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**April 1997**

# **Income Security Issues**

## **Issue Area Plan for Fiscal Years 1997 and 1998**

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# Foreword

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As the investigative arm of the Congress and the nation's auditor, the General Accounting Office is charged with following the federal dollar wherever it goes. Reflecting stringent standards of objectivity and independence, GAO's audits, evaluations, and investigations promote a more efficient and cost-effective government; expose fraud, waste, abuse, and mismanagement in federal programs; help the Congress target budget reductions; assess financial and information management; and alert the Congress to developing trends that may have significant fiscal or budgetary consequences. In fulfilling its responsibilities, GAO performs original research and uses hundreds of databases, or creates its own when information is unavailable elsewhere. To ensure that GAO's resources are directed toward the most important issues facing the Congress, each of GAO's 32 issue areas develops a strategic plan that describes the significance of the issues it addresses, its objectives, and the focus of its work. Each issue area relies heavily on input from congressional committees, agency officials, and subject-matter experts in developing its strategic plan. Income Security Issues focus on programs and policies at the Social Security Administration (SSA), all non-health programs and policies at the Department of Health and Human Services (HHS), and pension programs and policies at the Department of Labor (DOL). Together, these programs account for nearly 40 percent of all federal spending. Millions of Americans rely on income security programs for financial support. However, concerns about the high costs and rising caseloads of the nation's two largest welfare programs—Aid to Families With Dependent Children and Supplemental Security Income—led to major legislative changes in these programs in 1996. Moreover, the nation's Social Security and disability programs face continued financial pressures and are the subject of current public debate about their purpose and structure. On the pages that follow, we outline Income Security's most significant planned work in the following pivotal areas:

- ensuring that public funds for income security programs are spent efficiently and protected from fraud and abuse;
- improving SSA's service to the public at reduced cost;
- evaluating the adequacy of Social Security, and public and private pension systems for future retirees;
- redesigning the nation's disability programs to ensure the validity of the determination process and encourage work;
- monitoring implementation of the 1996 welfare legislation; and
- assessing government efforts to protect children's welfare.

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**Foreword**

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Because events may significantly affect even the best of plans and because periodic measurement of success against any plan is essential, our planning process allows for updating the plan and responding quickly to emerging issues. If you have any questions or suggestions about this plan, please call me, or Diana Eisenstat or Mark Nadel, Associate Directors, at (202) 512-7215.

A handwritten signature in black ink that reads "Jane L. Ross". The signature is written in a cursive, flowing style.

Jane L. Ross  
Director  
Income Security Issues

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# Table I: Key Issues

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Issue	Significance
<b>Promoting efficiency, cost-effectiveness:</b> How adequate are efforts to ensure that funds for income security programs are efficiently spent?	Concerned about waste, abuse, and mismanagement in the Supplemental Security Income (SSI) program, GAO designated SSI as a high-risk program area in 1997. GAO has also identified weaknesses in SSA's efforts to ensure the integrity of Social Security programs. In addition, because of recent changes in the nation's welfare system, accountability for more than \$16.4 billion in block grants under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 will become an increasingly important issue. The agencies involved also need to ensure that they identify and pursue less expensive ways to provide services, such as through contracting out and privatization.
<b>Improving SSA service and operations:</b> How can SSA improve service to the public with fewer resources?	SSA administers retirement, survivor, disability, and welfare programs that annually provide over \$367 billion in benefits to about 50 million recipients. The agency is grappling with difficult policy and program challenges, and at the same time it needs to meet customer expectations in the face of growing workloads and reduced resources. SSA expects to redesign inefficient work processes and modernize its information systems to increase productivity, knowing that its customer service will deteriorate to unacceptable levels if it continues to conduct business as in the past. SSA will also need to effectively manage its workforce and consider what service delivery structure will work best in the future.
<b>Ensuring adequate retirement benefits:</b> Can Social Security and pensions ensure adequate retirement income as the population ages?	The prospective retirement of the "baby boom" generation raises questions about the ability of Social Security, federal, state, and local government employee pension plans, and private pension systems to provide all promised retirement benefits. As baby boomers retire and live longer, Social Security program expenditures are expected to exceed tax income beginning in 2012. Experts project that the Social Security trust funds will be depleted by 2029, leaving insufficient funds to pay all expected benefits. The Advisory Council on Social Security has recently put forth three different proposals to ensure long-term solvency. These proposals are likely to be hotly debated over the next few years. In addition to questioning the adequacy of funding for Social Security benefits, many are concerned with the effectiveness of some pension plan regulations and with recent changes in plan characteristics.

