



## SOCIAL SECURITY

Inspector General

August 8, 2002

The Honorable Wally Herger  
Chairman, Subcommittee on Human Resources  
Committee on Ways and Means  
House of Representatives  
Washington, D.C. 20515

Dear Mr. Herger:

In response to your July 29, 2002 letter, the Social Security Administration, Office of the Inspector General, is pleased to provide you the requested information regarding the integrity of the Supplemental Security Income (SSI) program.

The enclosed report provides information regarding the following:

- A proposal to create an "integrity fund" of program savings that could be used to strengthen efforts to reduce waste, fraud, and abuse.
- Efforts to ensure individuals who are not residing in the United States do not claim SSI payments.
- Information on the \$6 billion in monetary accomplishments cited in our report, *Significant Accomplishments of the Social Security Administration's Office of the Inspector General - April 1, 1995 through September 30, 2000*.

If you have any questions or would like to be briefed on these issues, please call me or have your staff contact Douglas Cunningham, Executive Assistant, at (202) 358-6319.

Sincerely,



James G. Huse, Jr.

Enclosure

cc:

Jo Anne B. Barnhart, Commissioner

# **CONGRESSIONAL RESPONSE REPORT**

## **Integrity of the Supplemental Security Income Program**

**A-01-02-22095**



**AUGUST 2002**

## **Mission**

**We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.**

## **Authority**

**The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:**

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

**To ensure objectivity, the IG Act empowers the IG with:**

- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

## **Vision**

**By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.**

# Background

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On July 25, 2002, the Social Security Administration's (SSA) Inspector General testified before the Subcommittee on Human Resources, Committee on Ways and Means, regarding fraud and abuse in the Supplemental Security Income (SSI) program. As a follow-up to this hearing, on July 29, 2002, Congressman Wally Herger, Chairman of the Subcommittee, requested that SSA's Office of the Inspector General (OIG) provide additional information regarding SSI program issues discussed during the hearing. Specifically, Chairman Herger requested information regarding the following:

1. A proposal to create an "integrity fund" of program savings that could be used to strengthen efforts to reduce waste, fraud, and abuse.
2. Efforts to ensure individuals who are not residing in the United States do not claim SSI payments.
3. Information on the \$6 billion in monetary accomplishments cited in our report, *Significant Accomplishments of the Social Security Administration's Office of the Inspector General - April 1, 1995 through September 30, 2000*.

SSA administers both the SSI and the Old-Age, Survivors and Disability Insurance (OASDI) programs. The SSI program provides cash assistance to individuals who have limited income and resources and who are either age 65 or older, blind or disabled.<sup>1</sup> The OASDI program provides benefits to qualified retired and disabled workers and their dependents, and to survivors of insured workers. In Calendar Year 2000, an average of 6.3 million individuals received SSI payments on a monthly basis, and 2.4 million of these individuals also received OASDI benefits. SSA defines individuals who receive both OASDI and SSI payments as concurrent beneficiaries. Concurrent beneficiaries are generally able to receive their OASDI benefits while outside the United States depending upon such factors as citizenship and country of residence.

In 1997, after several years of reporting on specific instances of abuse and mismanagement, increasing overpayments and poor recovery of outstanding SSI debt, the General Accounting Office (GAO) designated SSI a high-risk program. Unlike the OASDI program, SSI is a means-tested program. As a result, SSA must collect and verify information on income, resources and recipient living arrangements to determine initial and continuing eligibility for the program. Prior GAO and OIG work, however, shows that SSA has often placed a greater priority on quickly processing and paying SSI claims with insufficient attention to verifying recipient-reported information and controlling program expenditures.

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<sup>1</sup> To be eligible for SSI payments, the individual must also (1) be a U.S. resident; (2) be a U.S. citizen or an eligible noncitizen; and (3) meet certain income and resource limits.

# Results of Review

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Since GAO designated SSI as a high-risk program, SSA has taken steps to improve the program and recently established a corrective action plan with the goal of removing the SSI program from GAO's high-risk list. We believe our reviews and recommendations will also assist the Agency as it attempts to reach this goal.

## 1. PROPOSAL TO CREATE AN INTEGRITY FUND OF PROGRAM SAVINGS

Recently, the President and Congress have expressed interest in measuring the universe of improper payments within the Government. In August 2001, the Office of Management and Budget (OMB) published *The President's Management Agenda, FY 2002*, which includes a Government-wide initiative for improving financial performance. Under this initiative, the Administration will establish a baseline of the extent of erroneous payments and require agencies to include in their Fiscal Year (FY) 2003 budget submissions information on erroneous payment rates, including actual and target rates, where available, for benefit and assistance programs over \$2 billion. Using this information, OMB will work with agencies to establish goals to reduce erroneous payments for each program. On July 17, 2001, OMB issued Circular A-11<sup>2</sup> to Federal agencies to assist them in preparing their FY 2003 budget submissions. Section 57 of this Circular discusses reporting requirements for erroneous payments.

