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Report to the Commissioner, Social
Security Administration

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SOCIAL SECURITY

Sustained Effort Needed to Improve Management and Prepare for the Future





United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

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October 27, 1993

The Honorable Shirley S. Chater, Ph.D.
Commissioner of Social Security
Department of Health and Human Services

Dear Dr. Chater:

This is our follow-up report evaluating SSA's actions in response to the recommendations in our March 1987 report, Social Security Administration: Stable Leadership and Better Management Needed to Improve Effectiveness (GAO/HRD-87-39), and our July 1989 report, Social Security: Status and Evaluation of Agency Management Improvement Initiatives (GAO/HRD-89-42).

This report contains recommendations to you. As you know, 31 U.S.C. 720 requires the head of a federal agency to submit a written statement of actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report. We would appreciate receiving copies of these statements.

We are sending copies of this report to appropriate congressional committees and Members of Congress, the Secretary of Health and Human Services, and the Director of the Office of Management and Budget. We will also make copies available to others upon request.

This report was prepared under the direction of Jane L. Ross, Associate Director, Income Security Issues. Other major contributors are listed in appendix V.

Sincerely yours,

Janet L. Shikles
Assistant Comptroller General

Executive Summary

Purpose

The Social Security Administration (SSA) will soon be faced with dramatic workload increases as the baby-boom generation nears retirement age early in the next century. Beginning in 1995, implementation of legislation mandating Social Security earnings and benefit statements for all workers will further increase SSA's work. SSA is already beginning to experience the effects of a significant increase in disability cases, an area where major delays in processing exist. Given the current budgetary constraints faced by all federal agencies, funding for program administration is limited, placing increased pressure on SSA's management to provide high-quality public service at minimum cost.

This is the third in a series of GAO reports assessing SSA's effectiveness in preparing for the future and managing current operations. This report assesses SSA's progress in making improvements to its strategic management, information resource management, human resource management, and financial management systems. Such improvements are needed to effectively cope with expanding demands for service in a time of resource constraints.

Background

All management systems essentially embody procedures for planning, implementing, and evaluating initiatives needed to accomplish an organization's mission. The four management systems GAO reviewed at SSA are the keys to effective management of any large organization, particularly during periods of significant change. GAO's 1987 review of SSA¹ identified significant problems in each of these systems. GAO's 1989 follow-up review² showed that, in response, SSA had made organizational changes, such as establishing an office of strategic planning and an office of the chief financial officer, and had begun implementing many needed management processes. However, SSA had not developed a process for evaluating its strategic initiatives, determined the costs and benefits of proposed new computer systems, effectively implemented programs to develop staff to replace managers expected to retire, nor improved financial systems to better collect debt.

Results in Brief

Since 1989 SSA has made further progress in solving its management problems; however, opportunities exist for SSA to continue to improve. SSA

¹Social Security Administration: *Stable Leadership and Better Management Needed to Improve Effectiveness* (GAO/HRD-87-39, Mar. 18, 1987).

²Social Security: *Status and Evaluation of Agency Management Improvement Initiatives* (GAO/HRD-89-42, July 24, 1989).

has strengthened strategic management by defining specific service objectives in its strategic plan and establishing a process for developing initiatives to accomplish the goals of the plan. Human resource management has been improved by establishing a deputy commissioner for human resources and implementing programs to identify and develop new supervisory and management candidates. SSA has also made improvements in information resources management and financial management. A plan for managing SSA's information systems has been developed, and financial statements have been produced annually since 1988.

Although many essential elements of the four systems are now in place, further improvements are needed in each to maintain SSA's ability to manage its current workload and effectively prepare for future challenges. In our view, SSA needs to do the following:

- Take additional steps to fully implement a strategic management process to guide planning, implementation, and evaluation of long-term strategic initiatives, and complete a service delivery plan specifying how and where SSA will provide service in the future. Without these plans, SSA lacks a foundation for developing the agency's resource and facilities plans.
- Ensure that plans for modernizing information systems adequately consider their costs and benefits, and ensure that the completed system will reflect the service delivery plan's blueprint for providing SSA service.
- Develop a human resource plan to guide the acquisition and training of the personnel needed to accomplish the agency's long-range objectives and to coordinate current workforce initiatives.
- Strengthen debt management and earnings record maintenance, and improve the quality of agency financial statements.

Sustained commitment by SSA's management will help ensure that the gains SSA has made are not undone and that its efforts in progress continue to completion. In addition, SSA's plans to modernize its operations and improve public service require support from the Congress, the Office of Management and Budget, and the Department of Health and Human Services to succeed. If SSA is unable to successfully modernize its operations, it risks significant deterioration of its future ability to serve the public.

Principal Findings

Long-Range Planning Has Improved, but Process for Tracking Progress Toward Goals Missing

SSA has made progress in establishing a long-range planning process to set agencywide goals, establish priorities, guide budget decisions, and measure performance. Since 1989, SSA has revised its long-range plan to define numerous service objectives, develop a process to translate the long-range plan into detailed plans for specific initiatives, and define a measurement system to track its success in meeting many of its service objectives. However, the planning process could be improved if it were broadened into a strategic management process incorporating appropriate means for assigning responsibility for accomplishing the agency's service objectives and evaluating progress. (See p. 21.)

Further, SSA developed its service objectives and priorities internally, without involving the public or interest groups, leaving the agency without an understanding of the service delivery preferences of significant stakeholders³. One of the principles of effective management is that external input, such as that from customers, should be part of the process for setting service objectives. Consequently, scarce resources may be targeted toward changes in service not desired by the public. (See p. 23.)

In addition, SSA did not complete its service delivery plan before planning and beginning implementation of significant computer system modernization initiatives. Systems planning should occur after operations planning, to ensure that plans for new computer systems are based on and support how and where SSA plans to conduct business in the future. Moreover, contrary to GAO's earlier recommendation, SSA has not assigned responsibility for achieving the agency's service objectives, and it lacks an evaluation process to compare the performance of strategic initiatives to their objectives. Without accountability and evaluation processes, SSA will be unable to determine which initiatives are succeeding and why, effectively target resources to successful initiatives, and otherwise ensure progress toward meeting its service objectives. (See p. 27.)

³Stakeholders are any groups or individuals who are affected by or who can affect the future of an organization. SSA's stakeholders include citizens, interest groups, SSA employees, the Congress, the Department of Health and Human Services, oversight agencies, and others.

Information Systems Modernization in Need of Better Management Control

SSA estimates that, unless its information systems are modernized, the agency will need an additional 15,000 to 17,000 staff to meet future service demands. SSA has taken a number of steps to develop modernized information systems. It has begun to define how it intends to use automation in the future, developed an information systems plan to define its future computer systems design, and begun transition planning to address how different initiatives will be implemented. However, much remains to be done to fully justify SSA's systems modernization plans, which GAO believes could cost from \$5 billion to \$10 billion during the next 5 to 7 years.

Specifically, SSA needs to complete planning efforts to define how it will redesign future operations to improve service. These efforts are essential for determining the most cost-effective design for computer systems and should be the basis for the information systems plan. In addition, SSA has not identified total costs and benefits of proposed systems enhancements. For example, SSA has not demonstrated how much processing time might be saved by automating the disability claims process nor how this might reduce claims backlogs. Finally, SSA has not fully investigated alternative operational processes to those it now uses, which could result in SSA's acquiring new technologies to automate inefficient processes rather than developing new, more cost-effective work processes. (See p. 34.)

Human Resources Receiving Greater Attention, but Plan Not Yet Developed

To enhance its emphasis on human resource issues, SSA established a new organizational component under a deputy commissioner for human resources. It has also implemented several programs to identify and develop new management and supervisory candidates and developed a succession planning strategy for executive staff. However, SSA has not developed a human resources plan to identify the type and number of personnel needed to accomplish its service objectives given the agency's anticipated increased workload and greater reliance on automation. (See p. 43.)

SSA needs a well-trained workforce and a positive work environment to effectively handle current workloads and prepare for future challenges. However, the cross section of operations supervisors and middle-level managers GAO interviewed said they are not receiving the training SSA requires after promotion to leadership positions. In addition, lower-level SSA employees stated that they lack the training they need to apply agency policy and fully utilize computer systems. (See p. 44.)

SSA has taken many actions to create a better work environment, including improving employee/management communication and expanding advancement and recognition opportunities. However, employees continue to be concerned that they do not have an adequate and safe work environment or basic office equipment, and that staffing levels are insufficient to respond to increasing workloads. Failure to address such concerns could jeopardize SSA's continuing ability to provide quality public service. (See p. 48.)

Additional Efforts Needed to Resolve Long-Standing Financial Management Problems

SSA has taken many steps to improve its financial management. The agency's financial management structure substantially meets the principles set out in the Chief Financial Officers Act of 1990; it has produced audited financial statements annually since 1987; and its Federal Managers' Financial Integrity Act (FMFIA) program reflects the required risk assessment, management control, and system review features.

Despite these accomplishments, SSA continues to contend with long-standing financial management problems in several areas. For example, SSA is not effectively collecting overpayments largely because it has not appointed an officer in charge of debt management nor developed the management information needed for this effort. Moreover, SSA has made little progress in identifying the causes of employer wage reporting problems and in correcting internal control weaknesses in its earnings record maintenance system. (See p. 57.) In addition, SSA could improve its compliance with FMFIA reporting requirements by reporting additional material financial management weaknesses. (See p. 59.)

Recommendations

GAO recommends that the Commissioner, SSA, (1) complete the implementation of a comprehensive strategic management process to guide planning, implementation, and evaluation of strategic initiatives; (2) complete the service delivery plan to guide the development of the information systems plan and to help ensure that new computer systems support operational needs and are fully cost justified; and (3) develop a human resources plan to establish an inventory of employee skills, future workforce and training requirements, and strategies for meeting SSA's future human resource needs.

GAO is also making additional recommendations to the Commissioner to improve the effectiveness of SSA's management systems.

Agency Comments

In its written comments on a draft of the report, SSA agreed with most of GAO's findings and recommendations. SSA disagreed, however, with GAO's recommendation to include in the agency's financial statements a discussion of the relationship between the federal budget deficit and the Social Security trust fund reserves, and to report the lack of a backup system as a material weakness in future FMFIA reports.

SSA's specific comments and GAO's responses are included at the end of each affected chapter. The full text of SSA's comments is included as appendix IV.

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Abbreviations

ASP	Agency Strategic Plan
CAROTS	Commissioner's Activity Review and Tracking System
CFO	chief financial officer
DDS	disability determination service
ERB	Executive Resource Board
ERMS	Earnings Records Maintenance System
FEDSIM	Federal Systems Integration and Management Center
FMFIA	Federal Managers' Financial Integrity Act
HHS	Department of Health and Human Services
IRM	information resources management
IRS	Internal Revenue Service
ISP	Information Systems Plan
ITS	information technology system
IWS	intelligent workstations
LAN	local area network
NCSSMA	National Council of Social Security Managers Associations
OBSC	Orientation and Basic Supervisory Concepts
OIG	Office of Inspector General
OMB	Office of Management and Budget
OSDP	Operations Service Delivery Plan
RSDI	Retirement, Survivors, and Disability Insurance Programs
SDP	Service Delivery Plan
SES	senior executive service
SSA	Social Security Administration
SSI	Supplemental Security Income Program
UPS	Unified Planning System
VA	Department of Veterans Affairs

Social Security: A Large, Complex, and Changing Organization

The Social Security Administration (SSA) manages programs that provide benefits to about 47 million Americans. Over the next two decades, the size of the Social Security beneficiary population will increase dramatically as the baby-boom generation nears retirement. In developing strategies to respond to the increased demand for services, SSA will have to contend with (1) legislative actions that make its programs complex to administer and increase workloads, (2) the impact of population trends and increased automation which will change how and where work is done, and (3) budgetary pressures to reduce administrative expenses. More than ever, effective management of long-range planning, computer systems development, human resources, and financial systems will be needed to meet the many challenges SSA faces.

GAO has conducted two previous management reviews of SSA¹ and identified needed improvements in each of the management processes mentioned above. Building on our previous work, this management review identifies areas where SSA has made progress as well as areas where improvements are still needed. The methodology we used to assess management at SSA involved interviews with many top executives and managers, as well as a cross section of headquarters and field staff; a review of internal documents; and interviews with public interest groups representative of SSA's clients.

Program Responsibilities and Functions

SSA is primarily responsible for administering the Retirement, Survivors, and Disability Insurance Programs (RSDI), established under title II of the Social Security Act, and the Supplemental Security Income Program (SSI), a means-tested program established under title XVI of the act.² Consequently, it touches the lives of nearly every American. SSA also provides support for other programs, such as Medicare, Medicaid, and Food Stamps and has responsibility for processing some claims for Black Lung benefits. In 1992, SSA paid out \$300 billion in benefits to 47 million people while incurring about \$4.9 billion in administrative expenses.

SSA program operations include four basic functions: (1) issuing Social Security numbers, (2) maintaining earnings information, (3) making initial eligibility determinations for program payments, and (4) making changes

¹Social Security Administration: Stable Leadership and Better Management Needed to Improve Effectiveness (GAO/HRD-87-39, Mar. 18, 1987) and Social Security: Status and Evaluation of Agency Management Improvement Initiatives (GAO/HRD-89-42, July 24, 1989).

²The SSI program was established in 1974 to provide income for the needy over age 65, and the needy disabled and blind, including children.

to beneficiaries' accounts that affect their benefit payments (post-entitlement activities). In 1992, SSA issued 7.6 million new and 9.9 million replacement Social Security cards. SSA also processed 220 million earnings reports, 5 million new RSDI claims, and 2.1 million new SSI claims. In addition, SSA processed about 104 million post-entitlement actions for individuals on the RSDI rolls and 15 million for those receiving supplemental security income. To handle these workloads, SSA employs nearly 66,000 full-time-equivalent personnel nationwide, making it one of the largest federal agencies. Its budget accounts for about one-quarter of the entire federal budget. (For information on SSA's organizational structure, see app. I.)

External Constraints on Operations

SSA's ability to carry out its mission is affected by various external factors over which it has little or no control. These include (1) frequent legislative changes that affect program administration; (2) conflicting views between and within the administration and the Congress on how SSA should operate; (3) the need to comply with decisions or requirements of central management agencies, such as the Office of Management and Budget (OMB); and (4) a high degree of dependence on others, such as states and employers, to provide accurate and timely data needed for program administration.

Social Security programs are complicated to administer for many reasons, but primarily because of frequent legislative changes, which generally have liberalized and expanded the programs. Since 1977, the Social Security programs have been modified by over 400 provisions in law. This has contributed to the nearly unmanageable number of program instructions, in excess of 40,000 pages, which are used by SSA's field staff to determine eligibility and benefit amounts.

Various congressional committees have policymaking, fiscal, and oversight responsibility for SSA. Their actions are not always consistent among themselves or with the executive branch, making it difficult for the agency to provide a clear and consistent direction for its policies and operations. The Office of Personnel Management and OMB also have influence over the management of SSA's programs. For example, Office of Personnel Management policies and procedures on salary levels have made it difficult for SSA to recruit and retain highly qualified computer specialists. More importantly, in the mid-1980s, OMB called for a 20-percent reduction in SSA's staff. The implementation of the staff cut proved traumatic for the organization and has resulted in staffing imbalances in many locations.

SSA is highly dependent on states, other federal agencies, businesses, and the public to successfully carry out its mission. For example, the medical aspects of determining eligibility for disability payments under the Social Security title II and SSI disability programs are administered by 54 state disability determination offices under a regulatory relationship with the Department of Health and Human Services (HHS). The Internal Revenue Service (IRS) provides earnings information to SSA on the self-employed, and businesses provide wage information for their employees, which are ultimately used to establish Social Security coverage and benefit amounts. In addition, SSA is dependent upon family members, friends, funeral directors, states, and the Health Care Financing Administration to report the deaths of beneficiaries to SSA, and upon various data exchanges and beneficiaries to report post-entitlement earnings estimates and other account and living arrangement changes that affect payment amount.

Impact of Projected Trends on Operations

Anticipated changes in workloads, automation, and SSA's workforce will provide SSA's managers with many significant management and operational challenges over the next two decades. The aging of the baby-boom generation as well as legislation requiring SSA to provide earnings and benefit estimates to all workers in the future will dramatically increase SSA's workload. In addition, changes in the geographic concentration of the beneficiary population as well as advances in office automation will likely alter where and how SSA does business. At the same time, SSA will experience major changes in the composition of its workforce. The dramatic size and nature of all of these expected changes and the increased budgetary pressure to reduce the costs of government suggest that SSA will have to rely on effective management of its resources to continue to provide quality public service.

