomplish anything in your whole career in this position, if you can get them to send out a simplified statement informing the American citizen what he or she has paid and what they are entitled to by way of some simple accurate information, you will have earned every nickel multiplied by a thousand in your wages, and it would be a great service to the American people if you can do that.

I know you will be more successful in additional areas than that. Let me brag a second. I have a law degree, and I look at this and it is wasted paper and wasted ink.

Thank you for your service.

Chairman BUNNING. Mr. Johnson.

Mr. JOHNSON. Thank you, Mr. Chairman.

You made the statement that the Social Security Administration is open to your suggestions. Can you describe what that means?

What is the difference between open versus doing something about it?

Ms. EISENSTAT. We just met with SSA several weeks ago, and they left us with the impression in the course of that meeting that they understood what we had to say, thought we had some good ideas, and were going to consider them. In fact, since that meeting, SSA has made some changes and has asked us back to provide more detailed information.

So, I believe they are receptive to thinking about change.

Mr. JOHNSON. Does that mean that they do not have the ability to redesign those forms themselves? They have to lean on the GAO to do it for them?

Ms. EISENSTAT. I think that they are interested in improving the statements, and we have some information that we received from some design experts that we used. We hope to share that with them and hope that it will help them to improve the statement.

Mr. JOHNSON. Who did they use to design the form in the first place?

Ms. EISENSTAT. SSA has done this inhouse. They have done it on their own.

Mr. JOHNSON. Well, they did it through a bureaucratic process, which it shows.

Ms. EISENSTAT. Yes.

Mr. JOHNSON. When are you supposed to get those forms? What age group is getting them?

Ms. EISENSTAT. In 1995 individuals who were age 60 began to receive them.

Mr. JOHNSON. All individuals that are on the Social Security rolls?

Ms. EISENSTAT. Well, all those who were workers who were already at age 60 were to receive——

Mr. JOHNSON. In 1995.

Ms. EISENSTAT. In 1995.

Mr. JOHNSON. What timeframe was that?

Ms. EISENSTAT. Do you mean what time of year did they receive them? The mailing was staggered.

Mr. JOHNSON. Staggered by what process? Do they stagger over the whole year?

Ms. EISENSTAT. I will ask Cindy Fagnoni to——

Mr. JOHNSON. Well, wait 1 minute. If you guys or GAO are getting into this business and do not know how they are doing it, I cannot believe that you have gone into it in enough detail. Do you know that or don't you?

Ms. FAGNONI. They do not mail them all at one time. They stagger them.

Mr. JOHNSON. I understand that. How? What process do they use to stagger them?

Ms. FAGNONI. Well, they contract out for somebody to do the printing.

Mr. JOHNSON. So they cannot do it inhouse, and yet it requires x number of employees to do this and to process this, and yet they are contracting out. If they are contracting out, why do they need the employees in the SSA?

Ms. FAGNONI. Well, there are some upfront activities that are required for people at SSA to get the addresses from IRS, to identify the list of people to whom the statements will be sent, and to make sure, as best they can, that the earnings records they are printing are correct.

Mr. JOHNSON. And did you check the records? Do you know that they are processing everybody that is on the roles?

Ms. FAGNONI. That was not within the scope of this particular job.

Mr. JOHNSON. Well, how do you know how many they are doing then, and how many they are supposed to do, and how can you come up with a cost estimate if you do not know that?

Ms. FAGNONI. Well, the cost estimate that we cite is SSA's own cost estimate, and we have their figures that break down their estimate of what the production costs are and the personnel cost for the front-end and back-end efforts.

Mr. JOHNSON. The reason I am asking this question is because I never got one, and I was 65 in 1995. Now, when am I supposed to get one? Do you know the process? When am I supposed to get it?

Ms. FAGNONI. There is a schedule between 1995 and the year 2000 where SSA over time will be mailing out statements each year to individuals who turn 60. By the fiscal year 2000, every worker age 25 and over will receive one.

Mr. JOHNSON. Now, wait 1 minute. You told me at 65, everybody was getting one, and it was staggered throughout the year.

Ms. FAGNONI. At age 60. Only 60. I am sorry.

Mr. JOHNSON. Sixty.

Ms. FAGNONI. Right.

Mr. JOHNSON. And staggered over 1 year. Now you are telling me it is to the year 2000. What is right, and what is wrong?

Ms. FAGNONI. Beginning in the fiscal year 2000, SSA will begin sending these statements annually.

Mr. JOHNSON. OK. Disregard 2000. Tell me about right now.

Ms. FAGNONI. Right now they are sending statements each year to workers who turn 60 in that year.

Mr. JOHNSON. And what is the process for staggering those workers' forms? Do they do it A, B, C, D; A in January, B in February, and so forth? What is the process? What is the technical procedure that they use? Do you know? You do not know.

Ms. FAGNONI. I am sorry.

Mr. JOHNSON. OK, let me ask you another question, then. Why is the lead time so long on their contractual arrangements? Why do we have to go out 2 years ahead to produce something? Because we here in our office are elected for 2 years, and when we make mailings to 40,000 people in our districts, we can do it in 1 week. Now, tell me why they cannot do that.

Ms. EISENSTAT. SSA has been letting contracts in the spring of a year. For example, for a mailing that is going to go out in the year 2000, in the spring of 1999, they would have had to have let a contract.

Mr. JOHNSON. Well, get off of 2000, and tell me about next year.

Ms. EISENSTAT. They have already let the contract for—and have statements in hand that they will be using for the 1997 and 1998

mailings. They have committed to contractors to both print and distribute that information.

Mr. JOHNSON. How do you know who those people are 2 years ahead?

Ms. EISENSTAT. The people that should be receiving the statements?

Mr. JOHNSON. Yes.

Ms. EISENSTAT. SSA has the necessary information in its systems.

Mr. JOHNSON. They know who is going to go to work next year already?

Ms. EISENSTAT. Well, no. They have information in their system about the earnings for people who already have paid Social Security—

Mr. JOHNSON. But if somebody went to work in this year, they would not have them on that list, would they, if they had not worked before?

Ms. EISENSTAT. The people they are sending these statements to will have already paid into Social Security, I believe. So, if you went—

Mr. JOHNSON. So, it is not going to everybody that is working at 60 or has worked up to that date. It is only those who are qualified for SSA benefits. Is that true?

Ms. EISENSTAT. I am going to ask Ms. Fagnoni.

Ms. FAGNONI. It is anybody who had a work record.

Mr. JOHNSON. Whether they have qualified for benefits or not?

Ms. FAGNONI. Right, that is true. Yes.

Mr. JOHNSON. OK. Then my point is, how do you perceive 2 years ahead who is working and who is not working? If that is the criteria, I think their system is faulted, and you all did not discover that.

Ms. FAGNONI. Well, the 2-year contract is for the production and mailing of the documents, but the front-end activity that the Social Security workers will do each year to check the earnings records and compile the mailing list is something they would do inhouse and is not linked specifically with the contract.

Mr. JOHNSON. OK. When they contract out for these mailings, what do they do? Do they send a disk to those people and say this is what we want mailed, or do they have the contractor devise the system and come up with the people and the names?

Ms. FAGNONI. No. It is SSA which has to provide the list and the names to the contractor, yes.

Mr. JOHNSON. So all the contractor is doing is mailing?

Ms. FAGNONI. Printing. Printing and mailing, right.

Mr. JOHNSON. Printing and mailing.

Ms. FAGNONI. Yes.

Mr. JOHNSON. And you are telling me that has to be 2, 3, 4, 5 years ahead of time. That is baloney.

Ms. FAGNONI. Well, that is currently. SSA currently has chosen to have a 2-year contract.

Mr. JOHNSON. OK. So then, the SSA can back off and change contractual arrangement and change the form. You said they could not change the form.

Ms. EISENSTAT. If they want to change what they have already contracted for, there are, I am sure, in those contracts some penalty clauses.

Mr. JOHNSON. OK. That is what I wanted to hear you say.

Now, please tell me again—you said they were open to change. In your view, do they act like they are getting with the program, or are they just blowing smoke at you?

Ms. EISENSTAT. I believe that they are open to redesigning the statement.

Mr. JOHNSON. Are they going to do it?

Ms. EISENSTAT. I do not know precisely when they are going to do that.

Mr. JOHNSON. Are you all going to follow up on that?

Ms. EISENSTAT. We are going to be working with them, yes, further. We have additional work.

Mr. JOHNSON. OK. Can it be done on one page?

Ms. EISENSTAT. It can be done. I can show you an example of what the Canadian pension plan has done. They put on one page the earnings and benefit information. There is a little bit of explanatory information on the back. They have a separate brochure that contains the more detailed material.

Mr. JOHNSON. Do people write for that, or do they mail it to them automatically?

Ms. EISENSTAT. They do this automatically in Canada, but they do it every 3 to 4 years. This is not an annual mailing.

Mr. JOHNSON. Not every year.

Ms. EISENSTAT. That is right.

Mr. JOHNSON. That is interesting. Why didn't we go talk to them before we did our form? Did you ask them that?

Ms. FAGNONI. My understanding is that it was suggested that SSA speak with the Canadian Government because this was one model that was identified when the PEBES legislation was enacted, and I believe SSA may have had one discussion with Canadian officials, but it is our understanding that they did not solicit additional help.

We did meet with Canadian Government officials to understand a little bit more about their process.

Mr. JOHNSON. OK, but can we state unequivocally that it can be done on one form? You all would agree with that?

Ms. EISENSTAT. It can be done.

Mr. JOHNSON. And can we say that contractual arrangements with contractors do not have to hold to the form itself? They could have it done by the next cycle if they wanted to?

Ms. EISENSTAT. I do not know precisely how much time it would take to make a significant change, but assuming that they would break the contractual arrangements they have now, it is possible to make changes sooner.

Mr. JOHNSON. Good. Thank you very much. I appreciate your testimony.

Thank you, Mr. Chairman.

Chairman BUNNING. Is this an official document of the Social Security Administration?

Ms. EISENSTAT. I have seen the document. I am not sure.

Chairman BUNNING. It is a "Guide to Social Security and Medicare."

Ms. EISENSTAT. I do not believe that it is.

Chairman BUNNING. OK. This is a Mercer publication. No, that is not from SSA. I just wondered where it came from. It seems rather elaborate.

Thank you for your testimony.

Ms. EISENSTAT. Thank you.

Chairman BUNNING. We would like for the DDSs to give their testimony. Go ahead, GAO on the disability redesign testimony.

Ms. EISENSTAT. I would like to now turn my comments to the status of another important SSA initiative, efforts to redesign the disability claims process.

As you know, SSA operates two disability programs that provide cash benefits to people with disabilities, the Disability Insurance and the Supplemental Security Income Programs, DI and SSI.

While downsizing substantially, SSA has struggled to deal with unprecedented growth and applications for disability benefits and a number of appealed disability decisions.

Concerned about reducing administrative cost, saving time and improving the quality of service to claimants, SSA's leadership turned to reengineering in 1993. The objective of reengineering is to fundamentally rethink and radically redesign a business process from start to finish so that it becomes more efficient and significantly improves service to customers.

SSA's broad-based plan to be completed by 2000 is focused on streamlining the disability process by relying more on automation and making more efficient use of its work force.

Our work suggests that SSA has taken steps to improve this process and needs to continue with its efforts. However, its plan to undertake a large number of initiatives at one time is proving to be overly ambitious and complex.

Stakeholder support for the redesign effort is also diminished, in part, because employees fear losing their jobs.

The increasing duration of the overall project and individual initiatives also heightens the risk of disruption due to turnover in key executive positions.

The steps claimants go through in the current disability determination process have not changed in any significant way since the DI Program began in the fifties. The process is slow, labor intensive, and paper reliant.

In order to make the process more efficient, SSA will rely heavily on additional information technology. It will also develop a simpler method for making disability decisions.

Other key elements of the plan include combining the work of State and Federal offices into one position, allowing the claimant to meet with the decisionmaker, and creating a new adjudication officer to expedite decisionmaking at the appeals level.

The overall complexity and scope of SSA's implementation plan is limiting the progress of the redesign effort. Experts suggest that while a redesign project can be large and encompassing, organizations should segment projects, concentrating on a small number of manageable initiatives at any one time.

In prioritizing its redesign initiative, SSA chose to work on 38 of them simultaneously. Thousands of Federal, State, and contractor employees are being used throughout the country to design, test, and evaluate processes and training programs.

As of July 1996, it had not fully completed or implemented any of the 38 initiatives and is running behind schedule in meeting its testing milestones.

Moreover, SSA has had problems implementing some of the more complex initiatives. For example, SSA has undertaken a technology initiative to more fully automate the processing of disability claims. Today, completion of this key initiative is falling behind schedule, and software has been delayed by more than 2 years.

While organizations may undertake redesign projects that will take 2 to 5 years to complete, experts suggest that individual project initiatives should be completed quickly, generally taking no more than 12 months to implement.

A number of SSA's initiatives are beginning to expand in scope and become lengthy endeavors. To illustrate, the scope of SSA's initiative to achieve consistent adjudication results throughout all stages of the disability process has expanded. It started with a plan to develop a single policy manual for use by all SSA and State employees. It has evolved to also include conducting the same training for 14,000 decisionmakers, developing a consistent quality review process, and using medical and vocational expert input.

With this expansion of task, full implementation has been extended from September 1996 to January 1998, or later.

The cornerstone of any redesign effort is a commitment in long-term availability of its top leaders. Redesign initiatives may take many years to complete, and they may face increased risk that leadership change will occur. This is especially true in government where there are frequent changes in leadership and policy. SSA has already experienced turnover of key executives since implementation of redesign began.

SSA has tried to involve stakeholders in the redesign project by including them on project task teams and work groups. While its stakeholders are generally supportive of the need to redesign the process, it has encountered problems obtaining and sustaining support from some groups. We found that SSA's decision to create a position to adjudicate claims raised fears that some people would lose their jobs.

Furthermore, SSA's decision to temporarily promote Federal employees selected for the position to a higher pay grade raised major concerns for State employees who would be paid less for the same work.

In summary, SSA should be commended for initiating action to significantly improve its disability claims process and should continue its efforts. However, SSA has made limited progress. Many of its planned initiatives are behind schedule, and none are far enough along for us to know whether specific changes will achieve the desired results.

We are concerned that SSA has undertaken too many complex initiatives simultaneously. It should focus its efforts first on a smaller number of initiatives and place emphasis on those that will

have the greatest impact on decreasing administrative cost and processing time and improving service to the public.

SSA should reevaluate the relative priority of the remaining initiatives to the redesign goal and implement them as resources permit.

That concludes my remarks. We will be happy to answer any questions from you and other Members of the Subcommittee.

Chairman BUNNING. Who wants to speak first?