Erroneous payments are payments made under the programs listed in Exhibit 57 (*for SSA, these programs are OASDI, and SSI*) that should not have been made or were made for an incorrect amount. In this context, "payments" include the provision of benefits that do not necessarily involve cash disbursements (e.g., loan guarantees). Examples of erroneous payments include payments to ineligible persons or the wrong organizations, payments in the wrong amount, payments for ineligible services, duplicate or other overpayments, and payments for services never received. Erroneous payments may be due to procedural or administrative errors made by the payor (e.g., providing incorrect account numbers in payment instructions) or errors or fraud by payees or claimants (e.g., under reporting of income by beneficiary). Covered payments include overpayments and underpayments made by the Federal Government, its direct contractors, and by States or other grant recipients administering Federal programs.

In October 2001, GAO issued an executive guide on *Strategies to Manage Improper Payments*. GAO defined improper payments as payments that should not have been made or that were made for incorrect amounts. Examples of improper payments include inadvertent errors, payments for unsupported or inadequately supported

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<sup>2</sup> Transmittal Memorandum No. 74, Subject: Preparing and Submitting Budget Estimates, part 1, subpart III, section 57, dated July 17, 2001 and revised November 8, 2001.

claims, payments for services not rendered, payments to ineligible beneficiaries, and payments resulting from fraud and abuse by program participants and/or Federal employees. GAO further stated that improper payments occur for many reasons, including insufficient oversight or monitoring, inadequate eligibility controls and automated system deficiencies. The risk of improper payments increases in programs with (1) a significant volume of transactions, (2) complex criteria for computing payments, and/or (3) an overemphasis on expediting payments.

To address the issues raised by the President's Management Agenda on improving financial performance, the Chief Financial Officer Council and the President's Council on Integrity and Efficiency established a work group to benchmark methods to reduce or eliminate, where possible, improper and erroneous payments made by Federal agencies.

Specifically, the work group plans to propose that legislation be enacted to authorize—for all Federal Departments, agencies and OIGs—a percentage of actual collections of erroneous payments be used to fund activities to prevent, detect and collect erroneous payments. This legislation would establish permanent indefinite appropriations—subject to apportionment by OMB—available to each Department, agency and OIG. Funding of these accounts would be based on a percentage of actual collections. For example, each Department or agency could be authorized to expend up to 22.5 percent, and each OIG up to 2.5 percent, respectively, of actual collections. Further, Departments, agencies and OIGs would report on how these monies were used to prevent, detect, and collect erroneous payments as part of the reports required under the Reports Consolidation Act of 2000 (Accountability Reports) and the Inspector General Act of 1978 (Semiannual Reports to Congress). The OIG fully supports the development of this legislation and the work group's efforts. In fact, we propose the creation of an integrity fund built on program dollar savings that this fund could provide resources to strengthen efforts to reduce fraud, waste and abuse.

## **2. EFFORTS TO ENSURE ONLY INDIVIDUALS RESIDING IN THE UNITED STATES CLAIM SSI PAYMENTS**

Since early in our existence as an OIG, we have conducted numerous special investigative projects and audits to review U.S. residency issues for SSI recipients. For example, in 1997, we conducted the Southwest Tactical Operations Plan, a U.S.-Mexico border pilot in El Paso, Texas. This project identified 153 SSI recipients who were ineligible because they were not U.S. residents. Also, in May 1997, we issued a report recommending procedural improvements for SSA—including expanded use of private contractors to conduct home visits of suspected nonresidents.<sup>3</sup> Further, in May 2001, we reviewed the effectiveness of SSA's New York Project based on nonusage of

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<sup>3</sup> SSA OIG report, *The Adequacy of the Residency Verification Process for the Supplemental Security Income Program* (A-06-96-62001), May 1997.

Medicaid. This report contained six recommendations to improve SSA's detection of nonresident SSI recipients.<sup>4</sup>

## **SSA's Controls to Identify Nonresidents Receiving SSI Payments**

Section 1614(a)(1)(B) of the Social Security Act requires that to be eligible for SSI payments an individual must be a resident of the United States. Additionally, section 1611(f) of the Social Security Act states that no individual shall be considered eligible for SSI payments for any month throughout which the individual is outside the United States. This prohibition also applies to recipients in Puerto Rico and the Virgin Islands. The only exemptions to collecting SSI payments while outside the United States are for:

- certain students temporarily studying abroad and
- blind or disabled children of military families stationed overseas.