In part due to the aging of the baby-boom generation, SSA has begun to experience substantial increases in disability claims. These claims are already severely backlogged and will become SSA's largest workload by the year 2000. SSA also currently has a large backlog of cases requiring review to determine whether certain individuals currently on the disability rolls continue to be disabled and eligible for payments. Legislated workload requirements and SSA's mandate to ensure the integrity of the trust funds will require that additional resources be devoted to processing this workload.

Implementation of current legislation will also dramatically increase SSA's workload. Legislation requiring SSA to provide personal earnings and

benefit estimate statements to workers becomes effective in stages beginning in 1995. At that time, SSA will send these statements, unsolicited, to all 60- to 65-year-old individuals not receiving benefits. Beginning in 1999, all workers will receive such an earnings statement. SSA estimates that several thousand additional work years will be needed to process these workloads.

Projected population trends will impact how SSA does its work and where and what type of services should be provided. According to SSA, demographic projections suggest that by the year 2000 a higher percentage of the population will live in the South and West, and large numbers of SSI beneficiaries will be concentrated in the metropolitan areas of the North and East. Decisions about where and how to provide service may involve redeploying staff or redesigning work processes to accommodate these situations. As a result of a steady increase in the rate of immigration, SSA expects greater numbers of non-English-speaking clients than it now has. This will require SSA to develop or hire staff that are multilingual. In addition, SSA expects to serve both an increasing number of computer-literate clients who want to do business through automated means, as well as a significant segment of the client population who lack the ability to function in an automated environment. This will require SSA to provide a variety of service options to fully meet client needs.

Increased use of automation will also impact where and how SSA does its work. SSA is currently planning large-scale computer systems modernization projects to increase the level of office automation and improve public service. As more functions are automated, access to on-line data will allow initial claims, earnings maintenance, and post-entitlement functions to be performed in a variety of SSA office locations. This change will permit SSA to think about redesigning how and where it provides its services. The successful design and implementation of these systems modernization projects pose significant technical and management challenges for SSA.

In addition, changes in the labor force will provide challenges for SSA's management. Since one in four current staff are eligible for retirement by the year 2000, SSA could experience a significant turnover of staff. As a result of automation, some job responsibilities are broadening, some jobs are disappearing, and new jobs are being created. In response, SSA will have to redesign some jobs and effectively train or hire staff to perform new or expanded roles. Given predictions that, by the year 2000, computer-literate service workers will be in limited supply, hiring and

retaining these workers will likely require an effective recruitment strategy and a commitment to training and development.

Effective Management Needed to Respond to Challenges

Effectively responding to these challenges and opportunities during a period of severe budget constraints will require committed and innovative management. There are four primary areas where effective management systems can help SSA meet its many challenges: strategic management, information systems management, human resource management, and financial management. Management systems essentially provide procedures for planning, implementing, and evaluating initiatives needed to accomplish an organization's mission. Effective management systems are particularly critical during periods of rapid and significant organizational change to help top agency managers identify and resolve key issues and avoid crisis management.

Specifically, a strategic management process, which incorporates long-range planning, provides a shared vision of the agency's future direction, procedures for turning that vision into action, and procedures for establishing accountability and evaluating success. Information systems management provides a process for identifying problems with and opportunities to improve information technology. Human resource management involves planning for, hiring, and training the agency's workforce to respond to changes in client needs and new ways of doing business. Financial management systems help ensure that the agency makes accurate benefit payments, collects overpayments, maintains earnings records, manages cash receipts, and maximizes interest income to the trust funds. All four of these key management systems must be functioning effectively if SSA is to be successful in meeting its many challenges.

Objective, Scope, and Methodology

The objective of our management review was to assess SSA's effectiveness in managing its programs and preparing for future service delivery challenges. To accomplish the objective, we assessed four critical agencywide management systems: strategic management, information systems management, human resource management, and financial management. Our previous reviews of SSA, in 1987 and 1989, had identified major problems in each of these areas.

Our review was conducted at SSA headquarters in Baltimore and at various field locations nationwide. We interviewed SSA officials involved in the

four management processes and analyzed agency plans, budget proposals, and ongoing initiatives. We also conducted in-depth interviews with 184 SSA employees at all levels—in field offices, program service centers, regional offices, and at headquarters in Baltimore, Maryland. We interviewed these employees to obtain their perceptions of SSA's strategic planning process, computer systems modernization efforts, and human resource initiatives. We interviewed 24 senior executives, 54 middle managers, and 106 employees in 5 regions. While we sometimes state the statistical results of our structured interviews, the results are not statistically projectable to all SSA employees and managers. However, we believe that they provide useful and valid indications of the respondents' views.

We also conducted interviews with congressional oversight committee staff, OMB staff, union and management association officials, and representatives of 19 public interest groups. We interviewed public interest groups that, to the extent possible, cover the spectrum of clients served by SSA. The 19 groups interviewed are listed in appendix III.

Our review was conducted from December 1991 to February 1993, in accordance with generally accepted government auditing standards.

Long-Range Planning Has Improved, but Process for Tracking Progress Toward Goals Is Missing

SSA needs to make improvements to its strategic planning process and establish accountability and evaluation systems to help prepare for expected dramatic workload increases and improve current service delivery. Improvements in planning and evaluation are needed to help the agency, among other things, effectively modernize computer systems, alleviate current problems in the disability program, and attract and retain the personnel needed to perform the increasing amount of work expected in the future. SSA will need committed leadership and sustained attention to managing its long-range planning process to improve service delivery and fully achieve its service objectives.

In our 1987 report on the management of SSA,¹ we found that because SSA lacked a strategic planning process it had no way to surface, plan for, and resolve such long-standing operational issues as systems modernization and operating the disability program. As SSA began to establish a planning process, we reported that SSA needed to (1) involve external groups such as client and public interest groups in determining future service delivery methods, (2) establish accountability for implementing agency plans, and (3) continue the planning process. In our 1989 management review,² we found that SSA had begun developing initiatives to accomplish its strategic objectives, and we recommended that the Commissioner create a system to evaluate whether SSA's strategic initiatives were achieving the desired results.

SSA recognizes that effective strategic planning is needed to prepare for future challenges. Over the past 3 years, SSA has created a new agency long-range plan that defines service objectives, developed a process to translate the vision of the long-range plan into detailed plans for specific initiatives, and defined a measurement system to track the agency's success in meeting its service objectives. While SSA has made progress in planning for the future, it would benefit from developing a comprehensive strategic management process. Such a process would provide SSA with a systematic means for developing agency plans, linking these plans to its budget, and establishing mechanisms to track and measure progress in accomplishing goals and objectives.

Specifically, SSA needs to (1) seek public and client group input to ensure the agency knows and understands the service delivery preferences of

¹Social Security Administration: *Stable Leadership and Better Management Needed to Improve Effectiveness* (GAO/HRD-87-39, Mar. 18, 1987).

²Social Security: *Status and Evaluation of Agency Management Improvement Initiatives*, (GAO/HRD-89-42, July 24, 1989).

significant stakeholders, (2) correctly sequence component plans based on the Agency-Wide Strategic Plan to ensure that future computer systems, human resource actions, and facilities procurements will support operational decisions about where and how SSA's work will be done, (3) assign responsibility for achieving the agency's service objectives and strategic initiatives, and (4) develop a process to measure the performance of its initiatives in accomplishing the agency's goals and objectives.

Progress Made in Developing a Strategic Planning Process

Since our management review in 1987, SSA has been committed to establishing a strategic planning process to guide agency decisionmaking. Over the past 3 years, SSA has created a new agency long-range plan that defines numeric service objectives,³ developed a process to produce detailed plans for specific initiatives to accomplish its objectives, and defined a measurement system to track changes in service delivery.

SSA's first Agency Strategic Plan (ASP) was published in January 1988. After a change in commissioners in August 1989, SSA developed a new ASP. The new ASP, published in September 1991, included for the first time 34 numeric service delivery objectives. SSA also began developing a strategic planning process called the Unified Planning System (UPS). The UPS consists of two parts: (1) the process for developing and renewing the ASP and (2) the planning and budgeting system, an agencywide planning and budgeting process that translates the ASP into tactical plans⁴ and annual budgets.

Through its planning and budgeting system, SSA has established a framework for the development and integration of its tactical plans. SSA has created a detailed format for (1) developing tactical plans that should, according to SSA, facilitate internal prioritizing and decisionmaking; (2) developing lower-level plans; and (3) informing external groups of SSA's planned operational changes. SSA has also established a planning workgroup, consisting of the strategic planning staff, representatives from SSA components, and persons in charge of planning for the strategic

³The service objectives set timeliness and accuracy standards for many of SSA's services. For example, SSA has set an objective that payments on initial retirement claims will be made at the earliest point due or, if later, no more than 15 days after a claimant files for benefits.

⁴Tactical plans are detailed descriptions of specific initiatives designed to accomplish the goals and objectives of the ASP.

Chapter 2
Long-Range Planning Has Improved, but
Process for Tracking Progress Toward
Goals Is Missing

priorities,⁵ to review and integrate SSA's numerous initiatives. While the planning and budgeting system provides a structured approach to developing and integrating tactical plans, it is too soon to tell whether this approach will be successful.

In our 1987 report, we recommended that SSA establish performance measures to monitor the agency's success in meeting its service delivery goals. SSA has recently either developed or proposed performance measures for each of its 34 service objectives. As of April 1993, of the 34 separate measurements, 19 were in place and 6 were to be operational in the near future. Of the remaining nine measurements, according to SSA, two would take 20 months to implement, five had not yet received funding for implementation, and two were being studied further. In general, SSA's performance measures focus, as we believe they should, on service provided directly to the public, not on internal work processes.

Leadership
Commitment Critical
to Success in
Implementing
Strategic Planning
Process

Gains SSA has made in developing its strategic planning process could be undone should the new and future commissioners undertake wholesale ASP changes and not build upon efforts in progress. For example, should the new commissioner suspend the current planning process and begin another rewriting of the ASP, SSA's progress in developing initiatives to respond to its service delivery challenges could be impeded. We believe it is imperative that the agency move beyond the strategic plan and begin to implement initiatives to achieve the plan's goals. Despite many other SSA achievements, little progress has been made in implementing the planning process beyond the strategic planning level since our last management review in 1989. Accomplishing these objectives will require sustained leadership and commitment from the new and future commissioners.

In our 1989 review, we noted that SSA had developed a strategic planning process, issued its first ASP, begun linking planning with budgeting, and started developing initiatives to accomplish agencywide objectives. But we said that for the implementation process to succeed, it must be sustained across administrations. In August 1989, the change in SSA commissioners disrupted implementation of the planning process, and SSA's long-range planning was refocused on new goals and objectives.

⁵In the ASP, SSA established five priority areas on which to focus its change efforts. These five strategic priorities are (1) improve the disability process, (2) improve the appeals process, (3) improve access to SSA, (4) begin to turn SSA into a paperless agency, and (5) establish a decentralized data processing structure.

Shortly after the new Commissioner took office, the agency began a “renewing” of the ASP and discontinued tactical planning efforts based on the former Commissioner’s strategic plan. The new Commissioner articulated three broad new agency goals and several supporting objectives. The Commissioner further stated that budget initiatives for the next fiscal year should be directed toward her newly established goals and objectives and not toward previously established priorities. While the ASP was being revised, the Commissioner instituted an interim key change initiative planning and budgeting process to identify initiatives to address SSA’s newly articulated objectives. The key change initiative process was the core of SSA’s planning and budgeting process for 2 fiscal years, but it has now been phased out because the new ASP has been completed.

Currently, the agency is continuing to develop tactical plans based on the five strategic priorities identified in the agency’s newest ASP. Most of the SSA staff we interviewed believed it is critical that the agency effectively address the strategic priorities. However, about half of the SSA managers we spoke with believed that tactical plans based on the current ASP would change if there were a change in commissioners. A change in leadership could result in another rewriting of the ASP and return the agency to a period of operation in an “interim” planning mode. While each new commissioner brings new ideas and perspectives to SSA, we do not believe the agency would be best served at this time by substantially altering the ASP.

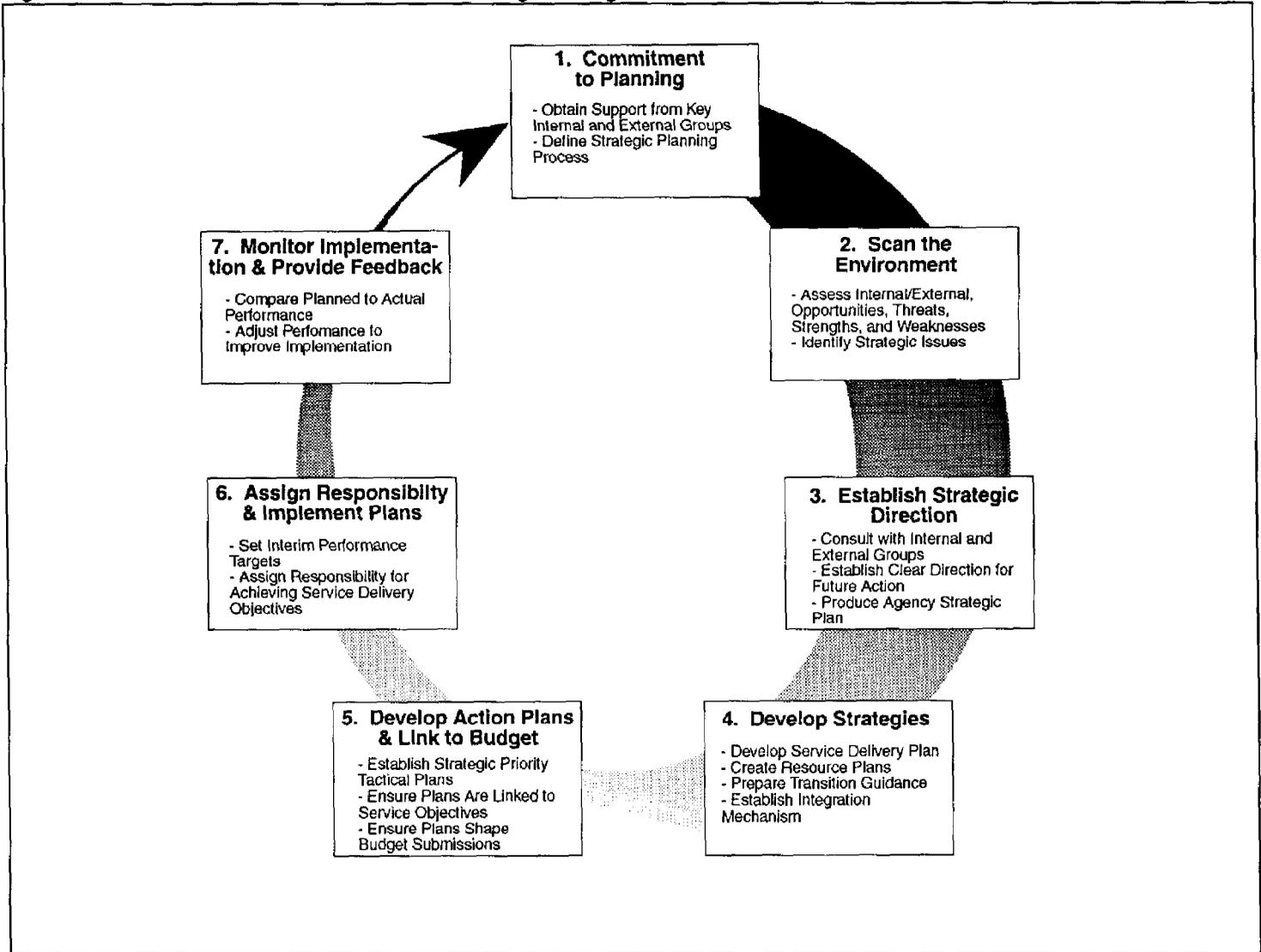
A Strategic Management Process Would Facilitate Planning, Implementing, and Evaluating Strategic Initiatives

To prepare for anticipated workload increases and to deal with its disability program problems, SSA is planning more than 100 initiatives to improve computer systems and program operations. To effectively manage these significant changes, including determining whether they are adequate to accomplish its goals and objectives, SSA needs to broaden its strategic planning process into a comprehensive strategic management process. A strategic management process could enhance SSA’s ability to develop long-range plans, link plans to budgets, implement plans, and evaluate their success.

A strategic management process has seven essential elements: (1) commit to planning, (2) scan the environment, (3) establish a strategic direction, (4) develop strategies, (5) develop action plans and link to budgets, (6) assign responsibility for and implement plans, and (7) monitor implementation and provide feedback (see fig. 2.1). (See app. II for a more detailed discussion of the seven elements.)

