CHAPTER V

STRENGTHENING MANAGEMENT AND ACCOUNTABILITY

I.   INTRODUCTION

Experts on government organization and management who met with the Panel advocated expanded delegations of managerial authority for the new social security agency. According to recent studies by the National Academy of Public Administration (NAPA), the Grace Commission and others, operating restrictions imposed on government managers by GSA, the Office of Personnel Management (OPM), and the Office of Management and Budget (OMB) have impeded efficient and effective management of government programs and agencies. Controls exercised by these central management agencies tend to diffuse accountability for results and have often hindered rather than supported SSA's ability to accomplish its mission.

The NAPA report, "Revitalizing Federal Management: Managers and Their Overburdened Systems,'* advocates that the Federal government adopt a policy of full and complete delegation of line and management systems authority, within the constraints of prudent policy and oversight, to governmental units with direct responsibility for program operations and management. The report goes on to recommend that central management agencies divest themselves, to the greatest extent possible, of their current practices of operational control and regulation, and that they develop the important roles of policy development, oversight, and management innovation.

The Grace Commission report and the recent study done for SSA by Deloitte, **Haskins,** and Sells analyze the adverse effects of excessive central management agency control on the social security programs. These-studies discuss the potential cost savings and increased management effectiveness that may be achieved through greater delegation of authority to **SSA's** managers.

In general, management experts from within the government and from the private sector advised the Panel to support additional delegations of management authority to the social security agency. These experts argued that the current system diffuses managerial accountability and frustrates innovation and initiative.

To strengthen the management of the new social security agency, and to improve operational accountability, the Congress should delegate to the Social Security Administrator selected management authorities available under current law. Specifically, Congress should direct delegations of essential authorities from the General Services Administration and the Office of Personnel Management for (1) automated data processing/information resources management, (2) administrative services, and (3) personnel management. Furthermore, the Congress should enact legislation providing the Social Security Administrator greater flexibility in budget formulation and execution. Specifically, the agency's budget should be submitted to Congress biennially, and the personnel requirements included in its administrative budget should be based on a workforce plan rather than on personnel ceilings. At the earliest practical&date following enactment of legislation the President should select an Administrator for the agency. In the interim, the Commissioner or Acting Commissioner of Social Security would serve as Acting. Administrator and would establish a transition task force and conduct the

transition until such time as the Administrator is confirmed. The Acting
Administrator would also begin to develop a plan and negotiate criteria to
evaluate the results achieved by the newly constituted agency and-would begin
to negotiate appropriate oversight roles for the central management agencies.

II.   OVERBURDENED MANAGEMENT SYSTEMS

In pursuit of their own goals, the Federal government's central
management agencies often impose operating restrictions that are difficult for
SSA to reconcile with its mission. For example, GSA establishes standards
which determine the location and amount of local office space for the entire
government. DHHS then places additional requirements designed to achieve
departmental uniformity among its programs. These two sets of standards on
SSA managers do not permit adequate consideration of SSA's goals of providing:
(1) accessibility for the disabled and handicapped, (2) adequate public
transportation and parking, (3) reception and interviewing areas that show
respect for the privacy and dignity of the individual, and (4) efficient
workflow and security precautions.

Based on its conclusion that the new social security agency needs
greater flexibility with respect to certain management authorities, the Panel
asked NAPA to prepare a report similar to its government-wide study,
"Revitalizing Federal Management: Managers and Their Overburdened Systems,"
applying appropriate management and organizational principles specifically to
SSA. (NAPA's response is published as Appendix F.) Based on this and other
studies, the Panel concluded that the new social security agency should have
specific management authorities delegated to it to the full extent now
permitted by law for: automated data processing (ADP)/information resource
management, administrative services, and personnel management.