Once SSI payments are suspended for being outside the United States, SSI recipients must be back in the United States for 30 consecutive days before SSI payments resume.<sup>5</sup>

SSA has the following controls in place<sup>6</sup> to identify SSI recipients outside of the United States:

- foreign address alert process for concurrent beneficiaries and
- various special projects or studies.

### **Foreign Address Alert Process for Concurrent Beneficiaries**

If an individual concurrently receives both SSI and OASDI benefits, and the OASDI record shows an address outside the United States, SSA's systems generate a foreign address alert.<sup>7</sup> This alert notifies the appropriate SSA field office (FO) that the SSI recipient may be outside the United States, and therefore, ineligible for SSI payments. The FO is responsible for investigating the alert to determine whether the SSI payments should be suspended.

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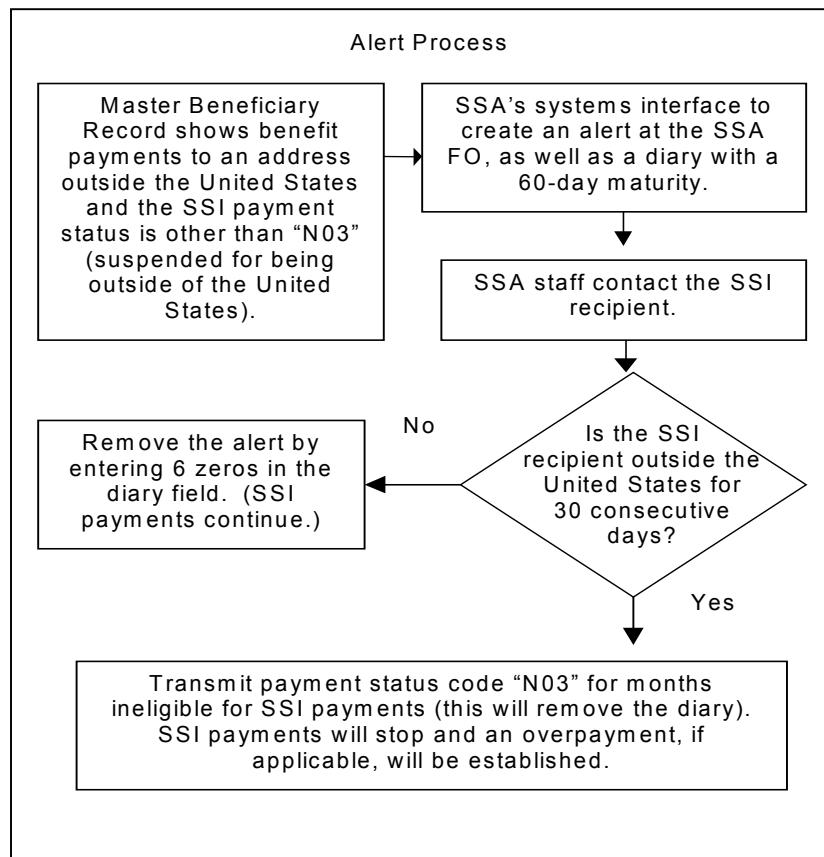
<sup>4</sup> SSA OIG report, *Effectiveness of the Social Security Administration's Special Project Reviews of Supplemental Security Income Recipients* (A-09-99-62010), May 2001.

<sup>5</sup> Program Operations Manual System (POMS), section SI 00501.410.

<sup>6</sup> SSA also compares Immigration and Naturalization Service applications (Form I-131) for aliens leaving the United States to its payment records.

<sup>7</sup> In November 2001, SSA expanded the alert process to include OASDI addresses in Puerto Rico.

SSA's alert process is based only on the OASDI address information—not on direct deposit data. As a result, if OASDI payments are made via direct deposit to a bank outside the United States but the beneficiary's address is in the United States, an alert would not be generated. See the following flowchart for details of this alert process.<sup>8</sup>



### Projects to Identify SSI Recipients Outside the United States

SSA has initiated a number of special studies and projects over the years to identify and prevent SSI payments to recipients living outside the United States. These projects—some of which were conducted jointly with the OIG—have improved SSA's controls to prevent SSI payments to recipients outside the United States. The following table describes some of these projects.

<sup>8</sup> The flowchart is based on POMS, section SM 02001.215.

