

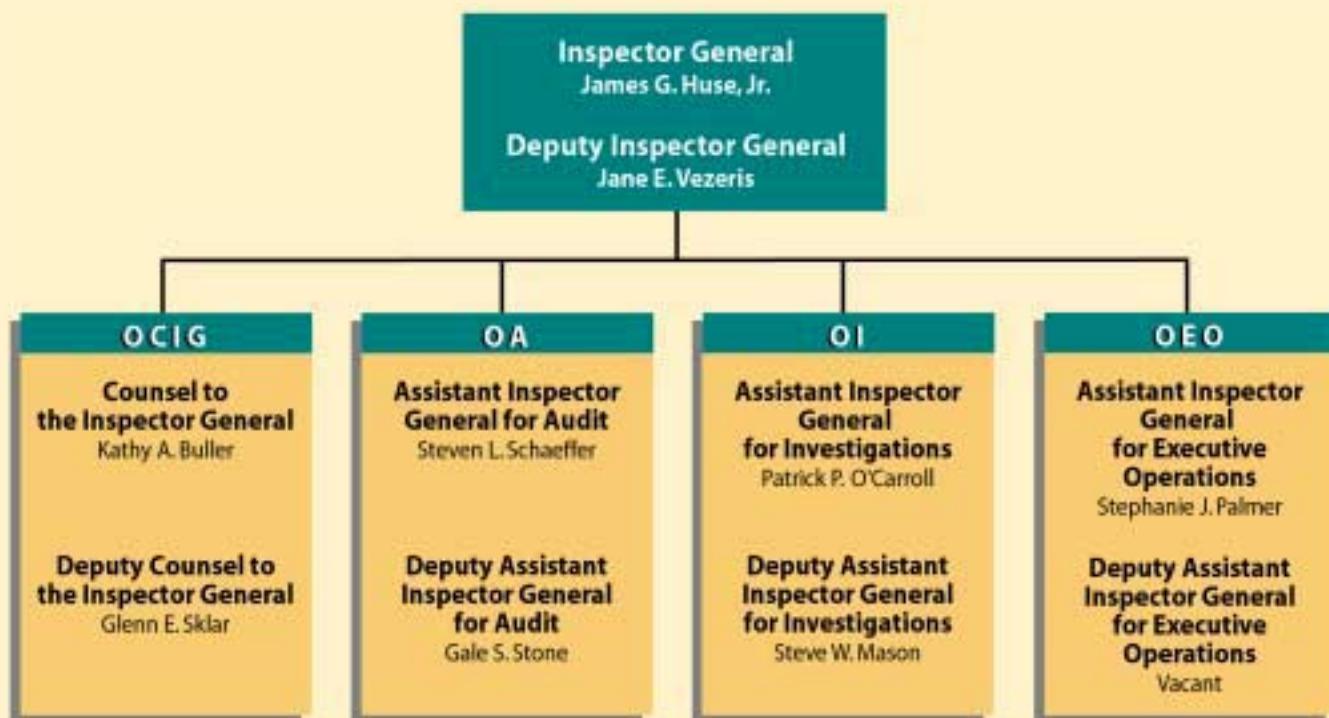
# Fight AGAINST Fraud

Inspector General's  
Semiannual Report  
to Congress



October 1, 2000  
through March 31, 2001

# Social Security Administration Office of the Inspector General



The OIG is comprised of four components: Office of the Counsel to the Inspector General (OCIG), Office of Audit (OA), Office of Investigations (OI), and Office of Executive Operations (OEO).

## Office of the Counsel to the Inspector General

OCIG reviews and evaluates legislation, regulations, and standard operating procedures in terms of their impact on program economy and efficiency or their prevention of fraud and abuse. It also 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. OCIG also administers the Civil Monetary Penalty (CMP) program, which was delegated to the OIG by the Commissioner of Social Security.

## Office of Audit

OA conducts comprehensive financial, performance, and systems audits and evaluations of 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 and projects 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.

## Office of Investigations

OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations, in accordance with the Quality Standards for Investigations published by the President's Council on Integrity and Efficiency; the SSA OIG Special Agent Handbook; and other applicable laws, policies, and regulations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and SSA employees. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

## Office of Executive Operations

OEO supports OIG by providing information resource management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this office is the focal point for the OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act. OEO is also responsible for performing internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from SSA as well as conducting investigations of OIG employees, when necessary. Finally, OEO administers OIG's public affairs, media, and interagency activities, coordinates responses to congressional requests for information, and also communicates OIG's planned and current activities and their results to the Commissioner and Congress.

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# *Mission Statement*

**By conducting independent** and objective audits, evaluations, and investigations, we improve the Social Security Administration's (SSA) programs and operations and protect them against fraud, waste, and abuse. We provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public.

# *Vision and Values*

**We are agents of positive change** striving for continuous improvement in SSA's programs, operations, and management by proactively seeking new ways to prevent and deter fraud, waste, and abuse. We are committed to integrity and to achieving excellence by supporting an environment that encourages employee development and retention, and fosters diversity and innovation, while providing a valuable public service.

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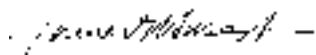
# Message From the Inspector General

I am pleased to present the Social Security Administration's (SSA) Office of the Inspector General (OIG) *Semiannual Report to Congress* for the first half of Fiscal Year (FY) 2001. This report meets the requirements of the *Inspector General Act of 1978*, as amended, and includes information that is mandated by Congress. Our work focuses on SSA's programs and operations that have the potential for widespread fraud and abuse and those that represent the most significant management challenges facing SSA.

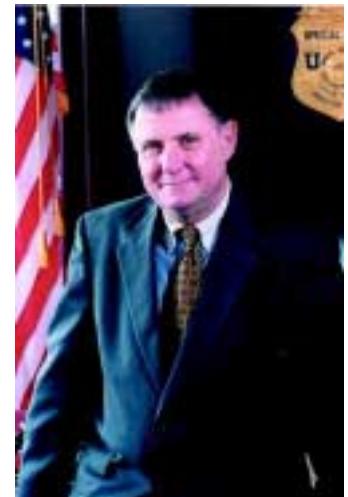
The accomplishments that are highlighted in this report result from the dedicated efforts of each member of the OIG staff. I would also like to highlight several major cases and organizational accomplishments that occurred during this reporting period. We aligned our audit and investigative activities to address the Agency's top 10 management challenges. Additionally, we expanded our SSA Fraud Hotline and our front-end fraud prevention efforts. We also shut down a multi-million dollar business that was targeting senior citizens with deceptive SSA-related mailings. This company paid penalties of over \$500,000 to the Social Security trust fund. Finally, we took the initiative on the identity theft front, hosting an all-day conference that was broadcast, in its entirety, on CSPAN.

I remain confident that OIG employees are prepared to meet the challenges that are before us with the highest level of integrity and accountability. Their efforts, individually and collectively, contribute to strengthening the integrity of Social Security programs for all Americans. I continue to be proud of our accomplishments and know they could not have been achieved without the Agency's cooperation, the support of Congress, and most of all, the dedication and commitment of all OIG managers and employees.

Sincerely,



James G. Huse, Jr.



Inspector General James G. Huse, Jr.

# Reporting Requirements

The *Inspector General Act of 1978*, as amended, specifies reporting requirements for semiannual reports. The requirements are listed below and indexed to the appropriate pages in this report.

	<b>Reporting Requirement</b>	<b>Pages</b>
Section 4(a)(2)	Review of Legislation and Regulations	N/A
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	7-46
Section 5(a)(2)	Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	7-46
Section 5(a)(3)	Recommendations Described in Previous Semiannual Reports on Which Corrective Actions Have Not Been Completed	65-68
Section 5(a)(4)	Matters Referred to Prosecutive Authorities and the Prosecutions and Convictions Which Have Resulted	7-17 28-32 34-39
Sections 5(a)(5) and 6(b)(2)	Summary of Instances Where Information Was Refused	N/A
Section 5(a)(6)	List of Audit Reports	49-50
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Section 5(a)(11)	Significant Management Decisions That Were Revised During the Reporting Period	N/A
Section 5(a)(12)	Significant Management Decisions With Which the Inspector General Disagrees	69

# Significant Activities

A constant flow of information among our auditors, investigators, and lawyers is critical to the success of our mission—to improve SSA's programs and operations and protect them against fraud, waste, and abuse. Each component of the OIG works together to effectively address each critical issue with the broad perspective that such cooperation brings. This collaboration capitalizes on staff skills and makes the most of our limited resources.

Since we in the OIG are facing the same challenges as SSA, we also need to work faster and smarter in order to get the job done and seize the benefits of technology to ensure our success. We continue to make steady progress in the fight against fraud, waste, and abuse. Our effectiveness is evidenced by the numerous accomplishments highlighted throughout this report.

This section details several of our most significant activities, including our:

- Assessment of SSA's Top Management Challenges,
- Fugitive Felon Program,
- Expansion of the Cooperative Disability Investigations Teams,
- Coordination of Identity Theft Conference,
- Fight Against Senior Scams and False Statements,
- Strengthened Capabilities for OIG Investigators,
- Partnership with U. S. Attorneys,
- Coordination of External Stakeholder Inquiries,
- Improvements at the SSA Fraud Hotline, and
- Investigative Accomplishments.

## Assessment of SSA's Top Management Challenges

Perhaps our most significant activity consists of analyzing and addressing SSA's top 10 management challenges and aligning our audit and investigative efforts along these critical issues. This year, we also redesigned our planning processes, which resulted in aligning our *FY 2001 Annual Audit Plan* along these identified management challenges. Our Audit Plan describes 134 reviews that we intend to conduct or initiate this FY in the following areas:

1. Critical Information Infrastructure
2. Disability Redesign
3. Earnings Suspense File
4. Enumeration
5. Fraud Risk
6. Government Performance and Results Act
7. Identity Theft



SSA OIG Deputy Inspector General Jane E. Vezeris works to ensure that our organization collaborates effectively when addressing critical issues.

We continue to  
make steady  
progress in the  
fight against fraud,  
waste, and abuse.

8. Representative Payee
9. Service to the Public, and
10. Systems Security and Controls.

In the *Significant Management Issues Facing SSA* section of this report, we discuss each of these challenges in more detail and summarize our related audit and investigative efforts for this reporting period.

## Fugitive Felon Program



*OIG Agents assist Federal, State and local officials in the apprehension of criminals.*

The Fugitive Felon Program (Program) was established as a result of the enactment of the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996*, Public Law 104-193, commonly known as the *Welfare Reform Act*, on August 22, 1996. Generally, this law makes a person ineligible to receive Supplemental Security Income (SSI) payments during any month in which the recipient is:

- fleeing to avoid prosecution for a crime that is a felony;
- fleeing to avoid custody or confinement after conviction, under the laws of the place from which the

person flees, for a crime, or an attempt to commit a crime, which is a felony under the laws of the place from which the person flees, or which, in the case of the State of New Jersey, is a crime of the first through fourth degree; or

- violating a condition of probation or parole imposed under Federal or State law.

On any given day, there are numerous fugitive felons who work hard at eluding justice. Unfortunately, some of these fugitives are receiving public funds that assist them in their flight. Under this Program, we identify individuals illegally receiving SSI and notify SSA so the Agency can stop payments to these individuals. We are also available to help law enforcement officials find and apprehend these criminals, since this Program allows SSA and the OIG to provide the last known address for the fugitive to other law enforcement officials.

The table below demonstrates the success of this Program during this reporting period and since its inception in 1998.

## Fugitive Felon Project Statistics

	FY 2001 Year-to-Date	Since Inception in FY 1998
Fugitives Identified	7,332	29,863
Fugitive Arrested	663	3,540
Overpayments	\$13,783,718	\$53,591,239
Estimated Savings	\$20,257,166	\$91,476,159

Not only are fugitive felons captured as a result of this ongoing effort, but States also realize program savings when they capture fugitive felons and remove them from State supplemented programs. For example, our New York Field Division entered into a joint investigative effort with the New York State (NYS) Division of Parole; NYS Welfare Inspector General; and the New York City (NYC) Department of Corrections in order to apprehend wanted parole fugitives receiving SSI payments and/or other welfare benefits.

In this 3-day off-site operation, we sent a “ruse” letter to approximately 400 fugitives, of which 36 were SSI recipients. This effort resulted in the arrest of 41 fugitives, 8 of whom were SSI recipients. The remaining 28 fugitives, who we identified as SSI recipients but were not apprehended, will have their payments stopped. SSA is calculating overpayments for the 36 individuals.

In another project under the direction of the U.S. Attorney’s Office, Eastern District of Michigan, our Chicago Field Division participated in an operation that focused on locating and arresting 400 adult and juvenile chronic violent offenders. The 3-day operation resulted in the arrest of 82 individuals, 67 of whom were receiving SSI payments. The apprehended individuals were wanted for offenses ranging from armed robbery and assault with intent to do bodily harm to criminal sexual conduct.

The continued success of this Program is reliant on using automated data

matches to compare warrant information at the Federal and State levels with SSA’s SSI rolls. To date, we have been successful in securing Memorandums of Understanding with the National Crime Information Center (NCIC), Federal Bureau of Investigation (FBI), and U.S. Marshals Service in furtherance of the goals of this Program. We worked with the FBI, whose Criminal Justice Information Services Division oversees NCIC operations, to streamline the process through which this information is collected and disseminated. To that end, the FBI expanded its infrastructure at the Information Technology Center in Fort Monmouth, New Jersey, to manage the additional workload created by this Program.