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**Table I: Key Issues**

<b>Objectives</b>	<b>Focus of work</b>
1. Identify waste, abuse, mismanagement, and internal control problems in SSI and welfare programs.	—Evaluate SSA efforts to ensure integrity of SSI program. —Identify potential improvements to SSA's overpayment collection practices.
2. Assess how well SSA controls its payments to recipients.	—Identify means to improve initial and continuing eligibility decisions. —Examine SSA's controls over payments to benefit recipients.
3. Identify opportunities to manage welfare, disability, Social Security, and child support programs more effectively and at lower costs.	—Evaluate HHS' implementation of its welfare reform responsibilities. —Examine efficiency of alternative means of delivering welfare and other social services. —Identify effective child support enforcement practices.
1. Assess SSA's efforts to improve agency performance.	—Assess steps SSA has taken to improve performance under the Government Performance and Results Act.
2. Provide information to the Congress on SSA's efforts to reengineer its disability claims process.	—Evaluate SSA's reengineering implementation efforts. —Examine SSA's efforts to identify customer needs and develop cost-effective approaches to meeting its service delivery challenges.
3. Assess how effectively SSA balances serving the public and managing its limited resources.	—Monitor SSA's efforts to modernize its information systems and technology.
4. Assess SSA's systems modernization efforts.	
1. Study proposed solutions to Social Security's long-term funding problems.	—Examine options for addressing Social Security's funding problems. —Evaluate characteristics of 401(k) pension plans. —Examine the effectiveness of selected pension regulations.
2. Determine the effectiveness of 401(k) plans in providing retirement income.	
3. Assess the effectiveness of private pension regulations.	

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**Table I: Key Issues**

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<b>Issue</b>	<b>Significance</b>
<b>Redesigning disability programs:</b> How can these programs best ensure the validity of the determination process and encourage work?	The Disability Insurance (DI) and SSI programs have faced significant increases in both caseloads and expenditures. In 1995, almost 7.5 million individuals received these cash benefits at a cost of \$57 billion. SSA reports that fewer than 1 out of every 500 beneficiaries on the disability rolls ever returns to work. However, promising disability management progress in the private sector and recent medical, technological, social, and legal changes suggest that more people with disabilities can work. In addition, new ways to assess the ability of applicants to function in the work place could improve the validity of the determination process. Significant legislative and programmatic changes would be necessary for SSA to assist beneficiaries to develop their return-to-work potential.
<b>Promoting responsibility and work:</b> What progress is being made in implementing the 1996 welfare legislation?	The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 ended the entitlement to assistance under the Aid to Families With Dependent Children program and replaced it with capped block grants to the states for temporary assistance for needy families. The act gives states broad discretion over program design, but conditions individual benefit receipt on participation in work or work-related activity and imposes a 5-year lifetime limit on benefits. The act also sets out personal responsibility goals, including enhancing child support enforcement, reducing out-of-wedlock births, and strengthening families; and restricts children's and immigrants' eligibility for SSI benefits. The implementation of these changes will need to be studied to determine their effects on families, children, and welfare caseloads and to ensure that they meet congressional intent.
<b>Protecting children's welfare:</b> How adequate are government efforts to protect vulnerable children?	Dramatic increases in child abuse and neglect, and the resulting increases in foster care caseloads, have stressed the entire child welfare system to the breaking point. At the same time, families increasingly enter the system with complex social problems that are difficult to rectify, such as poverty, substance abuse, and domestic violence. All levels of government will face challenges in the years ahead as they attempt jointly to increase positive outcomes for abused and neglected children within greater budgetary constraints and while overhauling welfare programs.

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**Table I: Key Issues**

<b>Objectives</b>	<b>Focus of work</b>
1. Identify better ways to promote the productive capacity of disabled beneficiaries.  2. Monitor SSA's efforts to manage disability caseloads.	—Examine alternative ways to meet the needs of children with disabilities. —Study factors that help disabled beneficiaries work. —Assess alternative ways to improve return-to-work outcomes. —Assess SSA's progress in conducting continuing disability reviews. —Examine alternative means of making disability determinations. —Monitor quality assurance changes under SSA's redesign.
1. Report on implementation and early results of the block grants for temporary assistance for needy families in moving families from welfare to work and in reducing welfare dependence.  2. Assess progress toward meeting other personal responsibility goals of the act.  3. Evaluate effects of welfare reform on select SSI populations.	—Monitor implementation of the new temporary assistance for needy families block grant requirements, including state approaches and issues, funding levels and allocations, and program outcomes. —Evaluate the adequacy of state and county information management systems and data for evaluation and program management. —Evaluate child care needs of families under temporary assistance for needy families block grants and the availability of child care for low-income workers. —Review implementation of child support changes. —Monitor implementation of welfare reform changes on SSI program beneficiaries.
1. Assess the impact on child welfare of the 1996 overhaul of the welfare system.  2. Examine innovative service delivery approaches to child welfare services.  3. Examine options for caring for abused and neglected children who have been removed from their homes.	—Identify the impact of recent reforms on foster care and other child welfare programs' funding and caseload size. —Evaluate efforts to better manage children's length of stay in foster care. —Evaluate efforts to privatize foster care services. —Examine the expanded role of kinship care. —Examine the implications of foster care policies and practices for cases involving parental drug abuse.