STATEMENT OF DOUGLAS WILLMAN, PRESIDENT-ELECT, NATIONAL COUNCIL OF DISABILITY DETERMINATION DIRECTORS; AND JERRY A. THOMAS, PRESIDENT, NATIONAL COUNCIL OF DISABILITY DETERMINATION DIRECTORS

Mr. WILLMAN. I will do that, Mr. Chairman.

Chairman BUNNING. OK.

Mr. WILLMAN. On behalf of our organization, thank you for the opportunity to appear here today and present our views regarding SSA's plan to redesign the program.

Mr. Chairman, in your invitation, you asked that we comment on SSA's redesign initiative and make suggestions for improvement, and we are pleased to do so.

First, regarding the report of the Comptroller General on this subject on July 25, we generally agree with the report, except for the observation that the process is nearly unchanged since the program began in the fifties. This misconception was first stated by SSA's original reengineering task team and has gone unchallenged, but the reality is that the program has undergone steady and constant adaptation and presently bears little resemblance to what it was in the fifties, and we regret not having commented to GAO earlier on this matter.

We especially agree with the Comptroller General's observation that SSA has undertaken too many complex initiatives simultaneously and has not given sufficient priority to those most likely to reduce processing time and administrative costs.

You asked for our views on SSA's disability redesign initiative, and there are three aspects in which we would like to comment.

First, we feel that the majority of the redesign initiative seemed to us not to be useful in accomplishing the stated goals of redesign. While we certainly agree with Commissioner Chater's five stated goals, we just do not see much relationship between those goals and the process changes that SSA says it plans to implement.

The proposed changes seem to us to be unreasonably disruptive and more labor intensive and more complex and much more costly than the existing process while offering no realistic or sensible path toward better, faster, or more economical case processing. Examples include SSA's proposal for creating the position of disability claims manager and for further fragmenting the current process by having some cases decided at Social Security field offices. These initiatives, in our view, would be expensive and disruptive, while contributing little or nothing to improve public service.

Second, we are concerned that some aspects of SSA's redesign plan will make the program more vulnerable to fraud. For example, the acceptance of treating physician certification and transferring responsibility for collection of medical evidence from unbiased em-

ployees to claimants and their representatives are almost certain to increase vulnerability to fraud.

Third, we, like GAO, are concerned that by attempting to move forward on so many fronts at once, SSA will sacrifice progress toward solving what we see as the most important task, and that is bringing reasonable consistency to the decisionmaking processes and outcomes between State DDSs and the SSA Office of Hearings and Appeals.

We strongly believe that variance and decisionmaking between the two levels is by far the most serious problem in the disability program. When twice denied cases are appealed to OHA, about 75 percent of them are reversed from denial to allowance.

Now, our employees know that they would not be permitted to allow the same kinds of cases that they see allowed on appeal. Every day we deny benefits to persons whom we are quite sure will be allowed if they just appeal their denials to OHA, hire a lawyer, and then wait more than 1 year for an appeals-level decision.

This underlying problem and its day-to-day effect on the lives of ordinary Americans overwhelms all other problems facing the disability program. Something is seriously wrong with this system and urgent and energetic management attention is needed.

After a long history of failing to address this problem, SSA seems at last to be taking some positive steps under a project called Process Unification. We support this effort, but point out that it must be regarded as only one small step toward unifying two almost unbelievably disparate processes. Much more needs to be done, and we are concerned that attempting redesign activities in so many areas at once will result in the depletion of resources, such that there will be inadequate attention to the central problem.

Finally, you asked for suggestions on how we feel the initiative could be improved. We offer two suggestions. First, we believe that resolving the differences between the two levels if the most important objective, and therefore, we recommend that all available redesign resources be focused on this part of the redesign plan.

Given SSA's long history of profound reluctance to address this problem, SSA may well need the continuing attention of you and your Subcommittee to make sure that attention is focused and progress is made in this area.

Second, we feel that SSA should move forward with large-scale implementation only of those changes which can be shown through careful testing to have short-term beneficial impacts on accuracy, processing time, administrative costs, or other aspects of public service.

Mr. Chairman, Members of the Subcommittee, thank you again for the opportunity to appear here today and to present our views.

[The prepared statement follows:]

TESTIMONY OF
 JERRY THOMAS, PRESIDENT
 AND
 DOUGLAS WILLMAN, PRESIDENT-ELECT
 NATIONAL COUNCIL OF DISABILITY DETERMINATIONS DIRECTORS

BEFORE THE SUBCOMMITTEE ON SOCIAL SECURITY
 COMMITTEE ON WAYS AND MEANS
 UNITED STATES HOUSE OF REPRESENTATIVES

REGARDING IMPROVING THE PERFORMANCE OF SOCIAL SECURITY
 AS AN INDEPENDENT AGENCY

SEPTEMBER 12, 1996

Chairman Bunning and members of the sub-committee, on behalf of the members of the NCDDD, thank you for the opportunity to appear here today to present our views regarding SSA's efforts to redesign the disability program.

The NCDDD is a professional organization of the directors and other management staff of the state Disability Determination Services agencies. The DDSs participate in the disability program by making the initial determinations of eligibility for disability benefits. We appear here today experiencing great concern about the future of the disability program, the declining image of the program in the eyes of the public, and the solvency of the disability trust fund. We desire a program that produces correct and consistent determinations of eligibility, that makes these determinations in the shortest possible time, and that operates at the least reasonable cost to the tax payer. By "correct" decisions, we mean that benefits are received by persons who are unable to work because of a medical impairment. By "consistent" decisions, we mean that decision making should not substantially vary from state to state or between the initial and appellate levels of determination. We know that the current process can be and must be improved in terms of its ability to achieve these objectives. We want to work with SSA, with other representatives of the DDS community and with Congress to increase the accuracy of the process, to reduce processing time, and to control costs.

Mr. Chairman, in your invitation to us to appear here today, you asked that we comment on three matters -- the testimony of the Comptroller General on July 25 regarding SSA's redesign initiative, our own assessment of the redesign initiative, and suggestions for improving redesign. We are pleased to provide the following comments.

FIRST, regarding the report of the Comptroller General dated July 25, 1996, we agree with all aspects of the report except one. The report described the disability determination process as being labor-intensive, paper-reliant, and *nearly unchanged since the program began in the 1950's*. This is a misconception which was first stated by the task team that SSA convened in October of 1993 to devise a plan for a reengineered program. For a team charged with radically redesigning the program, stating that there had been no real change for forty years was a useful piece of fiction. But the reality is that the program has undergone constant incremental change and adaptation as required by changes in the law, SSA policy, the demographics of the population seeking benefits, office technology, and the practice of medicine. The strategies used to collect medical evidence, the type and amount of evidence collected, and the methods for analyzing the evidence in comparison with program standards are just a few examples of the ways in which the process has changed over the past few decades. Indeed, SSA officials, as late as 1992, commented that there had been so much change in the disability program that what was needed most in the DDSs was a period of stability to absorb all the changes and to incorporate them into the routine. As individuals who have been employed in the program for more than twenty years, we can assure you that an employee who departed a DDS in, say, 1980, would notice substantial improvements if he or she were to return to a DDS today. We regret not having informed the GAO of the misconception stated by SSA in the original reengineering plan and thus having contributed to the appearance of what we regard as an inaccurate statement in the Comptroller General's report.

We agree with all other aspects of the Comptroller General's report, especially his observation that "SSA has undertaken too many complex tasks (simultaneously) and has not given sufficient priority to initiatives most likely to reduce processing times and administrative costs".

SECOND, you asked for comments on our views of SSA's disability redesign initiative. There are three areas on which we would like to comment.

- 1) **Many of SSA's proposed process changes seem unlikely to result in any significant program improvement.** While we certainly agree with Commissioner Chater's five stated objectives, we generally see little relationship between the objectives and the specific process changes that SSA says it intends to implement. The proposed changes seem to us to be generally more labor intensive, more complex, and much more costly than the existing process while offering no realistic promise of better decision making or faster case processing. We believe that the combination of the objectives and the specific process changes comprise an excellent intended destination but a route that not only won't take the program there but will take it to a less desired destination than where it is now.

As just one illustration of this point, we offer the example of SSA's proposal for creating the position of the Disability Claims Manager (DCM).

The DCM would be created by combining duties presently performed by SSA Claims Representatives (CRs) in the field offices and Disability Examiners (DEs) in the DDSs. Under the present process, CRs conduct the intake interviews and handle all the non-medical aspects of claims processing, and DEs compile a medical record for each case, analyze the facts in each case in comparison with the requirements of the law, and, with the help of physicians and psychologists, make the determinations of eligibility. These are very difficult jobs, and they require entirely different skills and interests. CRs must be able to deal face-to-face with the public while DEs must possess analytical skills. The proposal to combine these two positions into one presumes that enough workers can be found who possess these two disparate types of skills. Our management experience in the disability program has taught us that most individuals have strong personal preferences for a narrower range of tasks. Those who enjoy the public contact involved in claims taking and interviewing seldom also enjoy the isolative nature of performing a careful individualized analysis of a difficult case. Under the present process, the presence of one skill or the other enables an individual to work successfully in the program. But with DCM the absence of one of the skills would disable an individual from successful work. Thus, the DCM initiative accomplishes exactly the opposite of what should be our intention in job design. It introduces needless complexity and narrows the proportion of individuals in the available work force who can perform the work well.

Further, each job has a substantial front end training period (three or four months) before any significant work is performed and each is estimated to require from one to two years experience before the worker is reasonably proficient. Combining the jobs approximately doubles the amount of training time required for each employee before they become productive thereby substantially increasing case processing costs. And this increase in down time due to training does not end with initial training. Presently, if a program change affects only benefit computation, then only the CRs are trained in this change, and if another change affects only medical policy, then only the DEs are trained. But if the two positions are combined into one, every employee must be trained in every change thereby doubling the ongoing and long term training costs.

When the DCM concept was first announced, the obvious problems were very well explained to SSA by all field components including NCDDD, NADE, and SSA's own front line workers. SSA attempted to deflect reservations about the ability of one person to handle such a broad range of tasks by asserting that a complex system of "enablers" would be developed. The enablers included a state of the art computer system, a simplified methodology for eligibility determinations, a vastly improved relationship with the medical community, transfer of responsibility for collection of evidence to claimants and their representatives, and other improvements. Pending development of the enablers, SSA proposed that DCM be preceded by arrangements in which CRs and DEs would work in teams to determine if closer cooperation would result in improved service.

NCDDD endorsed this teaming concept and acknowledged that the DCM position would be more realistic in the presence of this future system of enablers. At that time, we also expressed concern that SSA might attempt to forge ahead with the DCM concept prematurely (that is, without developing the enablers) and that this could lead to a deterioration in public service. In November of 1995, we were disappointed to learn that this is exactly the path which SSA then resolved to take. In an initiative known as the Accelerated DCM Project, SSA negotiated a Memorandum of Understanding with its principle union calling for the creation of at least 1500 such positions (half each at the state and federal level) at a salary grade of GS-12 for the federal employees. In our view, the creation of 1500 positions (about 25% of the positions currently utilized to make the eligibility determinations) for a completely untested concept of very dubious practicality was an example of dangerous adventuring that would have exposed the disability program to substantial and needless risk. Using the authority delegated to the states under Section 221 of the Social Security Act, the NCDDD declined to accept the proposal to transfer state work sufficient in scope to occupy 1500 DCMs. We proposed instead that the concept be tested with only 120 participants. According to SSA's estimates, this would have reduced the cost of the test from \$23.7 million to \$1.7 million. Apart from the dollars, a test of the narrow scope we proposed would not have taken nearly so many employees out of productive work for the elongated training period necessary to learn DCM skills. Eventually, we were successful in changing the number of DCM positions to be tested from "at least 1500" as originally negotiated between SSA and AFGE to 290. Even 290 is well beyond the number recommended by SSA's Office of Program Integrity Review and Office of Workforce Analysis as the minimum needed to determine the viability of the position.

Even though we have agreed to a scaled down test of the accelerated DCM, we would prefer that SSA return to the original quite sensible path toward the DCM (begin with teaming, then develop the enablers, then test the DCM). SSA has been unable to demonstrate to our satisfaction any reasonable basis for concluding that, under the accelerated DCM, decisions would be made more accurately or that processing time would decrease. There is excellent reason to believe that the opposite will happen. Further, the accelerated testing, in the absence of the enablers, will not even answer the key question --- 'is the DCM a viable position?'

And there is one other very troubling aspect about the concept of the DCM. When discussing the problems associated with developing the position, SSA officials have often sought to terminate the deliberations by stating that the position must be developed because it is what the public wants. Ostensibly, this public mandate was communicated to the original reengineering work group during focus group meetings and field interviews. However, any evidence that the public ever delivered a clear and consistent message on this topic is strangely absent. We have been informed that much of the record of the focus groups has been destroyed. The records that we have been able to obtain simply do not include any basis for concluding that the 'single point of contact' was ever really demanded by the public representatives. Perhaps SSA should be asked to clarify and reconfirm that it correctly interpreted the public expression before it proceeds with the DCM test of the accelerated DCM.

We offer the illustration of the DCM initiative as an example of a recurring phenomenon in redesign --- SSA proposes costly, disruptive, and labor intensive changes which seem unrelated to program improvement in general and to the Commissioner's five stated objectives in particular. So many of the redesign process changes seem to be different, but not better. We want change that can be related to improved service either for the claimant or for the tax payer and hopefully for both. We don't see that this is the case.

- 2) **We also are concerned that some aspects of SSA's redesign plan will make the program more vulnerable to fraud.** SSA has historically been reluctant to recognize the extent to which the disability program is abused by persons and organized groups of persons who are not truly unable to work. Some aspects of the redesign plan will make the program even more vulnerable to fraud and abuse. The first is the acceptance of a treating physician's certification of diagnostic and functional assessment information

without requiring supporting details. Day to day experience in case development reveals numerous instances in which summary reports by treating physicians describe a level of severity clearly beyond that which is evident when detailed records are obtained. This phenomenon will become more common when the applicant public learns that SSA will pay benefits based on a physician's statement. Just as the local public has learned which physicians are most apt to prescribe desired pharmaceuticals, they will soon learn which physicians are most cooperative in providing disability certifications. "Doctor shopping" will become commonplace. Similarly, transferring responsibility for collection of medical evidence from unbiased employees to claimants and their representatives will also increase vulnerability to fraud. The interested parties will be able to selectively present evidence which supports a finding of disability and to suppress that which would support denial. They will be able to "preview" reports from treating sources and to attempt to engineer amendments of the content such reports in order to present a stronger case for being awarded benefits.