III. DELEGATION OF SPECIFIC MANAGEMENT AUTHORITIES

Specific management authorities should be delegated to the new social security agency. These delegations could be made under current law, and the Congress should direct their delegation. Possession of these authorities will increase the likelihood that the social security agency will be able to improve its performance and productivity.

o   Automated Data Processing/Information Resource Management

To strengthen the ability of the Social Security Administrator to upgrade and modernize the agency's computer systems, the authority for automated data processing/information resource management planning and acquisition, permitted under current law, should be delegated to the social security agency. The General Services Administration and the Office of Management and Budget would retain policy develonment and procurement oversight responsibilities.

The current DHHS, GSA, and OMB roles in SSA's ADP plans and procurements diffuse accountability for resolving SSA's problems. Full delegation of authority places the responsibility to resolve systems problems directly on the social security agency's managers--and fixes accountability for results.

The Panel believes that these delegations of management authority for ADP systems-development will lead to improved managerial effectiveness. To ensure this result, internal and external procedures should be set up to monitor the agency's use of the new authority and its progress in improving operations.

The social security agency should develop a successful internal
planning and-evaluation process, the lack of which has been a
deficiency in the agency's management over the past decade. ADP
systems planning should be incorporated as an integral part of this
long-range planning process. If successful, this planning and
evaluation system would provide the Social Security Administrator
with data needed to measure progress in meeting goals for ADP
development and for management improvement in general.

As the social security agency assumes additional authority for ADP
development work, it must be able to hire and retain the personnel
necessary to manage its ADP planning and procurements and its
operating computer systems. The agency should consider greater
reliance on contracting for assistance in planning and development
of ADP systems, and skilled personnel will be required to monitor
the contracts. A subsequent section of this chapter notes that
special personnel authorities regarding pay will be necessary to
build sufficient ADP capability in the agency.

Upon receipt of this additional authority, the Social Security
Administrator should work closely with GSA, OMB and OPM to
establish appropriate oversight and evaluation roles. These
agencies and GAO should monitor the social security agency's
performance to ensure that, after it receives full authority for
systems development, adequate improvements are made.

Responsibility for Information Resource Management (IRM) should be placed directly with the Social Security Administrator. Under current practices, an IRM official, not the agency head, receives the Delegated Procurement Authority from GSA. The social security agency's IRM official should report directly to the Social Security Administrator, which would create valuable checks on ADP procurements and give the Administrator greater control over this vital area. Currently, all ADP responsibility and expertise at SSA reside in the systems organizational units. The SSA unit responsible for overall procurement is not a part of the systems organization and consequently lacks the expertise to evaluate the technical requirements and justifications for ADP procurements. The IRM official should operate independently from computer systems units and should have an adequate and technically competent staff to perform needed internal controls and technical review for the Administrator.

0   Administrative Services

To ensure that the social security agency is able to acquire appropriate facilities for its mission, the authority to acquire, operate and maintain the facilities needed to operate the social security programs should be delegated to the Administrator of Social Security. These delegations would include owning and managing real estate; responsibility for all aspects of building acquisition, maintenance, repair, renovation, service and security; and control over utilities, including telecommunications. Use of GSA-controlled facilities should be encouraged where SSA finds this cost-effective and adequate for agency needs.

In recent years, SSA has been unable to acquire and maintain
adequate office space to conduct its business. SSA's problems with
office space have stemmed, in large part, from an unsatisfactory
working relationship with GSA. In 1981, the House Committee on
Ways and Means published a staff report summarizing SSA's
frustrations in obtaining adequate space during the period 1977-81.
This study recommended that GSA delegate to SSA the authority to
lease new space and to repair, alter or refurbish existing field
office space, but this was not done. SSA continues to encounter
many problems in securing adequate space through GSA.

GSA has delegated authority for space acquisition and management to
the Departments of Agriculture, Defense, and Transportation, and to
the Veterans Administration (VA). These delegations, resulting
from congressional and agency pressure, have proven successful.
The Panel believes that the social security agency would be a
particularly good candidate for broad delegations of authority to
manage its own space needs. Over the years, SSA has developed a
leasing handbook, a training program, and a cadre of experienced
space management specialists who are familiar with GSA procedures
and who are competent to deal with the issues of space management.