PROJECT	RESULTS
Southwest Tactical Operations Plan <sup>9</sup> (STOP)	We initiated STOP to determine whether individuals were receiving SSI payments based on fraudulent statements regarding residence in the El Paso, Texas area. As a result of this project, we estimated that SSA could recover in overpayments—and save through cessation of payments—\$2.9 million projected over a 5-year period. This project also developed characteristics to assist SSA in identifying SSI claimants with questionable residency status.
New York Project	This project was initiated in the New York region to address residency errors and consisted of foreign- and U.S.-born recipients who had not used Medicaid services for at least 15 months. As a result of this project, SSA determined that (a) 20 percent of foreign born SSI recipients had periods of ineligibility due to being outside the United States and (b) 0.2 percent of U.S.-born recipients had payment errors because of U.S. absences. This project in New York—and its expansion into New Jersey—identified \$13.6 million in SSI overpayments. This led to additional projects being initiated in other States nationwide.
Address Verification Project	This project was initiated in the New York region to determine the current residence of concurrent beneficiaries who have addresses in Puerto Rico on their Master Beneficiary Records and addresses in the United States on their Supplemental Security Records. Of the 259 cases completed, 205 were suspended, and overpayments of \$262,391 were identified. SSA's expansion of the foreign address alert process to include Puerto Rico—which was implemented in November 2001—was a result of this project.
Operation Border Vigil	This project was established to identify suspect claims at selected foreign sites. Specific projects involved the following foreign countries: Panama, Canada, Poland, the Republic of Yemen, Costa Rica, and Mexico. In January 1998, results showed savings of \$89,057.
The Adequacy of the Residency Verification Process for the SSI Program	This project was conducted by SSA's Chula Vista, California, office in conjunction with the OIG. This project found that 110 of 233 recipients were living outside the United States—or could not be located—and had their SSI payments suspended. We recommended that SSA revise its procedures to provide for expanded residency development.

<sup>9</sup> SSA OIG report, *Southwest Tactical Operations Plan: Lessons Learned* (A-06-97-22010), December 1997.

In addition to the projects listed above, we recently conducted an audit of *Controls to Prevent Supplemental Security Income Payments to Recipients Living in Foreign Countries* (A-01-02-12013). Our review found that SSA has controls in place to prevent SSI payments to beneficiaries who have addresses outside the United States—including addresses in Puerto Rico. However, improvements could be made to enhance SSA's efforts in this area. While the errors identified during our audit were a small percentage of the total payments SSA makes to SSI recipients, we believe SSA can improve controls in this area, without expending significant Agency resources. We recommended that SSA modify its alert process to include (1) SSI payments direct deposited to banks in Puerto Rico and the Virgin Islands and (2) concurrent beneficiaries with OASDI benefits direct-deposited into banks outside the United States.

### **Automated Teller Machine Withdrawals**

While performing the audit described in the preceding paragraph, we explored the idea of examining automated teller machine (ATM) withdrawal records. Such records could be used to identify SSI recipients receiving their payments by direct deposit in a U.S. bank account, but who may be living in a foreign country and withdrawing their benefits from ATM machines outside the United States. However, we could not include ATM records in our audit tests because the Right to Financial Privacy Act of 1978 protects against disclosure of personal financial records held by banks, except under subpoena.

SSA submitted a proposed rule, *Access to Information Held by Financial Institutions*, to OMB in January 2002. This proposed rule would enhance SSA's access to bank account information of SSI applicants and recipients. Specifically, section 213 of the Foster Care Independence Act of 1999 (Public Law (P.L.)106-169) amended section 1631(e)(1)(B) of the Social Security Act to grant the SSA Commissioner new authority with respect to verifying financial accounts. The rule submitted to OMB proposes to grant SSA permission to contact financial institutions a condition of SSI eligibility. This would allow SSA to ask financial institutions for information when it thinks it is necessary to determine SSI eligibility. If this proposed rule is approved, it may allow SSA and/or the OIG to obtain and analyze ATM withdrawal records for SSI recipients with direct deposit in U.S. banks.

To date, we have not been able to obtain ATM withdrawal records to test for SSI nonresidency. However, we plan to continue our work to ascertain whether ATM information can be obtained and used as a tool to identify SSI recipients who may be ineligible for payments.

## **3. RECENT OIG MONETARY FINDINGS**

Since the OIG was established in 1995, our work has resulted in significant monetary findings—almost \$6 billion in savings, potential cost avoidance and inaccurate payments. For example, recent OIG audit and investigative work in the areas of workers' compensation (WC), fugitive felons, prisoners, student beneficiaries, and

individuals with drug and alcohol addictions has raised numerous concerns about data integrity and challenges associated with depending on self-reporting of beneficiary information.

Below, we have noted by FY where the Agency could achieve significant cost avoidance, potential savings and opportunities to improve payment accuracy. In addition, we have performed many reviews of SSA's business processes that did not result in monetary findings. For example, many of our reviews have recommended improvements in SSA's enumeration process, earnings reporting activities, and financial and performance management. The table below provides an overview of our monetary findings, and Appendix C provides additional details and Agency responses to the reports that contributed significantly to these findings.