- 3) **We are concerned that by attempting to move forward on so many fronts simultaneously, SSA will sacrifice progress toward solving what we see as its most important task -- bringing reasonable consistency to the decision making processes and outcomes between the state DDSs and the SSA Office of Hearing and Appeals (OHA).**

We believe that variance in decision making between the two levels is by far the most serious problem in the disability program. Without asserting which component is "right", the facts are as follows: DDSs process initial and reconsideration level decisions on average in about 70 days at a cost of about \$300 per case. According to SSA quality reviews, DDS claims have a decisional accuracy of about 97%. However, when about 70% of the reconsideration denial cases are appealed to OHA, the appeals are, on average, not completed for over a year, the administrative cost per case is in the neighborhood of \$1000, and about 75% of the cases are allowed. When these OHA allowed cases are returned to the DDSs for continuing disability review, our employees know that they could not possibly have allowed the cases on the same facts. We encounter this evidence of differing standards on a daily basis. Similarly, every day, we, at the DDSs, deny disability benefits to persons whom we are quite sure will be allowed if they appeal their denials to OHA, hire a lawyer, and wait more than a year for an appeals level decision. Something is seriously wrong with such a system, and urgent and energetic management attention is needed.

After a long history of failing to address this problem, SSA seems, at last, to be taking some positive steps under a project known as process unification. The first step under process unification consists of a set of rulings by the Commissioner and an ambitious attempt to train adjudicators at all levels in the application of these rulings. We applaud this training effort, but point out that this must be regarded as only the first small step toward unifying two almost unbelievably disparate processes. Much more needs to be done, and we are concerned that attempting redesign activities in so many areas at once will result in the depletion of resources such that there will be inadequate attention to the central problem. For example, a key obstacle in bringing the two processes together is the question of reviewing the cases completed by the Administrative Law Judges to determine if they have applied the policies correctly and enforcing corrective action on cases found to be in error. Without a means of enforcement, all other actions will be ineffective. Yet SSA plans to review only about 10,000 OHA cases per year which, on average, is only about one case per individual ALJ per month. This number is not high enough to provide meaningful feedback to ALJs nor to establish useful enforcement in cases in which ALJs are not correctly applying agency policy.

THIRD, you asked for suggestions as to how the redesign initiative could be improved. We present suggestions in three areas.

- 1) As stated above, we believe that resolving the differences between the two levels of adjudication is the most important initiative. The underlying problem and its day to day effect on the lives of ordinary Americans overwhelms all other problems facing the disability program. Therefore, we recommend that all available redesign resources be focused on this part of the redesign plan. We believe that if process unification succeeds in bringing reasonable consistency to the program and if all other aspects of redesign prove ineffective, redesign will be seen as a success. Conversely, if all other aspects work, but the two levels of decision making continue to produce such disparate results, then redesign will be seen by the American public as having failed. Therefore, we feel that SSA should unequivocally designate process unification as the number one redesign priority and devote to it all the resources necessary to produce the best possible results in the shortest realistic time. Only those resources that are not necessary for effective process unification should be applied elsewhere. Given the long SSA history of profound reluctance to address this problem, SSA may well need the continuing attention of your committee to assure continued emphasis and progress in this area.
- 2) SSA should move forward with large scale implementation only of those changes which can be shown to have short term beneficial impacts on accuracy, processing time, administrative costs, or other aspects of public service. Until the efficacy of process changes can be proven through the use of carefully observed small scale pilots, large scale implementation places the program at needless risk.
- 3) SSA should successfully develop the several "enablers" identified in the redesign plan before attempting to implement the concept of the DCM on any level other than the smallest pilot that will produce useful data. A moratorium should be placed against the creation of any additional DCM positions until the efficacy of the position is established by the performance of DCMs in the pilot.

Mr. Chairman, and members of the committee, thank you again for the opportunity to appear here today to present our views on SSA's attempts to redesign the disability program.

**STATEMENT OF LARRY DEVANTIER, PRESIDENT, NATIONAL
ASSOCIATION OF DISABILITY EXAMINERS**

Mr. DEVANTIER. Chairman Bunning and Members of the Subcommittee, on behalf of myself and the board of directors and members of the National Association of Disability Examiners, we thank you for this opportunity to present NADE's views on the Social Security Administration's plan to redesign the disability program.

We are concerned about the future of the disability program and the integrity of the trust fund. We believe disability decisions should be timely, accurate, and uniform throughout the country. We agree that the current disability program is flawed.

We have supported efforts to correct problems in the past and will continue to do so in the future. We do not believe we can continue business as usual. However, we have serious reservations about SSA's current plan to redesign the disability program.

On July 25, 1996, the testimony of the Comptroller General addresses a number of our concerns. These will be discussed later.

Our fundamental concern, however, is the increasing confirmation of our earlier reservations that SSA's efforts at reengineering are structurally flawed. They do not adequately address the most basic problem with the current process which is the discrepancy between DDS and ALJ, administrative law judge, decisions.

Process unification efforts provide a clear example of this, despite the increasing discrepancy between State agency decisions which are judged by SSA quality review components to be correct and the unacceptably high reversal rates of those decisions by the Office of Hearings and Appeals. SSA's response has been to provide superficial cross-component training and to promise a single source of policy, while leaving the conflicting premises which produce this disparity largely undisturbed.

The critical element in unifying the process is a decisive resolution of the ambiguity within SSA as to whether disability is a medical or a legal decision. SSA must have the organizational will to resolve this ambiguity. To date, it has not been willing to do so.

Even if the plan itself were not structurally flawed, other issues need to be addressed. Fraud, the integrity of the program, and the stability of the trust funds are among the most significant of those issues which need to be resolved.

The GAO report states that SSA has not done enough to combat fraud and abuse in the SSI Program and address program weaknesses. We agree.

Many features of the redesign plan, particularly the increased involvement of for-profit third parties and claimant-submitted medical evidence will increase the incidence of fraud. Effective actions must be in place to combat fraud before proceeding further with these initiatives.

We also agree with GAO's assessment that SSA has undertaken too many complex tasks and has not given sufficient priority to those redesign initiatives most likely to reduce processing time and administrative cost. SSA has begun a multitude of initiatives under the redesign that are sapping needed resources. The disability program would have been better served by placing greater emphasis

on initiatives that would assist in reducing the current workload, as well as testing and implementing the new redesign process.

If ultimately one person, the DCM, or the disability claims manager, is to be responsible for both the technical and the medical decision, the single decisionmaker model currently being tested should have been extensively and objectively evaluated to determine the viability of this concept and the impact on the program cost before the DCM concept is piloted.

Instead, SSA has chosen to accelerate the process and pilot the DCM concept without having the results of this study or essential enablers in place.

For example, process unification was described in the plan for a new disability claims process as a key enabler. NADE considers it to be essential, both in the current process and to the redesign effort. Yet, success in achieving this goal has not been demonstrated, and it does not appear to be one of SSA's top priorities.

We do not agree with the GAO statement that the labor-intensive paper-reliant process has changed little since the DI Program began in the fifties. In fact, extensive changes in the process have occurred, including markedly increased document requirements mandated by Congress and the courts. These will not change under phase one of the redesign effort, and the new process involving the disability claims manager will be at least, if not more, labor intensive than the current process.

Further, it should be noted that despite multiple changes in the disability program and the evaluation processes, the DDSs have demonstrated remarkable capability to meet the challenges they face. Much of this has been due to the expertise of the DDS staff. We are, therefore, concerned that as the case processing pressures increase, training and intercomponent communication are too often relegated to the role of nonessential. Yet, training is an integral part of the redesign disability process. Under the redesign plan, SSA will make an investment in comprehensive employee training to ensure that all employees have the necessary knowledge and skills to perform the duties of their positions.

In addition to initial program training, continuing education opportunities will be made available to employees to enhance current performance or career development. However, in reality, training and intercomponent communication are always the first things cut when workloads increase or funding is reduced. Much of the impetus for reengineering, the perception that disability adjudication is a fragmented process is a result of earlier downsizing which reduced interaction and communication between the field offices and the State DDSs.

Few DDSs provide continuing, ongoing training, and even initial training is often curtailed in periods of high case receipts. Examiners attending training provided by NADE must frequently use personal leave time in order to do so, and even that option is sometimes denied when workloads increase.

Training and communication are necessary if we are to maintain and improve the current process. They are essential to the redesign effort. Regrettably, there is nothing to assure us that they will receive the appropriate support in the future. Past practices indicate they will not.

Again, thank you for providing us this opportunity to testify.
[The prepared statement follows:]

STATEMENT
OF
THE NATIONAL ASSOCIATION OF DISABILITY EXAMINERS

PRESENTED
BEFORE THE

COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON SOCIAL SECURITY

By
Larry DeVantier, President

September 12, 1996

Chairman Bunning and members of the Sub-Committee, on behalf of myself, the Board of Directors and the members of the National Association of Disability Examiners (NADE) thank you for this opportunity to present NADE's views on the Social Security Administration's Plan to Redesign the Disability Program.

As you know, NADE is a professional association whose membership includes the disability examiners in the State Disability Determination Service agencies (DDSs) who make initial and reconsideration decisions and conduct continuing disability reviews. Our membership also includes physicians, attorneys, Administrative Law Judges, advocates and others interested in the disability program. We are concerned about the future of the disability program and the integrity of the Trust Fund. We believe disability decisions should be timely, accurate and uniform throughout the country. We agree that the current disability program is flawed. We have supported efforts to correct problems in the past and will continue to do so in the future. We do not believe we can continue "business as usual." However, we have serious reservations about SSA's current Plan to Redesign the Disability Program.

The July 25, 1996 testimony of the Comptroller General addresses a number of our concerns. These will be discussed later. Our fundamental concern, however, is the increasing confirmation of our earlier reservations that SSA's efforts at reengineering are structurally flawed. They do not adequately address the most basic problem with the current process--the discrepancy between DDS and ALJ decisions. Process Unification efforts provide a clear example of this. Despite the increasing discrepancy between State Agency decisions, which are judged by SSA's quality review components to be correct, and the unacceptably high reversal rate of those decisions by the Office of Hearings and Appeals (OHA), SSA's response has been to provide superficial, cross-component training and to promise a single source of policy while leaving the conflicting premises which produce this disparity largely undisturbed. *The critical element in unifying the processes is a decisive resolution of the ambiguity within SSA as to whether disability is a medical or a legal decision.* SSA must have the organizational will to resolve this ambiguity. To date it has not been willing to do so.

Even if the Plan itself were not structurally flawed other issues need to be addressed. Fraud, the integrity of the program and the stability of the Trust Fund are among the most significant of those issues which need to be resolved. The GAO report notes that "...SSA has not done enough to combat fraud and abuse in the SSI program and address program weaknesses." We agree. Many features of the Redesign Plan, particularly the increased involvement of for profit third parties and claimant submitted medical evidence, will increase the incidence of fraud. Effective actions must be in place to combat fraud before proceeding further with these initiatives.

We also agree with the GAO's assessment that "...SSA has undertaken too many complex tasks and has not given sufficient priority to those redesign initiatives most likely to reduce processing times and administrative costs." SSA has begun a multitude of initiatives under Redesign that are sapping needed resources. The disability program would have been better served by placing greater emphasis on initiatives that would assist in reducing the current workload as well as testing and implementing the new Redesigned process. If ultimately one person, the Disability

Claim Manager (DCM), is to be responsible for both the technical and the medical decision the single decision maker model currently being tested should have been extensively and objectively evaluated to determine the viability of this concept *and* the impact on program costs before the DCM concept is piloted. Instead, SSA has chosen to accelerate the process and pilot the DCM concept without having the results of this study or essential enablers in place. For example, Process Unification was described in the "Plan for a New Disability Claim Process" as a key enabler. NADE considers it to be essential, both to the current process and to the Redesign effort, yet success in achieving this goal has not been demonstrated and it does not appear to be one of SSA's top priorities.

We do not agree with the GAO's statement that, "This labor-intensive and paper-reliant process has changed little since the DI program began in the 1950's." In fact, extensive changes in the process have occurred, including markedly increased documentation requirements mandated by Congress and by the courts. These will not change under Phase I of the Redesign effort, and the new process involving the Disability Claim Manager will be at least, *if not more*, labor intensive than the current process.

Further, it should be noted that despite multiple changes in the disability program and in the evaluation process the DDSs have demonstrated a remarkable capacity to meet the challenges they have faced. Much of this has been due to the expertise of the DDS staff. We are, therefore, concerned that as case processing pressures increase, training and intercomponent communication are too often relegated to the role of "non-essential." Yet training is an integral part of the Redesigned Disability Process. The "Plan for a New Disability Claim Process" states, "SSA will make an investment in comprehensive employee training to ensure that all employees have the necessary knowledge and skills to perform the duties of their positions....In addition to initial program training, continuing education opportunities will be made available to employees to enhance current performance or career development." However, in reality, training and intercomponent communication are always among the first things cut when workloads increase or funding is reduced. *Much of the impetus for Reengineering--the perception that disability adjudication is a fragmented process--is a result of earlier "downsizing" which reduced interaction and communication between the Field Offices and the state DDSs.* Few DDSs provide continuing, on-going training and even initial training is often curtailed in times of high case receipts. Examiners attending training provided by NADE must frequently use personal leave time in order to do so and even that option is sometimes denied when workloads increase. Training and communication are necessary if we are to maintain and improve the current process. They are *essential* to the Redesign effort. Regrettably, there is nothing to assure that they will receive appropriate support in the future. Past practice indicates that they will not.

Again, thank you for providing us this opportunity to testify.

Chairman BUNNING. Let me start with Ms. Eisenstat.

I know your staff is separately auditing the plan to create the disability claims manager position. Would you please elaborate specifically on the two positions that will be merged into this new position. Also, what is your assessment of SSA's plan to test the feasibility of this new position? And finally, what has been the reaction of those who have the most at stake if this position is established?

Ms. EISENSTAT. The disability claims manager position envisions combining the duties and responsibilities that are currently performed by claims representatives and disability examiners. SSA is taking two functions and placing responsibility for them with one person.

Our latest information from SSA is that they plan to begin testing the DCM concept in January 1997. However, you have just heard that the full position will not be tested, all of the necessary enablers will not be in place, and that SSA has not completed the design of some aspects of the revised process.

Nevertheless, SSA will be in a position to test a few components of the DCM position. We believe SSA may learn something about the feasibility of the work force to perform combined duties. They may also learn something about the training needs that might be required for the position.

There are also concerns about security issues for workers. Some workers, for the first time, will be dealing face to face with claimants, and I think SSA may be in a position to learn something about that from a limited test.

SSA is also currently testing other initiatives that are related to the DCM. SSA refers to them as teaming and sequential interviewing.

Chairman BUNNING. "Teaming" meaning what?