In addition, SSA has entered into computer matching agreements with New York and Baltimore City, and the States of Massachusetts, Kentucky, Nebraska, New Jersey, South Carolina, Tennessee, Washington, Alaska, Colorado, and Rhode Island. Subsequent to the end of this reporting period, SSA has also entered into computer matching agreements with the City of Philadelphia, and the States of California and New York.

## **Expansion of the Cooperative Disability Investigations Teams**

In conjunction with SSA’s Office of Disability, we administer the Cooperative Disability Investigations (CDI) teams under an Agency pilot project. These teams are comprised of OIG



*OIG special agents continuously train to maintain a variety of standard law enforcement skills.*

investigators, State law enforcement officers as well as SSA and State Disability Determination Services (DDS) personnel. These teams use their combined resources and talents to investigate suspicious initial and continuing claims of disability referred to the teams by DDS offices.

Two additional teams are set to begin full operation later this year in Massachusetts and Tennessee bringing

the total number of teams to 13. The success of the CDI Program is directly attributable to the close collaboration among OIG, SSA, DDS, Office of Hearings and Appeals (OHA), and local law enforcement staff who dedicate themselves to the vigilant stewardship of public funds and the Agency's concept of "zero tolerance for fraud."

## **Cooperative Disability Investigations Project Statistics FY 2001 Year-to-Date**

	<b>Allegations Received</b>	<b>Confirmed Fraud Cases</b>	<b>SSA Recoveries &amp; Restitution</b>	<b>SSA Savings*</b>	<b>Non-SSA Savings*</b>
<b>California</b>	160	89	0	\$5,084,748	\$3,877,440
<b>Florida</b>	27	3	0	\$162,080	\$89,512
<b>Georgia</b>	122	104	\$9,868	\$5,768,062	\$1,958,773
<b>Illinois</b>	70	26	\$5,264	\$1,590,860	0
<b>Louisiana</b>	94	23	0	\$1,365,160	\$294,500
<b>Missouri</b>	86	78	\$4,916	\$4,861,580	\$474,360
<b>New Jersey</b>	48	5	\$36,611	\$312,410	\$1,442,271
<b>New York</b>	49	35	\$36,137	\$2,231,540	\$2,459,130
<b>Oregon</b>	89	47	0	\$2,619,609	\$823,030
<b>Texas</b>	58	35	0	\$2,025,460	\$591,008
<b>Virginia</b>	71	6	0	\$399,000	\$6,779
<b>TOTALS</b>	<b>874</b>	<b>451</b>	<b>\$92,796</b>	<b>\$26,420,509</b>	<b>\$12,016,803</b>

\*SSA program savings are reported at a flat rate of \$66,500 for initial claims that are denied as a result of CDI investigations, using a formula developed by the Office of Disability. When a CDI investigation supports the cessation of an in-pay case, the SSA program savings are calculated by multiplying the actual monthly benefit times 60 months. Non-SSA savings are also projected over 60 months whenever another governmental program withholds benefits as a result of CDI investigations, using estimated or actual benefit amounts documented by the responsible agency.

## CDI Team Case Highlights

### ***Master Electrician Fraudulently Receives Social Security and Workers' Compensation Benefits***

Based on an anonymous complaint, our Atlanta CDI team investigated a man who was a licensed Master Electrician and foreman for an electrical contractor, although he claimed to be unable to work due to a back injury sustained in 1993 at his place of employment. Since 1996, he has worked or supervised work on the construction of various commercial and residential sites, and performed Government contract work at the Veterans Administration Hospital in Decatur, Georgia.

Investigators videotaped him climbing ladders, swinging sledgehammers, and carrying pipe despite his allegedly disabling back condition. During this period of employment, he collected approximately \$75,000 in Workers' Compensation benefits and more than \$14,000 in Social Security disability benefits to which he was not entitled. The man's benefits were terminated, and the criminal case will be handled by a special prosecutor.

### ***Man Runs Painting Business While Collecting Social Security Benefits***

Our Baton Rouge CDI team investigated a Louisiana man who faked multiple disabilities in order to file a false initial claim for Social Security disability benefits. The man claimed he was unable to work because of bad knees, a

heel injury, back problems, hernias, high blood pressure, prostate problems, and eye problems. He added that he was unable to drive and had difficulty walking.

The case was referred for investigation because the claimant made inconsistent statements about his work history and was seen driving himself away from the SSA office. Investigators conducted an undercover investigation during which they observed no physical impairments or limitations, in spite of the claimant's use of a walker when he appeared for a consultative examination (CE). The investigation also revealed that the claimant ran a painting business for which he and his wife did all of the work. His disability claim was denied.



*Assistant IG for Investigations, Patrick P. O'Carroll and his Deputy, Steve Mason, oversee the operation of the CDI teams.*

### ***Parole Violator Collects SSI Payments While Working at Nursing Home***

Our Chicago CDI team investigated an Illinois man who concealed work activity in order to collect more than \$39,431 in SSI payments since 1993. The man claimed he was unable to work due to affective mood disorders. DDS staff referred the case for investigation after an anonymous caller alleged fraud. Our investigation disclosed that the claimant was working at a nursing home in Chicago and had an outstanding warrant because of a probation violation.

During an interview with our investigators, the subject said he knew he was in violation of Social Security policy due to his employment and also

acknowledged the outstanding warrant. He was arrested, and his SSI payments were suspended due to his work activity and incarceration. SSA realized \$28,800 in program savings.

#### ***Woman Fakes Multiple Disabilities to Collect Disability Benefits***

Based on a DDS referral, our Oakland CDI team investigated a woman who faked multiple disabilities in order to apply for Social Security disability benefits. Our investigators found that she was working and was also on parole for an unrelated offense. A CDI investigator and the subject's parole officer interviewed the woman, who then admitted that she was working and did not really "hear voices," as she had described in her disability claim. The woman's claim was denied.

#### ***Woman Poisons Child to Obtain Disability Benefits***

Based on a referral from medical personnel who noticed suspicious blood test results, our Salem CDI team investigated a woman who poisoned her infant daughter with opiates in order to cause neurological impairments. She claimed that her daughter had severe epilepsy and filed an initial application for Social Security disability benefits.

Our investigators subsequently determined that the claimant's mother intentionally had been giving the child toxic amounts of codeine to induce seizures. Local authorities charged the mother with attempted murder, to which she pleaded guilty in October

2000, and placed the infant in the custody of relatives. Further, SSA denied the disability claim.

#### **Coordination of Identity Theft Conference**

We hosted a 1-day workshop in Washington, D.C. on October 25, 2000, which focused on identity theft prevention and public education. The workshop involved over 30 speakers from the public and private sectors. The workshop's goal was to provide the private sector, privacy rights advocates, and representatives from Congress an opportunity to discuss identity theft prevention in an open forum. Notification of this workshop was published in the Federal Register (65 F.R. 51049, August 22, 2000). CSPAN broadcasted this conference in its entirety.

#### **Fight Against Senior Scams and False Statements**

Our Office of the Counsel to the Inspector General (OCIG) administers the Civil Monetary Penalty (CMP) program, which the Commissioner of Social Security delegated to the OIG. This authority allows OIG to impose CMPs against violators of sections 1140 and 1129 of the Act.

#### **Section 1140 of the Act - Misleading Advertising**

Section 1140 of the Act prohibits the use of SSA's program words, letters, symbols, or emblems in advertisements or other communications in a manner

that falsely conveys SSA's approval, endorsement, or authorization. Each misleading communication subjects the violator to a maximum \$5,000 penalty.

Our nationwide enforcement efforts in this area send a clear message to those companies who deceive senior citizens under Social Security's good name. Tricking seniors into providing sensitive personal data, under the guise of Social Security-related services, is both reprehensible and illegal.

Employing a variety of novel legal and investigative techniques, a team of our attorneys and investigators worked with Department of Justice (DoJ) lawyers to expose, and subsequently terminate, a series of nationwide scams aimed at senior citizens. Below, we report the current period's accomplish-

ments and briefly describe one of our many successful cases.

#### ***Lead Agency, Inc. Agrees to \$595,000 CMP Settlement***

On February 20, 2001, the U.S. Attorney for the Eastern District of Texas and our Office reached an all-cash settlement in a lawsuit against Lead Agency, Inc. (Lead Agency), a multi-million dollar mail order business. Lead Agency sent deceptive direct-mail advertisements nationwide, primarily to senior citizens.

Based on the investigation conducted by our attorneys and investigators, we determined that Lead Agency's solicitations tricked seniors into thinking that its mailings originated from SSA or were approved or authorized by SSA. As a result, thousands of senior citizens provided their original signature, age, and home telephone number to Lead Agency. This sensitive information was then resold, for up to \$13 for each reply. We also determined that the company generated millions of dollars from this scam.

As a result of our efforts, Lead Agency signed an agreement to pay \$595,000 in CMPs, cease all offensive mailings, and formally dissolve the corporation. This money was paid in full to SSA. The company also agreed to a permanent injunction that prevents the company and its officers and directors from resuming such offensive conduct in the future.



*Kathy Buller, Counsel to the Inspector General, and Glenn Sklar, Deputy Counsel, guide OIG's cadre of legal experts.*

## **Misleading Advertising Section 1140 Statistics**

	FY 2001 Year-to- Date
<b>Complaints Received</b>	18
<b>New Cases Opened</b>	15
<b>Cases Closed</b>	17
No Violation	9
Voluntary Compliance	7
Settlement Agreement (# of cases/amount)	1/\$50,000
Penalty/Court Action (# of cases/amount)	0/0
<b>Number of Hearings Requested</b>	0

**Our CMP Program  
continues to grow  
as our investigative  
organization  
matures.**

### **Section 1129 of the Act - False Statements**

Section 1129 prohibits persons from making false statements or representations of material facts in connection with obtaining or retaining benefits or payments under titles II or XVI of the Act. After consultation with DoJ, OIG is authorized to impose penalties of up to \$5,000 for each false statement or representation, as well as an assessment of up to twice the amount of any resulting overpayment. This program continues to grow as our investigative organization matures.

The following table and cases highlight our results for these activities for the first half of FY 2001.

### **False Statements Section 1129 Statistics**

	FY 2001 Year-to-Date
Cases Referred from Office of Investigations	114
CMP Cases Initiated	37
CMP Cases Closed	64
CMP Penalties and Assessments	\$606,679
Number of Hearings Requested	12

### ***SSI Recipient Fails to Report Inheritance***

Our Los Angeles Field Division discovered that an SSI recipient, who had been receiving benefits for several years, had opened a trust fund for himself with inherited funds. He failed to disclose this information to SSA and made two false statements to SSA that resulted in a \$26,000 overpayment. On December 28, 2000, we settled a false statement CMP action against him, and the former SSI recipient agreed to pay a one-time, lump-sum payment of \$41,000 to SSA.

### ***First CMP Recovery Against Third-Party Facilitator***

A woman who allegedly provided false information to SSA in her capacity as an interpreter for her daughter agreed to pay a \$5,500 CMP to SSA. Her false statements, regarding residency and resource issues, resulted in a significant overpayment to her daughter. She repaid \$5,500 to SSA, and SSA continues to collect the overpayments that were made to her daughter. The impact of this case is significant—it is the first recovery against an alleged third-party facilitator under the CMP statute.

### ***Mother Deceives SSA by Concealing Income***

A mother serving as representative for her son made false statements to SSA to conceal her income while working as a nurse. As a result, she improperly collected \$6,828 in SSI payments for her

son. Because of her income, her son was never actually eligible to receive SSI. After initiating a CMP action, we obtained a \$14,328 settlement, which was paid in full.

### ***Woman Uses Two Identities to Defraud SSA***

Based on a referral from the NYS Human Resources Administration, our New York Field Division conducted an investigation of a woman who confessed to collecting Social Security and SSI payments under two identities, and making numerous false statements to SSA.

The NYC Bureau of Fraud Investigations initially identified this fraudulent activity through the Automated



Finger Imaging System, which matched the fingerprints of the subject who was simultaneously receiving public assistance and food stamps under both identities in New York. She voluntarily agreed to cooperate with SSA to repay her \$3,096 overpayment and agreed to an additional \$25,000 CMP settlement.

### **Strengthened Capabilities for OIG Investigators**

In order to enhance the capabilities of our field investigators in acquiring evidence through the use of audio and video surveillance equipment, we recently hired a Program Manager for Technical Investigative Services. Experienced law enforcement officers know

that there is nothing like having audio and video evidence when it comes to getting an indictment and conviction. The Assistant U.S. Attorneys who prosecute cases know what impact this kind of evidence can have and expect this level of sophistication from today's criminal investigators. We can now do more high-tech investigations, including court-ordered wiretaps or installation of audio/video surveillance devices for long-term surveillance. Our technical investigative specialist is available to consult with investigators and others on the most effective equipment and techniques for different scenarios.

### **Partnership with U. S. Attorneys**

In the last reporting period, we reported that we had placed attorneys in our Office of Investigations (OI) field divisions for the first time. Subsequently, one of these attorneys took on additional work as a Special Assistant U.S. Attorney, working with the U.S. Attorney's Office (USAO) in Phoenix to prosecute crimes against SSA that the U.S. Attorney does not have sufficient resources to pursue. In the first 2 months of this program, the subjects of 11 different OIG investigations were indicted for theft of government funds and related charges. An agreement is in progress to provide similar services to the USAO in Los Angeles, where the immediate focus will be on the prosecution of crimes involving identity theft and the misuse of Social Security numbers (SSN).