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Figure 2.1: The Seven Essential Elements of a Strategic Management Process



ssa's planning process, including its agencywide long-range plan, already meets many objectives of a strategic management process. Also, the agency has tried to link its plans with its budgeting process. It has not, however, assigned responsibility to individual managers below the deputy commissioner level for accomplishing the agency's planning objectives nor established processes for comparing and measuring performance.

Without a strategic management process, SSA has failed to involve its stakeholders in determining the purpose of the strategic planning process, who should participate, and how it should be conducted (element one), in establishing a clear direction for SSA's future actions and in selecting the strategic issues the agency will address (element three).

The other elements that distinguish strategic management from strategic planning are a focus on (1) assigning responsibility for implementation and (2) tracking progress toward reaching designated goals (steps 6 and 7 in fig. 2.1). At SSA, development of these elements has not received adequate attention.

To help SSA manage the significant organizational change anticipated in its strategic initiatives, it is critical that the agency establish the missing elements—assigning responsibility and measuring performance—and revisit elements one and three to allow for public input.

External Groups Are Not Involved in Formulating Service Delivery Objectives and Broad Agency Direction

SSA did not solicit public input as part of its planning process. Involving customer and client groups in the development of strategic plans is necessary for (1) determining the level of service its clients expect and how they want it delivered and (2) developing support among the public, oversight, and interest groups for its strategic direction. Some interest group representatives, SSA managers, and Members of Congress are concerned that SSA is moving toward providing services in a more centralized, less personal way that conflicts with the needs and preferences of the agency's clientele. The agency needs to address these concerns before committing itself to a specific service strategy.

In our 1987 report, we recommended that SSA, in formulating its strategic plan, consult with client groups, congressional committees, and others to discuss how SSA should do business in the future. This recommendation was based on the need for stakeholder involvement and support to develop clear program objectives, ensure consensus on agency direction, and foster prudent resource allocation.

The ASP recognizes that SSA has traditionally provided service based on an assessment by SSA's management of what the public wants. Thus, it commits the agency to "gather information so as to provide the public with the level of service it needs." Nevertheless, SSA did not solicit input from the public or interest groups regarding its service delivery objectives or overall direction during its recent strategic planning process.

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Further, it appears that SSA did not seek or respond to input broadly from within the agency. Had it done so, the agency may have changed or refocused some of its strategic priorities or service objectives. Our interviews with top- and middle-level SSA managers indicated that less than one-third believe that one of the agency's five major priorities—improving access to SSA—is a critical priority. Moreover, many of the managers we spoke with believed that SSA should have had a strategic priority that addresses critical human resource issues, such as better working conditions, adequate training, and other support for employees. Some of the employees we spoke with said that some of the service delivery goals did not represent levels of service that would meet public expectations. As an example, they cited the inadequacy of the goal of providing access to a teleservice representative through the agency's 800 number within 24 hours of the client's initial call.

While satisfied with most of the goals and objectives of the ASP, SSA staff and client group representatives we spoke with were concerned about the direction they perceived the agency is taking in moving toward replacing face-to-face service with telephone service and centralizing service delivery by moving some workloads to large program service centers. The National Council of Social Security Managers Associations (NCSSMA) has criticized SSA's draft Operations Service Delivery Plan (OSDP) Phase II report⁶ for excluding alternatives emphasizing community-based offices and advocating moving certain field office workloads to central work locations. NCSSMA said that, based on their experience working with the public, clients prefer field-office service when applying for benefits, smaller offices are more efficient than large facilities, and SSA should devote more resources to the field offices and teleservice centers rather than centralize more work in payment service centers.

In the OSDP Phase I, SSA planners said the agency's lack of public opinion data made it difficult to determine whether the agency should emphasize telephone service from central facilities or face-to-face service in community-based offices. The report concluded the following:

"Operations needs a clear understanding of what the client wants in service delivery. There is no ongoing, systematic means of assessing the public's needs in this area. By relying on

⁶The OSDP was to define how and where SSA will provide service in the future. Two OSDP reports were completed by SSA's operations component. Phase I primarily describes expected trends in the make-up of the agency's clientele, workforce, and environment. A draft of the Phase II report, which reportedly set out various scenarios for agency service delivery, was completed but not released to us. Currently, SSA plans to produce an agencywide service delivery plan to address how and where work should be done throughout the agency.

our ideas of what the client wants rather than by asking the client, we run the risk of not getting it right in our planning efforts and in the directions we take.”

In our 1987 management review of SSA, we recommended that, in formulating its long-range plan, SSA consult with client groups, the Congress, and others to establish how the agency intended to do business in the future. We continue to believe that seeking input from external groups, and broadly from within the agency, is essential to ensuring appropriate service objectives. We recognize that external groups will have conflicting views of service priorities and that SSA will not be able to satisfy all parties with every decision. However, by relying on internal ideas of what the public wants, SSA’s decisions on where to use its scarce resources may not reflect the service priorities of its stakeholders.

Implementation of the ASP Occurring Out of Sequence

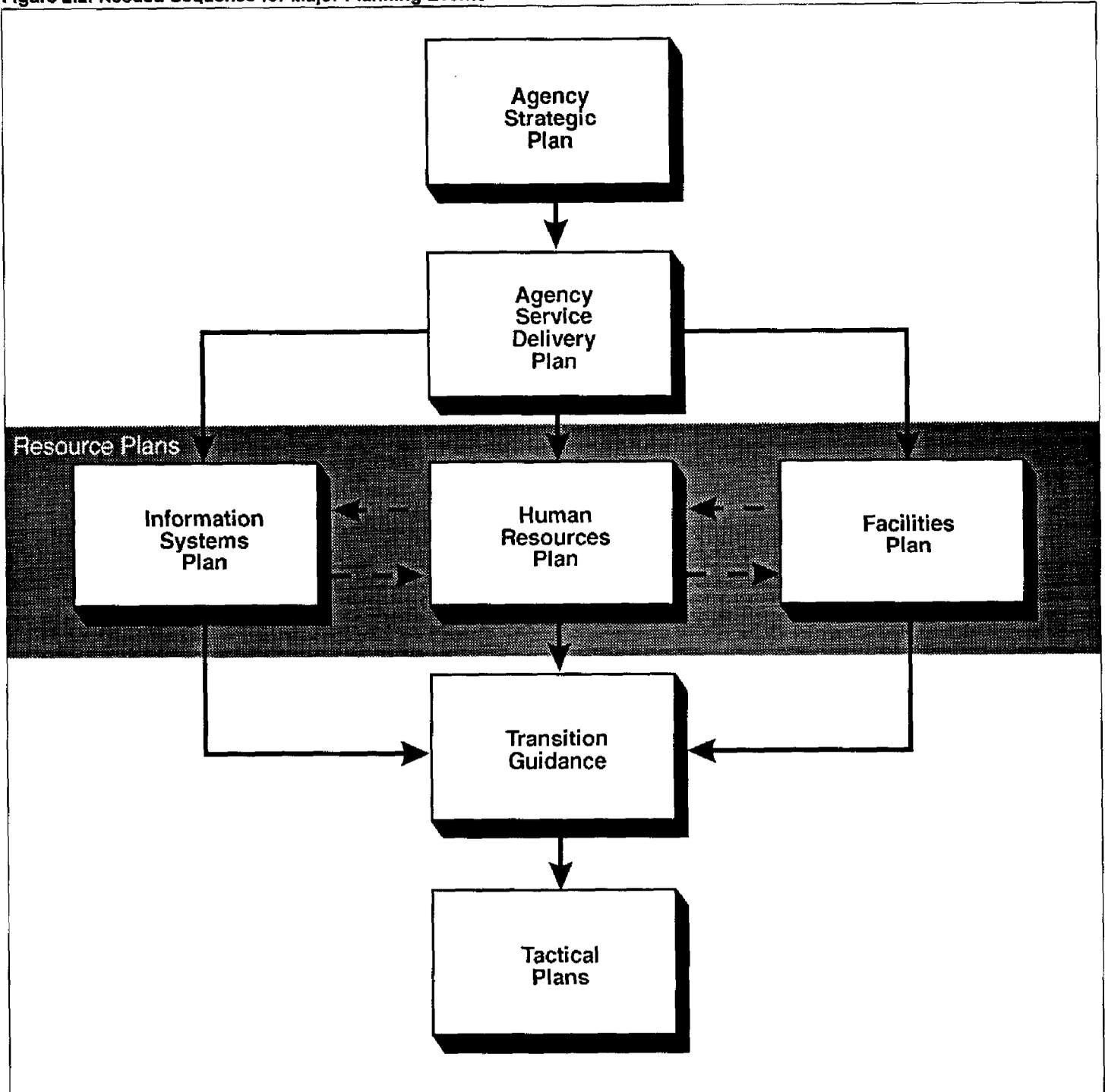
After completing the ASP, SSA developed its Information Systems Plan (ISP) and a set of initiatives to improve service delivery. However, SSA has not completed its Service Delivery Plan (SDP), which is needed to drive the ISP and related plans for facilities and human resources. The SDP will determine where and how service will be provided in the future. The resource plans will identify the strategies and resources needed to accomplish the goals of the ASP.

Because the SDP and resource plans have not yet been developed, the planning process is occurring out of logical sequence, including making major computer systems decisions, without needed planning information. As a result, the initiatives being developed and implemented may not fully support how the agency plans to do business in the future, which should be identified when the service delivery and resource plans for human resources and facilities are completed.

In our view, SSA should have implemented the ASP by first developing the SDP followed by information systems, human resources, and facilities resource plans, before developing transition guidance and tactical plans for specific initiatives. The proper sequence for planning events would be that shown in figure 2.2. Because of the improper sequencing, the SDP’s plans for how and where work will be done may be adversely affected by decisions already made about computer systems.

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Figure 2.2: Needed Sequence for Major Planning Events



Further, SSA's operations component, responsible for the OSDP, is not focusing on designing more efficient and effective work processes and then determining how best to automate them. Instead, it is planning how to make its work processes fit the technology anticipated in the information systems plan. This reaction to the ISP is evident in one of the goals of Phase I of the OSDP which is to "determine the impact on Operations of specific systems software modernization efforts already begun or planned for the next 5 to 10 year period." In addition, the National Research Council has commented that "the office of operations is scheduled to get technology but not a vision of how the technology will change the office and its field operations."⁷

The SDP and resource plans should be produced as soon as possible, not after the tactical plans based on the strategic priorities are complete. By waiting until after many tactical plans have been developed and funded, SSA runs the risk of investing in initiatives that may not fully support the agency's direction identified in the SDP and resource plans. In addition, once the SDP is complete, the information systems resource plan should be revised to ensure that its automation strategies fully support the decisions about work processes and locations contained in the SDP.

Service Goal Responsibility and Evaluation Process Not in Place

Having begun to invest resources in its strategic initiatives, SSA must now develop and establish processes to assign responsibility for and provide feedback on the implementation of those initiatives. Currently, no interim goals for achieving either the service objectives or the five strategic priorities have been set, and SSA has not assigned responsibility for achieving any of the agency's new service objectives. While SSA is planning to measure progress toward service objectives, the agency has no concrete plans to compare the performance of strategic initiatives to what was planned nor to evaluate each initiative's individual impact on the service delivery objectives. Without a formal monitoring and evaluation system, SSA cannot (1) determine which initiatives are succeeding and why, (2) terminate or adjust those unsuccessful initiatives, and (3) effectively target resources in subsequent planning-budgeting cycles.

⁷Letter from Willis H. Ware, Chairman, Committee on Review of SSA's System Modernization and Agency Strategic Plan, to The Honorable Gwendolyn S. King, Commissioner, Social Security Administration, October 17, 1991.

SSA Not Preparing to
Measure Interim
Improvements in Service
Delivery

SSA has not designed all its tactical plans to have measurable impacts on its service objectives or established interim targets for those objectives either on an agencywide or individual unit basis. Without initiatives designed to directly impact service objectives and interim goals and component or unit targets, SSA may not be managing its workforce or other resources to obtain the results it needs to achieve the service delivery objectives it has set.

As part of the process of assigning responsibility for implementation, SSA needs to set interim targets for achieving service objectives. In its 1991 report, the National Research Council recommended that, in setting target service levels, SSA should acknowledge the need for interim objectives less ambitious than the overall objectives and should set targets for internal units to meet.⁸ The ASF recognizes this need by stating that SSA will set interim service delivery goals and objectives to establish the relative priority of objectives during the next 5 to 7 years.

Despite this recognition, as of August 1992, SSA had not set any interim service delivery targets. Rather, SSA staff have been told that the service delivery objectives are targets to be met on a nationwide basis by 2005. Without interim goals, SSA managers and employees will continue to view the service objectives as lofty targets to be met in the future, not goals they are incrementally striving to meet beginning today.

Before setting interim service delivery targets, SSA must ensure that the tactical plans it is developing and funding state in specific, measurable terms the changes in service delivery expected as the result of their successful completion. SSA's current instructions for developing tactical plans do require that the plans' intended impact on the agency's service delivery objectives be stated in quantified terms whenever possible. However, the draft plans we reviewed contained only very general statements of their intended impact on the service delivery objectives.

Without deliberate and precise connections between successful implementation of tactical plans and attainment of service objectives, SSA will have no basis for (1) determining the amount of interim improvement in service delivery and (2) evaluating whether the desired outcomes have been achieved. Before SSA spends large amounts of money on strategic initiatives, those initiatives should be clearly focused on improvements in service delivery. Once work on the initiatives has begun, interim targets

⁸Elements of Systems Modernization for the Social Security Administration (National Academy Press, Washington, D.C., 1991).

should be set to monitor whether the initiatives are accomplishing their objectives.

Responsibility for
Achieving Service Delivery
Objectives Not Assigned

SSA has not assigned responsibility below the deputy commissioner level for achieving the service delivery objectives in the new ASP.⁹ Without assigning responsibility, SSA cannot manage for results, that is, move the agency as a whole toward achievement of its service delivery objectives. SSA must examine not only employee performance but also the agency's work processes to remove obstacles to successfully achieving service objectives.

In our 1987 report, we recommended that SSA use the ASP to guide information systems, policy, and budget decisions and hold managers responsible for adhering to the plan. In field interviews, about half of the managers we spoke to said they are not being held responsible at all for achieving the service delivery objectives in the ASP. In addition, some managers said they saw no evidence that SSA is trying to achieve any of the new objectives. About half of the employees and managers we spoke to said the service delivery objectives in the ASP have had no impact on the goals or objectives of their units. Yet managers believed that they will ultimately be held responsible for meeting the objectives. They also questioned how field employees will be held responsible for achieving the goals, given that headquarters has directed that employees are not to be assessed based on achievement of the service delivery objectives.

According to NCSSMA, managers at SSA want a formal, numeric system and specific performance plans by which they can hold their employees accountable for agency objectives, as well as assess staff performance. NCSSMA calls for a new system that would help managers improve performance and evaluate employees by establishing employee performance plans that include statistical as well as quality aspects of providing service. Without such a system, NCSSMA says, "there is this feeling that we are adrift, without the guidance needed to assess performance under our current system . . ."

We continue to believe, as we recommended in our 1987 report, that assigning responsibility for meeting the agency's service objectives is critical to SSA's success. This can help SSA discover the causes of failures to meet service goals. Some such causes may be inherent in SSA's work

⁹In its written comments on the report, SSA said it believed that it was premature to assign responsibility to field managers for accomplishing the plan's objectives. Data were not available for us to assess the reasonableness of that belief.

processes and not within the staff's control. Thus, SSA management needs to analyze and, where appropriate, it may need to reengineer work processes to remove barriers to effective service delivery.

SSA Has Not Implemented a System for Evaluating Results of Strategic Initiatives

SSA has no concrete plans to compare the actual performance of all the strategic initiatives to what was planned nor evaluate each initiative's impact on the service delivery objectives. Without a formal evaluation system, SSA cannot determine which initiatives are succeeding and why, terminate or adjust those unsuccessful initiatives, and effectively target resources in subsequent budgets.

In our 1989 report, we noted that the strategic planning process SSA developed did not provide for measuring and comparing performance to expectations. We stated that SSA would be better equipped to manage its operations if it created a systematic evaluation process to compare planned and actual program results. Without an analysis of results, as strategic initiatives proceed, resources may be invested in efforts that need to be adjusted or terminated due to changing environmental factors or design errors.