FISCAL YEAR	MONETARY FINDINGS	PROGRAMS AND ACTIVITIES REVIEWED WITH SIGNIFICANT MONETARY FINDINGS
1995*	\$39 million	Field Office Workloads
1996	124 million	SSI and OASDI Payments to Prisoners
1997	767 million	SSI and OASDI Payments to Prisoners, Replacement Social Security number (SSN) Cards
1998	2,449 million	Inconsistent Entitlement Periods in OASDI Program, Offset of Workers Compensation Payments
1999	817 million	OASDI Benefits Based on Nonwork SSNs, OASDI Beneficiaries Attaining Age 18, Waived OASDI Overpayments
2000	1,651 million	SSI and OASDI Benefit Payments to Fugitives, SSI Recipients with Income, Individuals with Drug Addiction and/or Alcoholism Impairments, Attorney Fees in OASDI Workers' Compensation Offset Cases
<b>Total</b>	<b>\$5,847 million</b>	

\* Reflects data from April 1 through September 30, 1995.

- **Payments to Prisoners:** The Social Security Act prohibits the payment of benefits to prisoners under both the OASDI and SSI programs. In FYs 1996 and 1997, we conducted two audits related to prisoners—*Effectiveness in Obtaining Records to Identify Prisoners* (A-01-94-02004), May 1996, and *Effectiveness of the Social Security Administration's Procedures to Process Prisoner Information, Suspend Payments and Collect Overpayments* (A-01-96-61083), June 1997. Our prisoner reviews found that the limited data received from Federal, State, and local correctional facilities resulted in improper payments to prisoners. As a result of these audits, (1) SSA pursued legislation (enacted in 1999) to make the prisoner suspension requirements under both programs consistent and (2) SSA's Chief Actuary estimated a cost avoidance of about \$3.4 billion over 7 years.

- **Charging a Fee for Replacement Social Security Cards:** Our report *Canada's Experience in Charging a User Fee for Social Insurance Number Cards* (A-06-97-62003) was issued in May 1997. We assessed the feasibility of SSA charging a fee for replacement SSN cards based on a review of the Canadian Government's experience in charging a user fee for replacement cards. Based on SSA's cost estimates for producing an SSN card, we estimated SSA should charge \$13 for replacement cards. Through a combination of revenue generation and cost avoidance (assuming some individuals become more responsible with their cards), SSA could save approximately \$142 million annually or \$710 million over 5 years. Therefore, we recommended that SSA charge a fee for replacement SSN cards.
- **Inconsistent Beneficiary Entitlement Periods:** We assessed the program and financial impacts resulting from SSA's use of the common law definition of age attainment in our review, *Inconsistent Beneficiary Entitlement Periods* (A-09-97-21003), July 1998. Our review determined that current law had created two inconsistencies in SSA's OASDI program that cost SSA about \$1.47 billion over a 5-year period. One inconsistency was that the criteria for determining the 1<sup>st</sup> month of entitlement to benefits varied depending on the type of beneficiary. The other inconsistency was that persons born on the 1<sup>st</sup> day of a month have different entitlement periods than persons born on other days of the same month.
- **Workers' Compensation Payments:** We conducted two WC reviews—*Effects of State Awarded Workers' Compensation Payments on Social Security Benefits* (A-04-96-61013), September 1998, and *Worker's Compensation Unreported by Social Security Beneficiaries* (A-04-98-64002), December 1999. Our reviews found that inaccurate OASDI benefit payments stemmed from (1) beneficiaries not voluntarily reporting changes in their WC status and benefits and (2) computational errors due to a lack of sufficient quality controls and emphasis on processing claims quickly to meet performance goals and backlogs. We estimated payment errors of \$852.5 million—with the trust fund losing \$599.5 million due to overpayments, but paying out \$253 million in underpayments—with a net effect of the Social Security trust fund losing an estimated \$346.5 million. After our review, SSA conducted its own study and determined in FY 2000 that for a universe of 112,230 cases for the period 1966 through 1998, the total estimated prior and future error consists of \$1.07 billion in underpayments and \$261 million in overpayments.
- **Controls Over Nonwork SSNs:** Our report *Review of Controls over Nonwork Social Security Numbers* (A-08-97-41002), September 1999, analyzed (1) SSA benefits paid to beneficiaries under nonwork SSNs; (2) earnings reported for nonwork SSNs; and (3) whether SSA had adequate controls over the issuance of nonwork SSNs. Based on the results of our review, we estimated that, as of May 1998, unauthorized earnings associated with nonwork SSNs had cost SSA trust funds \$287 million. If SSA continues to pay benefits based on unauthorized work, it may spend an additional \$63 million per year of trust fund resources. Over the lifetimes of the nonwork SSN holders and their dependents, we estimated that unauthorized earnings associated with these nonwork SSNs may cost SSA's trust funds over

\$1.7 billion. We proposed legislation to prohibit the crediting of nonwork earnings for purposes of benefit entitlement. We believe that legislative and policy changes are essential to reducing the monetary impact that unauthorized earnings associated with previously issued nonwork SSNs may have on SSA's trust funds.

