Good morning, Chairman Regula, Ranking Member Obey, and members of the Subcommittee. It is a pleasure to appear here today to discuss the fiscal year (FY) 2004 President's Budget request for the Social Security Administration's (SSA) Office of the Inspector General. I will discuss how this funding level will support our ongoing work in addressing several of the top management challenges facing Social Security.

The FY 2004 request for $90 million will allow us to continue our important audit and investigative work to assist the Agency in combating fraud, waste, and abuse. The modest increase above the current year's funding level will enable us to cover higher payroll and associated support costs.

The one constant in these times is that the Government at large must tackle new challenges and increasing demands with finite resources. Certainly this is true at SSA and I would like to share with you our view of the three most significant challenges posed to the Agency. Today, I will address 1) Homeland Security, Social Security number Integrity and Misuse, 2) Integrity of the Earnings Suspense File and 3) Management of the Disability Process.

Homeland Security, SSN Integrity and Misuse

The magnitude of SSA's enumeration function and the importance placed on Social Security numbers (SSN) provides a tempting motive for unscrupulous individuals to fraudulently acquire an SSN and use it for illegal purposes.

Given the heightened threat of terrorism today, failure to protect the SSN's integrity can have enormous consequences for our Nation and its citizens. Now more than ever, SSA must be particularly cautious in striking a balance between serving the public and SSN integrity. We recognize that increased measures will impact the time necessary to process SSN applications. However, we believe the Agency has a duty to the American public to safeguard the integrity of the enumeration process. Given the magnitude of SSN misuse, we believe SSA must employ effective front-end controls in its enumeration process. Likewise, additional techniques, such as data mining, Biometrics, and enhanced systems controls are critical in the fight against SSN misuse.

Protecting the integrity of the SSN has become a major part of the work we do. The FY 2004 budget request will allow us to begin staffing our SSN Misuse Response Team to support our work in this area. The SSN Misuse Team is an integrated model that combines the talents of auditors, investigators and attorneys in a comprehensive approach. The Team will identify patterns and trends to better target audit and investigative work. The Team will participate with other Federal, State and local entities to collaborate on potential SSN misuse activities.

Let me demonstrate how critical our work in this area is with a recent case. We just disbanded a ring that helped over 150 people, mostly from the Middle East, obtain Social Security cards from SSA, along with genuine U.S. visas. The ringleader was incarcerated for nearly five years, fined $100,400, and will be deported once his sentence is completed. His five co-conspirators were either deported or incarcerated. The judge noted the homeland security threat this ring's activities posed.

Integrity of the Earnings Reporting Process

Now I want to discuss another management challenge that, in some ways, is linked to the integrity of the SSN. This challenge involves the earnings reporting process and the accuracy with which employers and self-employed individuals report earnings information to SSA. The integrity of SSA's earnings information is critical to ensuring eligible individuals receive the correct amount of benefits to which they are entitled.

The Earnings Suspense File (ESF) is the Agency's record of annual wage reports for which wage earner names and SSNs fail to match SSA's records. Although SSA is able to post about 99 percent of all reported earnings to individuals' earnings records, those earnings that cannot be matched continue to accumulate in the ESF. Between 1937 and 2000, the ESF grew to about $374 billion in wages, representing about 236 million wage items that have an invalid name and SSN combination. As of July 2002, for Tax Year 2000 SSA posted to the ESF 9.6 million wage items representing about $49 billion in wages.

While SSA has limited control over the factors that cause the volume of erroneous wage reports submitted each year, SSA still has some ability to improve the process. SSA can work with employers to resolve reporting issues, encourage greater use of SSN verification programs, and improve coordination with other Federal agencies with separate, yet related mandates, such as the Internal Revenue Service.

Management of the Disability Process

Finally, I will discuss the Agency's management of the disability process, which includes the Disability Insurance and Supplemental Security Income programs. In January 2003, the General Accounting Office added the Disability program to its high-risk list.

SSA has had difficulty processing claims in a timely manner. In FY 2002, SSA processed over 2.3 million initial disability claims with an average processing time of 104 days. In addition, over 500,000 cases were processed at the hearing stage with an average processing time of 336 days.

Another 115,000 cases were processed by the Appeals Council with an average processing time of 408 days.

Over the last several years, SSA has tested several improvements to the disability claims process as a result of concerns about the timeliness and quality of service. These disability improvement initiatives have been piloted over the past few years and include all levels of eligibility determination. To date, these initiatives have not resulted in significant improvements in the disability claims process.

The Commissioner recently announced several decisions in this area. Through a combination of process modifications and automation, SSA expects to shorten disability-processing times. Our office will continue to evaluate these initiatives to determine their effectiveness.

Conclusion

For our part, we will continue to function as a key management tool and law enforcement arm for SSA. We will use the precious resources allocated to us to keep working with the Agency to improve its operations and efficiency. I look forward to our ongoing work with Congress and the Commissioner to help SSA meet these and other challenges.

Thank you, and I would be pleased to answer any of your questions.