**Our special agents use the latest technology to conduct investigations.**



*OIG attorneys work with U.S. Attorney's Offices to prosecute crimes against Social Security.*



*Assistant Inspector General for OEO, Stephanie Palmer, oversees the administration of personnel, budget, quality assurance, public affairs, and systems support.*

## Coordination of External Stakeholder Inquiries

Within our Office of Executive Operations (OEO), the External Affairs Division (EAD) administers OIG's public affairs, media, and interagency activities; coordinates responses to congressional requests for information; and communicates OIG's planned and current activities and their results to the Commissioner and Congress. EAD works in partnership not only with OI staff, but with Office of Audit's (OA) Quick Response Team. This Team performs short-duration, time-sensitive projects that address requests from Congress, SSA management, other Federal agencies, SSA beneficiaries as well as their representatives, and members of the public.

In the first half of FY 2001, EAD responded to 62 requests for information from congressional offices; 28 requests from members of the media; and numerous letters, faxes, emails, and telephone calls from the general public.

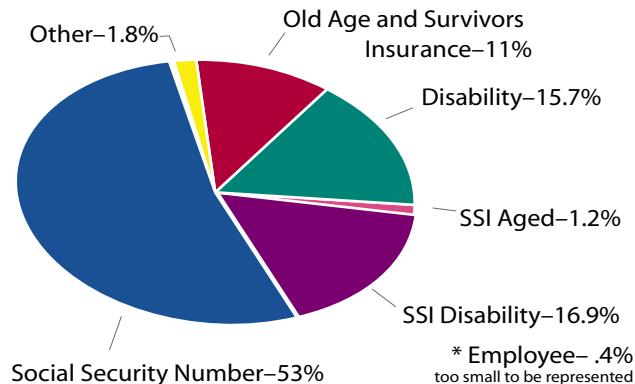
## Improvements at the SSA Fraud Hotline

Our Allegation Management Division (AMD), recipient of the President's Council on Integrity and Efficiency Award for Excellence in 2000, operates the SSA Fraud Hotline and has made great strides since its inception in the early days of the OIG. From 1 program specialist in 1995, AMD's staff has grown to a division of almost 60 employees, including program specialists, analysts, investigators, and management staff. AMD is our front line for receiving allegations of fraud in SSA programs and operations.

These allegations, plus the allegations received by our OI field divisions, come from a variety of sources and cut across SSA programs as shown in the pie charts below. So far in FY 2001, AMD's program specialists, who are the backbone of the Division, answered 45,418 telephone calls and received 11,437 allegations via correspondence, fax, or email.

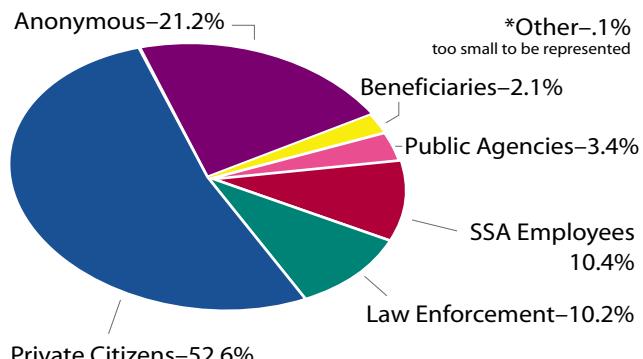
### Allegations Received by Category

October 1, 2000 through March 31, 2001



### Allegations Received by Source

October 1, 2000 through March 31, 2001



AMD is continually working to update and improve its processes. In October 2000, AMD upgraded its telephone system and added a series of call-directing and informational messages, which provide callers with useful information about our Hotline, 24 hours a day, 7 days a week in both English and Spanish.

The use of email referrals to both SSA and OI, and the electronic input and retrieval of this information has streamlined AMD's processes. Our website, [www.ssa.gov/oig](http://www.ssa.gov/oig), also offers visitors useful information about reporting fraud as well as the ability to send allegations to the Hotline via the Internet, taking the Hotline into the electronic age.

AMD's program analysts also conduct quality assurance reviews of the Hotline's efficiency and productivity. They recommend changes in organization, work methods, and allegation processing to continue improving AMD's operational efficiency.

## Investigative Accomplishments

In addition to the pie charts on the preceding page, the following tables represent the collective efforts of our OI headquarters and field divisions, including the SSA Fraud Hotline, for the first half of FY 2001.

## Investigative Statistics

	FY 2001 Year-to- Date
<b>Allegations Received</b>	53,742
<b>Cases Opened</b>	4,799
<b>Cases Closed</b>	4,657
<b>Arrests/Indictments</b>	1,460
<b>Total Convictions</b>	1,866
Criminal	807
Civil/CMP	43
Illegal Alien Apprehensions	353
Fugitive Felon Apprehensions	663

## Funds Reported

FY 2001 Year-to- Date	SSA Funds	Non-SSA Funds*
<b>Scheduled Recoveries</b>	\$9,239,876	\$186,558
<b>Fines</b>	\$283,253	\$355,772
<b>Settlements/Judgments</b>	\$2,197,895	\$5,000
<b>Restitution</b>	\$9,193,191	\$21,004,880
<b>Estimated Savings</b>	\$73,626,888	\$12,974,928
<b>TOTALS</b>	<b>\$94,541,103</b>	<b>\$34,527,138</b>
<b>GRAND TOTAL</b>	<b>\$129,068,241</b>	

\*Non-SSA Funds represent monies attributed to other government organizations and financial institutions that benefit from the results of our investigative work. All figures include funds reported for civil actions and civil monetary penalty actions.



# Significant Management Issues Facing SSA

Each year we assess the most significant management issues facing SSA. This exercise has been replicated across the Federal sector. It has been valuable in focusing congressional attention on mission-critical management problems and in serving as a catalyst for action in resolving significant issues across government. These management issues reflect discussions that we have had with SSA and include the progress SSA has made over the last year.

Though Solvency remains a concern for SSA, and while a strong economy has extended the life of the trust fund, there will not be any major solution to this problem until the President and the Congress come to an agreement. Because of this, we decided not to continue to include Solvency as part of our assessment this year. In prior years, we have also included Program Complexity as a significant issue, but removed it this year because we believe that the issue is too broad.

Based on our audit and investigative work and new legislation, we have added two issues that we believe need closer attention - Critical Information Infrastructure and the Representative Payee Program. Below we discuss each

of these management issues and our related audit and investigative work.

## **Issue 1: Critical Information Infrastructure**

As technology advances and our reliance on technology increases, the need for a strong information infrastructure becomes even more important. Along with the explosive growth in computer interconnectivity comes the ability to disrupt or sabotage critical operations, read or copy sensitive data, and tamper with critical processes. SSA's current information security challenge is to understand system vulnerabilities and how to mitigate them effectively. At SSA, this means making sure that its critical information infrastructure is secure.

Many challenges exist in obtaining and maintaining a secure critical information infrastructure. One of these challenges is the rising expectations of SSA's customers. The American public expects SSA to provide service comparable to private industry. This can only be accomplished by keeping current with technological changes.

Our audit and investigative work has disclosed weaknesses with SSA's



*We continue to address the challenges that exist in maintaining a secure critical information infrastructure.*

**SSA's current  
information  
security challenge  
is to understand  
system  
vulnerabilities  
and how to  
mitigate them.**

critical information infrastructure efforts. We recently audited SSA's Systems Security Program, and our findings indicated SSA needed to develop a more comprehensive system security plan for the mainframe and distributed computing environments, implement global email and other appropriate methods for broadcasting computer incidents, and develop sanctions for users who cause system disruptions or share passwords. Other reviews indicated that SSA needed to terminate access to critical processes when access is no longer needed and consistently perform required background checks of certain SSA employees.

Each year, we contract with a public accounting firm to audit SSA's coverage of certain critical systems and applications. The firm's findings have included the need for SSA to strengthen system password requirements and establish a security program for its Internet environment. We are also members of several critical infrastructure protection workgroups and committees that provide guidance and monitor the Agency's progress in this area.

As SSA embraces "electronic service delivery," many of its functions will be available on the Internet. With this transition, we expect that the occurrence of attempted Internet fraud and other criminal activity conducted in an automated environment will increase. We established the Electronic Crime Team (ECT) within our Critical Infrastructure Division to meet this challenge.

This Team provides technological assistance to our investigators as well as investigative assistance to the Agency in resolving intrusions into SSA's network computer systems. In addition, this Team has gained the added responsibility of identifying and addressing the exploitation of SSA's systems and electronic services.

During this reporting period, we participated in the following systems security and controls related activities:

- Sponsored computer intrusion training for members of ECT and an SSA employee from the Division of Network Engineering responsible for firewall configuration and security issues;
- Provided a workshop presentation at the SSA National Systems Security Conference on hackers, their motivation, and techniques;
- Continued to participate on an OIG-wide computer intrusion workgroup to share information and provide investigative support to the OIG community;
- Worked with the Security Specialty Division, Federal Law Enforcement Training Center, to develop a curriculum for law enforcement training for critical infrastructure protection; and
- Established liaison with law enforcement and Department of Defense agencies to exchange early warning information on physical and cyber threats.

During the reporting period, we also completed the following review.

### ***Information Technology Capital Planning and Investment Control Process at SSA***

The objective of this audit was to evaluate SSA's information technology (IT) capital planning and investment control process for compliance with the Clinger-Cohen Act of 1996 (CCA). The purpose of CCA was to promote improvements in the use of IT to support Agency missions and improve Agency management processes for acquiring and managing IT investments. Agency responsibilities defined in CCA include: (1) capital planning and investment control; (2) performance/results-based management and reporting requirements; (3) appointment of an Agency Chief Information Officer (CIO); and (4) exception reports on major IT acquisitions that have significantly deviated from cost, performance, or scheduled goals.

In February 1997, the General Accounting Office (GAO) issued guidance to all Executive Branch agencies for evaluating IT investment decision-making for implementing CCA and other major legislation. While SSA is not required to, and has not adopted this guidance, the Federal CIO Counsel has endorsed this guidance as a "best practice" for implementing CCA. The guidance provides a three-phase process (Selection, Control, and Evaluation) for capital planning and IT investments.

SSA has taken several steps to improve its IT capital planning and investment control process for compliance with CCA. However, SSA's IT capital planning and investment process did not fully support a capital planning and investment control process, as envisioned by GAO and the Federal CIO Council. SSA needs to make additional Agencywide improvements, in the Selection, Control, and Evaluation phases of its IT investment process.

In response to our draft report, SSA plans to explore more systematic risk modeling procedures for proposed IT projects by:

- Evaluating decision support software;
- Re-examining the IT Investment Portfolio System as a tool to collect, analyze and report IT project accountability information;
- Establishing more detailed policies and procedures for conducting post-implementation reviews in 2001; and
- Performing post-implementation reviews on appropriate IT projects.



*Assistant Inspector General for Audit, Steve Schaeffer and his Deputy, Gale Stone, oversee our Office of Audit.*

### **Issue 2: Disability Redesign**

SSA manages two large Federal programs that pay monthly benefits to qualified individuals with severe disabilities—the Disability Insurance (DI) and SSI programs. In the 3-year period between FYs 1991 and 1993, initial claims for these benefits climbed by

## We continuously monitor SSA's transition to electronic service delivery.

almost one-third, from 3 to 3.9 million. SSA began experiencing difficulty processing disability claims in a timely manner. Moreover, as many as two-thirds of claimants who filed an appeal eventually received a favorable decision at the hearing level, which could indicate potential problems with either initial or appellate decisions and raises questions about the fairness and efficiency of the process. SSA concluded that the best approach to effectively respond to these problems was to fundamentally overhaul the way in which disability claims are processed to decide whether or not a claimant was eligible for disability benefits.

To that end, SSA embarked on an ambitious series of initiatives to improve its accuracy and customer service. Its *Disability Redesign Plan* was issued in September 1994. With its redesign plan, SSA hoped to achieve five goals that would improve the process. The plan originally included 83 initiatives to be accomplished over 6 years.

In a 1996 report, GAO concluded that SSA's plan was overly ambitious. At that time, SSA had made little progress toward meeting its goals, could not show positive results, and faced difficulty obtaining and keeping support of some stakeholders. In response, SSA issued a scaled-back redesign plan in February 1997, which focused on eight key initiatives to be accomplished within 9 years.

SSA's current plan entitled, *Social Security and Supplemental Security Income Disability Programs: Managing*

*for Today, Planning for Tomorrow*, was issued on March 12, 1999. The plan had four broad goals: Improve the Disability Adjudication Process; Enhance Beneficiaries' Opportunities to Work; Safeguard the Integrity of Disability Programs; and Improve the Knowledge Base for the Next Century.

In August 1999, SSA published plans to improve the hearings and appeals processes. SSA designed the Hearings Process Improvement and the Appeals Process Improvement plans to expedite OHA processes for appealed cases and to reduce backlogs.

SSA began implementing its Electronic Disability (eDib) System in the Spring of 1999. The eDib System is the Agency's technological approach to automating the disability claims process. SSA is also designing a unified quality assessment process to measure the accuracy of decisionmaking throughout the disability adjudication process. We have been periodically monitoring the electronic service delivery aspects of eDib through various SSA steering committees and we will assess the success of these initiatives as they are implemented.

During the reporting period, we also conducted the following audit.

### ***Use of Sanctioned Medical Providers by State DDS***

The objectives of this audit were to determine whether: (1) State DDS procedures were adequate to ensure exclusion of sanctioned medical providers (SMP) from performing CEs for dis-

ability determinations and (2) on a test basis, SMPs are performing CEs.