- **Benefits Paid to Student Beneficiaries After Reaching Age 18:** In our audit *School Attendance by Child Beneficiaries Over Age 18* (A-09-97-61007), September 1999, we found that student beneficiaries received incorrect payments. These incorrect payments occurred because SSA did not adequately monitor the beneficiaries' school attendance and relied on these individuals to voluntarily report events that affected their benefit status. We estimated that the incorrect and unsupported payments amounted to \$73.9 million and \$140.4 million, respectively.
- **Identification of Fugitives Receiving SSI Payments:** In August 1996, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) amended the Social Security Act to prohibit SSI payments to fugitive felons. However, as a result of our August 2000 audit, *Identification of Fugitives Receiving SSI Payments* (A-01-98-61013), we estimated that fugitives were incorrectly paid at least \$76 million in SSI payments from the date Public Law 104-193 took effect through the date we conducted our audit. Further, we estimated that SSA would continue to pay fugitives at least \$30 million in SSI payments each year that State fugitive files were not used to prevent such payments.

Appendix C contains further details on the above audit reports and the full text of the reports are available on our web-site at <http://www.ssa.gov/oig>.

# *Appendices*

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**APPENDIX A – Acronyms**

**APPENDIX B – Scope and Methodology**

**APPENDIX C – Related Office of the Inspector General Reports**

**APPENDIX D – OIG Contacts and Staff Acknowledgments**

## **Appendix A**

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### **Acronyms**

ATM	Automated Teller Machine
FO	Field Office
FY	Fiscal Year
GAO	General Accounting Office
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
OMB	Office of Management and Budget
P.L.	Public Law
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
STOP	Southwest Tactical Operations Plan
WC	Workers' Compensation

## ***Appendix B***

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### **Scope and Methodology**

We limited our review to summarizing prior Office of the Inspector General and Social Security Administration (SSA) work regarding the integrity of SSA's programs to answer the Chairman's questions. We performed our review in Boston, Massachusetts, and Baltimore, Maryland, during July and August 2002. We conducted our review in accordance with generally accepted government auditing standards.

## **Appendix C**

### **Related Office of the Inspector General Reports**

<b>SSI AND OASDI PAYMENTS TO PRISONERS</b>	
Reports	<p><i><b>Effectiveness in Obtaining Records to Identify Prisoners (A-01-94-02004), May 1996</b></i></p> <p><i><b>Effectiveness of the Social Security Administration's Procedures to Process Prisoner Information, Suspend Payments and Collect Overpayments (A-01-96-61083), June 1997</b></i></p>
Objectives	To determine whether the Social Security Administration (SSA) had adequate procedures for matching Federal, State, county, and local prisoner data to SSA's records and suspending payments to prisoners identified. Also, to determine whether SSA was effective in collecting overpayments from prisoners.
Recommendations	<ul style="list-style-type: none"><li>▪ Institute computer matching agreements with correctional agencies to obtain information on all prisoners.</li><li>▪ Modify the prisoner match to control and follow up on alerted cases to provide reasonable assurance that they are resolved in a timely manner.</li><li>▪ Pursue legislation to provide a single standard for stopping payments to prisoners receiving Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) payments.</li></ul>
Monetary Findings	According to SSA's Chief Actuary, the estimated cost avoidance related to prisoners would be about \$3.4 billion over 7 years.
Agency Response	SSA agreed that it should seek more effective means for identifying prisoners who are receiving benefits. SSA also agreed with our recommendations regarding processing alerts for prisoners receiving benefits. Additionally, legislation related to a single standard for stopping payments to prisoners was enacted in 1999.

REPLACEMENT SOCIAL SECURITY NUMBER CARDS	
Report	<i>Canada's Experience in Charging a User Fee for Social Insurance Number Cards (A-06-97-62003), May 1997</i>
Objective	To provide information regarding the feasibility of SSA charging a fee for replacement Social Security number (SSN) cards based on a review of the Canadian Government's experience in charging a user fee for replacement Social Insurance Number cards.
Recommendation	Charge a fee for replacement SSN cards.
Monetary Findings	The implemented recommendation is valued at approximately \$142 million annually or \$710 million over 5 years.
Agency Response	SSA neither agreed nor disagreed with our recommendation. However, the Agency's Enumeration Response Team is considering ways to reduce the number of SSN replacement cards requested and issued each year. One of the options being considered is charging a fee for replacement cards.