# Table II: Planned Major Work

Issue	Planned major job starts
<b>Promoting efficiency, cost-effectiveness</b>	<ul style="list-style-type: none"> <li>• SSA's management oversight of the SSI program</li> <li>• Effectiveness of reducing SSI benefits when living arrangements change</li> <li>• Effectiveness of SSA's fraud referral process for the SSI program</li> <li>• Preventing SSI overpayments</li> <li>• SSA's use of waivers, suspensions, and penalties for overpayments</li> <li>• SSA's acquisition of payment control and eligibility data</li> <li>• Extent of controls over Social Security pension offsets</li> <li>• Adequacy of SSA's quality assurance program for detecting and correcting errors</li> <li>• Effectiveness of offsetting disability benefits for workers' compensation</li> <li>• Making the Social Security card tamper-resistant</li> <li>• States' compliance with requirements under the Temporary Assistance for Needy Families block grant</li> <li>• HHS' implementation of its responsibilities under welfare reform</li> <li>• Means-tested program benefits paid to nonqualified aliens</li> <li>• Privatization of social services</li> </ul>
<b>Improving SSA service and operations</b>	<ul style="list-style-type: none"> <li>• SSA's efforts to improve agency performance and address major challenges</li> <li>• SSA's progress in reengineering its disability claims process</li> <li>• Opportunities for privatizing SSA services and operations</li> <li>• Accuracy of benefit amount calculations</li> <li>• SSA's efforts to modernize technology (will be done by Accounting and Information Management Division)</li> </ul>
<b>Ensuring adequate retirement benefits</b>	<ul style="list-style-type: none"> <li>• Examine options for Social Security financing reform</li> <li>• Women and pensions: lessons for Social Security reform</li> <li>• Examine the impacts of raising the Social Security retirement age</li> <li>• Comparing rates of return on Social Security contributions with equity investments</li> <li>• Experience with Social Security privatization in other countries</li> <li>• Effect of 10-percent rule on 401(k) plan investments</li> <li>• Mechanisms for protecting 401(k) plan participants when employers make investment decisions</li> <li>• Effects of investor education programs on employee investment behavior</li> <li>• Exemption of state and local pension plans from nondiscrimination testing</li> <li>• Options to enhance pension portability</li> </ul>
<b>Redesigning disability programs</b>	<ul style="list-style-type: none"> <li>• Alternatives for assisting disabled children on SSI</li> <li>• Factors affecting beneficiaries' decisions to work</li> <li>• Financial and medical incentives to return to work</li> <li>• SSA's strategy for, and progress in, conducting continuing disability reviews</li> <li>• Status of conducting mandated continuing disability reviews for SSI recipients</li> <li>• Progress in improving disability determination methodology</li> <li>• Differences in eligibility and benefits determination between SSI and other means-tested programs, and in the treatment of adults and children on SSI</li> <li>• Assess SSA's efforts to improve quality assurance under disability redesign</li> </ul>

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**Table II: Planned Major Work**

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<b>Issue</b>	<b>Planned major job starts</b>
<b>Promoting responsibility and work</b>	<ul style="list-style-type: none"><li>•Effect of work participation standards and state strategies for moving welfare recipients into employment</li><li>•State policies regarding eligibility of immigrants and effects of benefit cutoffs</li><li>•Benefit terminations follow-up</li><li>•Assess state progress and federal assistance in developing information technology needed to implement welfare programs (will be done by Accounting and Information Management Division)</li><li>•Impact of state welfare policies on child care</li><li>•Implications of time-limited welfare for child support enforcement programs</li><li>•Effects of SSI changes on children, immigrants, drug addicts and alcoholics, and prisoners</li></ul>
<b>Protecting children's welfare</b>	<ul style="list-style-type: none"><li>•Implications of welfare reform on funding for foster care and related services</li><li>•Extent and effectiveness of concurrent permanency planning for children entering the foster care system</li><li>•Opportunities to improve the relationship between child welfare agencies and the judicial system</li><li>•Extent, effect, and outcomes of privatization of foster care and other child welfare services</li><li>•Expanded role of kinship care</li><li>•Effects of parental drug abuse on foster care caseloads and policies</li></ul>

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# Table III: GAO Contacts

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