To ensure the integrity of disability determinations under the DI and SSI programs, Federal regulations require SSA to establish effective procedures to preclude the use of SMPs in performing CEs. DDS adherence to these procedures is critical to ensure that CEs used in evaluating claimants' disabilities are obtained only from non-SMPs. SSA needs to ensure that it has effective procedures in place to prevent SMPs from performing CEs. To address these issues, we recommended that SSA:

1. Establish an SMP list to be used by DDSs that identifies all SMPs;
2. Instruct DDSs to:
  - (a) review the SMP list for SMPs practicing in communities near and across the borders of neighboring States;
  - (b) check treating physician status on the SMP list when it performs CEs;
  - (c) verify medical licenses of CE providers with the State Medical Board;
  - (d) submit the names of new CE providers to the SSA regional office for the Federation of State Medical Boards credentials check; and
3. Provide DDSs with instructions for identifying SMPs employed by clinics and other medical businesses where CEs are purchased.

SSA agreed with Recommendations 2 and 3, but SSA did not agree with Recommendation 1. SSA stated that

the Department of Health and Human Services' Office of Inspector General (HHS-OIG) SMP list was the source of the General Services Administration (GSA) list and the discrepancies we identified were most likely the result of differences in the time periods covered by the two lists. SSA also stated that creating a third list would result in duplication of efforts.

In our reply, we did not concur with SSA's conclusion that discrepancies between the HHS-OIG list and the GSA list were the result of timing differences. However, we recommended that if SSA does not create its own list, SSA should periodically compare the HHS-OIG and GSA lists to ensure that all SMPs appearing on the GSA list are included on HHS-OIG's list.

### **Issue 3: Earnings Suspense File**

SSA's Earnings Suspense File (ESF) represents a major management challenge because it continues to grow in size each year. The ESF primarily consists of wage items and the associated record of wages employers submit to SSA that are put into suspense because the name and/or SSN does not match validation criteria within SSA's systems.

One of the major concerns is that suspended wages may affect an individual's eligibility for and the amount of retirement and disability benefits. Another concern is the amount of resources and the additional cost required to match wage information to its proper account. Finally, the ESF is

**Wages that are  
not credited to  
the proper  
account may  
affect an  
individual's  
future benefits.**

**The growth of  
the ESF is  
indicative of a  
nationwide  
problem that  
affects many  
Federal  
programs.**

indicative of a nationwide problem of potential fraud and misuse that not only affects SSA programs but transcends to other Federal entities, such as the Internal Revenue Service (IRS) and the Immigration and Naturalization Service (INS).

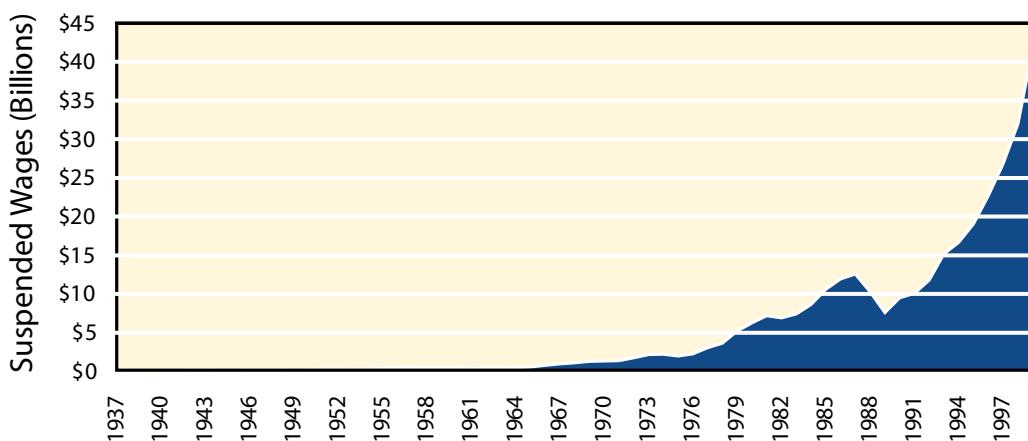
Although SSA correctly posts over 99 percent of all wages received to individual earners' accounts, the remaining wages with name and/or SSN inaccuracies accumulate in the ESF. Between 1937 and 1999, the ESF grew to about 227 million reports of individual earnings representing about \$333 billion in wages. Since 1990, the ESF has increased from 3.5 million wage items and \$9.5 billion in wages, to 8.4 million wage items and \$41.6 billion in wages in 1999, as of this reporting period. Over the past 5 years, this has resulted in the ESF growing at an average of 6.5 million wage items and \$28 billion, annually. Employer and employee errors in reporting wages

have been the main causes of the ESF's growth and size.

SSA developed a key initiative containing an overall strategy and several individual projects designed to reduce the ESF's rate of growth and size. We have already reported on SSA's numerous projects under the key initiative, such as updated earnings system edit routines, letters to employers and employees to correct invalid information, and various pilots. However, the changes called for in the key initiative are long-term, and several factors, both internal and external to SSA, hinder the efforts with the most potential to reduce the ESF's size and growth.

Some of the internal factors include: (1) SSA has placed a higher priority on other automated systems development and (2) SSA has not linked available information in its database to identify chronic "problem" employers who continually submit annual wage reports with multiple errors. SSA stated in its FY 2001

**Status of the Earnings Suspense File  
(Tax Years 1937–1999)**



Annual Performance Plan (APP) that it still needs to improve coordination among the more than 60 SSA data files containing information about employers, employees, and associated wages.

External factors include other Federal agencies with separate yet related mandates. SSA will need to coordinate with the INS and the IRS to improve the quality of wage data provided by employers. For example, the INS monitors those industries that hire transient employees who may not have proper work authorizations whereas the IRS can assess penalties on employers who continue to submit erroneous wage information to the Government.

In addition to our ongoing audits this reporting period, we also briefed congressional staff and the Social Security Advisory Board (SSAB) on the status of the ESF. In our presentation to congressional staff, we discussed the continued growth of the ESF, noted the various processes SSA has in place to resolve invalid wage reports, and highlighted our work to assist SSA with ESF issues. In a separate briefing to the SSAB, we again highlighted ESF trends and discussed our earlier recommendations to SSA where we stressed inter-agency cooperation as well as steps SSA could take to reduce the size and growth of the ESF.

## **Issue 4: Enumeration**

One of the key elements SSA employs to effectively administer the Nation's Social Security system is the SSN. SSA refers to the process of assigning SSNs

to individuals as enumeration. The enumeration area also includes issuing replacement cards to people with existing SSNs and verifying SSNs for employers and other Federal agencies.

In FY 2000, SSA issued over 17 million original and replacement SSN cards.

The magnitude of SSA's enumeration area and the importance placed on SSNs in today's society provides a tempting motive for many unscrupulous individuals to fraudulently acquire an SSN and use it for illegal purposes. Given today's technological advances, motivated individuals can counterfeit official documents with surprising accuracy. To effectively combat these criminals and reduce the occurrences of fraudulent SSN attainment, SSA must employ effective front-end controls in its enumeration process.

As noted by Congress and other Federal agencies, the SSN plays an integral role in the commission of identity fraud crimes. Unfortunately, once an SSN is assigned, regardless of whether it is later learned the SSN was fraudulently obtained, the number can be used as a "breeder document" to commit further crimes. Therefore, detecting fraudulent documents before SSNs are assigned is an essential step in reducing the number of identity fraud crimes.

We understand SSA has a difficult task in balancing customer service and



**We are working  
with SSA to  
implement a  
number of  
initiatives to  
detect and  
prevent  
enumeration  
fraud.**

security. However, we believe that SSA has a duty to the American public to safeguard the integrity of SSNs. In response to two previous reports we issued, SSA confirmed its strong commitment to eliminating opportunities for fraud within the enumeration process. We commend many of SSA's initiatives to address these vulnerabilities. However, we continue to believe further action is necessary.

To promote further fraud prevention activities, OI is working with SSA to develop systems applications to interrupt the enumeration process if fraud is detected and to further educate SSA staff to detect counterfeit documents. For example, based on recommendations from prior OA reports, we are working on a project with SSA to improve its Modernized Enumeration System. Part of this project is to develop a procedure to detect fraud in the application process to identify parents who enumerate an improbable number of children within a set time frame. When this project is operational, SSA will stop the SSN card issuance process and refer the case to OIG for investigation.

OI is also working with SSA to refine the Comprehensive Integrity Review Program (CIRP) module that identifies multiple SSN cards being sent to an address in a particular time period. The CIRP referral process was responsible for initiating an investigation in Florida that identified over 225 false identities that a group of conspirators created over the past year. The investigation revealed that this group

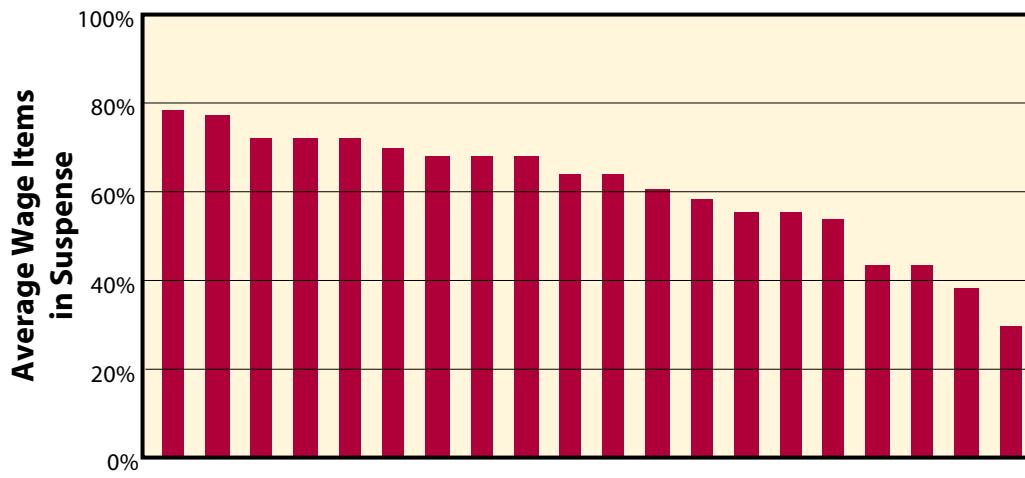
operated an identity fraud enterprise and presented hundreds of false applications with counterfeit identity documents to SSA for new or replacement SSN cards. The group then sold these cards to third parties to facilitate other criminal offenses.

Our auditors also issued the following audit related to the integrity of the enumeration process this period.

***Obstacles to Reducing SSN Misuse in the Agriculture Industry***

The purpose of this audit was to assess the potential for misuse of SSNs within the agriculture industry. SSN misuse often occurs when an individual provides an employer with an SSN that either has (1) never been issued or (2) already been assigned to another person. Individuals use SSNs illegally for a variety of reasons, one of which is to obtain employment. SSA efforts to address SSN misuse require coordination with, and/or assistance from, other Federal agencies such as the IRS and the INS.

The extent of SSN misuse in the agriculture industry cannot be precisely quantified; however, based on our interviews with agricultural employers, growers associations, and SSA senior staff, we believe it is widespread. For example, for Calendar Years 1996 through 1998, the 20 agricultural employers we reviewed in California and Florida submitted over 150,000 wage items of which employees' names and/or SSNs did not match SSA records. About 6 of every 10 wage items



### Top 20 Agriculture Employers

submitted by these employers did not match SSA's records. These items represented almost \$250 million in suspended earnings over the 3-year period.

We also identified various types of reporting irregularities. During our review period, 2 employers submitted over 7,000 SSNs that SSA had never issued. Another employer submitted over 900 duplicate SSNs over the 3-year period. While we recognize there are legitimate reasons why a worker's name and SSN may not match SSA's files, such as name changes, we believe the magnitude of erroneous or incorrect wage reporting is indicative of SSN misuse. SSA senior staff acknowledged the intentional misuse of SSNs by non-citizens not authorized to work is a major contributor to the growth of the ESF.

To its credit, SSA recognizes the impact SSN misuse has on its programs, including the growth of the ESF, and has identified a number of initiatives to reduce such activity. Despite these efforts, significant obstacles to

reducing SSN misuse and growth of the ESF remain. Resistance on the part of employers to participate in Enumeration Verification System (EVS), and IRS' reluctance to impose existing civil penalties against employers who submit inaccurate wage reports, have hampered SSA's ability to combat SSN misuse.

Furthermore, privacy and disclosure issues (that is, the sharing of ESF information) have limited collaborative efforts between SSA and INS. In addition, although SSA senior staff told us that noncitizens without work authorization account for a significant portion of suspended wage items, SSA's key initiative for reducing the growth and size of the ESF does not adequately address this issue.

SSN misuse within the agriculture industry represents millions of dollars in wages that cannot be associated with workers' earnings records. Given the large number of erroneous wage items submitted by agricultural employers, we believe SSA should take preemptive and preventive measures to ensure the

integrity of the SSN. Ultimately, the success of SSA's efforts will depend on the priority it places on prevention and detection of SSN misuse and how successful it is in obtaining assistance and support from IRS and INS.

In prior reports, we made recommendations to help reduce growth of the ESF. In addition to the previously suggested initiatives, we recommended that SSA:

1. Expedite implementation of the initiative to improve communication of name and/or SSN errors to employers and employees;
2. Seek legislative authority to provide SSA the authority to require chronic problem employers to use EVS;
3. Collaborate with INS to develop a better understanding of the extent that immigration issues contribute to SSN misuse and growth of the ESF;
4. Re-evaluate its application of current disclosure laws or seek legislative authority to remove barriers that would allow SSA to share information regarding chronic problem employers with INS; and
5. Establish performance goals and measures in accordance with the *Government Performance and Results Act of 1993* (GPRA) that track SSA's success in reducing the growth and size of the ESF.