To date, SSA does not have an evaluation system in place or planned. SSA planners told us that the agency will be able to determine the success of its strategic initiatives by measuring changes in service delivery statistics. However, measuring changes in service delivery does not necessarily provide valid data on the direct impact of specific initiatives. Service delivery may improve due to factors unrelated to the strategic initiatives, such as improvements in the economy, declining caseloads, or increased staffing.

In our 1989 management review, we recommended that SSA create a system to evaluate whether its initiatives were accomplishing their objectives. We continue to believe that this recommendation should be implemented.

Conclusions

To effectively plan, implement, and evaluate its many strategic initiatives, SSA needs to close the loop on its strategic management process. While the agency's current strategic planning process has helped it establish strategic objectives and develop plans to accomplish them, the process (1) has not involved external groups to ensure that SSA knows and understands the service delivery preferences of significant stakeholders;

(2) does not assign responsibility for achieving SSA's service delivery objectives; and (3) does not evaluate whether strategic priority initiatives to improve the disability process, for example, achieve their goals.

As part of establishing a strategic management process, SSA should also ensure effective implementation of the ASP. Implementation of the ASP can be improved by ensuring that (1) the SDP, which will determine where and how service will be provided in the future, reflects public input and is completed as soon as possible; (2) resource plans for human resources and facilities, which, among other things, will identify the strategies needed to accomplish the goals of the ASP, are developed; and (3) the information systems resource plan and tactical plans are revised to fully support the work process and location decisions contained in the SDP.

In addition, so that SSA has a basis for determining whether its strategic initiatives are succeeding, tactical plans for those initiatives should state in specific measurable terms the changes in service delivery expected as a result of their successful completion. Once implementation of tactical plans has begun, SSA should set interim service delivery targets to monitor whether the initiatives are accomplishing their intended effects.

Recommendations to the Commissioner

We recommend that the Commissioner of SSA

- complete the implementation of a strategic management process to guide planning, implementation, and evaluation of long-term strategic initiatives;
- complete the SDP as soon as possible and use it to develop or modify the resource plans for information systems and human resources and facilities, as well as the strategic priority tactical plans;
- design strategic initiatives to provide direct impact on service delivery objectives; and
- set interim targets for all service delivery objectives impacted by strategic initiatives to monitor success in achieving them.

Agency Comments and Our Evaluation

In commenting on a draft of this report, SSA concurred with our recommendations to complete the implementation of a strategic management process, produce a service delivery plan, design strategic initiatives to have direct impact on service delivery objectives, and to set interim service delivery targets. The agency also recognized the importance of seeking public and client input in developing service delivery strategies and is planning to begin holding focus groups for that

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purpose in January 1994. In addition, the agency agreed that a system to monitor the implementation of the agency's strategic initiatives should be developed.

Management Control Over Development of Information Systems Needs Improvement

The quality of SSA's service to the public depends largely on how well its automated systems support operations. To effectively manage its information systems resources, SSA needs to, among other things, address how operations will be changed to improve public service and justify the costs and benefits of proposed computer system modernization initiatives. Without these actions, SSA cannot adequately justify new information systems.

We reported in 1987 that SSA's limited progress in modernizing its computer system was due, in part, to the lack of (1) an operational plan to guide the direction of the modernization effort, (2) an adequate information systems decisionmaking process, and (3) a comprehensive data administration and data analysis strategy.¹ In March 1989, we reported that SSA had made limited progress in resolving these issues.

SSA is planning a major redesign of its information systems to handle the anticipated growth in the beneficiary population, help decrease long processing times for disability decisions, and improve public service and productivity. However, SSA has had long-standing problems in managing its information systems resources effectively and currently faces critical challenges in planning and managing a multibillion-dollar information systems modernization initiative. Our current work has shown that, while SSA is acting to strengthen the management of its information resources management (IRM), additional action is needed to adequately plan for and justify the acquisition of planned IRM resources.

Specifically, SSA needs to complete its SDP as well as related human resource and facilities plans, which are essential to identifying systems requirements. In addition, SSA needs to clearly identify the costs and benefits of its systems modernization initiatives. Finally, SSA needs to address its data administration problems to maximize the effectiveness of its modernization initiatives. Without these actions, SSA could be acquiring new technologies to automate existing inefficient processes, rather than developing new systems to provide it with the most efficient and effective approach to achieving its goals and objectives. Since we completed our audit work, SSA has been acting to better justify its modernization initiatives.

¹Although not the subject of this management review, we also reported that SSA's problems were due to the lack of (1) sufficient technical leadership and skilled personnel, (2) management attention, (3) comprehensive software standards to guide systems development and compliance with those standards, and (4) adequate project tracking, control, and integration of system projects.

Managing Information Systems Technology—A Historical Perspective

SSA has spent more than \$4 billion on operating and modernizing its computer systems from 1982 to 1990. Its modernization effort provided many enhancements that have improved productivity and contributed to better public service. For example, the time to issue a Social Security card was reduced from 42 to 10 days, the backlog in posting wages to workers' accounts was eliminated, and personal earnings and benefit statements are provided to the public upon request.

Although SSA has made improvements, a significant amount of SSA's workloads continues to require labor-intensive manual processing. For example, much of SSA's post-entitlement workload must be manually processed. In addition, computer equipment in field offices is in short supply and of limited capability, which adversely affects efficiency and public service.

Systems Modernization Proceeding Without Needed Guidance

SSA is implementing its systems modernization effort without essential prerequisites in place to guide such actions. SSA has developed its ISP—a long-range plan for managing SSA's information systems in the 1990s. However, contrary to recommendations we made in our 1987 and 1989 management reports, it was generated without an operational plan, the SDP, which defines what constitutes quality service, how and where it can best be delivered, and what resources it will require.

In the absence of plans for how it wants to conduct business in the future, SSA is unnecessarily risking billions of dollars on a systems solution that may fall short of adequately supporting future operational needs and improving public service. Moreover, if SSA does not analyze and reengineer its work processes to improve efficiency, its planned automation will only be used to support inefficient processes.

Operational Planning and Analysis Are Essential

Before SSA heavily invests in new technology, it should define its future operational requirements. To do so, the agency should determine (1) what functions it will perform, with what resources (funds, staff, and technology), (2) desired processing times and accuracy for its critical functions (e.g., retirement and disability claims and post-entitlement activities), and (3) where work will be performed. These operational requirements should drive computer needs, including how computers are used and how data are transmitted.

In response to our 1987 management report, SSA acknowledged that it needed to clearly articulate how it wants to do business in the future as a prerequisite to selecting the most cost-effective design alternatives for computer operations. However, efforts started in 1989 to develop the operational guidance were abandoned due to a change in the agency's leadership. SSA is currently pursuing efforts to define future operational needs, but these efforts are not complete.

Although SSA's systems' officials acknowledge that systems planning should be based upon future operational needs, systems development has continued without the plan's completion. The deputy commissioner for systems said that systems development is focused on meeting current needs and providing a technical solution that will not restrict SSA's ability to resolve future needs. Future needs have been based on draft plans and other information provided by senior SSA officials for human resources and operations. While we understand the need to process current workloads, we do not believe it is a sound management practice to fully implement a new system without identifying how the system will support future needs and improve public service.

Further, proceeding with a long-range technical solution costing billions of dollars without the benefit of an SDP is risky, given the continual turnover in the agency's leadership and the organizational and operational changes that frequently accompany a change in the commissioner. In the last decade, SSA's planning efforts have been redirected because of frequent changes in leadership. A formal operational plan is needed to facilitate consistent direction and provide the institutional record to help transcend leadership changes. Besides our work, the Grace Commission, OMB, the General Services Administration, and SSA's systems consultants have consistently cited the lack of an operational plan as a management deficiency that has contributed significantly to SSA's systems problems.

**Managers, Employees, and
SSA Consultants Believe
Work Processes Need
Improvement**

Sixty-five percent of the upper and middle level managers and employees we interviewed do not believe that the planned systems modernization will significantly improve SSA's ability to process the huge workloads expected. Many indicated that fundamental changes are needed in how SSA conducts its business before systems modernization. In addition, consultants to SSA have told the agency that, to achieve quality and productivity improvements, its work processes must be streamlined before introducing new technologies.

The managers and employees cited several reasons why SSA will not attain the level of productivity gains that could be possible from the use of new technology. For example, SSA does not take maximum advantage of ways to improve the efficiency of its work processes as part of its application of new technology. The managers and employees also said they were unaware of any strategy to improve the agency's software systems. They said that without software enhancements, SSA will not realize improvements in efficiency that should result from new technology. Finally, the managers and employees cited the significant amount of post-entitlement work that continues to be processed manually.

SSA consultants have reported that SSA needs to streamline and improve its current work processes before determining how new technologies can be applied to its operations. The National Academy of Sciences noted that SSA needs to develop an approach that encourages improvement in quality and productivity rather than electronically embalm its current processes. According to these consultants, SSA may be missing opportunities to achieve the greatest improvements in quality and productivity. We agree.

Our work at other agencies has shown that all agencies need to take a fresh look at how technology can improve the efficiency of work instead of simply automating old ways of doing business.² It is important, therefore, that SSA complete its efforts to identify how it plans to improve operations and service and use the plans being developed for determining system needs.

Key Modernization Decisions Made Without Adequate Justification

SSA continues to make key IRM decisions without sufficient justification or adequate analysis of operational requirements, alternatives, costs, and benefits. We have reported on this basic shortcoming since 1987. Most recently, we found that SSA has not further identified the costs and benefits associated with its major initiatives to place intelligent workstations (IWS) and local area networks (LAN) throughout the agency, as well as to finance the automation of state disability determination services. In addition, the Federal Systems Integration and Management Center (FEDSIM) has also found deficiencies in SSA's justification of information technology.³

²Tax System Modernization: IRS' Challenge for the 21st Century, (GAO/IMTEC-90-13, Feb. 8, 1990); Tax System Modernization: Progress Mixed In Addressing Critical Success Factors (GAO/IMTEC, 92-13, Apr. 2, 1992); and Service to the Public: How Effective and Responsive is the Government (GAO/T-HRD-91-26, May 8, 1991).

³FEDSIM is an office within the General Services Administration providing technical assistance and studies of computer systems issues.

Federal regulations, including HHS's Information Resource Management guidance, require agencies embarking on large systems development projects to adequately determine their operational requirements and perform thorough analyses of alternatives, risks, costs, and benefits. The decisionmaking process should also consider the effects that automation projects could have on the agency's ability to achieve its mission and the impact that the costs associated with the decision will have on financing other agency activities. These analyses increase the likelihood that the system developed will effectively and efficiently support the agency in accomplishing its short- and long-range objectives.

SSA has not fully identified the costs and benefits of implementing its modernization effort. This effort includes 159 initiatives, and we believe it could cost from \$5 billion to \$10 billion through fiscal year 2005. SSA estimates that this modernization effort will avert the need to hire as many as 17,000 additional staff to maintain current public service levels in the future. Although SSA has projected an increase in beneficiaries during this period, the agency has not provided any information that supports the need for the additional staff to process the increased workloads.

SSA's approach to modernizing its operations has been focused on one predetermined solution—using IWSS and LANS—to improve its current operations. While this solution should provide SSA with improved administrative support, it is unclear that it is the best solution to support SSA's future operations and enhance public service.

SSA is currently acquiring IWSS and LANS to support its modernization initiatives. This new hardware, including more than 80,000 IWSS and 2,800 LANS through fiscal year 1998, as identified in SSA's September 1992 ISP, was selected to distribute some computer processing capabilities from SSA headquarters in Baltimore, Maryland, to its 1,300 field offices.

SSA is implementing the IWS/LAN without essential prerequisites to justify its system redesign effort. The technology upgrades are not linked to a long-range business strategy that should focus on improving public service and reengineering current inefficient work processes (see p. 34). Instead, the upgrades are being focused on a current need to provide more automation to SSA offices.

Since we completed our audit work, SSA said that it is committed to addressing the five key issues we believe need to be addressed before any

further funding of the IWS/LAN initiative.⁴ SSA has documented its justification for the specific technology being implemented and is taking steps to address its interim and long-term cost and benefits. Based upon this justification, we believe the IWS/LAN initiative provides SSA with baseline automation capabilities while not restricting its technical solution for yet undefined future needs.

We also found that SSA could not determine the benefits of funding automation of its state disability determination services (DDS). SSA plans to provide the funding to complete the automation of the 54 state DDSS and to eventually fully integrate their processing environment with SSA's to create a more efficient and consistent initial claim determination environment. But SSA has not demonstrated how much processing time can be saved for beneficiaries, how backlogs will be reduced, or how the quality of initial decisions could be improved by automating the disability claims process. Although it currently takes up to 5 months to process a disability claim, the upper and middle level managers we spoke with expect the automation improvements to only marginally reduce the processing time. This relates to our concern that SSA has not taken the needed steps to first redesign its inefficient processes.

FEDSIM, at the request of SSA, performed two comprehensive evaluations of the budgeting process for critical aspects of SSA's information technology system (ITS) resources in fiscal year 1991. These evaluations, among other things, found that

- SSA's ITS budget requests lacked adequate justification for the individual ITS initiatives,
- ITS budget submissions lacked adequate cost and benefit analyses because several analyses merely mentioned alternatives but did not explicitly consider the cost and benefits of each in either qualitative or quantitative terms as required by SSA guidance, and
- SSA's budget submissions are not tied to a consistent and evolving plan for ITS resources so that long-term projects can be directed by and toward a consistent set of long-term plans and goals.

FEDSIM concluded that SSA's decisionmakers cannot consider whether all the resources requested are required to address the most pressing needs

⁴On March 30, 1993, we provided the Acting Commissioner with a letter discussing five issues we believe should be addressed to continue funding of SSA's IWS/LAN initiative. We identified that SSA needed to (1) document the justification for its technical solution, (2) better define its interim need for IWS/LAN, (3) link technology systems redesigns to long-range business strategies, (4) develop an accountability methodology, and (5) better define state disability requirements.

or whether the method and level of effort proposed employ the most effective use of the limited funds available.

Data Administration Problems Continue

SSA continues to operate with independent systems that do not share common data systems, e.g., name, address, and Social Security number. As a result, field office personnel must repeatedly input the same data in one or more systems. This inefficiency affects the timeliness of claims and post-entitlement processing.

We recommended in 1987 that SSA intensify its efforts to improve its databases and establish a focal point for overseeing and integrating database activities. In 1989 we reported that although efforts were under way to address the agency's data administration problems, they would take several years to solve.

SSA has taken several actions to solve its data administration problems. A data administrator was appointed in May 1988 to develop the agency's data administration policies and procedures and ensure compliance with those procedures. Policies and procedures were developed in fiscal year 1991 to ensure that data analysis, modeling, and design are used in the development of the agency's software systems. Although SSA has established data standards for governing the development of new software, it is not clear that SSA is focusing enough resources to resolve these data problems. Until this problem is resolved, SSA cannot realize the full potential under its new modernization program for improving work efficiency through automation. Instead it will be relying on its old, stand-alone databases to enter and retrieve information needed by field offices.

Conclusions

SSA is beginning a new modernization of its information systems—its most ambitious and expensive computer modernization to date—without an SDP to guide the effort. Without such a plan, an adequate cost-and-benefit analysis cannot be performed. This raises concerns about whether the modernization will result in systems that efficiently support SSA's future operational and service delivery requirements.

Although SSA has recognized the need for an SDP to guide systems modernization, it still has not developed one. The plan should include a clear definition of what constitutes quality service, how and where it can best be delivered, and what resources it will require. All of this

information is needed before SSA can determine what new technology is needed to improve public service. In addition, without an SDP, SSA will have no basis to measure performance toward predetermined service delivery goals. Such a plan would also help new commissioners better understand the rationale for planned SSA efforts.

Further, SSA has begun modernizing its information systems without determining how existing manual work processes can be redesigned and without resolving its data problems. These problems continue to plague SSA's efforts to modernize its systems. Their resolution is crucial to developing efficient and effective systems.

Recommendations to the Commissioner

To gain better managerial and technical control over SSA's computer modernization efforts, we recommend that the Commissioner of SSA

- upon completion of its efforts to define future operational needs, revise the computer modernization strategy as needed to be consistent with SSA's planned service delivery goals;
- acquire information systems based upon thorough analysis of mission needs, costs, and benefits; and
- take the actions needed to fully integrate SSA's databases.

Agency Comments and Our Evaluation

In commenting on a draft of this report, SSA agreed that systems planning and modernization should be based upon an SDP and believes that its current modernization strategy will support SSA's future operational requirements to be defined in the SDP when completed. Further, SSA stated that it was committed to improving the efficiency of its work processes before developing broader information systems strategies.