Ms. EISENSTAT. Teaming meaning that you have the claims representatives and the disability examiners in their current positions working more closely together to determine whether they can improve the process.

Since these tests are underway, we are suggesting that SSA systematically gather information from them and compare test results before moving forward. More specifically, this analysis should be used to help decide a final course of action about whether to proceed with the DCM position or some other alternatives.

Chairman BUNNING. Would either of you gentlemen like to comment?

Mr. WILLMAN. Yes, I would. The two positions that would be combined together to create a DCM, each are very difficult, technical, highly skilled positions, and they involve the possession of different kinds of skills.

The training period for each position is about 3 months up front before any work is done, and for each position, we feel that it takes 1 to 2 years for an individual to become fully proficient.

By doubling the training time, it seems to me that we really take down the efficiency of the process. As it is, with disability examiners, if a fully trained examiner terminates employment in 18 months, it was probably not cost effective for us to have ever had

that person on hand in the first place. Under DCM, that time will double.

Also, we are very concerned that we will not be able to find enough people who simultaneously have the public contact skills required in the field office and the case analysis skills required in the DDS.

At present, an individual could make a useful contribution to the program if he or she possesses one of those skills, but under the DCM concept, the individual will fail if he or she lacks either of those skills.

Chairman BUNNING. Are we trying to protect somebody's job, or are we trying to change the system to make it work better? I am leery of someone who has created the problem over a period of time being those who are trying to solve the problem on a large-scale view.

If I were going to try to change three different areas rather than 38, the results would be much more positive. But, if I am going to upscale and try to change the whole system of 38 different areas, I am going to fail. I am not saying that the SSA is going to fail on all 38, but they may not do as good a job.

First of all, this is the initial claims process we are talking about. These are the people that are coming into the system and why we have a 13-month backlog. The DDCs make a decision and eventually if they go through the whole process, the ALJs will reverse three-quarters of the initial decisions.

So, if I am a claimant, I am going to ride the train.

Mr. WILLMAN. Exactly.

Chairman BUNNING. Until we get a body of evidence that can be judged and not altered in the decisionmaking process until the end, we will never have a real handle on this problem.

What we start with is what we ought to end up with in this decisionmaking process. You should not be able to add evidence 4, 6, or 8 months down the road, whether it be medical or legal. Until we write, and I am afraid we are going to have to write legislation if we are going to solve this problem, we are going to have discrepancies between DDSs and ALJs.

Mr. WILLMAN. I agree with all of that.

Chairman BUNNING. I am glad the Social Security Administration is trying to solve 38 different programs, but it seems to me that the redesign effort gets bogged down in its massive attempt to do too many things.

Is that generally GAO's approach and view of this?

Ms. EISENSTAT. Our view is that SSA has taken on too many things at once and that they need to focus their efforts at this point on those initiatives that are more likely to reduce administrative cost and case processing time.

Chairman BUNNING. There are two major problems that I have seen in my time on this Subcommittee. They are the entry level and the exit level of the process. In other words, the claimant coming in and the continuing disability reviews to get them out the door. If they are back to normal, that is the reason we do the CDR. Do we spend \$2.3 billion on CDRs? I mean, that is a lot of money. I think it is around that number.

Ms. EISENSTAT. Yes.

Chairman BUNNING. The continuing disability reviews and the money that we have allocated for that purpose may get one of the problems solved. But it does not get the initial problem solved for the incoming.

Ms. EISENSTAT. And this process is targeting that initial level. You are right.

Chairman BUNNING. But, I am afraid if we are going to start experimenting with things before we have a total concept of what we are trying to do, we are not going to accomplish what we set out to do. To get it done, get the claimant in the system if they deserve to be in the system, and have them totally and completely respect the decisionmaking process. Right now a claimant knows the process can be reversed.

In my own district offices, that is one of the biggest problems I have. Constituents call saying, I was turned down before, but now I am going through the process, I want to know what happened. If they know there is not a turnaround of a decision at the end of 14 months, we may solve that problem.

Mr. Laughlin, do you have some questions?

Mr. LAUGHLIN. Thank you, Mr. Chairman.

Ms. Eisenstat, in your written testimony, you talk about the November 1994 SSA announcement where they are going to implement a redesign plan with 83 initiatives to be implemented over a 6-year period of time, but with 38 of those initiatives to be completed that are to be part of an operational test by September 30 of this year, which is 18 days from now.

Are all 38 of those completed or in the test process?

Ms. EISENSTAT. No, sir.

Mr. LAUGHLIN. Can you tell us how many fit into either category of being completed or part of the operational test of the 38?

Ms. EISENSTAT. Of the 38, they have not completed any of those initiatives, and I believe that of the 15 that were supposed to be in an operational test state, only 5 are currently being tested.

Mr. LAUGHLIN. What concerns me is, 2 years ago, when I was on the Aviation Committee, before I got there, millions of dollars, hundreds of millions of dollars had been authorized for a new computer system to prevent our airplanes from running into one another in the skies, and hundreds of millions of dollars had been squandered, and then there was still no new computer system to help our pilots and airlines operate. While I had not been there in a couple of years, to my knowledge there is still no system in place. It occurs to me that we are going to do the same thing here on this redesign plan. We are just going to keep designing and keep designing and spending money and wasting time and not taking care of the people who need the help.

So my question to you is, with that concern, and you seem to express it, as do the other witnesses here, what do you recommend this Subcommittee do to focus the SSA on at least narrowing down what can reasonably be done with just a few initiatives and get them in place and then go on to a few more? Is that going to be possible, and do you have a recommendation to us of how we get there?

Ms. EISENSTAT. I believe there could be some very constructive dialog with the Social Security Administration now about midcourse corrections that might be warranted.

We believe that, consistent with our statement and what you have heard from the others, SSA is spreading themselves too thin, and that the project would benefit from focusing their efforts on a few of the initiatives that are more likely to achieve the goals that they set out to accomplish.

Some of these are not quick fixes. Installing enhanced technology and the process unification initiative that you heard about earlier are not things that can be done in a matter of weeks or months. We believe SSA might consider a different approach to even those longer term initiatives by segmenting them into manageable tasks that could be done quickly, so that SSA can demonstrate some progress as opposed to designing the whole thing and testing it.

Mr. LAUGHLIN. Rather than ask you to come up with such a plan today, could you consider this as a question for the record and submit your recommendations in writing to the Chairman outlining the segmented approach and which parts of the initiatives ought to be implemented first from your viewpoint? Would that be possible for you and your staff?

Ms. EISENSTAT. We have not fully evaluated the 38 initiatives to be in a position to tell you specifically which initiatives should be implemented first.

I think, however, there is some consensus about some of the more significant ones that we would be happy to talk to you about.

We are also in the midst of finalizing a report to this Subcommittee that will explore this topic more fully.

Mr. LAUGHLIN. If you could do what you are comfortable doing—

Ms. EISENSTAT. Sure.

Mr. LAUGHLIN [continuing]. Consistent with my request, I think it would be very helpful to us.

Ms. EISENSTAT. We would be happy to.

[The following was subsequently received:]

**STATEMENT OF DIANA S. EISENSTAT
ASSOCIATE DIRECTOR, INCOME SECURITY ISSUES
HEALTH, EDUCATION, AND HUMAN SERVICES DIVISION, GAO**

Requested by Representative Greg Laughlin

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the Social Security Administration's (SSA) efforts to redesign its disability claims process. SSA operates two disability programs--the Disability Insurance (DI) and Supplemental Security Income (SSI) programs. While downsizing substantially, SSA has struggled to manage unprecedented growth in applications for disability benefits and in the number of appealed disability decisions. Processing delays at SSA have created hardships for disabled claimants, who often wait more than a year for a final disability decision. In fiscal year 1995, SSA spent about \$3 billion in administrative costs to pay about \$61.3 billion in cash benefits to program recipients.

Concerned about reducing administrative costs, saving time, and improving the quality of service in the disability claims process, SSA's leaders turned to business process reengineering in 1993. Leading private organizations have successfully used such efforts to identify and quickly implement dramatic operational improvements. The objective of reengineering is to fundamentally rethink and radically redesign a business process from start to finish so that it becomes much more efficient and significantly improves service to an organization's customers. SSA's broad-based redesign project, to be completed by 2000, focuses on streamlining the process of determining eligibility for disability benefits by relying more on automation and more efficiently using its workforce.

You asked us to monitor SSA's progress in implementing its redesign project. Today I will discuss issues related to the scope and complexity of the project and the agency's efforts to maintain stakeholder support. In our earlier work, we reported that SSA would face formidable implementation challenges. I will also discuss today some ways that could help SSA increase the likelihood that its project will succeed. My comments are based on information obtained from SSA officials responsible for implementing the redesign project, reengineering experts, and management and employee representatives involved in the disability claims process.

In summary, given the high cost and long processing times of SSA's current process, the agency needs to continue its redesign efforts. Its redesign plan, which undertakes a large number of initiatives at one time, is proving to be overly ambitious, however. Some initiatives are also getting more complex as SSA expands the work required to complete them. The agency's approach is likely to limit the chances for the project's success and has led to delays in implementation: testing milestones have slipped and stakeholder support for the redesign effort has diminished. In addition, the increasing length of the overall project and individual initiatives heighten the risk of disruption from turnover in key executive positions. We believe that as the agency proceeds with its redesign project it should focus its efforts on key initiatives, proceeding first with those that will quickly and significantly reduce claims processing time and administrative costs.

BACKGROUND

SSA's disability programs provide cash benefits to people with long-term disabilities. The DI program was enacted in 1956 and provides monthly cash benefits to severely disabled workers. SSI was enacted in 1972 as an income assistance program for aged, blind, or disabled people. The Social Security Act defines disability as an inability to engage in substantial gainful

Social Security Administration: Risks Associated With Information Technology Investment Continue (GAO/AIMD-94-143, Sept. 19, 1994).

Social Security Administration: Major Changes in SSA's Business Processes Are Imperative (GAO/T-AIMD-94-106, Apr. 14, 1994).

activity due to a severe physical or mental impairment. Both programs use the same criteria and procedures for determining whether the severity of an impairment qualifies an applicant for disability benefits.

Despite efforts to manage its increasing workload with shrinking resources, SSA has not been able to keep pace with program growth. Initial claim levels remain high, appealed case backlogs are growing, and decisions are not being made in a timely manner. In fiscal year 1995, about 2.5 million initial disability claims were forwarded to state offices for disability determinations, an increase of 43 percent over fiscal year 1990 levels. During the same period, the number of applicants requesting an administrative law judge (ALJ) to reconsider a decision denied at the initial claims level escalated from about 311,000 to about 589,000, an increase of 89 percent. Because of the increased workload, in many cases claimants now wait more than a year for a final disability decision.

SSA's Current Eligibility Determination and Appeals Process

SSA's procedures under the current eligibility determination process have not changed significantly since the DI program's inception. The process is slow, labor intensive, and paper reliant. In addition to delays in making disability decisions, SSA spends more than half of its administrative budget on this program--and very little of the process is automated. DI and SSI disability claims pass through from one to five levels of review to receive a decision, depending on the number of appeals a claimant files.

SSA field office personnel assist with completing applications; obtain medical, financial, and work history information; and determine whether applicants meet the nonmedical criteria for eligibility. Field offices forward applicant information along with supporting medical history to 1 of the 54 state disability determination services (DDS), where medical evidence is developed and a final decision made on whether the impairment meets SSA's definition of disability. SSA funds the DDSs, provides them with guidance for making disability decisions, and reviews the accuracy and consistency of their decisions. Claimants who are dissatisfied with an initial determination may request reconsideration by the DDS. Although a reconsideration is conducted by different DDS personnel, the criteria and process for determining disability are the same.

Claimants who disagree with a reconsideration denial have the right to a hearing before 1 of SSA's 1,035 ALJs in the Office of Hearings and Appeals. At these hearings, applicants, usually represented by attorneys, and medical or vocational experts may submit additional evidence. If the ALJ denies the claim, the claimant may then request a review by SSA's Appeals Council. The Appeals Council may affirm, modify, or reverse the ALJ's decision, or it may remand the case to the ALJ for further consideration or development. Finally, either the applicant or SSA may appeal the Appeals Council's decision to a federal district court.

SSA's Vision for the Redesigned Process

In November 1994, SSA released an extensive and complex plan to help turn its vision of a new disability determination process into reality. SSA's redesign plan for improving the process includes 83 initiatives to be implemented during a 6-year period (fiscal year 1995 through 2000).² Thirty-eight of those

²See Plan For A New Disability Claim Process. SSA (Washington, D.C.: Sept. 1994).

initiatives were to be completed or to be part of an operational test by September 30, 1996.³

SSA's redesign effort is a major departure from the current labor-intensive, paper-reliant process. Its ultimate goal is to make the disability claims process efficient and user friendly and to allow the agency to make the right decision the first time as quickly in the process as possible. To that end, SSA will rely heavily on information technology and will need to develop a simpler methodology for making disability decisions. Other key elements of the plan involve consolidating the duties, skills, and knowledge of at least two current positions in state and federal offices into one position, allowing the claimant to meet with the decision-maker, and creating a new adjudication officer to expedite decision-making at the appeals level.

Attention to Reengineering Best Practices
Increases Likelihood for Project Success

Today's leaders in business process reengineering advocate a variety of approaches and strategies; however, they frequently cite certain best practices that increase the likelihood for success. Reengineering experts have found that when redesign efforts fail to achieve the desired change it is often because project managers paid insufficient attention to these best practices.⁴

Although a redesign project can be large and encompassing, experts suggest segmenting the project and concentrating on completing a few manageable initiatives, or tasks, at any one time. These experts believe that working on a relatively small number of initiatives with measurable performance outcomes at one time gives managers better control over the initiatives and allows a faster response if problems arise or deadlines are not met. They also contend that concentrating on a few initiatives can produce results in a short time frame that can help sustain key stakeholder support.

Furthermore, although the time frame for an overall reengineering project may run from 2 to 5 years, in a government environment, leadership turnover and frequent changes in the public policy agenda necessitate designing the project so that progress on individual initiatives can be made in relatively short time periods. Finally, reengineering best practices call for identifying all stakeholders and working to get and keep their support. Stakeholder support is vital because opposition can jeopardize the redesign effort's success.

PROJECT'S COMPLEXITY AND SCOPE POSE
PROBLEMS FOR IMPLEMENTATION EFFORTS

The overall complexity and scope of SSA's implementation plan is limiting the redesign effort's progress. In prioritizing its redesign initiatives, SSA chose to work on 38 of them simultaneously--a decision that requires a significant investment in time and resources. Thousands of federal, state, and contractor employees throughout the country are engaged in activities such as designing, developing, testing, and evaluating processes and developing and delivering training programs. Although we identified six discrete tasks that SSA had completed as of July

³During fiscal years 1995 and 1996, SSA adjusted the number of near-term initiatives from 40 to 38 and the number of total initiatives for the project from 83 to 80.