In its response, SSA agreed with Recommendation 1 and has begun implementation. SSA disagreed with Recommendation 2 and stated that IRS

already has the authority to penalize employers who do not comply with wage reporting requirements. SSA also disagreed with Recommendation 4, because SSA did not see the need to re-evaluate its disclosure policies or seek legislation in this area. To address Recommendation 5, SSA agreed a performance measure may be appropriate and plans to evaluate how it can incorporate such a measure. SSA did not address Recommendation 3 concerning collaboration with INS.

We continue to believe it is important that SSA seek legislative authority to require employers who submit inaccurate wage reports to use EVS. By doing so, SSA could assist IRS in its efforts to apply penalties by providing them with evidence to show an employer knew, or should have known, its employees' SSNs were incorrect. Furthermore, until SSA requires these employers to use EVS and holds them accountable for their actions, we do not believe employer wage reporting will significantly improve. We also continue to believe that SSA should collaborate with INS to determine the extent to which immigration issues contribute to these problems.

## **Issue 5: Fraud Risk**

As SSA's payments to beneficiaries approaches half a trillion dollars annually, its exposure to fraud increases proportionately. Quite simply, many unscrupulous individuals target SSA's disability and retirement programs to secure funds for their own personal



The IG and the Deputy IG lead SSA's fight against fraud, waste, and abuse.

gain. OIG employees actively fight fraud in the SSI program, Old Age, Survivors, and Disability Insurance (OASDI) programs, SSN integrity area, and employee fraud area through a wide range of activities.

Due to space limitations, this issue area focuses on a subset of the overall fraud universe, specifically, on payments to deceased individuals and employee fraud. For information on Identity and related SSN Misuse fraud, please see Issue 7. Other OIG fraud prevention efforts are discussed in our ***Significant Activities*** section of this report.

## **Payments Made to Deceased Individuals**

Our office, in conjunction with SSA, has taken aggressive action to stop erroneous payments to deceased individuals. This includes front-end detection of these improper payments, controls to prevent such payments, and detailed investigations to locate wrongdoers when the system breaks down. While SSA has many competing demands for its finite resources, we believe that paying the right person the right amount of benefits is paramount. Payments made to deceased individuals undermine public trust and confidence in SSA's programs.

OI aggressively pursues allegations related to the diversion of benefit payments intended for SSA beneficiaries. In addition, we have added concerns about the diversion of benefits after the death of the intended benefit recipient.

These types of cases expose two potential problems—why the checks were issued after death of an individual and who diverted the payments.

### **BIC “D” Pilot Project**

During this reporting period, we initiated a new national operation focusing on deceased auxiliary Social Security beneficiaries who are in current payment status, even though a date of death is posted to SSA's records. The project is known as BIC “D,” signifying Beneficiary Identification Code “D” for widows and widowers.

This project originated when one of our investigators identified a possible problem in SSA death records. Based on this information, our investigators and auditors conducted a pilot project during which they identified all current BIC “D” beneficiaries residing in the New England Region with a date of death posted to the Agency's Numident records. The Numident is a history file that contains information on all valid SSN applications since 1936. Deaths are typically noted on the Numident file only. Overall, this pilot project resulted in the identification of 29 deceased individuals who were overpaid more than \$700,000.

Based on the success of the pilot project, OI launched a national operation. OI identified 2,934 subjects who were considered likely to be deceased and in current pay status based on a records match of SSA's payment records against its Numident files. Currently, our investigators are working with SSA

**Our office focuses  
on front-end fraud  
detection in order  
to ensure that SSA  
pays the right  
person the right  
amount of  
benefits.**

field offices (FO) to verify the deaths, take administrative action, and open investigations, if appropriate. If the beneficiary is alive, our investigators will notify the local SSA FO that the Numident record is in error.

As of March 31, 2001, OI opened 748 cases and identified \$2.8 million in fraud loss, \$935,586 in scheduled/actual recoveries, and \$5.7 million in projected savings. It is anticipated that some of the more egregious cases will be presented for criminal prosecution. Numerous cases involve dormant bank accounts; however, there have been separate instances of actual recoveries exceeding \$40,000 and \$50,000 in checks, many still in their original envelopes.

To improve SSA's computer systems and correct errors, results are being shared with SSA, at both the national and local levels. OA is also focusing on a file of 2,835 individuals, with a date of death posted on their records, who were considered likely to be alive and whose records would therefore need correction.

### **Other Payments to Deceased Individual Cases**

The following fraud cases highlight where payments were made to deceased individuals for extended periods.

#### ***Man Receives Dead Uncle's Benefits for Over 18 Years***

Based on a referral from the SSA Office in Glendale, Arizona, our Los Angeles Field Division investigated a man who

was fraudulently receiving and converting for his own use his uncle's Social Security benefits, even though his uncle died March 26, 1979. From March 1979 through February 1997, the man accessed over \$140,000 of his deceased uncle's benefits that were direct deposited into a joint bank account. The man was ordered to pay full restitution of \$143,693 to SSA.

#### ***Woman Makes Great Efforts to Conceal Mother's Death***

Based on a referral from the Milwaukie, Oregon, SSA Office, our Seattle Field Division, with assistance from the U.S. Postal Inspection Service, investigated a woman who failed to report her mother's death. The woman continued to collect her mother's Social Security benefits and actively concealed the death from SSA by changing her mother's mailing address and bank accounts. The \$92,390 in benefits intended for the woman's mother continued to be direct deposited after her death in November 1982, through October 1996. She was incarcerated and ordered to pay \$81,624 restitution to SSA.

#### ***Son Cashes Dead Mother's Benefit Checks for Over 6 Years***

In this case, our Seattle Field Division determined that a woman had died in December 1992. Her son, having power of attorney, continued to receive and cash her monthly retirement checks. He fraudulently cashed checks totaling \$87,604 from January 1993 to



*Our agents work closely with SSA's field office staff to develop evidence in criminal cases.*

June 2000. He was incarcerated and ordered to pay full restitution to SSA.

### ***Dead Beneficiary Continues to Receive Payments for Over 10 Years***

Our Chicago Field Division initiated an investigation in response to a newspaper article that reported that a 45-year-old man, best described as a hermit, was carrying a knapsack containing over \$150,000 in cash when he was arrested. The Akron, Ohio, Police Department discovered the man's dead parents in his home. His father had been dead for over 10 years, and his mother had been dead for approximately 1 month.

Our investigation established that the father was still receiving benefits, and that his death was never reported. Although the man was found not mentally capable of standing trial, a \$100,000 Federal Civil Judgment was entered against his parents' estate. We recovered \$6,784 from a family bank account and the City of Akron was ordered to pay the remainder owed to SSA from the \$150,000 that was confiscated from the son. SSA also realized \$68,400 in program savings.

## **Employee Fraud**

Although most of SSA's over 60,000 employees are trustworthy and dedicated civil servants, we remain vigilant knowing that a few corrupt employees can compromise the integrity of the Social Security system and undermine the public's confidence in SSA's programs. Due to the potential for wide-

spread abuse, the detection of employee fraud is an investigative priority although it comprises the fewest number of allegations and cases.

One employee working alone or with co-conspirators can corrupt SSA's systems, cause financial losses to the trust fund, coerce claimants and other employees, and undermine the integrity of SSA's programs. During this reporting period, we opened 54 new employee investigations, closed 55 employee investigations, arrested 7 employees, secured indictments of 5 employees, and participated in judicial actions that resulted in the conviction of 10 SSA employees. The following highlights two of these cases.

### ***SSA Employee Involved in Conspiracy to Sell SSNs***

Based on a referral from the Lawrence, Massachusetts, Police Department, our Boston Field Division determined that an SSA employee was involved in a conspiracy to sell SSN cards. The investigation established that the employee fraudulently issued and sold approximately 250 SSNs, to a co-conspirator.

The employee falsified information on applications for SSN cards and her co-conspirator paid her \$50 in advance for each card ordered. The co-conspirator then resold the cards for between \$100 - \$400. The employee was terminated from her position, sentenced to supervised release and ordered to pay a special assessment fee of \$2,100. She was also ordered to undergo mental

**Employee fraud remains an investigative priority even though it represents a small portion of our allegations and cases.**

**We developed a  
3-year GPRA Work  
Plan to review  
SSA's  
implementation of  
GPRA.**

health treatment. Her co-conspirator was sentenced to home detention.

***Employee Submits Bogus Relocation Expenses***

Based on information received from SSA's Division of Travel Management, our Philadelphia Field Division investigated two SSA employees involved in submitting bogus relocation expenses. One employee submitted bogus hotel receipts for lodging in Maryland for her husband, who was living and working in North Carolina on the dates in question. This employee also submitted a relocation expenses totaling \$11,500, which included a \$5,000 penalty for a lease termination. Another employee, from OHA, provided a false affidavit corroborating the lease termination penalty.

Our investigation found that a State Department employee who was working in Saudi Arabia owned the property the employee allegedly leased. Our agents confirmed with the owner that the employee had never leased the property. Subsequently, the OHA employee recanted her statement and agreed to cooperate with our agents.

The employee who submitted these bogus claims resigned from her position and SSA withheld \$2,803 from her retirement funds. At sentencing, the employee repaid \$3,500 and was ordered to pay \$6,297 to SSA.

**Issue 6: Government Performance and Results Act**

In accordance with GPRA, SSA has set forth its mission and strategic goals in its 5-year strategic plan, established yearly targets in its APPs, and reported on its performance in annual performance reports. We conduct audits to assess the reliability of SSA's performance data and assess the development of SSA's performance plans, reports, indicators, and goals. To that end, we developed a 3-year *GPRA Work Plan* (see Appendix A) to review SSA's implementation of GPRA.

Since FY 1999, we issued reports on the sources of the data used to measure SSA's FY 1999 performance indicators and on SSA's APP. We also issued reports on the reliability of the data used to measure 21 of SSA's performance indicators. Our work concluded that SSA has demonstrated a commitment to implement GPRA and has improved the usefulness of its APP.

Our work also identified areas that SSA can improve. For example, SSA has not established performance indicators for all of its major management challenges. We have also identified weaknesses in the data SSA uses to measure some of its performance indicators, which affects SSA's ability to reliably report on its performance.

Our continued efforts in this area will help identify and correct weaknesses in SSA's performance data where they exist. Our work to date has helped

improve SSA's APP and its ability to reliably report on its performance. Our future work will allow us to continue to play a positive role and help improve SSA's planning and performance monitoring.

During this reporting period, we conducted the following reviews.

#### ***Performance Measure Review: Reliability of the Data Used to Measure the Timeliness of Processing SSI Disability Claims***

In this review, we found the data used to measure the percent of SSI disability claims processed were reliable. However, a control weakness in the routing of claim data existed. In addition, SSA used percentages instead of claim volume when calculating cumulative monthly statistics and lacked performance measure documentation.

Accordingly, we recommended that SSA take the following corrective measures, and are pleased to report that SSA agreed to implement them:

1. Exclude duplicate claims from the calculation of the performance measure statistic;
2. Perform a validation test on both the input to and output from the Exception Control System to ensure that no claims are being excluded;
3. Use claim volume when combining monthly statistics to calculate an average for the cumulative performance measure;
4. Provide an adequate audit trail to document the processes involved in

the generation and accumulation of the performance measure; and

5. Establish policies and procedures for the retention of performance measure documentation.

#### ***Management Advisory Report: Performance Measure for the Percent of the Continuing Disability Review Multi-Year Plan Completed***

This review assessed the reliability of the data SSA used to measure the percentage of the CDR multi-year Plan completed by the end of FY 1999. In August 1996, SSA issued a 7-year plan for processing CDRs to meet the provisions of Public Law 104-121. In March 1998 and May 2000, SSA updated the multi-year plan to reflect changing conditions as a result of additional workloads, new legislation, new data, and revised assessments. The new plan estimates that 9.3 million CDRs will be completed between FYs 1996 and 2002.

We were unable to audit this performance measure since SSA was unable to provide complete baseline data used in preparing the plan. SSA staff told us that, in July 1997, the Office of Disability prepared a data file representing everyone currently on the disability rolls who was eligible for a CDR. This would include everyone within the DI and SSI programs unless they were part of one of the exempted categories, such as disabled adult children age 65 and over.

This data file provided the baseline information on individuals at the start



*OIG auditors assess the reliability of SSA's performance data.*

of FY 1998 and was used in preparing the March 1998 CDR multi-year plan. However, when we requested a copy of this file, we were told the data file had expired after 2 years on SSA's mainframe computer system. While SSA's reported statistics indicate a high level of CDR productivity, SSA was unable to provide the information requested to test the reliability of the CDR multi-year plan. GPRA requires agencies to provide a basis for comparing actual program results with the established performance goals. We recommended and SSA agreed that, in future periods, SSA will:

- Maintain records for at least 3 years to support those individuals eligible for CDRs as part of its GPRA goal so that a third party can fully assess the reliability of SSA's reporting; and
- Consider a new performance indicator for the CDR backlog to ensure that SSA has an annual measure consistent with CDR legislative requirements that will remain meaningful beyond FY 2002.

## Issue 7: Identity Theft

One of the fastest growing trends is the misuse of SSNs to commit crimes, particularly in the area of identity theft. Identity theft is the deliberate use of another person's name and other identifying information to commit theft or fraud or to access confidential information about an individual. Originally, the SSN's sole purpose was to provide a

method for SSA to accurately record each U.S. worker's earnings. Despite this narrowly drawn purpose, use of the SSN as a general identifier in record systems has exploded. The SSN has been adopted for numerous other purposes so that, today it is the single most widely used identifier for Federal and State governments as well as the private sector.