0   Personnel Management Authorities

To improve workforce management, the social security agency should
be granted specific delegations of personnel management
authorities. In particular, the social security agency should have
authority within the constraints of Title V of the U.S. Code to

establish: (1) its own classification system for job categories
identified by the Administrator as unique or critical to agency
operations and (2) its own recruitment and examination'program for
entry level employees.

The specific personnel authorities to be delegated to the social
security agency include:

-- Classification

Under the current system of limited delegated authority and
extensive oversight, OPM attempts to ensure government-wide.
uniformity. The Panel recommends selective delegation of full
classification and standards development authority to the new
social security agency for those categories of positions that
are either unique to the agency or critical in resolving
complex operating problems. These include social insurance
claims and examiner series, GS 105, 993, and 998, and computer
sciences series, GS 330 to 335. This added authority will
enable the social security agency to respond promptly and
equitably as significant changes occur in its workforce over
the next several years. Specifically, SSA's large cadre of
employees in claims examiner positions hold jobs that may
change substantially in the future as they are further
transformed from manual to highly computerized processes. In
addition, computer-related jobs will continue changing with
rapid state-of-the-art advances and agency modernization
efforts.

Problems with classification were exceeded only by those
associated with performance appraisals as a source of
irritation in a recent survey of Federal managers conducted by
NAPA. According to this survey, the classification standards
(OPM guidelines used to determine grade levels) are seen by
Federal managers as outmoded, inaccurate, and unworkable.
Because they have no role in developing the standards,
supervisors feel they have no control over the qualifications
or grades of employees needed for specific jobs. Furthermore,
OPM has fallen far behind agency managers' needs in developing
new standards (a process that now requires 2-to-5 years to
complete). For example, the jobs standards for the computer
science series were issued only recently and are already out of
date. These obsolete job standards emphasize centralized
main-frame computer environments, but recent technical advances
leading to greater use of distributive processing have not been
taken into account.

Only the specified authorities necessary for better management
should be delegated to the social security agency. Thus,
consistency in the government-wide classification system will
be maintained, and the exceptions granted to the new social
security agency will be mainly for jobs unique or critical to
its operations.

-- Recruitment

To enable the social security agency to hire high quality
professional employees, the Panel recommends that authority be

delegated to the agency to establish its own examination and
recruitment program for entry level employees.

The Panel heard testimony on SSA's difficulty in recruiting top
quality staff and on the problems encountered in retaining
individuals with specialized skills. These problems have
undermined the agency's efficiency and lowered the quality of
service provided to the public. In particular, ceilings on
hiring to fill professional positions have hampered recruitment
of college graduates for claims representative positions in
SSA's field offices. OPM's inability to provide qualified
college graduates from the PACE examination, discontinued after
a Federal court found it to be discriminatory, made the problem
worse. When the traditional avenues of college recruitment
were restricted, SSA's clerical employees became the primary
source (through internal promotion) for filling professional
vacancies. OPM ameliorated the problem somewhat in 1983 when
it delegated Schedule B authority to SSA, permitting the agency
to hire college graduates. However, this authority is only a
partial solution because employees hired under Schedule B
authority can progress only to the GS-7 level.

The recruitment and retention of individuals at both the entry
and full performance levels in computer-related series are
critical in SSA, because improved program administration
depends heavily on modernization of SSA's very large scale
computer operation, which is currently staffed by over 3,000

employees. Trainee computer jobs turn over rapidly because of
low salary levels. Salaries become progressively less
competitive as employees become more specialized, skilled, and
experienced. In effect, SSA provides basic training for new
computer specialists who then leave for higher salaries in the
private sector. Furthermore, SSA cannot afford to hire and
cannot retain the most skilled computer specialists available
because: (1) outdated classification standards do not
recognize their types of skills or level of expertise, and
(2) salary levels in the private sector for many of these
positions exceed government statutory pay limitations.

0   Executive Staffing and Special Compensation

To strengthen the leadership base of the social security agency,
the Panel recommends that a pool of executive level authorizations
be created and that additional Senior Executive Service positions
be allocated to the agency. In addition, the agency should be
granted a specific number of positions for computer experts that
are exempted from current pay levels. The Social Security
Administrator should have authority to pay up to the GS-15 maximum
for a cadre of competent computer experts.