⁴GAO has issued several products that address several of these best practices, and we refer to just a few of them in this work. See Government Reform: Using Reengineering and Technology to Improve Government Performance (GAO/T-OCG-95-2, Feb. 2, 1995) and Business Process Reengineering Guide, Exposure Draft, Version 1.0, 1995.

1996, it has not fully completed or implemented any of the 38 initiatives and is behind schedule in meeting its testing milestones.

Moreover, SSA also has encountered significant challenges in implementing some of the more complex initiatives. For example, SSA considers technology vital to fully realizing the redesign's benefits and has undertaken a technology initiative to more fully automate the processing of disability claims from the first contact with the claimant to the final decision. SSA is purchasing over 50,000 computers, installing a local area network in more than 1,350 office locations, and developing software. Today, completing this key initiative is falling behind schedule because implementation of this software has been delayed by more than 2 years. The delay is due to software development problems and the need for additional testing to assess redesign changes.

Another complex undertaking that will require completion of several supporting initiatives is implementing the disability claim manager (DCM) position. SSA currently plans to place about 11,000 employees in this position. DCMs will be expected to gather and store claim information, develop both medical and nonmedical evidence, share facts about a claim with medical consultants and specialists in nonmedical or technical issues, and prepare well-thought-out decisions. DCMs will be responsible for making the final decision on both medical and nonmedical aspects of a disability claim. Before fully implementing the DCM position, SSA must first provide several critical support features, including technology enhancements and a simpler methodology for making disability decisions--features that SSA does not expect to be available for several years.

Several of SSA's initiatives are beginning to expand in scope and length. For example, the scope of SSA's initiative to achieve consistent adjudication results throughout all stages of the disability process has expanded considerably. Initially, the plan called for developing a single policy manual for use by all SSA and state employees involved in the process. As the agency worked on the initiative, it realized that considerably more effort was required. As a result, SSA expanded this initiative to include (1) conducting the same training for 14,000 decision-makers, including claim representatives, disability examiners, ALJs, doctors, and reviewers; (2) developing a consistent quality review process that balances review of allowances and denials and applies the same standards at all stages of the process; and (3) using medical and vocational expert input. With these expanded tasks, full implementation has been extended from September 1996 to January 1998 or later.

Although SSA may take many years to fully implement this complex undertaking, experts suggest that individual project initiatives should be completed quickly--generally taking no more than 12 months to implement--to give managers better control over them and allow for a faster response to problems that arise. Achieving measurable results quickly also enables organizations to build stakeholder support for its initiatives and overall redesign project.

Moreover, the cornerstone of any redesign effort is the commitment and long-term availability of its top leaders. Redesign initiatives that take many years to complete face an increased risk--the longer the project takes, the greater the chance that the leadership will change. Turnover typically causes project delays and possible changes in scope and direction. Although SSA recognizes the importance of management stability and continuity to the redesign process, it has already experienced turnover of key executive-level personnel since implementation began.

SSA Challenged to Maintain Stakeholder Support

To the extent possible, managers of redesign projects should seek and secure support from all stakeholders. SSA has tried to involve interested parties in the redesign effort by identifying more than 140 stakeholders, meeting with them to discuss redesign issues, and including them on project task teams and work groups. Although its stakeholders generally support the need for redesign, SSA has had problems getting and keeping support from some of them. In fact, some redesign proposals are beginning to cause major concerns for stakeholders. We found, for example, that SSA's decision to create the DCM position to adjudicate claims raised fears that some employees would lose their jobs. Furthermore, SSA's decision to temporarily promote to a higher pay grade federal employees selected for the position raised a major concern for state employees who would be paid less for the same work.

CONCLUSIONS

SSA should be commended for initiating action to significantly improve its disability claims process and should continue its efforts. Since 1993, however, SSA has made limited progress toward fulfilling its redesign goal. Although SSA has begun many of the planned initiatives it expected to complete by September 30, 1996, many are behind schedule and none is far enough along for SSA to know whether specific proposed process changes will achieve the desired results. We are concerned that SSA has undertaken too many complex initiatives--some are now lengthy endeavors that are likely to extend the overall project completion date. Before proceeding further, SSA needs to reassess the number of initiatives it is simultaneously undertaking and the time frames for completing them. Because SSA undertook this project to reduce processing time and administrative costs and improve service to the public, it should focus its efforts on fewer initiatives and emphasize those that will have the greatest impact on accomplishing the project goals. SSA should reevaluate the relative priority and contributions to the redesign goals of the remaining initiatives and implement them as resources permit.

Mr. Chairman, this concludes my formal remarks. I will be happy to answer any questions from you and other members of the Subcommittee. Thank you.

Mr. LAUGHLIN. Thank you, Mr. Chairman. That is all I have.

Chairman BUNNING. I am sorry to announce that I cannot question anymore because I have got another Subcommittee meeting. I would like to submit written questions to both sides of the panel.

I am deeply concerned that maybe solutions cannot be found from within. Maybe it has to be done from without. To solve some of these problems, we may need outside input. I am not saying necessarily from the private sector, but I am saying we need someone like GAO to look from without and say these are the things that you can and cannot do to be successful. We must get input from those people that are on the firing line on a daily basis.

We do have continuous flux in the management and key positions over at SSA. That does make the continuing changes more difficult, or at least that is the information that I get from reading the testimony.

We would appreciate being able to submit to you some further questions, and we thank you for your testimony today.

[The following was subsequently received:]

Response, Questions for the Record for the National Association of Disability Examiners

1. In your testimony you expressed concerns regarding what you believe is the most basic problem with the current disability process, the discrepancy between State Disability Determination Services (DDS) and administrative law judge (ALJ) decisions. Given your unique perspective as front-line workers, why do you believe this discrepancy exists, and what is SSA really doing about it?

A portion of the discrepancy can be accounted for by rational components of a multi-tiered appeals process. One example that is frequently cited is the progression (increased severity) of impairment from the time of the initial decision to the appeal months later, sometimes longer, before an ALJ. Reasons such as this have been historically given by SSA and other observers and are well-documented. We believe, however, that structural aspects of this kind explain a small (and acceptable) proportion of the difference between DDS and ALJ decisions. We will, therefore, devote most of our comments to other factors, also structural, which are thought to make up an unacceptably large part of the discrepancy and which seem to be amenable to administrative or legislative remedy. These include:

- ***Different decision making processes.*** The two processes are fundamentally different, one relying on a paper review of medical and other relevant evidence considered within a set of complex, objective rules with limited or no contact with the claimant and the other emphasizing face-to-face contact with the individual and a subjective assessment of the credibility of the impaired individual's statements. This second process also may include legal representation for the claimant and testimony by medical and vocational experts.
- ***Different review process.*** To describe this in skeletal form, DDS's are held, by the pre-effectuation review (PER), to strict accountability for favorable decisions while the ALJ's must account to the Office of Hearings and Appeals (OHA) and the courts for unfavorable decisions. Even the small (but, admittedly, increasing) number of ALJ allowances that are subject to review lack the import for ALJ's that they do for DDS decision makers because different standards of review are employed and no meaningful sanctions for making incorrect decisions are in place.

DDS decisions are submitted, by Federal quality components, to a *preponderance of evidence* standard. This standard is frequently described by individuals within SSA as one that ensures that the DDS makes the correct decision on a given claim. This strict standard, in effect, ensures that a favorable decision that receives a Federal review (one of every two) must be determined by two separate individuals, a DDS examiner and the federal quality reviewer, to be correct in order for an allowance at the DDS level to occur. Though substitution of judgment is formally proscribed in the review process, in practical terms there is very little to prevent "readjudication" of DDS allowances by the reviewing

component. Borderline cases, or cases in which substantial judgment is required, are much less likely to overcome this second hurdle than to overcome only one. It is apt to observe that even though the DDS decision maker had limited contact with the claimant, most likely telephone contact, the Federal reviewer has had no contact at all. Accordingly, subjective elements that may have been a part of the DDS decision are structured out during the Federal review. While only half of favorable decisions are actually reviewed in this manner, the chilling effect of the frequent return of DDS allowances on subsequent decisions should not be underestimated.

By contrast, ALJ decisions that are reviewed (by OHA) are overturned only if it is determined that there is not *substantial evidence* to support that decision. Stated conversely, the decision is upheld if there is *more than a mere scintilla of evidence*, i.e., such relevant evidence as a reasonable mind might accept as adequate to support the conclusion. It seems manifestly apparent that the standard employed in reviewing ALJ decisions serves to reinforce the discretion and latitude inherent in the hearings process while the standard employed in reviewing DDS decisions reinforces the adherence to strict rules characteristic of the process required of them. This type of review tends to discourage individual consideration of factors not clearly covered by rules. On the other hand, the standard used in reviewing ALJ decisions supports and reinforces consideration, including very subjective consideration, of such factors.

We will identify and discuss additional factors below; however, these can arguably be viewed as specific manifestations of the two general, and fundamental, factors described above and, as such, tend to elaborate on them.

- ***Different emphasis on the medical and legal components of disability determinations.*** Some observers have commented that DDS's makes medical decisions while the ALJ's make legal decisions. It is more accurate, we believe, to conclude that both components recognize the medical/legal nature of disability decisions but tend to emphasize these two aspects differently. In fact, their different processes require it. DDS applies a set of complex, largely inflexible rules to a set of objective medical findings and related evidence and determines whether the requirements for finding disability are met. The Federal review component reinforces this approach when it reviews DDS decisions "to ensure that:
 - a. The evidentiary record supports the decision, and
 - b. The evidence and the decision conform to SSA operating policies and procedures."

The quoted text is from the Program Operations Manual System (POMS) GN 04440.001B, *Federal Quality Review of State Disability Determinations, Policy*. DDS decisions are made by an examiner/physician (or psychologist) review team. Medical assessment of facts in the case is often intensive and frequently requires a specialist. Credibility of the claimant's allegations and the validity of the opinion of treating medical sources regarding disability are weighed against objective medical findings.

ALJ's, however, rely extensively on the opinions of expert witnesses and the statements of claimants and their representatives to augment the written record. Often, there is little or no input from a physician or psychologist. The ALJ, with significantly less medical training than DDS examiners, must determine the credibility of the claimant's statements about pain, fatigue, and loss of function comparing these statements to medical evidence which, relative to the DDS physician/examiner team, he is inadequately prepared to interpret. He runs into a similar problem in assessing the appropriate weight to be given to the opinions of the claimant's treating sources. These circumstances help to explain, we believe, why DDS physicians often find individuals capable of extensive work-related functional ability (such as lifting substantial weight and standing for extended periods throughout the day) when the same individuals are subsequently found to be capable of only sedentary work, or less, by an ALJ. Studies by SSA demonstrate that this difference in assessment of residual functional capacity accounts for the largest portion of the discrepancy between DDS and ALJ decisions.

- ***The subjectivity inherent in a process involving face-to-face contact with the claimant.*** We need to make it clear, first of all, that we recognize the value in affording claimants an opportunity to personally plead their case to a decision maker and that the face-to-face contact can sometimes lead to recognition of facts that were not apparent in a paper review. Accordingly, such contact often permits a correction of deficiencies inherent in the paper review and underscores the importance and value of an appeals process. At other times, however, personal contact leads to inappropriate subjectivity in decision making. A loss of objectivity due to sympathy for the individual or, as sometimes occurs, a negative reaction to the individual, is not appropriate. While this difficulty is a structural component of personal contact, factors such as clear policy, meaningful reviews, and extensive training can effectively discipline against inappropriate subjectivity.

One of our members has described an incident in which he, and others, watched a reconsideration interview of a claimant by an experienced adjudicator. The observers concluded that, based on the medical facts and program guidelines, the claimant was "clearly a denial." When questioned, the reconsideration examiner

stated that he intended to allow the claim and defended his decision on the basis that the claimant "is a good old boy." This single anecdote, of course, proves nothing in general. It would be counter-intuitive, however, to believe that decisions which involve personal contact are not frequently influenced by factors such as we've described.

To conclude our response to this part of the question, and to attempt to place the discrepancy between DDS decisions and ALJ decisions in perspective, we would like to cite a related fact: the largest discrepancy is not between DDS decisions and ALJ decisions. Rather, it is between one ALJ's decisions and another. While current data is difficult to obtain, allowance rates (often called reversal of DDS decisions) by individual ALJ's as low as 10% and as high as 95% have been recorded. These data underscore the extensive, some would say rampant, discretion which attends to the appeals process at this time. On the surface, it would seem that a claimant for disability would have more than a 9 times greater chance of being allowed if he appeared before one judge than before another. The DDS's, with stricter rules and more stringent review, do not have such dramatic discrepancies. Still, we believe that under improved circumstances the two processes could complement each other in ways that would enhance efficiency and equity. Now, they are seen as producing outcomes that are at odds with each other rather than working in concert to provide correct decisions to disabled individuals in a timely and cost effective manner.

All this leads to the second, and critical, part of the question—what is SSA really doing about it. The answer, we believe, is that they are making some important first steps to narrow the gap to an acceptable and appropriate level. The *process unification training*, currently being provided to all components, can lay the groundwork for meaningful improvement. We recognize that the doubts regarding the possibility that this training will produce significant results are well founded; however, if SSA follows up aggressively with other initiatives, meaningful change can occur. On the other hand, if SSA views it as the end of the journey rather than its beginning, the impact will probably be too little to measure.

We have learned recently that SSA has begun work on the *single presentation of policy*, or the "one book," to be used by all disability decision makers. We feel that this is a necessary step but, based on the premise that the discrepancy is related much more to process than to policy, we expect little numerical impact. Still, it is correct and just that any individual facing any decision maker have the same policy applied to his claim for disability as any other individual.

SSA has recently expanded the *review of ALJ allowances* to include monitoring by its Office of Program Integrity and Reviews (OPIR), the component which reviews DDS decisions. If, however, OPIR identifies deficiencies under the preponderance of evidence standard, the case will be referred for additional review by OHA where the more liberal

substantial evidence standard will apply. We look forward to reviewing the data which OPIR plans to gather based on the preponderance of evidence standard. We think this might help quantify the problem and suggest additional remedies. We are concerned, however, that the number of reviews will be too small and that the application of different standards for reversing DDS and ALJ decisions will continue to militate against unification of the two processes.

SSA has also recently announced plans to develop a *single standard of review* for DDS and ALJ decisions. We believe that this is a *sine qua non* of process unification. We are concerned, however, that if different components with different cultures, budgets, staffing patterns, and leadership conduct these reviews, the single standard may fall prey to disparate interpretation and application.