INCONSISTENT ENTITLEMENT PERIODS IN OASDI PROGRAM	
Report	<i>Inconsistent Beneficiary Entitlement Periods (A-09-97-21003), July 1998</i>
Objective	To assess the program and financial impacts resulting from SSA's use of the common law definition of age attainment.
Recommendations	<ul style="list-style-type: none"> <li>▪ Submit a legislative proposal to define the month after the individual's birthday as the first month of entitlement.</li> <li>▪ Submit a legislative proposal to define age attainment as occurring on a person's birthday.</li> </ul>
Monetary Findings	The implemented recommendations were valued at \$1.47 billion.
Agency Comments	SSA disagreed with our recommendations.

OFFSET OF WORKERS' COMPENSATION PAYMENTS	
Reports	<p><b><i>Effects of State Awarded Workers' Compensation Payments on Social Security Benefits (A-04-96-61013), September 1998</i></b></p> <p><b><i>Workers' Compensation Unreported by Social Security Beneficiaries (A-04-98-64002), December 1999</i></b></p>
Objectives	To review OASDI benefits paid to individuals who also received workers' compensation (WC) payments and the internal controls established over that process to ensure payment accuracy.
Recommendations	<ul style="list-style-type: none"> <li>▪ Recognize and identify WC as a reportable internal control weakness under the Federal Managers' Financial Integrity Act.</li> <li>▪ Review cases in our samples to determine the proper benefit amount and take required actions regarding beneficiaries' over- and underpayments.</li> <li>▪ Periodically obtain computer extracts of State WC information and benefit payments. Match the State WC rates against the rates used for offset to identify potential nonreporters and cases not properly offset.</li> <li>▪ In those States where WC data cannot be obtained for computer matching, institute alternative measures to proactively identify WC benefits and benefit changes that are unreported by recipients.</li> </ul>
Monetary Findings	We estimated that some of our recommendations would result in payment errors of \$852.5 million—with the trust fund losing \$599.5 million due to overpayments, but paying out \$253 million in underpayments—with a net effect of the Social Security trust fund losing an estimated \$346.5 million.
Agency Response	When responding to our report, SSA rejected our recommendation to report the WC offset issue as a material internal control weakness. Subsequently, SSA conducted its own study and determined that for the universe of 112,230 cases from the period 1966 through 1998, the total estimated past and future error consisted of \$1.07 billion in underpayments and \$261 million in overpayments.

OASDI BENEFITS BASED ON NONWORK SSNs	
Report	<i>Review of Controls over Nonwork Social Security Numbers (A-08-97-41002), September 1999</i>
Objectives	To (1) analyze SSA benefits paid to beneficiaries under nonwork SSNs; (2) analyze earnings reported for nonwork SSNs; and (3) determine whether SSA has adequate controls over the issuance of nonwork SSNs.
Recommendation	Propose legislation to prohibit the crediting of nonwork earnings for purposes of benefit entitlement.
Monetary Findings	Based on the results of our review, we estimated over the lifetimes of the nonwork SSN holders and their dependents, unauthorized earnings associated with these nonwork SSNs may cost the trust funds over \$1.7 billion.
Agency Response	SSA stated it had long been concerned about the use of nonwork SSNs in the employment sector. However, SSA believes our legislative proposal would be extremely difficult to administer because SSA's records would not allow them to determine the periods of time when an individual may or may not be authorized to work.

OASDI BENEFITS PAID TO BENEFICIARIES AFTER ATTAINING AGE 18	
Report	<b><i>School Attendance by Child Beneficiaries Over Age 18 (A-09-97-61007), September 1999</i></b>
Objective	To determine the propriety of OASDI benefits to student beneficiaries over age 18 and the adequacy of controls and procedures to ensure they attended school full-time.
Recommendations	<ul style="list-style-type: none"> <li>▪ Obtain additional information from schools about student attendance before awarding benefit payments.</li> <li>▪ Perform a follow-up review to identify all students in current pay status beyond age 19 years and 2 months before the end of Fiscal Year 2000. For each of these students, review the case to ensure that appropriate actions were taken to terminate benefits and establish overpayments.</li> </ul>
Monetary Findings	We estimated that the incorrect and unsupported payments amounted to \$73.9 and \$140.4 million, respectively.
Agency Response	SSA agreed with all of our recommendations. In March 2001, SSA implemented new verification procedures for student beneficiaries who attain age 18 in June 2001 or later.

WAIVED OASDI OVERPAYMENTS	
Report	<b><i>Waivers Granted for Title II Overpayments Exceeding \$500 (A-09-97-61005), September 1999</i></b>
Objective	To determine whether SSA granted waivers of overpayments exceeding \$500 to beneficiaries in accordance with the Social Security Act.
Recommendations	<ul style="list-style-type: none"> <li>▪ Develop procedures to preclude waivers to beneficiaries who can repay their debts.</li> <li>▪ Revise procedures to preclude waivers to individuals who are at fault for causing their overpayments.</li> </ul>
Monetary Findings	We estimated that the incorrect and unsupported waiver decisions amounted to \$4.3 million and \$37.4 million, respectively.
Agency Response	SSA did not agree with all of our recommendations.