While the Panel does not make recommendations on the agency's
internal structure, additional executive level positions are needed
to support the management reforms and improvements recommended in

this report for a new social security agency. New executive level positions should include, for example, one Level III (Deputy Administrator) position and Level IV and V positions in line with comparable agencies for the following functions: general counsel; inspector general; and directors of policy, planning and evaluation, legislative analysis, and financial management. In addition, executive level positions may be justified for program operations, systems development, actuarial work, and economic and other research.

The exact number of additional SES positions would be established by congressional action based on justifications submitted by the Administrator. If comparability with other large operating agencies were used as a guideline, a substantial number of additional positions could be justified. For example, IRS has slightly more employees than SSA but has over 235 SES positions compared to 76 at SSA. Furthermore, the Environmental Protection Agency (approximately 10,000 employees) has 233 SES positions; the National Aeronautics and Space Administration (approximately 21,500 employees) has over 500 SES positions; and the VA (approximately 215,000 employees) has over 400 SES positions.

SSA's operations have been hampered by the agency's inability to compete with the private sector for experts in state-of-the-art computer technology and for technical project managers for ADP contracts. Authority to pay up to the GS-15 maximum salary for a

specified number of computer experts would enable the agency to acquire and retain a technical staff with the necessary skills and experience to carry out the new agency's data processing requirements. This would help to ensure the cost-effectiveness of SSA's multimillion-dollar computer-related procurements, as well as the quality of services received from contractors.

o   Management and Executive Development

To achieve strong and effective management of its operations, the social security agency must have well-prepared, capable supervisors, managers, and executives. In recent years SSA has established and implemented management and executive development programs which appear to provide the proper framework for ensuring that the agency's need for innovative, professional managers will be met.

However, more than a framework is necessary; SSA should make management and executive development one of its highest priorities. The Panel was impressed to learn of the extent of the IRS's commitment to executive development. High level IRS executives devote a significant portion of their time to the executive development program. Training and development of subordinates is a critical task for every manager in IRS. A similar commitment would be required of top executives and managers of the new social security agency if an executive development program of comparable quality were developed.

Finally, the Panel notes that effective management and executive development does not necessarily depend on promotion from within. Managers from other agencies and from outside the government can bring varied backgrounds and fresh perspectives to bear on SSA's management problems and help prevent parochialism and stagnation.

IV.   A BIENNIAL BUDGET AND WORKFORCE PLAN FOR SOCIAL SECURITY

The Panel recommends modification of general government-wide requirements for budget formulation and execution as they apply to the new social security agency. In particular, this agency should be authorized to:

-- Present to the Office of Management and Budget and the Congress a biennial budget request for appropriations. The Congress should appropriate biennially for administrative and SSI program costs. Funding for long-term projects, such as the computer modernization plan, should be appropriated on a full-cost (no-year) basis.

-- Present the staffing portion of its administrative budget to both the Office of Management and Budget and the Congress as a workforce plan, to be based on dollar limitations rather than personnel ceiling controls. The execution of the workforce plan would be left to the Administrator who would therefore be fully accountable for its effectiveness.

0   Biennial Budget

NAPA's report and other studies have concluded that the annual budget formulation and appropriation process can be excessively burdensome for both the executive and legislative branches. In response to this problem, a number of bills to make the budget

process biennial have been introduced during the current session of
Congress. The Panel believes the budget process should be modified
for the social security agency which has stable and predictable
administrative expenditures that stem directly from work required
to administer statutory benefit provisions. The vast majority of
funding for programs to be included in a new social security agency
is derived from permanent trust fund appropriations; only SSI and
general fund reimbursements to the trust funds (the Limitation on
Administrative Expenses and the Payments to the Trust Funds
accounts) are subject to annual appropriation action.