Finally, SSA has accomplished a *reorganization* of the Agency along lines that are intended to narrow the gap between OHA and other components. We do not have data that would permit an independent assessment of the efficacy of this initiative.

2. You indicated that many features of the redesign plan will increase fraud. Would you please elaborate?

Two proposals of the redesign are widely perceived as substantially increasing the program's vulnerability to unscrupulous claimants and even medical practitioners. One has to do with *third party collection and submission of evidence*. It will be difficult to verify the validity of evidence obtained by any vehicle other than direct submission from a medical provider to the decision making component. In several areas of the country, fraudulent medical evidence has already reached troublesome levels, often involving physicians recruited by organized groups for the purpose of fraud. Extending the involvement of third parties, while eliminating the safeguard of direct submission, could result in an epidemic of such practices.

The second aspect of redesign which is troublesome in this regard is the *tendering of functional assessments by treating physicians with certification that they have, on record, evidence which supports their conclusions*. We appreciate the fact that most physicians maintain the highest standards of ethical practice and demand the same of staff; however, a relatively few doctors who will provide fraudulent statements can cause enormous damage to the Trust Fund. In all SSA's writings on redesign there is no indication how this problem will be monitored and controlled. If a physician avers that the medical evidence on record supports an assessment of function he has submitted, how could it be proven, being a subjective judgment, that it does not? Certainly it would be difficult, if not impossible, to demonstrate that such certification was knowingly fraudulent.

Finally, there is concern about the plan to have the same individual, the DCM, both

make the disability decision and effectuate payment. This would seem to eliminate the safeguard often used in the private sector of establishing procedures so that two or more individuals must take separate actions to permit the transfer of substantial funds. This safeguard is based on the audit principle that collusion between individuals is much less likely to occur than the dishonest act of a single individual. While SSA will likely establish mechanisms to minimize the occurrence of such actions, it seems that the likelihood will be substantially increased despite best efforts.

3. Your organization consists mostly of those who actually adjudicate disability applications in the States. Do you believe your position could be successfully merged with the claims representative position, which is currently a position as Social Security field offices? How can we be sure that your real motivation is not just to protect your jobs?

Until testing is completed there is no data to support a judgment regarding the merging of the adjudicator and claims representative functions into a single position yet the preliminary impression of a great number of observers, inside and outside DDS's, is that such a merger would be extremely difficult, if not impossible. Opinion of our informed members divides between those who believe it is impossible and those who believe it is possible under the right circumstances. These circumstances include vastly enhanced automated support systems, a simplified decision process, an unwavering commitment to training by the SSA, and a willingness, to increase administrative costs because of increased salaries for individuals with the willingness and capability to perform this function and increased training costs, including training costs resulting from the expected increase in turnover. What is lacking is a rationale for the change to the DCM position, even if it were cost neutral. SSA's sole stated reason for proposing the DCM was that there was overwhelming public support for the position, a rationale which has recently, when challenged, been withdrawn. Absent demonstrated public preference for the single point of contact, we believe that SSA should do a zero base assessment of this concept.

There is considerable skepticism that the melding of the specialized complex skills of disability adjudication with the complex knowledge of eligibility factors required of Claims Representative (after the specialized Title II and Title XVI CR positions are, themselves, combined) will produce efficiencies, program integrity, and improved customer satisfaction. None of us with interest in the disability program should commit to implementation of the DCM concept until clear evidence of its efficacy is available.

The ancillary question regarding the possible **motivation to protect our jobs** is a fair one and we appreciate the opportunity to address it in a forthright manner. Some of our members are concerned about their jobs and our leadership takes all the concerns of our members seriously. These kinds of concerns do not, however, dictate our policies or legislative positions. The best evidence of this is our record in the legislative arena. We

have never advocated positions that relate to salaries, working conditions, job security and other such matters that, though legitimate concerns, distinguish our professional association from trade unions. Our on-the-record support for testing the DCM position evidences our openness to any change which can be demonstrated to increase efficiency and claimant equity in the disability program. Finally, even though all the concerns of all our members have not been allayed by SSA's assurances that DDS jobs might be changed but will not be lost, organizationally, we accept these assurances at face value.

4. What features of the redesign plan do you support?

We strongly support *process unification* and support all current initiatives related to this objective. These include cross-component training, work on a single presentation of policy, review of ALJ decisions, and efforts to formulate a single standard of review for DDS and ALJ decisions. We support the concept of the *Reengineered Disability System* and upcoming plans to test this in a DDS. We support rigorous testing of the full process model and of the DCM position. We continue to oppose any testing of any features which includes in the testing protocol "a high presumption of success." We support the idea of a *simplified decision methodology* but, of course, withhold judgment on particular versions until they are known. We also strongly support the promised *ongoing training program* for all decision makers.

5. You said in your testimony that you are worried about the stability of the disability Trust Fund. Isn't the point of disability process redesign to allow the same people but allow them sooner? In your view, how would redesign jeopardize the Trust Fund?

Historically, SSA has shown its effectiveness in influencing the allowance and denial rates or CDR continuance/cessation rates of DDS's through the issuance of instructions and reinforcement of those instructions with the review process. It has not, however, been effective in influencing ALJ decisions. Past experience shows—for example, following the 1984 legislative reforms—that increases in DDS allowance rates are generally followed by increases (not decreases) in ALJ reversal rates. Consequently, absent concrete initiatives that would countermand the historical trend, an increase in DDS allowances would be expected to bring about an increase in allowances overall. Process unification, so far, does not seem to have sufficient vigor to reverse the historical trend. Anecdotal evidence provided by many of our members who attended process unification training sessions with ALJ's indicates that most of the judges do not anticipate a change in the way they decide claims as a result of this training.

SSA has stated that if efforts such as process unification result in a 1-2% increase in DDS allowances, ALJ's must decrease their allowance rates by 4-7% to ensure that the impact on the Trust Fund is neutral. We are hopeful, but not entirely optimistic, that sufficient reinforcement through the review process, SSA reorganization, and other initiatives

described in our response to your first question may bring about the needed shifts in practice and attitude. If not, we will welcome legislative consideration of the use of state or federal hearings officers and institution of a Social Security Court.

This, and exposure to fraud, are *old* concerns that process redesign has not yet shown it can correct and has a clear potential to exacerbate. Ironically, redesign is also seen as creating a *new* threat to the Trust Fund. Under the proposal, the DCM, when reversed by an ALJ, will have the claim remanded to him for payment effectuation. These remands will provide an incentive to DCM's to anticipate which claims are likely to be allowed by the ALJ and to preemptively allow them rather than create a delay for the claimant and subsequent rehandling by the DCM. Since ALJ's often cite anticipated reversal or remands by the courts as their impetus to allow certain kinds of claims, the proposed system will create a channel which links the courts, indirectly through the ALJ's, to the initial decision maker. For the first time, reversal of denials by courts, or the anticipated threat of reversal, will set in motion forces that will be felt by the initial decision maker. We are quite concerned about the implications of this proposal. We urge a careful and sober look at these issues prior to implementation.

December 20, 1996

The Honorable Jim Bunning
 Chairman, House Subcommittee on Social Security
 U. S. House of Representatives
 Washington, D. C. 20515

Dear Congressman Bunning:

This responds to your letter to Jerry Thomas dated November 22, 1996, in which you asked eight questions in follow up to testimony presented at a hearing on September 12, 1996.

Before turning to your particular questions, I want to make one brief comment in modification of the written and oral testimony presented by NCDDD at the hearing. The testimony might be interpreted to conclude that NCDDD does not feel that there have been any successes at all in SSA's disability redesign. This is not the case. While there are serious disagreements on some of the specific initiatives and on the pace, scope, and priority of some other initiatives, I was remiss in not acknowledging the positive aspects of redesign in general and the progress that has been made on some specific projects. In particular, the cross component training that has taken place as the first step in process unification, the information being obtained in the adjudicative officer and single decision maker projects, and the developing plans to test what is known as the full process model should all be regarded as successes. Equally as importantly, since the summer of 1994 -- shortly after the release of the original reengineering report -- the process for developing the redesign initiatives has helped promote an effective working relationship between the states and the SSA Disability Process Redesign Team. Mr. Chuck Jones in particular has been instrumental in keeping DDSs informed of what has been happening in redesign and in assuring opportunities for full participation and inclusiveness for DDSs.

Responses to your specific questions are as follows.

- 1, Relative to the creation of the position of Disability Claims Manager (DCM), you asked why the NCDDD does not feel that the position can be successfully implemented, and you asked if reluctance to endorse the position is just an attempt to protect state jobs.

According to SSA's original plan, the DCM would be accomplished in two steps. First, job tasks would be simplified through the development of a comprehensive system of "enablers". Second, the functions presently performed by SSA Claims Representatives and DDS Disability Examiners would be combined into one position. Neither step seems plausible to us. With regard to the enablers, state and federal personnel have worked together on operational problems over the past few decades with much more modest results than what the enablers were predicted to accomplish. The system of enablers always appeared to be more of a wish list than an achievable set of program tools.

With regard to combining jobs, both jobs are very complex already. Persons hired into these jobs require approximately two years of training and experience in order to become proficient. This makes longevity and low turn over essential in order to achieve efficiency in service delivery. Combining the jobs would approximate double the amount of down time spent in initial and ongoing training.

Further, the jobs require different types of skills. Presently, the presence of just one type of skill enables an individual to perform successfully in the program. Under the DCM, the absence of either type of skill would severely compromise an individual's ability to provide good service. Thus, creating the DCM will result in a less efficient and more costly service delivery system and will reduce the range of individuals who can perform the work.

Of course, you are correct to observe that DDSs want to maintain their place in the administration of the disability program. Frankly, there is no way for you to be absolutely sure that our concern for job security does not influence our response to some of the proposed program changes. You can, however, observe that the historical and current behavior of the DDS community is not characterized by preoccupation with self interest. DDSs have often participated in the field testing of new ideas without regard to their probable impact on long term DDS job security. A recent example would be the Adjudicative Officer project. DDSs volunteered to try out this position with no up front assurance that, if successful, it would not result in the loss of state jobs. Success of the AO and subsequent creation of AO positions in both state and federal locations could plausibly be regarded as a threat to the scope of the DDS role because of elimination of the reconsideration step which is performed exclusively at the DDS. Still, DDSs are willingly participating in AO demonstration projects because of the potential to improve service delivery.

If job protection were the dominant DDS motivation, we would be tempted to strongly endorse the DCM concept since it offers an opportunity for DDSs to aggressively expand their role in the program. Given the certainty of the continuation of cost consciousness in government, DDSs could attempt to exploit the substantial differences in state and federal salaries, the historically high rate of DDS productivity, consequent cost effectiveness, and other advantages as a basis for arguing that the great majority of DCM positions should be placed in the DDSs.

But the reality is that the predominant reason for the DDS community not endorsing DCM is because we believe that it will result in a less efficient and more costly process without adequate offsetting advantages. And we are not alone. Skepticism about the viability of the position was expressed by a wide range of commenters very soon after the reengineering plan was first announced and the skepticism has continued through the publication of the most recent GAO report on this subject.

2. You asked why the plan to develop 1500 DCM positions was characterized as “dangerous adventuring that would have exposed the program to needless risk”, and you asked about the negotiations with the SSA unions that resulted in the plan for 1500 positions.

The Memorandum of Understanding negotiated between SSA management and organized labor did result in an agreement to create at least 1500 DCM positions between January of 1996 and January of 1998. That plan can be regarded as dangerous because it made an astonishingly large commitment to the DCM concept before there was even a good understanding of what would be required to train DCMs, because it was not based on a carefully contemplated or widely shared understanding of what the specific job content would be, because of its likely immediate adverse effect on workloads, and because its scope was so large as to make turning away from DCM difficult if the position proved not to be workable. As has subsequently been established by professionals in the business of project evaluation, 1500 positions is far beyond what is necessary to test the viability of the DCM concept.

NCDDD did eventually participate in a SSA sponsored work group to determine the details of the DCM concept including the training process. NCDDD then agreed to a plan to test the concept using between 230 and 290 DCMs. We feel that this test is wide enough in scope to produce useful information about the (pre-enabler) viability of the position while being narrow enough to not adversely affect workloads during the test, to minimize the loss of resources, and to preserve the option to abandon the whole concept if it doesn't work.

With regard to the union negotiations, since NCDDD was not present at the negotiations, we cannot comment on any aspect other than the outcome.

3. You asked about the enablers which SSA originally said would support the DCM, if the enablers are in place, if SSA is moving forward anyway, and what our dialogue has been with SSA about the enablers.

The enablers included state of the art computer hardware, a software system consisting not only of case development and management information functions but also decision support and expert system functionality far beyond anything successfully developed so far, a simplified methodology for making eligibility determinations, a vastly improved relationship with the medical community, and transfer of responsibility for collection of evidence to claimants and their representatives. None of these enablers are now in place. Although the computer system is the one most often criticized for its substantial delays, the other enablers do not appear close to completion, and most lack the detailed timeline schedule and statement of specifications that has been published for the computer system.

NCDDD has recommended that SSA adhere to the original plan of developing the enablers before expecting the DCM to operate efficiently, but SSA does plan on testing the DCM in FY'97 in a pre-enabler form.

4. You asked if claimants now have no responsibility for collecting evidence of disability.

Under the existing system, claimants usually are asked at the time of application if they have evidence in the form of medical reports to present in support of their claims. Claimants also are asked to cooperate with the process of obtaining evidence, by attending consultative examinations and, sometimes, by helping the program personnel contact treating sources to encourage them to submit reports. However, the majority of the effort in obtaining a medical record is the responsibility of the DDS employees. We have expressed concern that permitting claimants or their representatives to develop the medical record will result in a biased record since the claimants will tend to focus on reports that support their claims and omit reports which might support a finding that they are not disabled.

5. You asked about the extent to which DDSs are involved in redesign initiatives, whether the workloads are suffering, and if SSA has provided resources for these activities.

The adjudicative officer project and the single decision maker test are being piloted in several states. Nearly all DDSs and OHA staff have now participated in the first stage of the process unification effort. Many DDS employees have had the privilege of participating in work groups to lay the foundation for other redesign initiatives, and there is much DDS involvement with determining the functional requirements of the computer system. Since these projects are small in scope, there has been only a minimal adverse effect on the workloads. In some ways, the AO and SDM projects have improved work flow. SSA has done an excellent job in helping to assure that the resources needed to support participation in these projects are available to the participating DDSs. However, due to the urgency of completing the drug and alcohol addiction and child reviews, some DDS participation in demonstration projects may have to be curtailed.

6. You asked about the combined effect on front line workers of SSA's extremely optimistic predictions in 1994 about the success of reengineering and the fact that little has happened in the way of actual implementation.