The expanded use of the SSN has given rise to individuals acquiring and using counterfeit SSNs and SSNs belonging to other individuals for illegal purposes. Individuals use stolen and counterfeit SSNs to obtain employment, establish credit, and defraud Federal programs, including the Social Security and SSI programs.

Individuals also misuse SSNs to conceal their true identity while committing a variety of other crimes. Often, these crimes affect innocent victims and cause tremendous losses to these individuals, as well as to the Government and private sector. For example, in May 1998, the GAO reported that 10 large banks lost \$20 million each as a result of credit card fraud in which SSNs were misused to activate stolen credit cards.

The public expects that the Government will prevent SSN misuse and provide the necessary remedies for those that are victimized. The public's growing concern is reflected in the large number of allegations the SSA Fraud Hotline receives. In the first half of FY 2001, we processed over 54,000 allegations, 53 percent of which involved the misuse of an SSN. We



*The IG continues to fight against the improper use and sale of SSNs.*

anticipate that this number will continue to grow unless SSA and Congress take firm action to regulate the uses of SSNs.

To this end, OCIG continues to work closely with OI and OA to identify potential solutions to help fight this growing problem. OCIG continues to recommend the expansion of CMP authorities to strengthen penalties for the improper sale or misuse of SSNs. While implementing laws to regulate the use of the SSN is by no means an easy task, it becomes increasingly daunting with each passing day and each new use (or misuse) to which SSNs are subjected.

Effective March 28, 2001, Public Law 106-578, the *Internet False Identification Prevention Act of 2000* (IFIPA) amends 18 U.S.C. 1028 to strengthen Federal law regarding false identification documents by addressing the increased usage of the Internet and computer technology in the creation and proliferation of false identification documents.

This legislation closes the loophole in Federal law that allowed the production and distribution of identification documents by anyone as long as they were marked with an appropriate disclaimer. The new provision provides that only those operating under the authority of a governmental entity may issue a document typically accepted for identification purposes. IFIPA will be an effective tool to pursue those who traffic in counterfeit SSN cards.

Furthermore, since the passage of the *Identity Theft and Assumption*

*Deterrence Act of 1998* (Public Law 105-318), we have taken a proactive approach in the investigation of these crimes, and OI's AMD has played a major role in this endeavor. Last year, we entered into a Memorandum of Understanding with the Federal Trade Commission's (FTC) Bureau of Consumer Protection to refer SSN misuse and identity theft allegations received by AMD to the FTC Identity Theft Data Clearinghouse, which is the FTC's national database of identity theft complaints.

Sharing these allegations will not only improve our and the FTC's ability to assist victims, but will also improve the law enforcement community's efforts in the detection of individuals committing identity theft crimes. Since our primary mission is to protect the integrity of SSA's trust fund, we focus most of our investigative efforts on identity theft cases that will result in a direct benefit to the trust fund.

However, 53 percent of all our fraud allegations represent SSN misuse cases that do not directly affect SSA's trust fund. Faced with this daunting situation, we continuously seek innovative ways to prevent SSN misuse and seek to create collaborative partnerships with other Federal, State, and local entities to pool our resources to battle this epidemic. In order to maximize our investigative resources, our agents initiated SSN Misuse Task Force pilot projects. There are currently seven pilot projects located in Baltimore, Maryland; Seattle, Washington; Chicago, Illinois; Cleveland, Ohio; Detroit,

**We continuously seek proactive and innovative ways to prevent SSN misuse.**

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**We currently have  
seven SSN Misuse  
Task Force pilot  
projects  
underway.**

Michigan; Milwaukee, Wisconsin; and St. Louis, Missouri.

To facilitate these projects, our agents adopted lead roles in organizing and coordinating activities with Federal, State and local law enforcement agencies. In addition, our Los Angeles Field Division is participating in a West Coast identity theft project that is underway through the Los Angeles County Sheriff's Office. During the first half of FY 2001, these Task Forces opened 47 investigations and closed 89 other investigations, which resulted in 118 Federal and State convictions. The following cases highlight both SSA program-related cases and other SSN misuse investigations.

***Man Assumes Identity of Former Roommate to Obtain Benefits***

Our Cleveland, Ohio Identity Theft Task Force investigated a man who, for approximately 20 years, assumed the identity of a former roommate. He fraudulently used the man's identity to collect SSA disability benefits, Veterans Affairs benefits, and Department of Education benefits, as well as to enlist in the U.S. Army. He also received SSA disability benefits in the name of his ex-roommate's wife and three children. The man was incarcerated and ordered to pay approximately \$62,000 restitution to SSA.

***SSI Recipient Uses Over 30 Aliases to Conceal His Identity***

Our Los Angeles Field Division investigated a man using multiple SSNs and

identification documents to obtain SSA benefits under various aliases. During searches, our investigators seized hundreds of documents along with counterfeit identifications, SSN cards, and counterfeit military documents.

The evidence showed that the man used 33 or more aliases and was a 5-time convicted felon. He was also a Federal fugitive for 17 years and was serving 5 years on probation when he was arrested.

The subject was a career criminal who, at various times, posed as a firefighter, traffic investigator, animal control officer, Central Intelligence Agency agent, and U.S. Marine Corps officer. At times, he portrayed himself as a highly decorated combat veteran and holder of the Navy Cross, three Purple Hearts, and as a former prisoner of war. He was incarcerated and ordered to pay \$56,900 restitution to SSA.

***Woman Collects SSI Payments under Three Identities***

Our Chicago Field Division investigated a woman who was collecting SSI payments under three identities. She collected \$35,362 in SSI payments under her true identity, \$44,378 under a second identity and SSN, and \$7,936 under a third identity and SSN. The woman was incarcerated and ordered to pay \$131,619 in restitution, of which, \$87,676 was ordered to be paid to SSA.

### ***Man Receives SSI Payments for 11 Years under Three Different Names***

Our Philadelphia Field Division conducted a joint investigation with the Punxsutawney Police Department of a man who collected SSI payments under three identities. The Punxsutawney Police contacted the SSA Fraud Hotline following the man's arrest for depositing a bad check and advised us he was suspected of receiving SSI payments under three different names.

The investigation established that the man applied for and received SSI payments under two false identities and his true name. He fraudulently received SSI payments from 1988 through 1999. He was incarcerated and ordered to pay restitution of \$115,019 to SSA.

### ***Task Force Cracks Counterfeit Check Ring***

As part of the St. Louis Field Division's Identity Theft Task Force, in conjunction with the U.S. Attorney's office for the Eastern District of Missouri, we conducted an investigation of a counterfeit check ring. In this ring, individuals used real and stolen identities to pass counterfeit payroll and cashier's checks. Seven co-conspirators were sentenced to various levels of incarceration and restitution, and the two ring leaders were imprisoned and ordered to each pay \$237,406 restitution.

### ***Investigators Defeat Mortgage Loan Fraud Scheme***

Our Atlanta Field Division and the FBI conducted a joint investigation involv-

ing four individuals who conspired to fraudulently obtain residential mortgages totaling approximately \$6,158,615.

The investigation established that the individuals recruited "straw" purchasers and other unqualified buyers to obtain mortgages on residential properties at inflated prices. These individuals were provided with false and stolen identities. Atlanta area loan processors and bank officials participated in the scheme. The individuals were incarcerated and ordered to pay restitution ranging in amounts from \$554,309 to \$852,603.

### ***Man Sells Counterfeit Immigration Documents for 8 Years***

Our Atlanta Field Division investigated a man who was the head of an organization comprised mostly of his immediate family. For the past 8 years, the organization produced and sold counterfeit immigration work permits and other false documents to illegal aliens. The organization also assisted illegal aliens in obtaining genuine SSNs.

The man and nine members of his family pleaded guilty. Six members of his family were deported from the United States and the remaining three were incarcerated. The man was incarcerated and ordered to pay restitution to the Government of \$325,028, of which \$300,596 was the value of three properties seized by the Government.



*Our agents frequently partner with other Federal law enforcement entities to conduct joint investigations.*

### ***Joint Investigation of Financial Crimes Results in over \$1 Million Restitution***



*We investigate representative payees who take advantage of some of the most vulnerable of SSA's customers.*

In a joint investigation with the Delaware Financial Crimes Task Force, our Philadelphia Field Division conducted an investigation involving individuals conspiring to defraud several Federally insured financial institutions. The investigation established that the individuals conspired in opening fraudulent credit card and other bank accounts, soliciting bank employees to take over accounts, making fraudulent wire transfers, obtaining fraudulent cash advances, and negotiating fraudulent checks. Fourteen individuals were arrested for this scheme.

Three of the major co-conspirators pleaded guilty to bank fraud, and two have been sentenced and ordered to pay more than \$1 million in restitution to the victim banks. The other 10 individuals pleaded guilty to conspiracy to commit bank fraud or identity theft.

Seven of the 10 were sentenced and ordered to pay restitution ranging from \$24,000 to \$58,000. One of the seven individuals, a former bank employee, was incarcerated and ordered to pay joint restitution of \$818,463 with one of the major co-conspirators. The remaining individuals received sentences ranging from 1-year probation to 6 months' incarceration and restitution ranging from \$23,805 to \$57,871.

### **Issue 8: Representative Payee**

SSA provides benefits to the most vulnerable members of society—the young, the elderly, and the disabled. Congress granted SSA the authority to appoint representative payees for those beneficiaries judged incapable of managing or directing the management of their benefits.

Representative payees (organizations or individuals) receive and manage payments on behalf of these beneficiaries. Most representative payees are parents or family members of beneficiaries. Given the risk of representative payee misuse and the vulnerability of the beneficiaries, it is imperative that SSA has appropriate safeguards to ensure representative payees meet their responsibilities to use the funds for the beneficiaries' benefit.

Since 1996, our audits have identified numerous weaknesses in the selection, monitoring, and accountability of representative payees, and our investigations have provided examples of representative payees who have taken advantage of vulnerable beneficiaries.

To address these and other weaknesses, SSA has developed an expanded on-site review program of certain representative payees. This program consists of:

**6-Month Site Visits**—SSA will conduct an initial site visit 6 months after a fee-for-service payee is appointed.

**Triennial On-site Reviews**—SSA will conduct on-site reviews of all of the approximate 855 fee-for-service representative payees, all volume organizational payees (over 100 beneficiaries), and all individual payees serving 20 or more beneficiaries.

**Random Reviews**—SSA will conduct reviews of a random sample of 30 percent of all volume organizational payees and fee-for-service payees.

**Quick Response Checks**—SSA will conduct reviews of organizational payees as needed in response to certain “trigger” events, such as third-party reports of misuse, complaints from vendors of failure to receive payment, and failure to complete the annual accountability report.

To address recent concerns expressed by Congress, we are conducting six financial-related audits of representative payees. This work represents a significant departure from our traditional auditing efforts in that we conducted audits of the representative payees themselves rather than performing audits of SSA’s management of the program. Our objectives are to determine whether: (1) representative payees had effective safeguards over the receipt and disbursement of OASDI benefits, and (2) OASDI benefits were used and accounted for in accordance with SSA policies and procedures.

Our preliminary audit results indicate representative payees do not always meet their responsibilities to the beneficiaries they serve. We identified deficiencies with the financial management of, and accounting for, benefit receipts

and disbursements; vulnerabilities in the safeguarding of beneficiary payments; poor monitoring and reporting to SSA of changes in beneficiary circumstances; and inappropriate handling of beneficiary conserved funds. We expect to issue the six financial-related audit reports by the end of FY 2001.

In addition to our audit work, representative payee fraud continues to be a major investigative focus. We respond to allegations involving all types of representative payees, ranging from individuals to large-scale organizations representing hundreds of individuals.

Our most significant case this reporting period involved an investigation by our Seattle Field Division of a woman that operated a representative payee service, Consolidated Payee Services (CPS), from January 1998 to March 1999. During that time, CPS was the representative payee for 98 beneficiaries receiving Social Security and SSI payments. While acting as representative payee, the woman embezzled and converted for her own use \$85,529 of the individuals’ benefits. She was incarcerated and ordered to pay \$85,529 restitution to her 98 victims.

## **Issue 9: Service to the Public**

SSA is faced with increased workloads brought about by an aging baby-boom generation, a projected retirement wave of over half of its workforce, and technological advances that affect both customer expectations and SSA’s ability to

**We investigate allegations of fraud against individual representative payees as well as large-scale organizations.**

## We believe that SSA needs to balance stewardship with customer service.

meet them. To help meet these future service delivery challenges, SSA developed a *2010 Vision* that outlines its strategy over the next 10 years.

Specific principles and enablers underpin the *Vision's* actions for enhanced service delivery. Examples of these include giving customers expanded options for service in terms of time, place, mode of access, and language. Employees need to have the latest technological enhancements for fully electronic, paperless work processing, access to electronic records, and operational flexibility.

The *Vision* also highlights the need to forge and maintain both internal and external alliances; to be an employer of choice; and to emphasize leadership that is proactive, entrepreneurial, and customer-centered.

While these are laudable goals, SSA must be vigilant in balancing service to the public with stewardship. We strongly believe that to fulfill its responsibilities, SSA must realign more resources to stewardship in light of all the management challenges and the demands on SSA's limited resources and staff. We believe SSA should place a greater emphasis on effective and appropriate stewardship. While we recognize that customer service is of critical importance, it should not be at the sacrifice of sound stewardship.

SSA recognizes there are a number of significant service delivery problems that need attention. One is the complexity of the programs SSA administers. Another is the steady reduction in staffing since 1982, resulting in an

aging and work-laden workforce. SSA's workloads will continue to increase as baby boomers reach retirement age, challenging SSA to find ways to keep pace.