Budget accounts for the social security agency can be estimated in
advance; indeed, major unanticipated changes in funding levels for
OASDI result largely from legislative changes in program
eligibility and benefit calculations. Despite little significant
year-to-year change in the reimbursement accounts, SSA's top
management currently spends an inordinate amount of time justifying
and explaining these changes within the executive branch and
testifying before Appropriations Committees. The effort would be
justified if important policy or funding issues were being decided,
but they rarely are. Thus, a biennial appropriation would not be a
radical departure for the social security agency; the usual
supplemental appropriation and rescision processes would be used
when significant changes were necessary. The contingency fund,
which provides for reasonable fluctuations in administrative
expenditures, would be retained and also provided biennially.

0   <u>Workforce Plan</u>

Under the present budgeting system, Federal agencies are given fixed employment ceilings, expressed as specific staffing limits. Studies by **NAPA,** GAO, and the Grace Commission have concluded that this system, while a politically acceptable device for visibly controlling the total Federal workforce, has emphasized short-run budget control rather than long-run program management and policy development, and that it has impeded the development of more effective workforce planning.

The work product is difficult to define and measure for government activities such as policy analysis, regulation, liaison, technical assistance, etc. For these activities, estimating workforce needs is difficult, and controlling the size of the workforce through ceiling restraints may have fewer adverse effects on the agency's ability to carry out its mission. But ceiling restraints have handicapped SSA which has large operating responsibilities and measurable work activities. These restraints have impeded SSA planning for workload changes and have routinely resulted in many workyears of costly overtime.

The studies cited above all urge a different workforce planning system in which the amount of work to be done is calculated in dollar terms, **and** funds for the work are appropriated on the basis of these planning figures rather than for specific numbers of employees. If the social security agency provided an overall

summary portrait of its programs based on a workforce plan, the
President and the Congress could make better long-run program
policy decisions. Managers would be responsible for reaching
objectives within the dollar limits associated with the workforce
plan, but they would retain the latitude to decide how best to
achieve those obj ectives.

Workforce planning is particularly appropriate for the social
security agency because much of the workforce is already covered by
a work measurement system, and because the breadth and pace of
technologically induced change will have a crucial effect on the
agency's personnel needs in the next 5 years. Under its internal
workforce planning system, SSA assesses the total work to be done
by using established and verified measures of the time necessary to
accomplish this work, including productivity assumptions. For
example, the SSA actuarial staff estimates the number of claims
that will be filed in a given year based on demographic trends and
economic forecasts. Using this estimate, the budget staff can
estimate the number of workyears necessary to process this workload
by applying data derived from prior years' experience in processing
initial claims for benefits. Adjustments are made for productivity
changes. The same process is used for each of the major workloads
in the field offices, the Program Service Centers, and other agency
operations, and it results in a work measurement plan which details
with a fair amount of objectivity the amount of work to be done and

the type of staff necessary to accomplish that work within a given amount'of time.

Continued improvements and refinements in the work measurement system are possible, and the new social security agency should work with OMB and GAO to improve data collection and time allocation-- and to develop standards for processing workloads. If implemented, the Panel's recommendation would encourage improvements in the workforce plan and thus enhance the Administrator's ability to utilize effectively the agency's most valuable resource--the tens of thousands of SSA employees.

0   Funding for Long-Term Projects

The Panel recommends that certain long-term projects be funded for the life of the project rather than biennially. Full funding increases the likelihood that: (1) detailed project planning will accompany initial requests for approval and funding, and (2) projects will be completed without interruption after they have been approved. Annual funding may mean that a change in leadership (in either the executive or legislative branch) may jeopardize the project or delay it as the rationale for the project must be defended anew. As with a biennial budget, a long-term project can always be cancelled through **rescisions** if the President or the Congress decides that drastic change is necessary. Examples of multi-year projects would include computer procurements and facilities' construction.