We are encouraged by SSA's recent decision to begin process reengineering efforts. While we agree that some of the equipment for SSA's chosen processing platform could improve administrative support for its current inefficient and ineffective processes, SSA has not determined how its computer redesign efforts will support its future operations and improve public service. In this regard, SSA's planned platform exceeds current operational needs. Until SSA's reengineering efforts are far enough along to drive long-term automation requirements, SSA should identify how a limited deployment of its selected IWS/LAN technology can best augment current operations and equipment.

Chapter 3
Management Control Over Development of
Information Systems Needs Improvement

SSA stated that it has adequately justified its information systems acquisitions, particularly with respect to the initial IWS/LAN implementation that SSA plans. We disagree, however.

SSA's planned purchase of a new nationwide information system has not been adequately justified for current or future needs. SSA's pilots have only demonstrated that the selected solution provides offices with additional computers to work through SSA's current inefficient and ineffective processes. SSA did not adequately determine how many additional computers are needed to provide cost benefits: computers that may be replaced when reengineering efforts are completed. We are concerned that SSA may be acquiring as many as four times the number of computers it needs to realize benefits identified in its cost-and-benefit analysis.

Human Resources Issues Are Receiving Greater Emphasis, but a Human Resources Plan Is Needed

SSA needs a human resources plan to guide future personnel decisions and address current work environment issues. As part of the planning effort, SSA should incorporate its strategy for training employees and managers and for replacing the large numbers of managers expected to retire in the next 3 to 5 years. Without a plan, SSA risks being unprepared for anticipated workload and workforce changes and jeopardizes its ability to adequately serve the public. In addition, the agency needs to devote more attention to addressing employee concerns about internal communications, the level of resources devoted to advancement opportunities, and the work environment.

As a result of the many changes predicted for SSA's work environment, developing a well-equipped and motivated workforce should be one of its primary concerns. By the year 2000, SSA expects significant changes in the way work is done due to large-scale introduction of personal computers into field offices. SSA also expects disability workloads to increase significantly and the literacy levels and language needs of SSA's clients to become more diverse. In addition, demographic trends indicate that SSA will have a smaller, less-skilled national labor pool to draw from and an aging workforce, which could result in the exodus of many managers.

We reported in 1987 and 1989 that the absence of a plan to guide human resource decisions and limited attention to personnel issues at SSA contributed to low morale and problems in the areas of management development and training, agencywide succession planning, employee/management communication, and the overall work environment. Although SSA has acted to correct the problems cited in our reports, some initiatives have had mixed success and others have progressed slowly.

While SSA has increased its emphasis on human resources management in the last 3 years, it has not (1) produced a human resource plan to guide agency decisions for the future, (2) maintained a consistent funding level for management training and development programs, and (3) consistently supported succession planning efforts. In addition, despite management's efforts, SSA employees continue to have many of the work environment concerns expressed by employees and managers in our 1987 and 1989 reports. SSA personnel are still concerned about stress levels and office safety, poor physical working environments, inadequate supplies and equipment, and limited training and advancement opportunities.

Human Resources Plan Not Yet Developed

SSA demonstrated an increased commitment to human resource issues by creating the position of deputy commissioner for human resources in 1991. The deputy commissioner reports directly to the commissioner and provides the leadership and focus needed to improve human resources management throughout SSA. But, despite our 1989 recommendation, SSA still does not have a human resource plan to address its current and future workforce requirements. To prepare for the demands of heavier workloads, new technology, and changes in the workforce and client populations, SSA needs to make long- and short-term assessments of its human resource needs. These assessments will help determine (1) workforce size, (2) employee selection and retention strategies, and (3) training needs.

Without a plan to guide its efforts, SSA has not had adequate direction on the number and type of personnel needed in the future and has relied instead upon ad hoc initiatives and uncoordinated processes to address its workforce problems. As we reported in our 1987 and 1989 reports, SSA used ad hoc efforts to even out the effects of staffing imbalances resulting from reducing its workforce by 17,000 people, accomplished solely through attrition. If the agency had had a long-range human resource plan, it could have determined in advance the most effective way to redistribute and retrain staff while downsizing to meet future goals. SSA risks making similar mistakes in the future if a human resource plan is not developed.

During our current review, more than 50 percent of the middle and upper level managers interviewed agreed that SSA has not developed human resource plans that adequately respond to projected changes in automation and the agency's workforce and workloads. Moreover, SSA's Deputy Commissioner for Human Resources acknowledged there is not yet an agencywide strategy for human resource planning and stated that human resource issues have been neglected in preparing SSA's agencywide long-range strategic and information systems plans. However, SSA's deputy commissioners created a work group in March 1992 to study workforce planning and human resource issues, gather data, and assist in developing a human resource plan. Originally, SSA expected to issue the plan by June 1992, but as of March 1993, it had not been completed due to the additional research and analysis that had to be done before its completion.

A human resource plan is also needed to coordinate the initiatives currently in place to improve management training and development, succession planning, career advancement, and the quality of SSA's work environment. Without a plan to guide these efforts, no one has been

determining the most appropriate and efficient way to meet these needs or to integrate the ad hoc human resource initiatives. Consequently, training and management development programs have not received adequate resources and support, succession planning efforts have experienced several stops and starts over the years, and initiatives to improve communication, enhance advancement opportunities, and create a better work environment have had mixed success.

Management Development and Training Programs Need to Be Improved and Expanded

SSA needs formal programs to develop and train managers at all levels, particularly because its management ranks could be significantly affected by retirements in the next 3 to 5 years. Although SSA has made progress in improving its management development and training programs, about half of the operations supervisors and middle managers we interviewed said that development and training programs were inadequate because programs are under-funded, resulting in few individuals being selected for training.

In our 1989 management review, we found that while SSA's plans to train and develop future managers were adequate in design, it was too early to tell whether SSA would develop effective programs to ensure that the agency developed quality managers to meet future needs. The training budget includes funding for technical training, basic management training, and SSA's management development programs. Total agencywide training expenditures were \$94 million in fiscal years 1989 and 1990 and \$109 million in fiscal year 1991. Fiscal year 1992 expenditures were not yet available. While agencywide training expenditures have remained fairly constant for the last 3 years, in the four regions visited by GAO, fiscal year 1992 regional training budgets were more than 50 percent less than they were in 1989.

Management Development Opportunities Are Limited

Since 1989, SSA has taken several actions to expand and improve its management development programs to increase the availability of qualified managers to replace those expected to retire in the near future. However, many employees and managers told us that opportunities to participate in the programs were few, due to limited funding.

Effective management development is critical at SSA due to the significant workforce and work environment changes the agency expects. Through 1997, more than 35 percent of SSA's grade 13 to 15 managers are eligible to retire. In addition, SSA foresees significant changes in the work

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environment and acknowledges that managers will need additional training and enhanced skills for the challenges ahead. The agency envisions a workplace where managers will (1) have larger spans of control, (2) deal more frequently with multilingual employee and client populations, (3) have fewer clerical resources, and (4) have more flexibility in determining where and how work is processed.

In 1989, SSA's Office of Training established the Management Intern Program for grade 7 to 11 employees and the Middle Management Program for grade 12 to 14 employees. For both programs, candidates participate in a series of 3- to 6-month assignments and formal training courses for a 2-year period and receive a permanent promotion upon successful completion. SSA graduated 56 Management Intern Program and 16 Middle Management Program participants in 1991. At the time of our review, no candidates were enrolled in either program. However, SSA announced in the September 1992 Management Newsletter that it would be selecting individuals for the Middle Management Program, which began in June 1993.

In commenting on the value of the agencywide management development programs, more than half of the employees and three-quarters of the middle and upper level managers interviewed told us that the Management Intern Program provides career enhancement and management development opportunities for participants. While most employees could not evaluate the effectiveness of the Middle Management Program, two-thirds of the middle and upper level managers thought it was effective in providing career enhancement and management development opportunities. Many employees and managers told us, however, that agencywide participation is small, and nonheadquarters personnel do not have equal access because of the small number of slots available and limited travel funds to attend these programs. In fact, some field staff believed the programs were intended for headquarters personnel only, while many others were not familiar enough with the programs to offer an opinion on their effectiveness.¹

Regional offices are also encouraged to develop their own management development programs to provide experience and exposure to those seeking career advancement. Although most regions had local programs to identify and develop future managers, only 2 of 10 SSA regional offices allocated funds for regional management development programs in 1992.

¹In its written comments on the report, SSA said this that perception is inaccurate and that of the 19 management development program selectees in 1989, 10 were field staff. Of the 27 program selectees in 1993, 14 were field-based staff. We did not verify the accuracy of SSA's statements.

Perceptions of the effectiveness of regional management development programs in providing career enhancement and management opportunities were similar to those for agencywide programs. Fifty-six percent of the middle managers we interviewed said that the programs provided good management experience. However, some employees and managers told us that, because of limited travel funds, participation was often limited to those individuals in the region's commuting area.

**Management Training
Opportunities Are
Insufficient**

SSA has taken steps to improve the quality of management training, including revising the training curriculum for supervisors and managers, restructuring the management training manual, and centralizing introductory supervisory training at SSA headquarters. However, many operations supervisors are not receiving timely training, and opportunities for management training are limited.

SSA has tried to improve the quality of supervisory training and make it more consistent agencywide. For example, since 1990, every new supervisor is required to participate in a 1-week Orientation and Basic Supervisory Concepts (OBSC) course given at SSA headquarters. In the past, regional training staff conducted the course at the regional offices. However, course quality varied, and new supervisors were not receiving uniform training. The agency also recently revised and enhanced the training curriculum for supervisors and managers and modified the training manual so that individuals could clearly identify and locate information about offered courses.

Despite efforts to improve supervisory and management training, data that four regional offices provided us showed that operations supervisors were not receiving timely training. For example, in three of four regions, more than 80 percent of operations supervisors promoted in 1991 had not received OBSC training as of mid-1992. From 1989 to 1991, the average wait between promotion and training was more than 8 months. Training officials told us that, due to limited training travel funds, a backlog of about 300 new supervisors is waiting to take the OBSC course.

Supervisors and middle managers told us that they felt training opportunities were insufficient at SSA. For example, more than one-third of the middle managers interviewed and more than half of the operations supervisors interviewed told us that they received less training than needed to improve their job performance and develop their promotion potential. Many supervisors interviewed said that training often comes too

late and after they have been forced to learn on the job. Other supervisors said that they lacked basic supervisory skills training. In addition, SSA's training officials have acknowledged that supervisors and managers are not sufficiently trained.

Succession Planning Should Be a Permanent Aspect of Human Resources Planning

Under the guidance of the Executive Resource Board (ERB), SSA has made progress in forecasting management turnover and developing potential senior executive service (SES) successors. In addition, SSA has progressed in implementing management programs to replace the large numbers of non-SES personnel expected to retire in the next 3 to 5 years. However, succession planning efforts have experienced several stops and starts throughout the 1980s, and succession planning has not become a permanent aspect of the agency's long-term human resources strategy.

As we noted in both the 1987 and 1989 management reports, SSA had made only limited attempts at forecasting executive turnover and developing a succession planning strategy for middle and upper level management. During our current review, SSA officials told us that succession planning efforts ceased for several years before resuming in 1992 due to a potential management exodus in 1994. About 54 percent of SES personnel and 35 percent of grade 13 to 15 personnel are eligible to retire between 1992 and 1997 (see table 4.1).

**Table 4.1: SES and GS/GM 13-15
Personnel Eligible to Retire Between
1992 and 1997**

Calendar Year	SES	GS/GM- 13	GS/GM- 14	GS/GM- 15	Total eligible
1992	19	306	213	58	596
1993	7	78	47	18	150
1994	1	89	54	19	163
1995	1	88	57	32	178
1996	6	102	38	21	167
1997	6	131	55	21	213
Total eligible	40	794	464	169	1,467
Total in agency	74	2,600	1,161	350	4,185

In formulating its succession strategy, the ERB drafted position analyses for all SES positions, which delineate the knowledge, skills, and abilities needed for successful performance in these positions. Deputy commissioners also distributed career plans/goals forms to every senior executive in their components and are meeting personally with each to discuss future career plans, aspirations, and retirements. The ERB will

evaluate the results of each meeting to determine which senior executives may leave the agency in the next few years and who among the SES staff would be interested in reassignment to another SES position should vacancies occur.

In addition to SES forecasting efforts, the ERB is currently using HHS's candidate development program to prepare grade 14 and 15 personnel to replace departing SES personnel. The Office of Training projects attrition rates and the ERB recommends class sizes based on the data. HHS scheduled a new class for 1992, and 30 SSA candidates were selected to participate. Before 1992, the program had not been announced since 1984. The program is designed to attract the best employees and prepare them for higher management positions. Candidates receive experience and training designed to prepare them for SES positions within 1 to 3 years. Upon completion of the program, graduates are eligible for noncompetitive placement into SES positions if they meet the qualifications.

SSA officials told us that past succession planning efforts stalled or were reprioritized with changes in commissioners and that current efforts have focused on the short term, with the major concern being the potential management exodus in 1994. We continue to believe that succession planning at SSA should not be viewed as a short-term remedy for a potential management crisis but as a long-term strategy for ensuring that SSA continually develops a pool of quality managers. In addition, succession planning should become a permanent aspect of SSA's human resources strategy and include continuous monitoring of potential retirements and expanding and supporting current management development programs.

**Concerns Remain
Despite Initiatives to
Improve
Communication,
Advancement
Opportunities, and
Work Conditions**

SSA has taken steps in response to our management reports to improve employee and management communication and address staff concerns about diminished advancement opportunities, limited recognition, and poor working conditions. However, many employees interviewed told us that upper management still does not fully consider the personnel impacts of implementing major operational changes, and two-thirds said promotion opportunities have not increased in the last 2 years. While SSA is in the process of improving the field office work space and providing employees with needed computer resources, employees are still concerned that (1) workload and stress levels remain high, (2) office

safety and physical work environments need improvement, and (3) training and resources necessary to do their jobs are insufficient.

Actions to Improve Agencywide Communication

SSA has taken several actions to improve employee and management communication since our 1989 management report. The agency (1) created the commissioner's and deputy commissioner's open door programs and the employee ombudsman program, (2) improved its internal publications, and (3) improved delivery of, and access to, satellite transmissions. While many SSA employees and managers we interviewed said communication has improved since our 1989 report, opinions were mixed on the effectiveness of SSA's communication initiatives. In addition, few employees interviewed said that management considered the impacts on employees when making decisions to implement major operational changes.²

The open door and ombudsman programs were established in 1990 in accordance with the previous commissioner's desire to improve communication. Employees were encouraged to call, write, or personally meet with the commissioner, deputy commissioners, or ombudsman to discuss problems or issues of concern. Due to the number and nature of responses, all open door activities were consolidated under the ombudsman in December 1991. The ombudsman receives calls and letters from employees seeking assistance with problems or providing input regarding systemic problems. For example, employees may call to discuss poorly written policies that lead to misinterpretation in the field or to seek transfers, reassignments, and promotion opportunities. The ombudsman screens employee concerns and works informally to remove bottlenecks in the system or to expedite paperwork for individuals who have exhausted all other channels.

About half of the middle and upper level managers interviewed said that the ombudsman was an ineffective medium for improving communication between upper level management and employees. Of those who were critical of the ombudsman, some said it was often used by disgruntled employees to bypass line management to resolve personal problems. Although the ombudsman was established to improve employee/management communication and has been operational for several years, 87 percent of employees interviewed did not offer an opinion regarding its effectiveness.

²In commenting on the report, SSA said that management does consider the effects on staff when deciding significant changes but does not assign this greater weight than the need to fulfill the agency's mission and serve its clients.

SSA has also continued to use the OASIS magazine, other internal agency publications, and satellite broadcasts to better respond to the communications needs of the agency. According to SSA officials, the OASIS has been used more frequently in recent years to better inform employees of major initiatives occurring at SSA, such as the toll-free telephone service and improved automation. Distribution has also been expanded to include more field office personnel. More than 50 percent of all employees and 75 percent of middle and upper managers interviewed said that publications such as the OASIS were effective communication vehicles.

The previous Commissioner increased the use of satellite broadcasts and has used the system to personally deliver messages to the field. SSA has expanded the network from 15 locations in 1990 to 45 locations in 1992 and plans to add 10 additional sites in 1993. At present, live audience capacity is approximately 7,500 of the 65,000 employees. Every region has access to live satellite broadcasts, which can be videotaped for agencywide distribution. More than half of those interviewed said that the satellite broadcasts were an effective communication tool.