The vast difference between prediction and outcome could not have favorably affected the credibility with which messages are received in the field. The perception exists that making overstated claims about dramatic improvements and dedicating resources to impractical endeavors have imprudently diminished the energies available for solving the more immediate "here and now" problems of the disability program.

The important fact however, is that the front line workers have continued to perform their jobs with dedication, competence, and beneficial outcome to the American public.

7. You asked why we think that the difference in decision making processes and outcomes between the DDS and OHA level is the most serious problem facing the disability program.

There are four reasons.

First, and most importantly, is the effect on the day to day lives of the ordinary American people that the program is supposed to be serving. Too many persons receive their benefits only after a very long wait and must pay 25% of their back benefits to an attorney or other representative. If these cases are good allowances, then the majority of them should have been allowed at the earlier stages which are much quicker and less costly to the tax payer.

Second, is the effect on the program personnel --- the phenomenon of such a high reversal rate saps employee morale. Front line Disability Examiners have come to expect as common place the fact that cases not allowable at the initial and reconsideration level will be allowed at the hearings level. In fact, encouraging claimants to exercise their appeal rights is not unusual

Third, is the effect on the continuing disability review process. The combination of the types of cases allowed at the OHA level and the medical improvement standard results in enormous inequities when cases are processed at the continuing disability review level. The problem is this --- many OHA allowances are based on findings that claimants with moderate impairments have a capacity for only a restricted range of sedentary work. In such cases, the medical improvement that is a prerequisite for cessation of benefits is unlikely to be demonstrated since the medical condition was not at the extremely severe stage when the case was first allowed. Simply stated, the less impaired the claimant is when allowed, the less likely it is that benefits will ever be stopped. Conversely, the most impaired claimants are also the most likely to show medical improvement because their conditions have more room for improvement.

Fourth, is the fact that a high rate of allowance at the appeals level --- the most expensive, most time consuming, and least efficient stage of the process --- guarantees a continuing backlog of cases awaiting appeal. Claimants appeal to OHA not only because they have been denied at the earlier levels, but also because of the high probability of success on appeal.

8. You asked for an opinion as to the major reason for such a high reversal rate at the OHA level.

SSA officials have, in their public responses to this issue, historically overstated the less causative factors --- worsening of the condition, discovery of additional evidence, passage of time, face-to-face contact with the decision maker, etc. --- and vastly underestimated the real reason which is the combination of the absence of common training, the absence of a common policy guidelines, and the absence of any effective method of assuring that OHA decisions conform to program regulations and policy. The variance of allowances rates among individual decision makers in OHA constitutes definitive evidence that this is the case. In addition, a quality assurance system which focuses primarily on reviewing and returning allowances at the DDS level and almost exclusively on returning denials at the OHA level actually pulls decision making between the two levels apart.

You may wish to refer to the recent GAO report (GAO/HEHS 97-28) for an excellent discussion of this matter.

Thank you for the continuing opportunity to provide information and viewpoints on subjects related to the Social Security disability program.

Sincerely,



Douglas Willman
NCDDD President

GAO'S RESPONSES TO QUESTIONS FOR THE RECORD**DISABILITY REDESIGN****Question 1:**

Based on your review, why has the SSA systems now critical to the success to the disability redesign encountered such major delays in implementation?

SSA's Disability Redesign System which is intended to allow SSA to move from its current manual, labor-intensive disability determination process to an automated process has been delayed by 28 months. SSA now plans to begin implementing this system in April 1999. The delay is due to the following:

- 10 months of the delay is primarily due to software development problems including (1) using programmers with insufficient experience developing software for a PC-based computing environment, and (2) using software development tools that have not performed effectively.
- the remaining 18 months of this delay can be traced to an unrealistic development schedule that left insufficient time for system testing. For example, specific equipment was scheduled to be acquired before ensuring the equipment could adequately process claims in SSA's redesigned environment.

Question 2:

In your testimony, you mentioned that SSA decided to work on 38 initiatives at the same time, requiring significant investment in time and resources. To date, how much has been spent on redesign since SSA published its implementation plan in 1994?

The investment of time and resources described in our report refers to the thousands of federal, state, and contractor employees throughout the country engaged in designing, developing, testing, and evaluating processes and developing and delivering training programs. During the course of our audit work, we did not obtain specific and inclusive cost information.

However, we recently asked SSA to provide us with redesign cost data from the time the implementation plan was published in 1994 to the present. SSA officials believe that it is difficult to attribute many costs directly to reengineering activities because they are associated with other ongoing efforts as well. To date, we have received no redesign cost information.

Question 3:

Your testimony indicated that the cornerstone of any redesign effort is the commitment and long-term availability of its top leaders. What turnover of key executive level personnel has SSA experienced since redesign implementation began? Has SSA taken any action in response to this turnover which demonstrates their realization of the importance of management stability and continuity?

Since redesign implementation began, SSA has experienced turnover in the following senior executive positions:

Principal Deputy Commissioner
Deputy Commissioner for Systems
Director, SSA Process Reengineering Program

Because turnover in executive positions occurs frequently in government, we have expressed concern with the planned duration and scope of SSA's redesign project. Thus far, reengineering has remained an agency priority. However, in our testimony and subsequent report we have cautioned that continued turnover could result in a loss of momentum and further delays. To increase the likelihood that SSA can accomplish rapid results, we have recommended that the agency concentrate its efforts on endeavors of smaller, more manageable scope. Specifically, SSA needs to select those initiatives most crucial to producing significant, measurable reductions in claims processing time and administrative cost--including those initiatives intended to achieve process unification, establishment of new decisionmaking positions, and enhancement of information systems support.

Questions for the Record

PERSONAL EARNINGS AND BENEFIT ESTIMATE STATEMENT (PEBES):

1. Does the current PEBES statement convey what Congress intended, that is, an understanding of Social Security that results in increased public confidence, especially for younger workers?

Overall, the public believes the information provided in the PEBES can be helpful as a financial planning tool. However, we found that the statement fails to clearly communicate the complex information people need to understand SSA's programs and benefits. It provides too much information, and presents this information in a way that undermines its usefulness. As a result, the statement can frustrate or confuse readers and could undermine rather than boost public confidence in Social Security. Younger workers in a 1994 focus group asked for a simplified one-page statement with the explanatory information placed in a separate pamphlet.

2. You said that the estimated cost of sending out the PEBES to 123 million workers in the year 2000 is \$80 million. Has GAO estimated the administrative burden the current design of the statement may place on SSA if millions of workers continue to receive a PEBES statement they cannot read or understand? Could this result in an overwhelming workload for the local Social Security offices and the employees who answer SSA's 800 number? Would this confusion further erode public confidence in Social Security?

In our ongoing work for this Subcommittee, we are currently examining the impact of PEBES on SSA's workload and operations. We plan to report on this work in June 1997. Certainly, a confusing statement can generate unnecessary public inquiries. These unnecessary inquiries place an added burden on SSA's front-line workers, especially those workers who answer SSA's toll free telephone numbers. If SSA is unable to handle the number of incoming calls, this could frustrate callers and further erode public confidence. As SSA considers new formats and changes to the PEBES, it will be important to examine the effects of these changes on the level of public inquiries.

3. Why is it important for SSA to make your recommended changes to the PEBES statement now, rather than say, next year?

SSA can begin by making limited wording and organizational changes to the current PEBES. However, SSA needs to make more extensive revisions to the PEBES to ensure that the statement communicates effectively. Since there is no clear consensus on how best to present the PEBES information, revising the

PEBES will require time to collect data and develop and test alternatives. SSA must be sure any changes result in improved reader comprehension and a manageable level of public inquiries. It will need to start now and adhere to a rigorous schedule to complete these changes in order to meet its 1999 redesign target.

4. How has SSA gone about making its decisions regarding PEBES development and what has been the result up until now?

The PEBES has been developed piecemeal by a team of representatives from various SSA offices. Over time, the team revised and expanded the statement in response to feedback on individual problems. As a result, SSA appears to have lost sight of the cumulative effect of these changes to the document, and the statement became too long and complex.

5. In your opinion, does SSA now clearly understand Congress's intent to send a statement to workers that is clear, concise and useful? Are you confident that SSA will make the necessary changes in time?

In response to a December 1996 GAO report summarizing the results of our work on PEBES' usefulness to the public (SSA BENEFIT STATEMENTS: Well Received by the Public But Difficult to Comprehend, GAO/HEHS-97-19, December 5, 1996), Commissioner Chater said SSA officials "agree that the current format of the statement can and should be improved to make it more understandable and user-friendly for recipients. A workgroup chaired by the Associate Commissioner for Program Benefits Policy has started examining the specific problem areas GAO identified and will recommend several alternative formats for further agency evaluation and testing."

SSA officials told us that they hope to (1) develop these alternative PEBES prototypes, (2) test public reaction and determine the attendant workload for each option, and (3) complete final selection of the revised PEBES by mid-1998--in time for the 1999 bidding and contracting cycle.

6. In your discussion with recognized experts in the field of private-sector pension benefit statements, and document design and communications, what specific suggestions did the experts make to improve the PEBES statement and make it an effective financial planning tool? What was their reaction to the current SSA PEBES statement?

In general, the experts agreed that the PEBES was too long and too complex. It presents too much information, which may overwhelm the reader. However, a standard benefit statement model does not exist, and there is no clear consensus on how best to present benefit information. The design expert and other benefit experts we consulted suggested that the PEBES layout and design should be improved. Specifically, SSA could (1) provide a more concise and inviting explanation of the purpose of the statement, (2) make better use of bulleting and highlighting to improve the layout and design, (3) reorganize the statement to provide information where it is needed, and (4) simplify its program and benefit explanations.

7. What was the schedule SSA used to send out PEBES statements in 1995 for all workers who had reached age 60? By this I mean, were the statements sent out alphabetically, chronologically or by Social Security number and divided by months?

In 1995, SSA was required to send a PEBES to all eligible individuals aged 60 and over. This group included individuals who had a Social Security number, had wages or net earnings from self-employment on record at SSA, were not currently receiving Social Security benefits, and had a current address obtainable by SSA. SSA decided not to send statements to individuals who had requested and received a PEBES in approximately the past year.

To meet the PEBES requirements, SSA staggered the required mailings on a weekly basis throughout the year. To stagger the mailings, SSA separated a list of eligible individuals aged 60 and over into four groups by date of birth, corresponding to quarters of the year. Next, SSA further divided these lists into smaller segments for weekly processing, based on the last two digits of each individual's Social Security Number. This further division ensured that batch mailings would be spread throughout the country geographically. The data for each batch was electronically transmitted to the commercial contractor weekly for printing and mailing of the statement. In 1995, SSA sent an average of 200,000 records to the contractor each week.

Chairman BUNNING. With that, the hearing is adjourned.
[Whereupon, at 12:35 p.m., the hearing was adjourned.]
[Submissions for the record follow:]

Statement of

American Federation of State, County and Municipal Employees
 Communication Workers of America
 Service Employees International Union
 Union of American Physicians and Dentists
 United Auto Workers of America

Submitted to the Committee on Ways and Means
 Subcommittee on Social Security

September 26, 1996

This testimony is being submitted for the record by five unions who represent workers employed by the state Disability Determination Service (DDS) agencies. Collectively, we represent close to 10,000 DDS employees across the United States, including examiners, adjudicators, medical and psychological consultants, and technological and support staff. On their behalf, we would like to thank the Chairman and members of the Subcommittee for this opportunity to comment on certain aspects of the redesign process.

No group concerned with the disabled has been more aware of the growing difficulties in the Supplemental Security Income (SSI) and Disability Insurance (DI) programs than the DDS staff who process the claims. While applications for SSI and DI have risen dramatically over the past few years, staffing has remained relatively flat. Examiners routinely have caseloads of between 100 and 300 claimants, as compared with average caseloads of 40-50 cases only ten years ago. Not surprisingly, state agencies face a large backlog of cases.

Our members agree that this situation cannot continue and are strongly supportive of measures to remedy it. Frontline DDS workers and their unions have been involved in the redesign of the disability process since its very beginning. In addition to commenting on many of the redesign proposals, unionized DDS workers have served on the Disability Process Redesign Team's Internal Advisory Committee and participated on task teams established to flesh out the details of Redesign. Frontline DDS workers and their unions are participating in the Adjudication Officer and the Single Decision Maker pilots and will be participating in the upcoming Disability Claims Manager (DCM) pilot.

In our last appearance before this Subcommittee, in May of 1995, we expressed our concern about certain aspects of the Redesign. Some of those concerns have been addressed, but some still remain. In what follows we want to review some of the key issues that we believe the Subcommittee should be monitoring.

Disability Claims Manager (DCM) pilot

The first issue which concerns state union members is the accelerated implementation of the Disability Claims Manager pilot. DDS workers are still not convinced that this position is a viable position for just one employee to fill, but are willing to participate in the pilot.

DDS workers' main concern is that the test is being implemented prematurely. The DCM is based on coordination of many other factors or "enablers" designed to make the position workable. SSA will be implementing the DCM pilot without all of the enablers in place. This causes great concern for frontline workers who will be participating in the pilots without the necessary supporting systems. Additionally, DDS examiners are concerned that there will not be adequate technological and support staff for the pilots and this will have an impact on the performance of the state DCMs.

Teaming Pilots

As an alternative to the DCM, state unions support the concept that a federal and state employee can be teamed up to process claims more efficiently and is enthusiastic about the redesign efforts on teaming. The teaming concept is a variation on the DCM position, one which frontline DDS workers and their unions agree is more viable than the DCM.

Elimination of the Requirement for a Medical or Psychological Consultant Sign-off

The state unions oppose the elimination of the requirement for a medical or psychological consultant sign-off for each claim because this compromises the integrity of a medically-based disability program. This scenario is being tested in the Single Decision Maker pilot. State adjudicators or examiners who are participating in the pilot have the option of requesting that a medical consultant review the application in complicated cases. However, there is anxiety among DDS examiners that if they request reviews too frequently, they will be subject to negative personnel actions. There is also the concern that they are being asked to perform a function for which they have not received adequate training, i.e., medical school. A high level of anxiety on the part of the employees participating in the pilot undermines the credibility of the pilot's results.

Our members propose that this issue is one of such importance that the entire notion of what constitutes medical disability is in question. If this system is to be medically based, it must necessarily have the input of persons who are physicians. If a decision is made that the system is not medically based, state adjudicators without a medical degree can perform the determination with some basic training. However, we would alert this Subcommittee that if the program is not going to be medically based with the mandatory involvement of physicians, the likelihood of fraud and abuse increases.

State unions will continue to participate and monitor disability Redesign and will be happy to provide this Subcommittee with our recommendations on Redesign implementation in the future.