SSI AND OASDI BENEFIT PAYMENTS TO FUGITIVES	
Reports	<p><b>Identification of Fugitives Receiving Supplemental Security Income Payments (A-01-98-61013), August 2000</b></p> <p><b>Old-Age, Survivors and Disability Insurance Benefits Paid to Fugitives (A-01-00-10014), August 2000</b></p>
Objectives	To determine whether SSA identified and prevented SSI payments to fugitive felons. Also, to determine whether SSA should pursue legislation to prohibit OASDI benefits to fugitives.
Recommendations	<ul style="list-style-type: none"> <li>▪ Reach agreement with State agencies to obtain their fugitive information in an electronic format on a routine basis.</li> <li>▪ Pursue legislation prohibiting payment of OASDI benefits to fugitives similar to the provisions pertaining to SSI payments.</li> </ul>
Monetary Findings	We estimated that fugitives were incorrectly paid at least \$76 million in SSI payments from the date Public Law (P.L.) 104-193 took effect (August 1996) through the date we conducted our review. Further, we estimated that SSA would continue to pay fugitives at least \$30 million in SSI payments each year that State fugitives files were not used to prevent such payments. Also, we estimated that at least \$108 million in OASDI payments were paid to fugitives between August 1996 and the date of our audit. In addition, we estimated that fugitives would continue to receive at least \$39 million in OASDI benefits annually until legislation is enacted to prohibit such benefit payments.
Agency Response	SSA agreed with our recommendations regarding SSI recipients who are fugitives. Legislation to prohibit OASDI benefits to fugitives is currently pending in Congress.

SSI RECIPIENTS WITH INCOME	
Report	<i>Review of Controls Over Processing Income Alerts Which Impact Supplemental Security Income Payments (A-05-98-21002), September 2000</i>
Objective	To assess how effectively SSA processes income alerts for SSI recipients.
Recommendations	<ul style="list-style-type: none"> <li>▪ Develop a plan to ensure that income alerts are worked more timely and income estimates are used.</li> <li>▪ Require all field offices to use an automated process to manage alert workloads and minimize delays in starting alert development.</li> </ul>
Monetary Findings	We estimated \$60.4 million in SSI overpayments could have been prevented if SSA had more effectively processed income alerts.
Agency Response	SSA agreed that income alerts need to be worked more timely and planned actions to implement our recommendations.

INDIVIDUALS WITH DRUG ADDICTION AND/OR ALCOHOLISM IMPAIRMENTS	
Report	<i>Implementation of Drug Addiction and Alcoholism Provisions of Public Law 104-121 (A-01-98-61014), May 2000</i>
Objective	To determine whether SSA identified all beneficiaries and recipients for whom drug addiction and/or alcoholism was a contributing factor material to the finding of disability.
Recommendation	Review the cases we identified and suspend benefits where appropriate according to the provisions of P.L. 104-121.
Monetary Findings	We estimated that 3,190 individuals were incorrectly paid \$38.74 million in benefits since P.L. 104-121 took effect.
Agency Response	SSA agreed with our recommendations and stated that corrective actions would be taken.

ATTORNEY FEES IN OASDI WORKER'S COMPENSATION OFFSET CASES	
Report	<b><i>The Social Security Administration Incorrectly Paid Attorney Fees on Disability Income Cases When Workers' Compensation Payments Were Involved (A-04-98-62001), March 2000</i></b>
Objective	To determine whether payments made to attorneys who represented claimants applying for OASDI benefits and involving WC payments were accurate.
Recommendations	<ul style="list-style-type: none"> <li>▪ Review the cases in our sample to determine the proper attorney fee payment and take the required actions on the errors identified.</li> <li>▪ Develop internal controls to prevent and detect the processing errors identified during our review.</li> </ul>
Monetary Findings	We estimated that 27,582 WC cases may have been paid incorrect attorney fees with a potential total dollar error of \$33.8 million.
Agency Response	SSA acknowledged that payment accuracy problems exist in the OASDI workload involving WC and recognized the merit of our findings and recommendations.

## ***Appendix D***

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# **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

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### ***Staff Acknowledgments***

In addition to those named above:

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For additional copies of this report, please visit our web site at <http://www.ssa.gov/oig> or contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-1375. Refer to Common Identification Number A-01-02-22095.

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President, National Council of Social Security Management Associations, Incorporated	1
Treasurer, National Council of Social Security Management Associations, Incorporated	1
Social Security Advisory Board	1
AFGE General Committee	9
President, Federal Managers Association	1
Regional Public Affairs Officer	1
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The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration's (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress, and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency.

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### **Counsel to the Inspector General**

The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.