V.   TRANSITION, EVALUATION PLAN, AND ACCOUNTABILITY

The Panel believes that the benefits to be gained from these delegations and expanded authorities dictate prompt action. <u>It recommends, therefore, at the earliest possible date after enactment of legislation establishing a new social security agency, that the President select an Administrator.</u> In the interim, the Commissioner or Acting Commissioner of Social Security would serve as Acting Administrator and would establish a transition task force and conduct the transition until such time as the Administrator is confirmed. The Acting Administrator would also begin to develop a plan and negotiate criteria to evaluate the results achieved by the newly constituted agency and would begin to negotiate appropriate oversight roles for the central management agencies.

o   <u>The Transition Task Force</u>

As soon as practical after enactment, the President should designate the Administrator of the new agency. In the meantime, an Acting Administrator should set up a transition task force, which would be comprised of SSA and DHHS staff along with representatives of OMB, OPM, and GSA. A detailed plan would be prepared by the task force for the orderly transfer of responsibilities and authorities and any organizational changes deemed appropriate. To the maximum extent possible, the Administrator of the new agency should be involved in planning and carrying out the transition. (See Appendix C to this report for additional details regarding the suggested **transition** plan.)

0   <u>A Plan for Evaluation</u>

The Panel expects that the organizational independence and
additional authorities given to the social security agency will
result in improved program performance, public service, and
productivity. To ensure this result, the Administrator should
develop objectives for management improvements, an initial action
plan, and criteria to measure progress and final results. Although
the objectives and plan should be the new agency's statement of
what it expects to achieve, the involvement of **OMB,** OPM, GSA, and
GAO are important in developing appropriate and reasonable
objectives and criteria for **short-** and long-range evaluations.

As a minimum, the evaluation plan should address two major topics:
(1) operational efficiency and effectiveness and (2) the ability to
confront and resolve major management issues, including the
establishment of long-run planning capability.

Plans for resolving pressing operational issues should incorporate
SSA's internal measures of program performance, productivity, and
public service. While these measures are currently used to monitor
performance, their accuracy, reliability, and coverage of the
agency's operations should be improved. In addition, external
measures of public service should be developed to corroborate
improvements indicated by internal measures and to discover whether
these improvements have affected public opinion on the quality of
service.

Plans for resolving longer run management issues should address:
(1) the types and levels of public service to be provided; (2) the
future role of the field offices, Program Service Centers, and
other centralized operations; **(3)** the extent to which operations
will be automated and whether they will be centralized or
decentralized; **(4)** the extent to which staff reductions will result
from automation and productivity improvements; and (5) the type of
organization that will be needed in future years.

After the Social Security Advisory Board has been set up, it should
participate in developing criteria for measurement and evaluation,
and it should assist the overall assessment of the new agency's
program in improving managerial and operational performance.

0   <u>**Accountability**</u>

Marked improvement in agency management and operations can be
achieved only over an extended period. The evaluation criteria
developed to measure the agency's progress should recognize the
time required for substantial improvements to occur. In addition
to regular oversight by the newly created Social Security Advisory
Board, <u>the Panel recommends that during the first 5 years after</u>
<u>enactment of this legislation GAO monitor and **report** on the social</u>
<u>security agency's use of the authorities and progress in improving</u>
<u>its **program planning** and operational **efficiency** and effectiveness.</u>

Five years after enactment of the legislation, GAO should prepare a formal report to the President and the Congress.

VI.   STRENGTHENED MANAGEMENT WITHIN DHHS

As noted in the Preface, the Panel's instructions from Congress directed it to study how to remove SSA from DHHS and set it up as an independent agency. Accordingly, the Panel has concentrated on how an independent agency should be structured and managed. However, the Panel believes that many of its recommendations would improve the management of the agency should it remain within DHHS. Even in the absence of action to create an independent agency, the Panel recommends that:

- o   SSA have program responsibility only for Old Age, Survivors and Disability Insurance and Supplemental Security Income,

- o   Strong professional management and continuity of leadership for the agency be emphasized and the rank of the head of the agency and deputy be raised,

- o   The present provisions for quadrennial Social Security Advisory Councils be changed to provide a permanent Social Security Advisory Board within DHHS, and

- o   Operational accountability and responsibility be placed squarely with the agency head by delegating to SSA specific management authorities and by redefining the responsibilities of the central control agencies.