Besides concerns about routine communication between management and employees, we also found that 60 percent of employees interviewed are concerned, as they were in 1987 and 1989, that management still does not consider the effects on personnel when making decisions to implement significant changes in SSA operations. Employees cited the decision to create the toll-free telephone service as an example where little consideration was given to negative impacts on field personnel. Some employees said the lack of up-front consideration and a poorly thought out plan for implementation led to caller backlogs, rerouting of calls back to the field offices, and poor client service. Also, field personnel often had to clarify incorrect information given by the teleservice representatives.³

**Actions to Improve
Advancement
Opportunities and
Employee Recognition**

As reported in 1989, SSA had several initiatives either planned or under way to address staff concerns about limited advancement opportunities and employee recognition. However, the initiatives have had mixed results. More than two-thirds of employees and middle managers interviewed said that monetary awards improved employee morale and recognition. However, an equal number of both groups said that advancement opportunities have not increased since 1989.

³In commenting on a draft of this report, SSA said that employees' opinions indicate that internal communication needs to be reevaluated. SSA said, however, that its new quality improvement effort would help alleviate many of the reported communication problems between management and employees.

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In 1987 and 1989, both employees and managers told GAO that advancement opportunities were insufficient. In response to our reports, SSA proposed several projects to increase pay for middle management and supervisory personnel and developed a draft proposal to consolidate the claims examiner job series. However, none of these efforts has progressed as planned, and SSA personnel continue to be concerned about the lack of advancement opportunities.

In a more recent initiative, SSA created career development guides for both regional and headquarters personnel to increase employee awareness of career opportunities and avenues for advancement. The guides identify SSA positions that are expected to be filled in the greatest numbers during the next 5 years and list the duties, qualifications, key selection factors, and training needed for these positions. For each position, a career progression chart was developed, showing jobs that lead to the target positions. The guides also provide information about training courses that can help individuals meet career objectives.

It is too early to tell what impact the career development guides will have on keeping individuals informed of career options and improving their ability to prepare and compete for future promotion opportunities. At present, however, 66 percent of employees and middle managers interviewed still believe that advancement opportunities are limited. Furthermore, few individuals could point to specific SSA initiatives as significant factors in improving advancement opportunities. Given these perceptions, SSA management should consider new initiatives to provide greater opportunities for SSA personnel.

To improve employee recognition, SSA increased funding for its special act or service awards, increased the overall number of individuals receiving awards, and introduced the on-the-spot award in 1991. Special act or service awards are based on job performance and individual contributions. The on-the-spot award provides cash to recipients and is designed to promote creativity and recognize employees who make notable contributions on individual assignments. The minimum award is \$50 and the maximum is \$250.

Expansion of the awards program has allowed SSA to provide money and recognition to more employees at a time when promotions and advancement opportunities are limited. In fiscal year 1991, 23,000 special act or service awards were distributed, compared to 6,000 in 1988. In addition, 42,000 sustained superior performance awards were granted,

compared to 38,000 in 1988. Nearly two-thirds of employees and more than 80 percent of the middle managers interviewed said that monetary awards improved individual morale in their units.

Actions to Improve the Work Environment

SSA has taken several initiatives to improve the office working environment and provide staff with additional resources to do their jobs. However, many employees and managers told us that issues related to improving the work environment are still not given adequate priority.

Actions are under way to improve field office facilities and provide staff with much needed equipment and modular work centers. SSA submitted a proposal with its 1992 budget request to improve overall office habitability. Issues such as office location, safety, maintenance, and environmental quality were targeted. In addition, SSA earmarked \$1.7 million for upgrading 700 field offices.

The Metropolitan Office Enhancement Program was also created in 1991 to address safety and morale problems in urban areas. According to SSA's own internal reviews, urban office morale and productivity has been adversely affected by growing retirement and disability caseloads, dangerous locations, and illiterate and multilingual client populations. Through the enhancement program, urban offices receive additional funding for staffing, new space, office modernization, and increased physical security. SSA is also conducting additional reviews to assess morale and issues of concern to employees. Employees in various components throughout the agency are questioned on issues such as public service, morale, workloads, and systems enhancements. To date, SSA has conducted reviews in various field offices, program service centers, and the Office of Hearings and Appeals. SSA will conduct additional reviews at the Office of Central Records, the Office of Systems, and the Teleservice Centers in 1992-93.

A longitudinal review of 17 field offices was completed in 1991, which assessed changes in morale and the impacts of systems modernization on field employees since 1989. SSA found that employees and managers were concerned about poor physical work environments, worker safety, increasing stress levels, and deteriorating morale in some offices due to staffing imbalances and heavier workloads. Employees also said that work environment problems contributed to poor public service, and they expressed a need for additional systems improvements, photocopiers, and personal computers.

Many employees and managers we spoke to believe that SSA has not adequately addressed the needs of its workforce. Recurring concerns involved the need for basic technical training for claims and service representatives to apply agency policy and the need for additional office supplies and equipment, such as photocopiers, telephones, and computers. Some employees and managers also complained of burnout and stress-related injury or illness as a result of being overworked, understaffed, and dealing with the unique problems posed by disability and SSI clients. Some others emphasized the need for training to upgrade their computer and client counseling skills.

Conclusions

SSA needs a human resource plan to prepare for future workforce changes and to coordinate its current human resources initiatives. Succession planning should become a permanent aspect of SSA's human resources planning to ensure that SSA continually develops a pool of quality managers. In addition, SSA may not be devoting adequate resources to training and development programs, given that SSA's employees and managers have told us they have not received adequate training and that the training in the past 3 years has declined substantially.

In addition, emphasizing employee and management communication, developing realistic opportunities for employees to advance, and placing greater emphasis on improving the work environment are essential to maintaining high levels of productivity and morale. Failure to incorporate these goals into a long-term human resource plan may lead to an erosion in employee morale and problems in recruitment and retention.

Recommendations to the Commissioner

We recommend that the Commissioner of SSA

- develop a long-term human resources plan that includes an assessment of current personnel resources and future workforce requirements and contains specific strategies for meeting SSA's human resource needs,
- make its succession planning efforts a permanent aspect of human resources planning, and
- determine whether the current funding amount available for training is sufficient to prepare and maintain a high-quality workforce.

Agency Comments and Our Evaluation

In commenting on a draft of this report, SSA agreed with our recommendation to develop a human resources plan that will include an

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assessment of current personnel and future workforce requirements. SSA also agreed to make succession planning a permanent aspect of human resources planning and to determine whether the current funding level for training is adequate to maintain a high-quality workforce.

SSA's actions in response to GAO's recommendations should enable the agency to better plan for and maintain a high-quality workforce if the specific initiatives are sustained over time. Previous management reviews by GAO produced similar commitments by SSA regarding what should be done to improve human resources management. However, many of these efforts have waned over time or have been stopped or redirected with each change in administration. As a result, human resources issues have received less attention and emphasis.

Additional Efforts Are Needed to Resolve Financial Management Problems

The nature, size, cost, and complexity of SSA's operations impose a significant need for effective financial management. To help accomplish this, SSA needs effective, well-controlled financial management systems and practices that (1) collect overpayments, (2) maintain earnings records, (3) manage cash receipts, and (4) maximize the Social Security trust fund's interest income from investments in government securities.

In our 1987 report on the management of SSA, we found that a fragmented organizational structure and the absence of a high-level focal point for financial management prevented SSA from effectively addressing its long-standing financial management problems. We reported that SSA had (1) experienced problems during the past 10 years in developing and operating an effective debt management system and (2) discrepancies in its annual wage reporting process.

We recommended that SSA (1) establish a controller or comparable position to provide the leadership needed to help resolve financial management problems, (2) improve its efforts to implement the Federal Managers Financial Integrity Act (FMFIA) of 1982, and (3) issue audited financial statements. In 1989 we reported that SSA had appointed a chief financial officer (CFO) whose responsibilities met our expectations for leadership and accountability for agencywide financial management activities. We also reported that SSA was routinely publishing audited financial statements. However, the agency continued to experience problems in debt management and earnings maintenance.

Our current review shows that these problems continue. Also, SSA could improve the usefulness of its annual financial statements if it would include a discussion of the relationship between the federal budget deficit and future Social Security trust fund payments. More specifically, the statements should note the long-term public policy and economic implications of continuing substantial budget deficits. When projected Social Security payments reach a level that exceeds trust fund revenues, taxes will have to be raised to redeem Social Security investments in U.S. government securities or benefits will have to be reduced.

Long-Standing Financial Management Problems Continue

SSA continues to experience financial management problems in several areas. At the end of fiscal year 1992, debts owed to SSA totaled \$3.6 billion. During fiscal year 1992, SSA collected \$1.2 billion and wrote off \$337 million. To improve its collection of debt, SSA needs to centralize the debt management function, appoint a debt manager, develop an effective

management information system, and follow its own and the Department of Treasury's policies regarding the timely recovery of overpayments. It also needs to resolve employer wage reporting problems and deficiencies with SSA's Earnings Records Maintenance System (ERMS).

Weaknesses in Debt Management

SSA has continually experienced difficulty in controlling and collecting overpayments made to program beneficiaries. We reported in 1991 that a single manager in charge of a centralized debt management component responsible for all debt management activities is needed to provide the emphasis, policy direction, leadership, and oversight essential to the development and conduct of an effective debt management program.¹ SSA has been studying the merits of establishing a centralized debt management function since October 1991. SSA's inability to collect more than 30 percent of overpayments, as we reported in July 1991, is also due to the agency's (1) lack of management information to control and account for its billions of dollars in overpayments, (2) weak and ineffective collection practices, and (3) legal restrictions on using collection methods available to other federal agencies.

Despite spending more than \$7 million in systems design and development, SSA still does not have the needed automated system to control and account for its overpayments. Past estimates of the completion date for the debt management system have not been met, and the current estimated date is 1995 or 1996.

We reported in 1991 that SSA was not following the proper policies and procedures governing the timely recovery of overpayments, the use of appropriate repayment plans, and the use of consumer credit bureaus to locate missing debtors. SSA's proper use of policies and procedures could help improve the recovery of debt owed by former beneficiaries.

SSA generally agreed with our recommendations that it adhere to Treasury's policy governing timely action on debt recovery, establishing appropriate plans for repayments, and using credit bureaus to locate delinquent debtors. However, the agency believes that strict application of such policies may not be the most cost-effective approach. Further, SSA agreed in 1991 to consider using credit bureau information to obtain financial data and locate debtors. However, as of March 1993, SSA had not selected a credit bureau or established time frames to conduct the pilot

¹Debt Management: More Aggressive Actions Needed to Reduce Billions in Overpayments (GAO/HRD-91-46, July 9, 1991).

program. SSA said it will consider using credit bureau information once it has evaluated the results of the tax refund offset program.²

SSA is precluded from using certain debt collection methods authorized for use by other federal agencies by the Debt Collection Act of 1982. This law authorizes federal agencies to assess interest and penalties on delinquent debt, as well as to use private collection agencies. SSA's exemption from using these collection methods leaves the agency with a less effective set of tools to pursue debts from former beneficiaries than other federal agencies have. The limited enforcement tools left to SSA provide little motivation for debtors to abide by SSA's request for repayment, although the tax refund offset program may enhance deterrence.

Progress Made in Improving Earnings Record Maintenance

To ensure accurate benefit payments, SSA needs effective internal controls over its earnings posting procedures and employer wage reporting processes. SSA has made excellent progress reconciling discrepancies between its records and those of the IRS of earnings reported by employers. However, the agency has been less successful in improving the accuracy and completeness of employer wage reports.

In our 1992 report, we found that employers are making many types of wage reporting errors such as failing to report Social Security numbers and names on W-2 forms and reporting Social Security wages incorrectly.³ Employers have advised SSA that wage reporting instructions and their ability to get assistance with problems need improvement.

SSA has many organizational components that play a role in the wage reporting process but no focal point to coordinate all of their efforts. In our 1992 report, we recommended that SSA (1) place more emphasis on identifying and addressing causes of employer problems in reporting wages; (2) examine the clarity of its wage reporting instructions; and (3) consider how it can better respond to employer wage reporting questions, perhaps by providing a single contact point for employers. SSA has begun to address these recommendations by (1) providing information to employers through education, (2) developing and issuing publications and instructions, (3) modernizing its reconciliation system, and

²Under this program, authorized by the Omnibus Budget Reconciliation Act of 1990, SSA recovers overpayments from former beneficiaries of the retirement, survivors, and disability insurance programs by collecting money that would otherwise be paid as a tax refund. As of September 1992, SSA had collected about \$47 million for the year.

³Social Security: Reconciliation Improved SSA Earnings Records, but Efforts Were Incomplete (GAO/HRD-92-81, Sept. 1, 1992).

(4) forming a reconciliation task force. In addition, SSA plans to establish a specific telephone line for the business community to get information on payroll issues and wage reporting requirements. While these actions are a positive step in improving employer reporting accuracy, we continue to believe that SSA should establish an organizational component to provide the emphasis needed to resolve employer wage reporting problems.

Given the huge amount of resources SSA spends to deal with beneficiary issues, it seems that SSA should devote more resources to dealing with employer problems. Employers are also important clients of SSA, responsible for providing timely, accurate information on the wages of almost every U.S. worker. Employer wage reports provide the basis for determining future eligibility and benefit amounts of all future beneficiaries. While SSA has acknowledged the need for more emphasis in this area, it has not begun any initiatives to address this problem.

Weaknesses Remain in the Earnings Record Maintenance System

In 1990, an SSA contractor identified several material weaknesses while performing a detailed review of the ERMS.⁴ The contractor pointed out that ERMS (1) was not keeping track of all individual wage report adjustments throughout processing, (2) was not properly controlling erroneous earnings reports nor processing them in a timely manner, and (3) lacked sufficient controls to detect duplications between wage report corrections and internal adjustments.

The contractor's report stated that these weaknesses impair fulfillment of SSA's mission by affecting the accuracy of the records of wages that SSA uses to (1) certify earnings to the Treasury, (2) compute benefits, and (3) prepare earnings statements requested by the public. SSA reported in fiscal year 1990 that it expected to complete corrective actions by 1992. Currently, SSA does not expect to complete corrective actions until 1994.

⁴The ERMS processes more than 250 million earnings reports and related adjustments each tax year, balances all initial earnings reports, and validates earnings and nonearnings data to master computer files. In addition, the ERMS suspends the recording of earnings information not immediately associated with an employee, reconciles earnings information reported to SSA and IRS, and certifies all employee wage data.

FMFIA Implementation Could Be Improved

While SSA's FMFIA⁵ program continues to expand and improve, SSA has not disclosed all material weaknesses in reports to HHS and to the Congress as required. For example, SSA management did not identify the lack of an effective backup system for controlling benefit payments, account changes, and overpayments at the National Computer Center as a material weakness in SSA's fiscal year 1991 FMFIA report.

SSA needs an effective backup system to ensure that it can continue to pay benefits accurately and prevent overpayments should its main computer center become inoperable. SSA's headquarters computers process about 13 million transactions daily for its customers and clients. In addition, systems users access the computers about 400 times per second throughout the day, mostly from field locations. Without these computers, SSA would lose these services and, according to a contractor's study done for SSA, overpayments amounting to more than \$1.5 billion could result from a 3-month shutdown.

SSA should have reported the lack of an adequate backup system as a material weakness in its fiscal year 1991 FMFIA report. Instead, SSA addressed the backup and recovery problem in its 1991 FMFIA report as a significant management concern. Further, HHS reported no such weakness at SSA in its fiscal year 1991 FMFIA report.

In July and August 1993, SSA provided us with information regarding its June 1993 contract for backup and recovery services. Although we agree that these services should start providing additional backup and recovery capabilities when implemented, SSA will need to take additional steps to adequately mitigate its current material weakness. Specifically, SSA needs to better (1) differentiate and prioritize the time criticality of various workloads to be performed during an emergency, (2) define the specific resources needed to adequately recover various workloads, and (3) develop detailed contingency plans that identify the steps needed to mitigate the impact of systems outages on critical services.

In our opinion, it is essential that agencies establish a system of internal controls to ensure that their mission and related activities are carried out and all assets are safeguarded against waste, loss, unauthorized use, and misappropriation. Thus, we believe that SSA needs to fully correct this problem. In the interim, SSA needs to report the lack of backup and

⁵FMFIA was enacted in 1982 to strengthen federal agencies' internal controls and accounting systems to reduce the incidence of fraud, waste, abuse, and misappropriation of federal funds. The act requires agencies to (1) establish systems of internal controls, (2) perform regular internal control reviews, and (3) report the results to the President and the Congress annually.

recovery as a material weakness along with the required plan for addressing the problem in its annual FMFIA report. While the probability is small that SSA's computers will become inoperable, their loss would be significant in terms of declining public service and the increase in overpayments.

