

United States Senate
Committee on Homeland Security and Governmental Affairs



Statement for the Record

**Improving the Efficiency, Effectiveness, and Independence
of Inspectors General**

**The Honorable Patrick P. O'Carroll, Jr.
Inspector General, Social Security Administration**

February 24, 2015

Good morning, Chairman Johnson, Ranking Member Carper, and Members of the Committee. I would like to acknowledge and welcome the new Members of the 114th Congress and those of you who are new to this Committee. Thank you for the invitation to participate in this discussion on improving the efficiency, effectiveness, and independence of Federal inspectors general. With my colleagues in the IG community, I appreciate the opportunity to share with you our organizations' initiatives and priorities, as well as the forum to suggest solutions to challenges we face in achieving our goals.

The Inspector General at Social Security

The Office of the Inspector General (OIG) at the Social Security Administration (SSA) was created in March 1995, after President Clinton signed legislation that re-established SSA as an independent agency. As we approach our 20th anniversary next month, we can say with confidence that we have achieved, and continue to achieve, our mission of promoting the integrity and efficiency of SSA's programs and operations. I'm honored to work with an outstanding team of auditors, investigators, attorneys, and support personnel nationwide, who share a steadfast commitment to ensuring public confidence in Social Security. Their efforts over the last 20 years have contributed to the OIG's reputation for conducting effective audits of SSA's operations and leading high-impact investigations of Social Security fraud, waste, and abuse.

A snapshot of our recent accomplishments illustrates the work we do every day to improve SSA's operations and protect Social Security for the many citizens who depend on it:

- Our auditors issue between 80 and 100 reports every year on various issues affecting Social Security; over the last three fiscal years, SSA has implemented 86 percent of OIG recommendations aimed at improving the Agency's operational integrity and efficiency. For example, we previously recommended that SSA dedicate resources¹ to timely complete work-related continuing disability reviews (CDRs) and assess overpayments resulting from work activity; SSA responded with various improvements to its work-CDR process and has identified and prevented millions of dollars of disability overpayments in the process.
- We operate one of the most productive Fraud Hotlines in the Federal Government; our Hotline personnel receive and process Social Security fraud reports from across the country via phone, fax, U.S. mail, and, increasingly, through the Internet. In fiscal year (FY) 2014, we received over 120,000 allegations of fraud; about half of those were reported through our Fraud Hotline. Our criminal investigators took direct action on about 5,500 of those Hotline allegations, and we referred nearly 16,000 more to SSA for further development. Of the 16,000 referred to SSA, the agency identified almost \$2.8 million in overpayments.
- Our roughly 250 special agents across the United States enforce the many Federal laws pertaining to Social Security fraud; they close about 8,000 cases every year, leading to hundreds of millions of dollars of recoveries, restitution, and projected Social Security savings. We regularly collaborate with other Federal OIGs on cases with overlapping jurisdiction; for example, in January, after a joint investigation with the Department of Agriculture OIG and the Department of Labor OIG, a Rhode Island man was sentenced to three years' probation and restitution to all three agencies after he pled guilty to stealing \$80,000 in government benefits. Moreover, SSA has delegated its authority to us to impose civil monetary penalties against

¹ For FY 2015, SSA's appropriation includes \$1.396 billion in dedicated funding for CDRs and SSI redeterminations.

individuals for providing false information to, or withholding information from, SSA to obtain or maintain their benefits. With this authority, in FY 2014 we imposed \$21.2 million in penalties and assessments. This is a powerful tool that supplements our ability to secure criminal prosecutions and provides us with a way to pursue fraud cases that might otherwise go unaddressed.

The SSA OIG is an active member of the Council of Inspectors General on Integrity and Efficiency (CIGIE). For the past five years, our organization has served as the CIGIE liaison to work with the Office of Management and Budget (OMB) on agency compliance with the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) and other legislation and mandates aimed at reducing Federal improper payments. Through CIGIE, we have built relationships throughout the IG community, and we appreciate opportunities to collaborate and share oversight best practices.

OIG Priorities and Initiatives

Oversight of Social Security presents a unique set of challenges among Federal inspectors general. For perspective, during FY 2014, SSA paid over \$893 billion, to an average of 64 million beneficiaries each month. Given the size of its benefit programs, the number of customers it has, and the complex policies and systems it employs, SSA must balance its responsibilities of timely and accurate service to the American public with proper and effective stewardship of taxpayer funds. Similarly, we must balance our oversight efforts, understanding that both service and stewardship are worthy of our focus.