The SSAB previously reported that the result of the above factors has been, and will continue to be, uneven service. Persons filing for retirement or survivors benefits are likely to be satisfied with the service provided. However, individuals with complicated cases, such as those with disability or SSI claims, may encounter problems. As workloads increase, the dimensions of SSA's problems can be expected to grow if left unattended and the public may be faced with crowded reception areas, long wait times, inadequate telephone service, and reduced quality of work.

To meet future customer demands, SSA needs to maintain existing service levels while exploring new and innovative ways to address service delivery problems. To accomplish this, SSA must recruit and retain a cadre of highly skilled employees. However, even at current staffing levels, SSA finds it difficult to maintain an acceptable level of customer service, especially in its most complicated workloads. To make matters worse, SSA is facing an unusual wave of management and staff retirements.

Additionally, the Agency may find it difficult to replace employee losses as the Nation's labor force of people between the ages of 25 and 44 is expected to shrink. If predicted shortages in human capital are realized, SSA may not be able to strengthen and revitalize future employee ranks as its

workloads continue to grow in volume and complexity.

Increasing workloads coupled with human capital shortages will further stress SSA's ability to provide quality service to the public. Given these factors, human capital management needs to be an integral part of SSA's strategic plan, and operational efforts must be implemented to make the strategic vision a reality.

Given the enormous size of SSA's programs, the billions of dollars at stake, and the millions of citizens who rely on SSA, we must ensure that pursuing quick service is not at the expense of accuracy. The service challenge is to recognize that, while SSA's service efforts are among the best in the world, the enormous pressure of speed versus accuracy increasingly threatens SSA's resource levels and poses a threat to the trust the public has in our ability to "pay the right amount, to the right person, at the right time."

During this reporting period, we conducted the following reviews related to this area.

#### ***Redeterminations for SSI Recipients Attaining Age 18***

The objective of this audit was to determine whether SSA was conducting eligibility redeterminations in a timely manner using adult eligibility criteria for recipients attaining age 18. Our audit consisted of a detailed review of 150 randomly selected cases from a population of 155,860 individuals who became eligible for benefits as children

and attained age 18 on or after August 23, 1996.

Of these 150 cases, SSA did not complete 5 required age 18 redeterminations. Projecting the results of our sample to the population, we estimated that at least 2,000 required age 18 redeterminations had not been completed. Our review of 150 cases found age 18 redeterminations were:

- Completed in 122 cases
- Not completed in 5 cases; and
- Not required or not yet due in 23 cases.

Our review found that, overall, SSA was conducting eligibility redeterminations in a timely manner, using adult eligibility criteria for recipients attaining age 18. However, we noted that SSA could improve performance in this area to ensure that all reviews released to FOs are completed timely. SSA agreed with our recommendation to periodically check to ensure that follow-up alerts on age 18 cases are resolved.

#### ***Review of SSA's Organizational Capacity to Monitor and Plan for Customer Service Initiatives***

As a result of a request from the Chairman of the Senate Special Committee on Aging, we performed this audit to assess the effectiveness of the Market Measurement Program (MMP) and to identify any other efforts to improve customer service that should be implemented.



*Our auditors frequently review SSA's processes to ensure that it can meet its customer service demands.*

SSA has historically collected information on its customers' perception of the service it provides. Over the last few years, these efforts were criticized as being fragmented, untimely, and uncoordinated. In 1996, SSA contracted with the Pacific Consulting Group (PCG) to assess SSA's market research program. PCG recommended a comprehensive program of data collection and reporting mechanisms that would provide an integrated market measurement system.

The Commissioner endorsed this approach and approved the MMP in February 1998. MMP encompasses a variety of data collection activities that are intended to provide SSA with the information it needs to fully understand the expectations and level of satisfaction of its total market—customers, employees, and stakeholders.

To ensure the most effective use of customer service information collected, we recommended that SSA:

1. Target specific groups of recipients receiving SSA notices through focus groups and interaction tracking;
2. Encourage the uniform use of customer comment cards by FOs, teleservice centers, and hearings offices;
3. Revise the customer comment card for FOs to determine whether the customer had an appointment;
4. Centralize and analyze customer feedback received through comment cards to identify any systemic service delivery issues that may need to be

addressed;

5. Evaluate whether, and the extent to which, the Talking and Listening to Customers (TLC) system may duplicate comment cards;
6. Coordinate regional and local customer service studies and the central analysis of their results to permit identification of systemic issues;
7. Accelerate implementation of MMP phases to attain scheduled data collections and analysis and closely monitor implementation of MMP phases to limit any further delays; and
8. Conduct a more in-depth analysis of operational data and customer satisfaction information to ensure that customer expectations, operational data, Agency performance and *2010 Vision* goals are consistent.

SSA agreed with all but two of our recommendations. SSA did not agree with Recommendation 2, because it believes that local managers should have the discretion to use comment cards in the most efficient and effective manner they perceive, since the card is designed to inform managers about their local service. SSA also disagreed with Recommendation 4, stating the comment card is designed to monitor service at the local level, and that the various MMP data collection activities, as well as the TLC system, will provide centralized information to allow identification of service delivery issues at the national level.

We are pleased that SSA agreed with most of our recommendations and has, or plans to, implement most of them. We believe that activity conducted to date under the MMP and in the pilot TLC sites, along with action in response to our recommendations, will help ensure that SSA is effectively and efficiently collecting, analyzing, and using data on customer expectation and satisfaction. However, as we have previously reported, we believe the comment card can be an inexpensive and effective tool at both the local and national levels to obtain customer satisfaction information and to identify systemic service delivery issues.

Additionally, until the TLC is fully implemented, SSA lacks a centralized customer complaint system and mechanism to analyze all complaints. The centralized analysis of comment cards could fill this void until the TLC is fully operational.

## **Issue 10: Systems Security and Controls (Program and Administrative Applications)**

The importance of computer system security increases as opportunities for users to disrupt critical systems, modify key processes, and read or copy sensitive data increases. Strong systems security and controls are needed to prevent access to confidential information and critical systems and the fraudulent use of SSA data.

After auditing SSA's FY 2000 Financial Statements, a public accounting firm noted that SSA needs to further strengthen controls to protect its information. SSA has made notable progress in addressing the information protection issues raised in prior years. Despite these accomplishments, SSA's systems environment remains threatened by security and integrity exposures impacting key elements of its distributed systems and networks.

Our auditors also conducted the following review involving systems controls and processes critical to ensuring that SSA issues payments accurately and to the right individuals.

### ***Payments to Young Spouses and Surviving Spouses Without Child In-Care***

The objective of this audit was to determine whether SSA paid benefits to young or surviving spouses who no longer have a child in-care under age 16 or a disabled child in-care. The Social Security Act provides benefits to spouses under age 62 (young spouses) who have an eligible child in their care who is either under age 16 or disabled. It also provides benefits to surviving spouses if they have an eligible child in their care that is either under age 16 or disabled.

SSA relies on its automated system to identify and stop benefit payments to young or surviving spouses when these individuals no longer have a child in-care under age 16 or a disabled child in-care. This system uses current infor-



*OIG computer experts work to prevent unauthorized access to confidential information and critical systems.*

mation from SSA's beneficiary records to monitor entitlement to benefits and process termination actions. In most cases, these actions are processed automatically.

However, for complex cases, the automated system generates alerts and exceptions rather than stopping benefits. Actions that are partially processed by SSA's automated system result in alerts while those that cannot be processed at all result in exceptions. Both alerts and exceptions require manual processing to complete the actions.

Our audit disclosed that, as of August 1999, 357 (91.1 percent) of our targeted population of 392 young spouses and surviving spouses did not have a child in-care under age 16 or a disabled child in-care. These individuals were not entitled to Social Security benefits under the Act. We determined that SSA had improperly paid \$406,194 in benefits to these individuals. The remaining 35 individuals (8.9 percent) represented young spouses and surviving spouses who should not have been included in our population because their beneficiary status had been misclassified. These individuals were entitled to benefits because they were disabled, had a child in-care, or were entitled to benefits for some other reason.

The 357 young and surviving spouses improperly received benefits because SSA's system did not terminate benefits for these individuals, and processing center (PC) employees did not manually process the termination actions timely. As of August 2000, we

determined 147 individuals received \$292,125 in overpayments that should have been recovered by SSA. The remaining 210 individuals received \$114,069 in overpayments that should have been offset against underpayments due other individuals in the same family.

We recommended that SSA:

- Modify its system to automatically stop benefits to young and surviving spouses without a child in-care under age 16 or a disabled child in-care;
- Generate alerts for PC employees to review complex cases, recalculate benefit amounts, and adjust payments due other individuals in the same family, if necessary;
- Evaluate the feasibility of automating benefit increases for other individuals in the same family when the benefits for young spouses and surviving spouses without a child in-care are terminated; and
- For the 147 cases identified by our audit, take corrective action to ensure that overpayments are established and collection activities are initiated.

In its response, SSA generally agreed with all of our recommendations.

# Financial Audits

The *Chief Financial Officers Act of 1990* (Public Law 101-576), as amended, requires the IG or an independent external auditor, as determined by the IG, to audit SSA's financial statements in accordance with GAO's Government Auditing Standards. In addition to this requirement, we also conduct other financial-related audits of SSA's operations and review the quality of single audits conducted by State auditors and public accounting firms. The following summarizes our audit work for this reporting period.

## Audit of the SSA's FY 2000 Financial Statements

PricewaterhouseCoopers LLP (PwC) performed SSA's FY 2000 financial statement audit. PwC's audit report was transmitted to the Commissioner on December 1, 2000. The report included an unqualified opinion on SSA's FY 2000 financial statements. In PwC's opinion, "...the consolidated financial statements audited by us...present fairly, in all material respects, the financial position of SSA at September 30, 2000 and 1999, and its consolidated net cost, changes in net position, budgetary resources and reconciliation of net cost to budgetary resources for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America."

PwC's audit report identified one reportable condition in SSA's internal control. The control weakness identified was: SSA Needs to Further Strengthen Controls to Protect its Information. SSA generally agreed with this finding and PwC's recommendations.

In FY 1999, PwC reported two instances of noncompliance with laws and regulations related to information protection and periodic continuing disability reviews for title II beneficiaries. Additionally, PwC reported the two conditions as instances of substantial noncompliance with the *Federal Financial Management Improvement Act of 1996* (FFMIA). In FY 2000, PwC reported, "The results of our tests of compliance disclosed no instances of noncompliance with laws and regulations that are required to be reported under Government Auditing Standards or Office of Management and Budget (OMB) Bulletin No. 01-02."

Nonetheless, with respect to the FFMIA, the OIG, in consultation with GAO, believes that instances of substantial noncompliance remain due to the continuing reportable condition that SSA has not sufficiently strengthened its controls to protect its information. Computer security is critical to ensure the protection of Agency assets and data. A key component of the internal control weakness is SSA's need for an improved information security framework.

**SSA's FY 2000  
financial  
statements  
received an  
unqualified  
opinion.**

The lack of such a framework means that important security program controls may not be functioning as management intended. The result is that SSA's electronic environment could be compromised.

FFMIA requires Agency financial management systems to substantially comply with Federal financial management systems requirements. We believe the internal control weaknesses related to information protection significantly depart from certain requirements of OMB Circular A-130, Management of Federal Information Resources and, as such, constitute instances of substantial non-compliance with Federal financial management systems requirements under FFMIA.

## Single Audits

On July 5, 1996, the President signed the *Single Audit Act Amendments of 1996*, which extended the statutory audit requirement to nonprofit organizations and revised various provisions of the 1984 *Single Audit Act* including raising the dollar threshold for requiring a single audit to \$300,000 in Federal awards expended.

As a result, OMB rescinded Circular A-128 and issued revised Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, to implement the amendments. We review the quality of these audits, assess the adequacy of the entity's management of Federal funds, and report single audit findings to SSA for audit resolution. The following table summarizes the single audits issued in the first half of FY 2001.

## Single Audits Issued FY 2001 Year-to-Date

State/DDS/Agency Audited	FY Ended	Findings	Recommendations	Questioned Costs
<b>Alabama</b>	September 30, 1999	4	4	Not Yet Determined
<b>District of Columbia's Department of Human Services</b>	September 30, 1997	1	2	Not Yet Determined
<b>District of Columbia's Department of Human Services</b>	September 30, 1998	2	3	Not Yet Determined
<b>Michigan Family Independence Agency</b>	September 30, 1996	1	2	\$1,800,000
<b>Mississippi</b>	June 30, 1999	1	3	Not Yet Determined
<b>New Mexico</b>	June 30, 1999	2	3	\$0
<b>New York</b>	March 31, 1999	8	4	\$475,785

# Resolving Audit Recommendations

## Reports with Questioned Costs for the Reporting Period October 1, 2000 through March 31, 2001

The following chart summarizes SSA's responses to OIG's recommendations for the recovery or redirection of questioned and unsupported costs. This information is provided in accordance with the *Supplemental Appropriations and Recission Act of 1980* (Public Law 96-304) and the *Inspector General Act of 1978*, as amended.