Progress Made in Preparing Financial Statements, but Additional Improvements Are Needed

Since our recommendation in 1987, SSA has produced annual audited financial statements that provide reliable and useful information to agency management, the public, the Congress, and others about SSA's financial operations. As a result of SSA's leadership in this area, the Congress selected SSA as a pilot agency for the preparation and audit of financial statements under the CFO Act of 1990.

The CFO Act was passed with the primary goal of improving governmentwide financial management. The act requires federal executive agencies to (1) appoint a CFO, (2) prepare 5-year systems improvement plans, (3) prepare annual audited financial statements, and (4) improve financial management reporting. SSA had implemented many of the components of the act before its passage. For example, the agency appointed a CFO, prepared agency financial statements, and had them audited by the OIG.

While we believe that SSA is at the forefront of federal agency financial reporting, SSA could improve the usefulness of its future statements if it would include a discussion of the relationship between the federal budget deficit and future Social Security trust fund payments.

1992 Financial Statements Conform to Standards, but Discussion Needed of the Impact of the Budget Deficit on the Trust Funds

We reviewed SSA's 1992 annual financial statements and found them substantially in conformance with OMB reporting guidelines. These financial statements were issued in February 1993 and included disclosure of critical agency operational performance information. Examples of SSA's performance information include statistics relating to timeliness and accuracy of benefit payments for 1989 through 1992.

We believe that SSA's financial statements would be improved by disclosing the potential impact of the federal budget deficit on the future health of the trust funds. As we reported in 1989, the Social Security Amendments of 1977 and 1983 were intended to set revenues higher than expenditures,

creating annual surpluses that would cause the trust fund balance to grow.⁶ The purpose of these changes was to correct the short-term financial problems of the fund. The changes would also have the effect of lessening the future burden of paying for the retirement benefits of the baby-boom generation. The surpluses are invested in special-issue U.S. securities. Since the rest of the government budget is now in deficit, the surplus reduces the Treasury's need to borrow from the public. Based on current projections, the trust fund balance, including interest from the Treasury, will peak around 2025 at approximately \$4.9 trillion.

SSA could improve the usefulness of its financial statements if it would include a discussion of the relationship between the federal budget deficit and future Social Security trust fund payments. The statements should note the long-term public policy and economic implications of continuing substantial budget deficits. When projected Social Security payments reach a level that exceeds trust fund revenues, taxes will have to be raised to redeem Social Security investments in U.S. government securities or benefits will have to be reduced.

Conclusions

SSA's financial management problems are complex and long-standing. Although SSA has taken many steps to improve financial management, problems still remain in debt management and earnings record maintenance. SSA needs to reinforce its efforts to resolve these problems, including establishing a single manager responsible for all debt management activities. SSA should reconsider our previous recommendation to establish a backup system. From a financial management reporting perspective, SSA should report its lack of an effective backup and recovery system as a material weakness to be in full compliance with FMFIA reporting requirements.

In addition, SSA has made significant strides in improving the usefulness of its financial statements. In the federal community, SSA is a model for other agencies in financial reporting. SSA's 1992 annual financial statements, however, do not include a discussion of the impact of the federal budget deficit on the future health of the trust funds. The value of these statements would be enhanced if they included an explanation of the financial implications to the trust funds from the budget deficit.

⁶Social Security: The Trust Fund Reserve Accumulation, the Economy, and the Federal Budget (GAO/HRD-89-44, Jan. 19, 1989).

Recommendations to the Commissioner

We recommend that the Commissioner of SSA

- correct the financial management problems in the areas of debt management, including establishing a single manager responsible for all debt management activities, and earnings record maintenance;
- include in the financial statements a discussion of the relationship between the federal budget deficit and the Social Security trust fund reserves; and
- report the lack of a backup system as a material weakness in future FMFIA reports.

Agency Comments and Our Evaluation

SSA disagreed with our recommendations to include a discussion of the relationship between the federal budget deficit and the Social Security trust fund reserves in its annual financial statements and to report the lack of a backup and recovery system as a weakness in future FMFIA reports. Although SSA acknowledges that debt management may benefit by establishing a single manager responsible for debt collection, it postponed all efforts to implement this recommendation until after the appointment of a commissioner. At that time, SSA will consider evaluating organizational options for debt management that could have the potential for greater effectiveness.

With regard to our recommendation to enhance the value of SSA's financial statements, we believe the purpose of such statements is to accurately inform readers of the financial health of the entity covered. If major potential adverse impacts on the entity's financial health are not discussed in the statements, then its current or prospective value may be misrepresented to, misinterpreted by, or hidden from the scrutiny of investors—in this case, taxpayers and policymakers. Thus, we continue to believe that SSA's financial statements should fully and accurately discuss matters—such as the budget deficit—that can adversely impact the financial health of SSA's trust funds.

In commenting on our recommendation to report lack of backup and recovery as a material weakness, SSA stated that a contract awarded in June 1993 to provide such services fully supports SSA's critical applications in the event of a disaster affecting the National Computer Center.

We recognize that SSA is taking a positive first step to contract for backup and recovery services. Although we agree that these services should start providing additional backup and recovery capabilities when implemented,

Chapter 5
Additional Efforts Are Needed to Resolve
Financial Management Problems

SSA needs to take additional steps to adequately address its current material weakness. Specifically, SSA needs to better (1) differentiate and prioritize the time-criticality of various workloads to be dealt with during an emergency, (2) define the staff and systems resources needed to process critical workloads, and (3) develop detailed contingency plans that identify the steps needed to lessen the impact of system outages on critical services.

SSA's Organizational Structure

SSA is the largest component of the Department of Health and Human Services. SSA is headed by a commissioner who is assisted by a principal deputy commissioner, a senior executive officer, and six deputy commissioners. The principal deputy oversees daily operations of the agency and acts as commissioner when the commissioner is absent. The senior executive officer has responsibility for overseeing the strategic planning and information resources management processes.

The six other deputy commissioners are each responsible for one of the following functions: (1) focusing on operations to ensure effective and efficient delivery of services; (2) developing and issuing operating policy and program procedures; (3) formulating legislative policies and dealing with external affairs; (4) developing and maintaining the automatic data processing and telecommunications systems essential to the day-to-day operations of the agency; (5) providing overall management of SSA nonpersonnel-related resources and assessment and evaluation activities; and (6) planning for, acquiring, and training the personnel needed to staff the agency.

To provide service to the public, SSA operates the following facilities:

- a national headquarters located in Baltimore, Maryland;
- 10 regional offices and 75 area offices, which oversee the activities of SSA's field offices; the regional offices also oversee the 54 state disability determination services and perform the administrative functions needed for field operations;
- about 1,300 district and branch offices, which are the primary point of face-to-face contact between SSA and the public;
- 37 teleservice centers, which provide information to individuals who call SSA's toll-free number;
- 3 data operations centers, which annually examine and record millions of wage reports from employers;
- 7 processing centers, which perform certain review functions, maintain paper records, process some disability cases, and process some nonroutine workloads for all programs that cannot be processed by computer; and
- an Office of Hearings and Appeals located in Falls Church, Virginia, with 132 field hearings offices to judge cases in which the decisions of SSA's operational components or DDSS are appealed.

SSA carries out its programmatic and administrative operations through large-scale computer systems. SSA uses large mainframe computers at the

Appendix I
SSA's Organizational Structure

National Computer Center to process most Title II and Title XVI benefit claims and post-entitlement activities, maintain 360 million Social Security earnings records, and carry out other program functions. Mainframes and medium-sized computers in headquarters, regional, and state offices are used to perform a variety of administrative functions, including payroll, budget, and statistical analysis. SSA has nearly 40,000 computer terminals on desks in its field offices to process claims and check beneficiary records maintained at the National Computer Center. SSA also maintains an extensive nationwide data and telephone communications network. Local area networks (LAN) exist in central office, regional office, and Office of Hearings and Appeal's components to support administrative functions, and pilot LANS are installed in a variety of SSA offices to support program activities.

Elements of the Strategic Management Process

The following information is based on our earlier report, Management of VA: Implementing Strategic Management Process Would Improve Service to Veterans (GAO/HRD-90-109, Aug. 31, 1990), in which we defined the strategic management process. This process provides an agency head a disciplined, systematic way of linking commitment and goal setting to strategies, budget, and accountability and provides the discipline for moving an agency toward its goals.

Element 1: Commit to Planning

The purpose of committing to planning is to obtain the support of key groups for the strategic management process. Participants include the commissioner; key line and staff managers; and representatives of external groups concerned with SSA's mission, including the Congress, interest groups, and OMB. The task in this segment of the process is to agree on ground rules for conducting the strategic management process. This initial agreement could cover critical aspects of the process, such as (1) its purpose, (2) who should participate, (3) how it will be conducted, (4) the roles and functions of key players, (5) other participants, (6) schedule of accomplishments, and (7) commitment of necessary resources.

Element 2: Scan the Environment

The purpose of scanning the environment is to obtain data to identify and analyze a range of possible strategic issues and support decision-making throughout the process. Participants include the commissioner and key line and staff managers. Tasks associated with this element include (1) assessing SSA's internal and external environment and (2) identifying a range of possible strategic issues and their implications. Environmental scanning involves monitoring SSA's external and internal environment to identify a range of possible strategic issues facing it. External scanning identifies and assesses external conditions that may affect the agency in the future, including economic, demographic, socioeconomic, and technological trends. Internal scanning identifies organizational strengths and weaknesses that may help or hinder attainment of strategic goals, including underlying weaknesses in major management systems.

Element 3: Establish Strategic Direction

The purpose of this phase is to envision in broad terms SSA's future direction. Participants include the commissioner; key line and staff managers; and representatives of external groups concerned with SSA's mission, including the Congress, interest groups, and OMB. Tasks include (1) establishing a clear direction for SSA's future actions and (2) selecting the strategic issues that the process will address.

Element 4: Develop Strategies

The purpose of this element is to select the best approaches to address each strategic issue and achieve the strategic direction. Participants include key line and staff managers. Key external groups participate as appropriate. Tasks in this phase include (1) identifying alternate strategies to address each strategic issue, (2) identifying barriers to and consequences of implementing alternatives, and (3) selecting the alternative with the greatest potential for success and support by external groups.

Element 5: Develop Action Plans and Link to Budget

The purpose of this phase is to develop action plans and obtain resources needed to implement selected strategies. Participants are primarily line managers. Tasks include (1) developing detailed action plans based on selected strategies, and (2) ensuring that action plans shape budget submissions. Managers must translate selected strategies into specific short- and long-term action plans that will move the agency in the desired direction. Action plans should (1) list in specific, measurable terms the outcome desired, so that it will be possible to determine whether the outcome has been achieved; (2) provide a time frame to attain the desired outcome, so that results can be measured at a specific point; (3) offer the expectation that, with the proper use of resources and staff, the desired outcome can be accomplished; and (4) relate directly to a strategic issue consistent with SSA's strategic direction.

Element 6: Establish Accountability and Implement Plans

The purpose of this element is to ensure implementation of action plans. Participants include agency managers and staff. Tasks include (1) assigning responsibility for implementing action plans, (2) making action plans a reality by incorporating them into operations, and (3) linking the individual reward system to plan implementation.

Element 7: Monitor Implementation and Provide Feedback

The purpose of this phase is to evaluate progress in implementing action plans and ensure that relevant information flows between the components and the Office of the Commissioner. Participants include the commissioner and agency managers. Tasks associated with this phase include (1) monitoring progress toward implementing action plans, (2) periodically reporting progress and problems to the commissioner, (3) assessing adequacy of action plans and taking necessary corrective measures, and (4) fine tuning the strategic management process as required.

**Appendix II
Elements of the Strategic Management
Process**

The final two elements in the strategic process, assigning accountability and monitoring performance, represent the management dimension of the process and signify the importance of continued top management involvement to attain the desired outcome. Effective review and monitoring do not require extensive controls. The experiences at both the Department of Veterans Affairs (VA) and other agencies suggest that when monitoring becomes complex and involves excessive paperwork, strong opposition results.

Interest Groups GAO Contacted

AIDS Action Council
American Association of Retired Persons
American Foundation for the Blind
Disability Rights Education and Defense Fund
Food Research and Action Center
Mental Health Law Project
Migrant Legal Action Program
National Alliance for the Mentally Ill
National Association of Area Agencies on Aging
National Caucus and Center on the Black Aged
National Committee to Preserve Social Security and Medicare
National Council on Community Mental Health Care
National Council of Senior Citizens
National Hispanic Council on Aging
National Organization of Social Security Claimants Representatives
National Senior Citizens Law Center
Paralyzed Veterans of America
Save Our Security
The Arc

Agency Comments



THE COMMISSIONER OF SOCIAL SECURITY
BALTIMORE, MARYLAND 21235

September 16, 1993

Mr. Charles A. Bowsher
Comptroller General
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Bowsher:

Thank you for the opportunity to provide comments on your report, Social Security: Sustained Effort Needed to Improve Management and Prepare for the Future. The report acknowledges the progress that the Social Security Administration (SSA) has made since the General Accounting Office's (GAO) initial report on management issues, SSA: Stable Leadership and Better Management Needed to Improve Effectiveness, GAO/HRD-87-39.

Many of the report's observations and recommendations will assist SSA in implementing its long-range business strategy. However, we disagree with some of the report's findings. Our complete comments are enclosed.

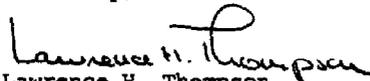
The GAO report makes the observation that various groups have expressed concern that our automation initiatives will make service more centralized and impersonal. If such a perception exists we are not communicating effectively with our clients and other public groups. This will change. SSA has been and always will be committed to providing services that uphold clients' dignity during a period of their lives that can be very difficult. Although we are assessing the use of electronic contacts, we emphasize that these approaches are alternative methods for clients that are comfortable with and seeking automated access to SSA. It will never replace the face-to-face service for those clients not wishing to interact electronically.

Although we did not seek public and client opinions in developing service strategies when developing our Agency Strategic Plan, we have since conducted a service delivery evaluation that, among other issues, specifically asked for client preferences for conducting business. Another survey will be conducted soon to obtain input on the level of service the Agency should provide. Results of these surveys will be the cornerstone of the Agency's Service Delivery Plan.

**Appendix IV
Agency Comments**

Again, thank you for the opportunity to comment on this report. I welcome GAO's constructive reviews and appreciate the effort that your staff has expended in producing this latest report on the progress of SSA's management systems.

Sincerely,


Lawrence H. Thompson
Acting Commissioner
of Social Security

Enclosure

COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION ON THE GENERAL ACCOUNTING OFFICE DRAFT REPORT, "SOCIAL SECURITY: SUSTAINED EFFORT NEEDED TO IMPROVE MANAGEMENT AND PREPARE FOR THE FUTURE"

General Accounting Office (GAO) Recommendation

Complete the implementation of a strategic management process to guide planning, implementation and evaluation of long-term strategic initiatives.

Social Security Administration (SSA) Comment

We concur. While the basic elements of our process are in place or under development, we believe it essential to recognize that the dynamics of strategic management require perpetual planning. The framework we have put into place will serve SSA as it confronts challenges in the near future and beyond.

SSA's foundation of strategic management is the Agency's Strategic Plan (ASP) which provides the strategic direction and framework for long-term planning. Broadly, the ASP addresses why SSA needs to change and what needs to change.

Transition guidance was developed to provide a detailed description of the major ASP initiatives that must be undertaken during the strategic plan period. The transition guidance addresses what changes need to be made and when they will occur. Building on the transition guidance, strategic priority tactical plans map the steps for implementing business process changes described in the guidance. Tactical plans describe and direct the steps necessary to effect changes, how they will be implemented, who is impacted, and where and when actions will occur.

Our Service Delivery Plan (SDP), now under development, focuses on changes needed in the way SSA delivers services to achieve SSA's vision and goals. By reengineering or redesigning our business processes SSA plans to provide complete service at the customer's first point of contact. In addition, much of the content of SSA's human resources and facilities plans, which focus on the resources needed to achieve SSA's vision and goals, will be derived from SSA's SDP.

To measure each initiative's progress, we are developing a tracking system to monitor the implementation of the Agency's major strategic initiatives. Initiatives will be assessed at key decision points to determine whether they should proceed as planned or be redirected. This system will provide information to compare actual results to original cost, schedule and performance goals, allowing assessment of whether progress is within acceptable parameters. We expect the tracking system to

Appendix IV
Agency Comments

be operational by mid-fiscal year (FY) 1994. In the interim, effective October 1993, we will have in place a limited system that will track and account for all spending against the Automation Investment Fund.