Of course, Social Security program integrity remains our top priority. We work to improve the integrity of SSA's programs by helping the agency identify and reduce the amount of improper payments it makes each year. In its FY 2014 Agency Financial Report, SSA reported, for FY 2013, \$3 billion in improper payments (over- and underpayments) in its Old Age, Survivors, and Disability programs, representing 0.36 percent of payments made. SSA also reported \$5.1 billion in improper payments in the Supplemental Security Income (SSI) program, representing 9.22 percent of payments made. However, it is important to note that these totals reported by SSA do not include payments made as a result of fraud that has not been detected—so we do not know the full extent of improper payments made. Detecting or preventing those fraudulent payments—and addressing systemic vulnerabilities that may contribute to them—these are all top priorities for our auditors and investigators.

Thus, we strive to hold SSA accountable to both its customers and American taxpayers, and we take seriously our independent oversight role. At the same time, we recognize the importance of, and value in, forging a productive relationship with agency leadership and decision-makers to combat fraud and improve program integrity. We've recently partnered with SSA on several initiatives to that end:

- We and SSA have committed to expand the successful [Cooperative Disability Investigations](#) (CDI) program, which combines OIG, SSA, state Disability Determination Services (DDS), and local law enforcement expertise to identify suspicious or questionable initial disability claims for additional review, and prevent disability fraud and waste from ever occurring. The CDI program currently consists of 28 units in 24 states and the Commonwealth of Puerto Rico; we and SSA plan to open four additional CDI units this year.
- Through the Fraud Prosecution Project, SSA currently has 12 staff attorneys assigned to work in United States Attorney's Offices across the country as Special Assistant U.S. Attorneys, who focus their efforts on prosecuting our Social Security fraud cases that might otherwise be declined for Federal prosecution. From FYs 2003 through 2014, we secured over \$74.1 million

in restitution orders and 1,229 convictions or guilty pleas through SSA's Fraud Prosecution Project. SSA recently hired an additional 14 attorneys to be part of this successful effort.

- We and SSA are currently analyzing data from fraudulent disability claims present in large-scale schemes we have previously identified. We are working with SSA personnel to identify trends and patterns, and will apply those findings to existing and future claims to identify and prevent fraud. Based on our and SSA's work thus far, we believe predictive analytics can be an effective fraud-fighting tool.
- In recent years, we have investigated and closed several high-dollar cases of electronic Social Security fraud; identity thieves have used stolen personally identifiable information to create fraudulent online profiles in beneficiaries' names and then redirect Social Security payments to alternate bank accounts. We have reviewed and continue to review SSA's electronic services, and we are working closely with SSA to study these cases and develop ways to flag potentially fraudulent activity associated with beneficiaries' online profiles and payment information.

We also direct considerable resources toward assessing SSA's operational efficiency. We feel it is critical that SSA properly plans to modernize and streamline its operations to effectively serve its growing customer base. To that end, we regularly review and make recommendations related to the agency's IT infrastructure, systems security, and strategic planning.

- We continue to evaluate SSA's rollout of the Disability Case Processing System (DCPS), a nationwide computer system that is expected to improve effectiveness and efficiency in making timely and accurate disability decisions. After an outside consultant hired by SSA found quality and usability issues with DCPS last year, [we reviewed](#) the project and concluded that SSA did not properly define system requirements or engage its end-users throughout development, leading to project delays. We will issue additional reports on DCPS, with various project observations and recommendations.
- In September 2014, SSA completed construction on its new data storage center, the National Support Center (NSC), in Urbana, Maryland. The NSC will replace SSA's National Computer Center (NCC), and data migration should be complete by the middle of 2016. We have followed this project closely for several years; a timely and efficient transition from the NCC to the NSC is necessary to avoid the risk of an extended outage that could affect SSA's services.
- Each year, we work with an independent certified public accounting (CPA) firm to audit SSA's financial statements; for many years SSA has won awards for its financial reporting. Recently, though, the CPA firm identified [significant deficiencies](#) in SSA's information systems controls and its calculating, recording, and prevention of overpayments. The CPA firm has made several recommendations to address these deficiencies, which we support. SSA must promptly address these issues.

Legislative Proposals

I've outlined our various responsibilities and ongoing priorities; nevertheless, we recognize that we can always do more. To help us confront challenges and achieve our goals, I would like to mention several legislative proposals for your consideration.

The IG community is pursuing an exemption to the *Computer Matching and Privacy Protection Act of 1988* (CMPPA), which would exempt OIGs from obtaining a formal matching agreement before matching data with other entities to identify fraud and waste. In our case, we must obtain matching agreements through SSA's Data Integrity Board, a laborious process that can take a year, or sometimes longer, to complete. Thus, the CMPPA requirements compromise our independence and unreasonably delay our audit and investigative efforts.