September 12, 1996

Subcommittee on Social Security
c/o Phillip D. Mosely
Chief of Staff, Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515

Re: **Reforming the Social Security Disability Adjudication
Process - Critical Deficiencies in the Redesign**

Dear Members of the Committee,

I am currently serving as an Adjudication Officer in the West Des Moines, Iowa pilot site. I have previously served as an Attorney-Advisor in Memphis and Knoxville, Tennessee and as a Senior Attorney-Advisor in Knoxville, Tennessee. Prior to my joining the Social Security Administration [SSA] I was in private practice, which included some Social Security cases. This varied background has provided me with a first hand view of the potential impact of the Adjudication Officer [AO] and Senior Attorney-Advisor [SAA] programs.

Both these programs were designed to essentially address the same problems, 1.) how to ensure disability cases appealed to the Office of Hearings and Appeals [OHA] receive appropriate evidentiary development before hearing; and 2.) that cases deserving of an award on-the-record, are issued promptly in the form of a legally sufficient and defensible written decision. Currently, the Adjudication Officer is scheduled to become a permanent position as part of the Redesign. In contrast, the Senior Attorney-Advisor position is temporary and is expected to end within the next four months, unless renewed.

Review of the upcoming SSA workload, test results, and the state of the combined Federal and State workforces involved in disability determination, leads to the conclusion we would be better served by reversing the policy regarding the permanency of the Adjudication Officer vs. Senior Attorney-Advisor programs. Both programs have been effective in expediting case development and issuing favorable decisions where appropriate. Recent statistics have shown that Administrative Law Judge allowance rates have been dropping since the implementation of these programs. Thus there has been little change in the overall allowance rate.

In theory, both programs have the potential to reduce the subsequent workload at the receiving Office of Hearings and Appeals. However, the Senior Attorney-Advisor model actually has much better potential to help overall processing time. It develops cases more efficiently and in a manner more useful to the OHA than the Adjudication Officer model. Furthermore, it does not have the profound negative impact on the other workloads within the overall process that will result from full implementation of the current Adjudication Officer proposal.

In my own experience I find that I am able to complete review and preparation of a case as a Senior Attorney-Advisor much faster than I can as an Adjudication Officer. I attribute this to several factors. 1.) The nature of written reports necessary for cases that continue to hearing. 2.) The availability of clerical help to assist with evidentiary development. 3.) Access to Administrative Law Judge [ALJ] input. 4.) Caseload management issues. The Senior Attorney-Advisor has the advantage in each of these areas.

The Reports

As a Senior Attorney-Advisor I only needed to provide a short report of one or two paragraphs highlighting the critical issues of the case that will progress to a hearing. Review of the case and completion of this report can be completed in less than an hour. Typically the form requires very little, if any revision. This is true even when there is additional development. If development is needed I can immediately obtain access to clerical help who will process the development request, permitting me to focus on legal analysis, report writing and decision drafting.

As an Adjudication Officer I have been instructed to complete a two to five page form that: 1.) contains a significant amount of irrelevant, inappropriate and/or unnecessary information; and 2.) takes hours to complete and often requires extensive revision. The Summary of Evidence and Agreements (SEA) form requires summarization of all the medical evidence, and a regurgitation of the information already described in the DDS initial and reconsideration determination forms. Both these requirements are very time consuming. It is my understanding that these requirements were intended to assist ALJ's and decision writers. This intent was commendable but the nature of the form reflects ignorance of the true function of the judges and writers.

The nature of these requirements is especially frustrating since such information is of little help to decision writers or ALJ's. The exhibit by exhibit summary is unnecessary. Both writers and judges are charged with reviewing the record, not someone else's summary of it. Neither can rely on such a summary and properly carry out their duties. They must review the record themselves. Furthermore, high quality written decisions do not require an exhibit by exhibit summary. They require a reasoned analysis of the evidence and its application to the law.

The rehash of the information contained in the prior determinations is doubly wasteful. First, the information is already contained in a concise form in the file. Second and more importantly, the information is largely irrelevant. The review at the hearing is de novo!

This form was not contemplated in the original redesign. The September 1994 plan contemplates the Adjudication Officer as providing focus to the case by identifying the issues, not by performing the largely clerical function of summarizing medical evidence, especially when that clerical function has been abandoned by OHA offices as an inefficient use of resources.¹

The claimant's representative is expected to sign this form before the case can go forward. This further delays the process by days or even weeks. It reduces the amount of practical information available to the ALJ. Highlighting any weak points of the case on the form would result in objections by counsel (on the grounds that the Adjudication Officer input was improperly influencing the Administrative Law Judge's decision).

Clerical Help

The Adjudication Officer pilot offices have all been severely hampered by the lack of sufficient clerical help. This was a major complaint raised at conference calls and the recent site manager conference. Adjudication Officers are thus forced to perform significant amounts of clerical

¹ See, Plan for a New Disability Claim Process, September 1994. SSA Pub. No. 01-005 at p. 33 - 34.

work [much of which is unfamiliar to the AO's], keeping them from their primary duties of case analysis and decisionmaking. Furthermore, some of the clerical personnel assigned to the pilots have not had necessary training to perform needed clerical tasks, exacerbating the workload problems in the AO pilots.

Senior Attorney-Advisors have access to the full contingent of experienced clerical staff at the OHA. Therefore, medical records requests and other evidentiary development can be delegated quickly and effectively.

Access to ALJ input

The separation of the Adjudication Officer from the OHA office in the pilots has compelled the establishment of a "firewall" between the Adjudication Officer and the Administrative Law Judge. This often results in Adjudication Officers having to overdevelop cases to assure their acceptance by the most demanding ALJ's in an office. It also makes it much more difficult to obtain meaningful feedback from the recipient of one of the AO's principal products: the case certified for hearing. This is contrary to the original concept of the redesign, in which the AO and ALJ were expected to "work closely". The redesign plan specifically envisions the AO consulting with the ALJ on a regular basis.²

In contrast, the Senior Attorney-Advisor remains an integral part of the OHA office and has easy access to the ALJ's. He/she is permitted and expected to consult with them on appropriate cases. This contact helps expedite the handling of many functions and fosters teamwork. The relationship of the Senior Attorney-Advisor to the Administrative Law Judge is much truer to the redesign's vision for AO/ALJ relations than what has been implemented in the AO pilots.

Caseload management

AO's in the pilots typically have caseloads exceeding 100 pending cases, when the optimal caseload has been described as 60 - 80. It is exceedingly difficult to manage a caseload of this size. It is nearly impossible to maintain timely follow-up contacts. I believe acquisition of LAN ready contact manager software would help the AO's significantly, but 100 cases would still be unmanageable. In contrast, Senior Attorney-Advisors have much smaller caseloads and can release cases to other personnel much faster. Thus they are able to keep much better track of their cases.

These reasons should be enough to justify reworking the AO/SAA programs to make the permanent program follow the Senior Attorney-Advisor approach. There are other reasons, even more persuasive. The most critical of these is the impact of full implementation of the competing programs on the other disability determination components. These competing programs will have a very different impact on the overall workloads in the state disability determination services [DDS's] and OHA's. The Senior Attorney-Advisor program obviously has no impact on the DDS or SSA field office workforce. It was expected to have some negative impact on the capacity for regular decision writing. This impact was markedly lessened since the Senior Attorney-Advisors continue to draft decisions for Administrative Law Judges in addition to their prehearing duties. Generally the cases the SAA's write are the most difficult in the office.

² See, Plan for a New Disability Claim Process, September 1994. SSA Pub. No. 01-005 at p. 33 - 34.

Furthermore, software improvements and increased computer experience have allowed many Senior Attorney-Advisors to increase their writing productivity to lessen the impact on OHA writing capacity. Thus, any adverse impact of the SAA program on other parts of the process has been minimal.

Current plans are to hire as many as 1200 Adjudication Officers. These people would all be current experienced DDS or SSA employees. Therefore, the current Adjudication Officer implementation plan will leave 1200 vacancies in the former components of the new AO's. Of course, this would severely impair those components' abilities to handle their remaining regular workload. The AO's are assigned to separate offices. They will not be available to assist with any of their former workloads. This is particularly problematic in: the DDS's where their workload has recently experienced major increases with the implementation of the new continuing disability review (CDR), drug and alcohol abuse [DAA], and childhood disability legislation; and in OHA where the most experienced Attorney-Advisors and/or Paralegal Analysts would be completely pulled out of the decision writing pool.

Finally, Adjudication Officers under the current plan will all have to be extensively trained to function in this new position, which is markedly different from their current position. They will all go through a considerable learning curve before they begin to have full impact. In contrast, the transition from Attorney-Advisor to Senior Attorney-Advisor is much easier and of course has already been completed for the current group of Senior Attorney-Advisors. It does not require significant additional training. Thus, expansion of the Senior Attorney-Advisor program is much less expensive than full implementation of the Adjudication Officer program.

Expanding the Senior Attorney-Advisor program will require hiring of replacement, entry level, Attorney-Advisors at a much higher number than in the past. I have addressed the advantages of hiring new attorneys vs. promoting clerical workers as writers in a previous submission to the Subcommittee dated June 5, 1995. I would also add that the hiring of additional attorneys would be especially advantageous in contrast to the expansion of the centralized writing units. The fact that the Attorney-Advisors are in the local hearing offices give them a critical advantage over decision writers in centralized writing units. The ease of communications with the Administrative Law Judges goes far to expedite decision writing. Many problems arise when a writer in a central unit is unable to understand an instruction and is not able to easily contact the Administrative Law Judge for clarification. This is compounded by the fact that the Administrative Law Judges have no timely method to provide feedback to the centralized writers. Having the writers in the local office avoids these difficulties.

The approach I have described here has clear advantages for the entire agency. It is less expensive and less disruptive to other Agency work. It will promote more effective prehearing case handling. It will also act to improve post hearing decision writing quality and capacity. It will effectively reduce processing time for the claimant, regardless of the impact on any one component.

³ "SSA measure[d] the process from the perspective of the component organizations involved, rather than from the perspective of the claimant." Plan for a New Disability Claim Process, September 1994. SSA Pub. No. 01-005 at p. 11.

There are other advantages with using attorneys as Adjudication Officers in contrast to filling the

I ask you to please reconsider the implementation of the current proposal. While well intended, the current design will exacerbate as many problems as it solves. My counterproposal is much more likely to give you results in keeping with the announced goals of the redesign. The Adjudication Officer program should not be implemented as currently designed. Instead, the Senior Attorney-Advisor program should be expanded and made permanent.

Sincerely,

James R. Hitchcock
in my individual capacity

James R. Hitchcock
Attorney-Advisor
Suite 1401
800 South Gay Street
Knoxville, TN 37929-1401
(615) 545-4205

currently detailed as an
Adjudication Officer

Suite 305
1001 Office Park Road
West Des Moines, Iowa 50265
(515) 267-9183

positions with non-attorneys addressed in previous letters including my June 5, 1995 submission coauthored by Rebecca C. Brown.

**STATEMENT OF LARRY JACKS, DIVISION LEADER
OFFICE OF DISABILITY DETERMINATIONS
PUBLIC EMPLOYEES FEDERATION**

We want to thank the Subcommittee for its continuing National focus on the Disability Program. We too have major concerns regarding the Social Security Administration's (SSA's) Disability Process Redesign (DPR) and its impact on this vital safety net for our truly disabled citizens. DPR fails to adequately address fraud and abuse in the Disability Program.

SSA deserves praise for helping to raise a National discussion of the Disability Program with its Disability Process Redesign plan. Unfortunately the DPR is inadequate in many areas including its failure to include safeguards against fraud and abuse. We welcome the new SSA Inspector General's role in addressing this deficiency. Since Redesign's inception in April '94, we have repeatedly criticized SSA's Disability Process Redesign Team's (DRPT's) failure to include safeguards against fraud and abuse. Many of the Redesign's major components radically increase the potential for fraud:

- The proposal relies on a "certification" system that eliminates the strict medical documentation requirements now in place.
- The single decisionmaker, a.k.a. Disability Claims Manager (DCM), advocated by the DPRT places too much authority in one person and reduces the medical consultant to a peripheral role. Checks and balances are vital to preserve the Trust Fund's integrity.
- Without adequate safeguards, DPR proposes to increase the role of third party, advocacy groups and for-profit businesses (ie. attorneys) in the Disability process. It places unrealistic emphasis on trust, receptivity to education and voluntary compliance which does not guarantee Program integrity. Issues of secondary gain on the part of claimants and their representatives should not be ignored since they can lead to fraud, conflict of interest and lack of uniformity. SSA must not relinquish its authority and responsibility for claims development.

SSA had pledged not to implement Redesign initiatives until safeguards to prevent fraud and abuse were in place. We are concerned that this commitment has not been met. Our experience suggests that current referrals for potential fraud are not adequately investigated. Front line staff have little confidence that SSA is genuinely interested in identifying and pursuing these issues. Left unchecked, Redesign will exacerbate these problems and create new ones. We welcome greater involvement by the Inspector General, not only to investigate individual cases, but to provide leadership to the DPRT regarding the dangers inherent in the Redesign plan.

The State Disability Determination Services with modest additional resources have made progress in reducing claim backlogs and processing time despite a barrage of policy and technological changes that lack a consistent direction. The Disability Program needs sensible change... it is not broken! The DPR has not been able to provide effective short term solutions to these problems and has been the greatest obstacle to constructive change. It has siphoned off valuable staff and resources. By emphasizing the legalistic rather than the medical aspects of the Program, we are now even farther away from a real solution. Congress must continue its leadership role in redirecting SSA's efforts so that both the truly disabled and the taxpayers are protected. We recommend the following:

- Place a moratorium on any further implementation of SSA's Disability Redesign until Congress receives adequate assurance that issues such as fraud and abuse, Program intent and Trust Fund Integrity are resolved.
- Establish **time limited** benefits in appropriate impairment categories.
- Remove vocational considerations in disability decisions for applicants under age 50 but provide a real commitment to vocational training and rehabilitation initiatives for these younger workers.
- Clarify the adjudicative weight given objective medical evidence vs. subjective elements such as allegations, treating source opinions. This would help achieve authentic Process Unification between the DDS's and the ALJ's.
- Revise the Administrative Procedure's Act to give SSA the requisite authority to manage the OHA 's, including an effective quality assurance system for ALJs. This was highlighted in GAO report GAO/HEHS.96-87.
- Create a Social Security Court, to provide uniform review of SSA decisions and consistent interpretations of regulations, replacing the current system of 89 Federal District Courts and 13 Circuit Courts each issuing disparate decisions.
- Close the case file after DDS actions are completed, unless there is good cause for late submission of these reports. This should decrease the incidence of individuals withholding relevant medical evidence which causes further backlogs at OHA.

We appreciate the opportunity to discuss these ideas with you and applaud the leadership of the committee in helping to resolve the problems in this national program.