GAO Recommendation

Complete the SDP as soon as possible and use it to develop or modify the resource plans for information systems, human resources and facilities, as well as the strategic priority tactical plans.

SSA Comment

We agree that momentum to complete the SDP should continue. Recently, responsibility for development of the SDP has been elevated to the Office of the Principal Deputy Commissioner and development of the plan is on a rapid track for completion. Focus tests designed to capture, among other things, client preferences for services should be completed by late 1993. Results will be used to corroborate our service delivery vision before proceeding with the completion of the SDP. The completed SDP will reflect our focus on more efficient and effective work processes and to provide service at the first point of contact with SSA. Resource plans will be modified, where warranted, based on the completed SDP.

GAO Recommendation

Design strategic initiatives to provide direct impact on service delivery objectives.

SSA Comment

We concur. Instructions for development of tactical plans for initiatives supporting the ASP direct that they specify the financial, information and human resources needed; provide schedules and preliminary cost estimates; and define the impact that implementation could be expected to have on service delivery goals and objectives. Draft plans will continue to be refined and this information will be included as the initiatives progress in development.

Moreover, procedures developed for a structured Agencywide cost benefit analysis (CBA) process instruct that tactical plans describe what effect, in quantified terms wherever possible, strategic initiatives can be expected to have on any applicable service delivery goals and objectives and how that effect will be achieved. This requirement will also be emphasized in CBA training courses for managers, project managers and analysts. We expect to implement training by the second quarter of FY 1994.

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GAO Recommendation

Set interim targets for all service delivery objectives impacted by strategic initiatives to monitor success in achieving them.

SSA Comment

We realize that we need to establish priorities among the Agency's service delivery goals and objectives and set interim targets. These issues will be presented to the new commissioner for consideration shortly after assuming office.

GAO Recommendation

Upon completion of efforts to define future operational needs, revise the computer modernization strategy as needed to be consistent with SSA's planned service delivery goals.

SSA Comment

We agree that automation modernization strategies need to meet current and future operational needs. The processing platform selected by SSA meets this requirement. SSA's planned replacement of existing computer terminals with current technology (intelligent workstations/local area networks (IWS/LAN)) does not preclude the Agency from pursuing reengineered business processes. It is a generic information processing platform capable of adapting to many different business processes as demonstrated by its current use in such diverse functions as the National 800 number service, field office claims-taking and disability determination processing.

Should current or planned reengineering efforts lead in a direction of such radically altered business processes that the IWS/LAN platform could not support, the very scope of such changes would make it unlikely that implementation would occur before the end of a normal life cycle for any equipment procured within the next few years.

Movement to implement broader information system strategies will depend on results of further pilots, studies and reengineering efforts and development of the Agency's SDP.

GAO Recommendation

Acquire information systems based upon thorough analysis of mission needs, costs and benefits.

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SSA Comment

We agree that information system acquisitions should be based on a thorough analysis of mission needs, costs, and benefits. Cost-benefit information provided to GAO during this review, and to the Senate Appropriations Committee (SAC) in April 1993, satisfy cost/benefit concerns. Additional pilots will measure tested technology's impact on mission needs. Evaluation of IWS/LAN project benefits and costs presented in the April 1993 report to the SAC, as well as other cost benefit information provided during this review, demonstrate the need for and cost effectiveness of the initial IWS/LAN implementation that SSA plans, regardless of future business process reengineering.

Future configurations of IWS/LAN equipment installed in additional pilot district offices will determine the appropriate ratio of workstations to employees. Factors to be considered include workload, staffing and economy. Other pilots to be initiated this year will allow SSA to assess the benefits of expanding IWS/LAN to hearings offices, regional/headquarters organizations and disability determination functions. These pilots will be completed in the summer of 1994 and evaluated following the same methodology used for the initial IWS/LAN pilots.

SSA is continuing to work with the States to streamline operations and provide automation that will increase efficiency in the disability determination process. A process reengineering review of the initial and administrative appeals systems for determining an individual's entitlement to Social Security and Supplemental Security Income (SSI) disability payments has also been initiated.

The modernized disability process envisioned in the ASP will necessitate linkages that allow interaction among various components of SSA (field offices, hearing offices and the Office of Disability and International Operations), the State disability determination services (DDS) and medical providers. The cooperative processing network to be initiated through the IWS/LAN project will provide an infrastructure for such linkages and provide flexibility to support process change.

SSA has initiated the development of a modernized disability system to operate on this cooperative processing network. Representatives throughout SSA and the State DDSs have been involved in the development of general requirements for this system. SSA will continue to conduct the analyses and pilots necessary to demonstrate that implementing IWS/LAN technology in the DDSs is a prudent course of action that will result in real and continuing improvements in the processing of disability claims. Pilot testing of the modernized disability system is scheduled to begin in July 1995.

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GAO Recommendation

Take actions needed to fully integrate SSA's data bases.

SSA Comment

We concur. In December 1992, a workgroup began reviewing new software releases (modernized claims systems (MCS), modernized SSI Claims System (MSSICS), the Representative Payee System (RPS) and the 800 Number System) to identify parallel data and determine whether data could be propagated. The workgroup developed two lists: 1) potential elements common across the subject systems and 2) elements that could be propagated between systems.

Further analysis continues which will support the automatic data processing project plan (Integrated Client Data) that has been submitted for approval. The intent of this project is to design and develop a data cache to support client identifying data across systems and to develop procedures and the software to access, update and maintain the data.

GAO Recommendation

Develop a long-term human resources plan (HRP) which includes an assessment of current personnel resources and future work force requirements, and contains specific strategies for meeting SSA's human resource needs.

SSA Comment

We concur. Human resource planning is an ongoing process requiring revisions that respond to initiatives developed to address SSA's evolving long-range business strategies. Our efforts include steps similar to GAO's model. We committed to planning; scanned the environment to determine the current state of affairs and established a base for good human resource planning. We established a strategic direction by conferencing among human resource executive directors from other agencies and in May 1993, circulated a draft HRP to SSA Executive Staff. We are now redrafting the plan to incorporate the input received. Planning will emphasize recruitment of women, minorities, persons with disabilities and older citizens. A student employment dimension focus will be included to address the work force needs of the future.

The Agency continues to address the need to attain bilingual staffing to address the growing numbers of non-English speaking clients. In FY 1993, we hired 176 additional bilingual field employees, representing 52.3 percent of the total field personnel hired.

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GAO Recommendation

Make succession planning efforts a permanent aspect of human resources planning.

SSA Comment

We agree that succession planning at SSA should be an ongoing activity. The human resource management techniques envisioned in the draft HRP will provide a data base for projecting the needs for management development programs and other activities that assure orderly succession management.

GAO Recommendation

Determine whether the current amount of funds available for training is adequate and sufficient to prepare and maintain a quality workforce.

SSA Comment

In FY 1987, SSA spent about \$74 million on training. The FY 1994 President's Budget, subject to approval by Congress, includes \$113 million for training. Training initiatives have been increasing since GAO's last review. Twenty-two additional Orientation and Basic Supervisory Concepts classes were scheduled in 1993 which will eliminate the backlog of supervisors waiting for this course.

Moreover, we now present many training courses nationally to audiences via satellite. In FY 1992, 13 courses were attended by 9,014 employees. FY 1993 will reflect similar statistics. Training will be a major focus of the HRP, as well.

GAO Recommendation

Correct the financial management problems in the areas of debt management, including establishing a single manager responsible for all debt management activities, and earnings record maintenance.

SSA Comment

We agree that there are areas that may benefit from a organization restructuring. However, organization changes are on hold until the transition is complete. After the transition has taken place, SSA will consider evaluating the areas of concern raised in GAO's report.

GAO Recommendation

Include in the financial statements a discussion of the relationship between the Federal budget deficit and the Social Security trust fund reserves.

SSA Comment

We do not concur. SSA's financial statements are not the appropriate forum for a discussion of the Federal budget deficit or to speculate on possible impact on the Government's ability to honor its securities and meet future Social Security trust fund payments.

GAO Recommendation

Report the lack of a backup system as a material weakness in future Federal Managers' Financial Integrity Act (FMFIA) reports.

SSA Comment

We do not agree. The report's discussion concerning interruption of normal processing operations in the National Computer Center (NCC) caused by a major disaster is no longer valid. It centers on conditions and events in 1991. Current conditions are fundamentally different. A backup and recovery contract was awarded in June 1993 that fully supports SSA's critical applications in the event of a disaster effecting the NCC.

Other Matters

The report states that although SSA's planning process meets many objectives of a strategic management process, it has not assigned responsibility to individual managers below the deputy commissioner level for accomplishing objectives, nor established a process for comparing and measuring performance.

We believe it is premature at this point to assign responsibility to field managers. Because of the strategic nature of the ASP, and the fact that budget authority to fund most objectives does not begin until FY 1994, few field managers are currently impacted by individual ASP objectives. Therefore, responsibility and measurement of performance remains at upper-levels of management.

Although GAO states that it believes the IWS/LAN initiative provides SSA with baseline automation capabilities while not restricting its technical solution for future needs, we are disappointed that the report does not adequately discuss SSA's progress with the new systems. SSA's distributed processing platform (IWS/LAN) is a major step in improving service and will establish the cooperative processing architecture needed by the Agency to implement strategic priorities.

Appendix IV
Agency Comments

The report notes that managers and employees GAO interviewed were unaware of any software improvements. While those interviewed may not have been aware, there are many improvements, completed and underway (MCS, RPS, and MSSICS, to name a few), that will improve efficiency.

According to the GAO report employees and managers do not believe that non-headquarters personnel have equal access to agencywide management development programs. Although this might be the perception, it is inaccurate. Nineteen persons were selected for the Management Development Program in 1989--10 were regional personnel. Selections for the 1993 program were recently made and of the 27 selected, 14 were field based personnel.

The report also cites that 60 percent of employees are concerned that management does not consider the effects on personnel when making decisions to implement significant changes. Management does consider the impact on employees. While it is a compelling basis for making decisions, it is not of greater weight than our need to fulfill SSA's mission and serve our clients.

Throughout the report, opinions expressed by employees indicate that communication needs to be reevaluated. We believe the process that SSA has instituted to bring about a total quality environment will address this issue. Three major principles of this process are: 1) customer satisfaction; 2) continuous improvement; and 3) total employee involvement. Quality improvement teams will be a key ingredient to bringing about a total quality culture. Consistent with prevailing labor agreements, employees will be encouraged to serve on quality teams. As team members, they will be given the opportunity to become involved in identifying complexities in the workplace and recommending improvements in work processes in which they are involved. Since effective communication is a vital component of total employee involvement, we believe that implementation of our quality improvement effort will help alleviate many reported communications problems between SSA management and employees.

The following are suggested narrative changes that will bring information up-to-date or clarify statements:

- Page 15, paragraph 2, 3rd sentence should read, "...responsibility for ~~some~~ claims for Black Lung benefits."
- Page 16, last paragraph, 1st sentence should read, "...court decisions which generally have liberalized and ..."
- Page 17, paragraph 1, the 3rd sentence should read, "In addition, a number of court decisions have impeded the consistent application of SSA's policies and added work and cost to its programs." (Courts cannot expand classes of eligible individuals beyond the requirements of the statute as the sentence suggests.)

Appendix IV
Agency Comments

- Page 18, paragraph 1, 3rd sentence should read, "...SSA is dependent upon family members, friends, funeral directors, States and the Health Care Financing Administration to report deaths....., and various data exchanges and beneficiaries to report post-entitlement earnings...."
- Page 60, paragraph 3, 1st sentence should read, "... networks (IWS/LAN) to support its modernization initiatives." (We believe GAO is referring to the 159 tactical plans; only about one-third of the plans have any information resource management relationship.)
- Page 82, paragraph 1, sentences 4 and 5. These sentences should be deleted. The public information bulletins alluded to are part of our external communications program intended for the general public, not internal communications for SSA employees.
- Page 82, paragraph 2, 2nd sentence should read "SSA has expanded the network from 15 locations in 1990, to 45 locations in 1992,"
- Page 82, paragraph 2, 4th sentence should be revised to read "Every region has access to live satellite broadcasts, which can be videotaped for agency-wide distribution."
- Page 95, paragraph 2, 3rd sentence should read "SSA has begun to address these recommendations by 1) providing information to employers through education and public awareness, 2) developing and issuing publications and instructions (e.g. Software Standards and Edit Criteria for Annual Wage Reporting Improvement Program for Employers), 3) modernizing its reconciliation system and 4) forming the Reconciliation Task Force.
- Page 101, paragraph 1, last sentence should read "Based on current projections, the trust fund balance, including interest from Treasury, will peak around 2025 at approximately \$4.9 trillion. (This figure is based on the April 1993 Trustees Report.)"
- Page 109, last paragraph should include that LANs exist in central office, regional offices and Office of Hearings and Appeals' components in support of administrative functions and that pilot LANs are installed in a variety of SSA offices in support of programmatic activities.

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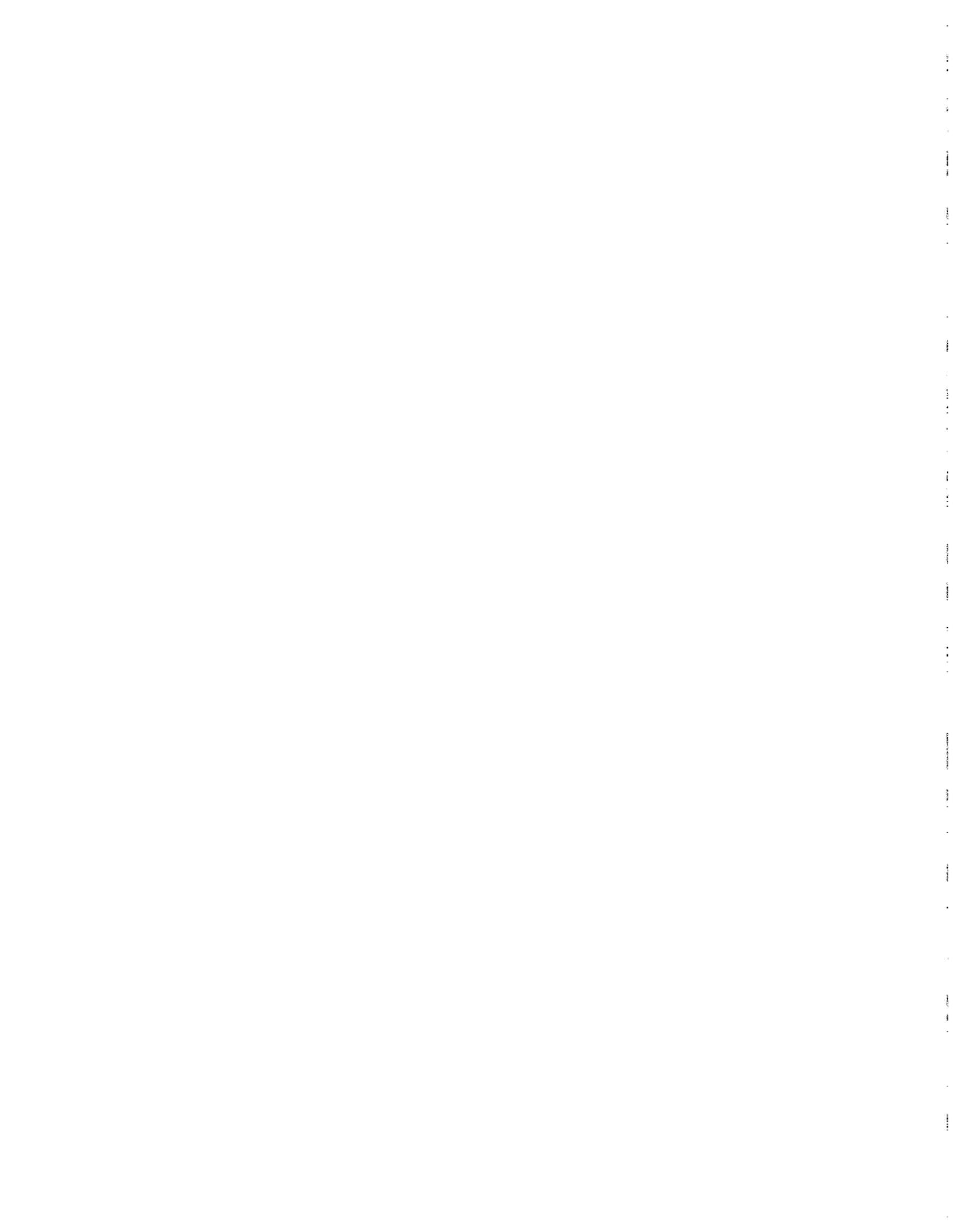
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