For example, [in 2013](#), our auditors matched Department of Homeland Security travel data against SSA's records to identify SSI recipients who were outside the United States for more than 30 consecutive days, making them ineligible for SSI. Based on the data match, we estimated about 35,000 SSI recipients were overpaid about \$152 million from September 2009 to August 2011. This audit was done for *statistical* purposes, without a matching agreement, because we knew the agreement process could take a long time. Thus, while we made a recommendation to SSA surrounding the issue, we could not forward the names of the SSI recipients we identified in the report so that SSA could assess and recover the overpayments, or so that our investigators could potentially pursue criminal prosecution.

Also, [in 2010](#), our auditors worked with the Department of Labor to compare workers' compensation data to SSA records. We identified Federal employees who received Disability Insurance (DI) the same year they received Federal Employees' Compensation Act (FECA) payments; SSA in some situations did not consider the beneficiaries' FECA payments when calculating their DI payments. This data match identified about \$43 million in overpayments to 961 beneficiaries, but without a formal matching agreement, we could not provide the names of the beneficiaries to SSA for administrative action or to our investigators.

The matching agreement process has also stalled several investigative projects that could identify significant amounts of Social Security overpayments. As one example, we have not been able to pursue a project with the Department of Transportation OIG that would match Social Security records with Transportation's data to identify Social Security beneficiaries with commercial driver's licenses, and then determine if licensed commercial drivers concealed current work activity to fraudulently collect disability benefits.

In 2010, the Department of Health and Human Services and its OIG obtained an exemption for data matches designed to identify fraud, waste, and abuse. We believe all OIGs should be exempt for this purpose.

An exemption to the *Paperwork Reduction Act* (PRA) for general investigations or audits would also benefit the OIG community. In our case, audits of Social Security's programs inherently involve the need to collect identical information from individual beneficiaries *not specifically targeted*, and at times, other members of the public. (A PRA exemption exists for information requests from specific individuals or entities for investigations or audits.) The PRA requires approval from a "senior official" of the agency and OMB. This is an impediment to our independence. In addition, the process may be protracted, affecting our ability to timely conduct audits and investigations of interest to members of Congress; surveys generally must also be posted in the Federal Register, and the public must have an opportunity to comment. This hinders our ability to respond quickly to stakeholders and complete audit reports on critical issues.

With a PRA exemption for general audits, we could interview large groups and report on their interactions with Social Security, to help improve SSA's customer service. For example, in one potential

audit, we would like to interview representative payees serving beneficiaries who have been assessed multiple overpayments, to determine if the representative payees are aware of, and adhere to, SSA's reporting regulations and requirements. With a PRA exemption, we could complete this audit without delay and determine if SSA needs additional representative payee outreach on reporting requirements, potentially avoiding future overpayments.

Finally, we continue to support legislation to establish an agency revolving fund for integrity activities to help ensure payment accuracy. IPERA allows up to 5 percent of the amounts collected from recovery auditing by an agency to be used by the OIG of that agency; however, this provision applies only to recoveries of overpayments made from discretionary appropriations, and in our case, that applies only to recoveries of overpayments made from SSA's administrative expenses, not from its benefit programs.

We have proposed an indefinite appropriation to make available to SSA 25 percent, and to OIG 5 percent—or a sum certain—of actual overpayments collected, for use solely on integrity activities (like CDRs and CDI units) that provide a significant return on investment. An integrity fund could prove especially effective for deceased payee fraud investigations, a significant workload for our special agents. Last year, we investigated more than 600 people who misused benefits of the deceased, and convictions of some of those individuals generated about \$35 million in restitution, fines, civil judgments, and Social Security overpayment recoveries. A portion of those recoveries from deceased payee fraud investigations could be used to invest in any of the anti-fraud initiatives I've discussed.

Conclusion

As my fellow Inspectors General and I have discussed this morning, skillful, independent, and timely oversight is paramount to the integrity and efficiency of all Federal agencies. My office and other Federal inspectors general have a long history of successfully identifying critical issues, recommending solutions, and improving government operations—with the ultimate goals of providing better public service and ensuring that taxpayer funds are used appropriately.

As you have heard, we have identified various tools that can streamline our efforts to identify systemic weaknesses and detect fraud, waste, and abuse. I appreciate the opportunity to share these suggestions with you, and my office looks forward to working with your Committee as you consider these proposals.

Thank you again for the invitation to testify today, and I am happy to answer any questions.