	Number	Value Questioned	Value Unsupported
A. For which no management decision had been made by the commencement of the reporting period	5 <sup>a</sup>	\$81,148,807	\$0
B. Which were issued during the reporting period	9 <sup>b</sup>	\$2,989,661	\$99,727
Subtotal (A+B)	14	\$84,138,468	\$99,727
<b>Less:</b>			
C. For which a management decision was made during the reporting period	6 <sup>c</sup>	\$79,359,017	\$99,727
i. Dollar value of disallowed costs	6 <sup>d</sup>	\$79,359,017	\$99,727
ii. Dollar value of costs not disallowed	0	\$0	\$0
D. For which no management decision had been made by the end of the reporting period	9 <sup>e</sup>	\$4,779,451	\$0

a. Audit of Administrative Costs Claimed for FY 1994 by the New Jersey Department of Labor (A-02-95-00002, 6/20/97); Waivers Granted for Title II Overpayments Exceeding \$500 (A-09-97-61005, 9/27/99); Costs Claimed by American Institutes for Research on the SSA's Contract Number 600-97-32018 (A-15-00-20034, 8/14/00); Identification of Fugitives Receiving Supplemental Security Income (SSI) Payments (A-01-98-61013, 8/28/00); Single Audit of the State of Mississippi for the FY Ended June 30, 1998 (A-77-00-00006, 8/31/00).

b. See Reports with Questioned Costs on page 50 of this report.

c. A management decision was made for only a portion of the questioned costs recommended in the report, Audit of the Administrative Costs Claimed by the District of Columbia Disability Determination Division (DDD) (A-13-98-91003, 2/8/01).

d. Identification of Fugitives Receiving SSI Payments (A-01-98-61013, 8/28/00); Single Audit of the Michigan Family Independence Agency for the 2-Year Period Ending September 30, 1996 (A-77-01-00001, 1/12/01); Audit of the Administrative Costs Claimed by the District of Columbia DDD (A-13-98-91003, 2/8/01); Audit of the Administrative Costs Claimed by the Oregon Disability Determination Services (A-15-99-52021, 2/26/01); Single Audit of the State of New York for the FY Ended March 31, 1999 (A-77-01-00007, 3/29/01); Payments to Young Spouses and Surviving Spouses Without Child In-Care (A-09-00-10002, 3/30/01).

e. Audit of Administrative Costs Claimed for FY 1994 by the New Jersey Department of Labor (A-02-95-00002, 6/20/97); Waivers Granted for Title II Overpayments Exceeding \$500 (A-09-97-61005, 9/27/99); Costs Claimed by American Institutes for Research on the SSA's Contract Number 600-97-32018 (A-15-00-20034, 8/14/00); Single Audit of the State of Mississippi for the FY Ended June 30, 1998 (A-77-00-00006, 8/31/00); Single Audit of the District of Columbia's Department of Human Services for the FY Ended September 30, 1997 (A-77-01-00002, 2/5/01); Single Audit of the District of Columbia's Department of Human Services for the FY Ended September 30, 1998 (A-77-01-00003, 2/5/01); Audit of the Administrative Costs Claimed by the District of Columbia DDD (A-13-98-91003, 2/8/01); Single Audit of the State of Mississippi for the FY Ended June 30, 1999 (A-77-01-00004, 3/29/01); Single Audit of the State of Alabama for the FY Ended September 30, 1999 (A-77-01-00006, 3/29/01).

## **Reports with Recommendations that Funds be Put to Better Use for the Reporting Period October 1, 2000 through March 31, 2001**

The following chart summarizes SSA's responses to our recommendations that funds be put to better use through cost avoidances, budget savings, etc.

	<b>Number</b>	<b>Dollar Value</b>
A. For which no management decision had been made by the commencement of the reporting period	2 <sup>a</sup>	\$77,064,610
B. Which were issued during the reporting period	1 <sup>b</sup>	\$125,000,000 <sup>c</sup>
Subtotal (A+B)	3	\$202,064,610
C. For which a management decision was made during the reporting period		
i. Dollar value of recommendations that were agreed to by management		
(a) Based on proposed management action	0	\$0
(b) Based on proposed legislative action	1 <sup>d</sup>	\$164,646,884 <sup>e</sup>
Subtotal (a+b)	1	\$164,646,884
ii. Dollar value of costs that were not agreed to by management	0	\$0
Subtotal (i+ii)	1	\$164,646,884
D. For which no management decision had been made by the end of the reporting period	2 <sup>f</sup>	\$37,417,726

a. Waivers granted for Title II Overpayments Exceeding \$500 (A-09-97-61005, 9/27/99); Old Age, Survivors and Disability Insurance (OASDI) Benefits Paid to Fugitives (A-01-00-10014, 8/29/00).

b. See Reports with Funds Put to Better Use on page 50 of this report.

c. This dollar amount has been modified because of developments that occurred after the issuance of our reports entitled, Effectiveness of Obtaining Records to Identify Prisoners (A-01-94-02004, 5/10/96) and Effectiveness of SSA's Procedures to Process Prisoner Information, Suspend Payments and Collect Overpayments (A-01-96-61083, 6/24/97). SSA's Chief Actuary estimated a cost avoidance of \$125 million to be realized semiannually from 1995 to 2001.

d. OASDI Benefits Paid to Fugitives (A-01-00-10014, 8/29/00).

e. See footnote c.

f. Waivers Granted for Title II Overpayments Exceeding \$500 (A-09-97-61005, 9/27/99); Single Audit of the State of Alabama for the FY Ended September 30, 1999 (A-77-01-00006, 3/29/01).

# Reports Issued from October 1, 2000 through March 31, 2001

## Reports Issued—Reports with Nonmonetary Findings

Date Issued	Title of Report	Report Number
12/01/00	Performance Measure Review: Reliability of the Data Used to Measure the Timeliness of Processing Supplemental Security Income Disability Claims	A-02-99-11002
12/01/00	Fiscal Year 2000 Financial Statements Audit	A-15-00-10041
12/20/00	Redeterminations for Supplemental Security Income Recipients Attaining Age 18	A-01-00-10013
01/22/01	Obstacles to Reducing Social Security Number Misuse in the Agriculture Industry	A-08-99-41004
02/14/01	The Social Security Administration's Internet Data Collection Activities (Congressional Report)	A-14-01-21027
02/14/01	Payments Due to the District of Columbia Water and Sewage Authority for Social Security Administration Occupied Buildings (Congressional Report)	A-15-01-21026
02/23/01	Management Advisory Report: Performance Measure for the Percent of the Continuing Disability Review Multi-Year Plan Completed	A-01-00-10011
03/16/01	Single Audit of the State of New Mexico for the Fiscal Year Ended June 30, 1999	A-77-01-00005
03/28/01	Adherence to Time and Attendance Policies and Procedures in the Social Security Administration's Non-Headquarters Offices	A-13-99-91025
03/30/01	United States Agency for International Development Office of the Inspector General Peer Review (Confidential Report)	A-01-00-20044
03/30/01	Review of the Social Security Administration's Organizational Capacity to Monitor and Plan for Customer Service Initiatives	A-02-00-20020
03/30/01	Use of Sanctioned Medical Providers by State Disability Determination Services	A-07-99-24006
03/30/01	Information Technology Capital Planning and Investment Control Process at the Social Security Administration	A-14-99-12004

## Reports with Questioned Costs

Date Issued	Title of Report	Report Number	Dollar Amount
01/12/01	Single Audit of the Michigan Family Independence Agency for the 2-Year Period Ending September 30, 1996	A-77-01-00001	\$1,800,000
02/05/01	Single Audit of the District of Columbia's Department of Human Services for the Fiscal Year Ended September 30, 1997	A-77-01-00002	To Be Determined
02/05/01	Single Audit of the District of Columbia's Department of Human Services for the Fiscal Year Ended September 30, 1998	A-77-01-00003	To Be Determined
02/08/01	Audit of the Administrative Costs Claimed by the District of Columbia Disability Determination Division	A-13-98-91003	\$226,741
02/26/01	Audit of the Administrative Costs Claimed by the Oregon Disability Determination Services	A-15-99-52021	\$180,668
03/29/01	Single Audit of the State of Mississippi for the Fiscal Year Ended June 30, 1999	A-77-01-00004	To Be Determined
03/29/01	Single Audit of the State of Alabama for the Fiscal Year Ended September 30, 1999	A-77-01-00006	To Be Determined
03/29/01	Single Audit of the State of New York for the Fiscal Year Ended March 31, 1999	A-77-01-00007	\$475,785
03/30/01	Payments to Young Spouses and Surviving Spouses Without Child In-Care	A-09-00-10002	\$406,194
<b>TOTAL:</b>			<b>\$3,089,388</b>

## Reports with Funds Put to Better Use

Date Issued	Title of Report	Report Number	Dollar Amount
03/29/01	Single Audit of the State of Alabama for the Fiscal Year Ended September 30, 1999	A-77-01-00006	To Be Determined
<b>Total:</b>			<b>\$0</b>

# APPENDICES



# Appendix A

## Government Performance and Results Act Work Plan

We continually update our 3-year work plan to review the Social Security Administration's (SSA) implementation of the Government Performance and Results Act (GPRA) of 1993. The plan is based on SSA's Fiscal Year (FY) 2000, Revised Final FY 2000, and FY 2001 Annual Performance Plans, which established the following broad strategic goals. The complete text of SSA's Strategic Plan can be found on the Internet at [www.ssa.gov](http://www.ssa.gov).

- **Goal 1:** To promote valued, strong, and responsive Social Security programs and conduct effective policy development, research, and program evaluation
- **Goal 2:** To deliver customer-responsive, world-class service
- **Goal 3:** To ensure the integrity of Social Security programs, with zero tolerance for fraud and abuse
- **Goal 4:** To be an employer that values and invests in each employee
- **Goal 5:** To strengthen public understanding of the Social Security programs

Each of these strategic goals has supporting objectives and corresponding performance indicators and goals. The following is our plan for reviewing SSA's GPRA implementation and performance measures. As performance measures and goals change in future annual performance plans, we will adjust our work plan accordingly.

## FY 1999—Completed Reviews

In FY 1999, we conducted performance measure reviews to determine the reliability of the data used to measure the following SSA performance indicators and goals from SSA's FY 2000 Annual Performance Plan.

### Strategic Goal—To deliver customer-responsive, world-class service

**Objective**—By 2002, to have 9 out of 10 customers rate SSA's service as good, very good, or excellent, with most rating it excellent

Performance Indicator	FY 2000 Goal
Percent of SSA's core business customers rating SSA's overall service as excellent, very good, or good	88
Percent of SSA's core business customers rating SSA's overall service as excellent	37
Percent of SSA's core business customers rating the clarity of SSA's notices as excellent, very good, or good	82

**Objective**—To raise the number of customers who receive service and payments on time

Performance Indicator	FY 2000 Goal
Percent of original and replacement Social Security number (SSN) cards issued within 5 days of receiving all necessary information	97

## FY 2000—Completed Reviews

In FY 2000, we completed a survey of the data sources SSA uses to produce its performance data and a review of the FY 2000 Annual Performance Plan. We also completed performance measure reviews to determine the reliability of the data used to measure the following SSA performance indicators and goals from SSA's FY 2000 and Revised Final FY 2000 Annual Performance Plans.

**Strategic Goal**—To deliver customer-responsive, world-class service

Output Measures for Major Budgeted Workloads	
Retirement and Survivors Insurance claims processed	3,134,800
Supplemental Security Income (SSI) aged claims processed	144,200
SSN requests processed	16,300,000

**Objective**—To raise the number of customers who receive service and payments on time

Performance Indicator	FY 2000 Goal
Percent of Old-Age and Survivors Insurance (OASI) claims processed by the time the first regular payment is due or within 14 days from effective filing date, if later	83
Percent of initial SSI aged claims processed within 14 days of filing date	66

**Strategic Goal**—To make SSA program management the best-in-business, with zero tolerance for fraud and abuse (This goal was revised in SSA's current plan as shown under Goal 3 on page 53)

Output Measures for Major Budgeted Workloads	
Continuing Disability Reviews (CDR) processed	1,882,700
Annual Earnings postings	258,900,000
Representative Payee actions	6,990,600

**Objective**—To make benefit payments in the right amount

Performance Indicator	FY 2000 Goal
Dollar accuracy of OASI payment outlays:	
Percent without overpayments	99.8
Percent without underpayments	99.8

**Objective**—To maintain through 2002, current levels of accuracy and timeliness in posting earnings data to individuals' earnings records

Performance Indicator	FY 2000 Goal
Percent of wage items posted to individuals' records by September 30	98

**Objective**—To increase debt collections by 7 percent annually through 2002

Performance Indicator	FY 2000 Goal
Old-Age, Survivors and Disability Insurance (OASDI) debt collected	\$1,274.9 million
SSI debt collected	\$684.8 million

**Strategic Goal**—To be an employer that values and invests in each employee

**Objective**—To provide a physical environment that promotes the health and well-being of employees

Performance Indicator	FY 2000 Goal
Percent of employees reporting they are satisfied with the level of security in their facility	75

**Strategic Goal**—To strengthen public understanding of the Social Security programs

**Objective**—By 2005, 9 out of 10 customers will be knowledgeable about the Social Security programs in 5 important areas

Performance Indicator	FY 2000 Goal
Percent of individuals issued a SSA-Initiated Personal Earnings and Benefit Estimate Statement as required by law.	100

## FY 2001—Completed Reviews

To date in FY 2001, we have completed reviews that have determined the reliability of the data used to measure the following performance indicator and strategic objective from the FY 2001 Annual Performance Plan.

<b>Strategic Goal—To deliver customer-responsive, world-class service</b>	
<b>Strategic Objective</b>	<b>Goal</b>
To raise the number of customers who receive service and payments on time	By 2002, issue initial SSI disability claims award/denial notices within 120 days of filing to 60 percent of applicants.

<b>Strategic Goal—To make SSA program management the best-in-business, with zero tolerance for fraud and abuse (This goal was revised in SSA's current plan as shown under Goal 3 on page 53)</b>	
<b>Objective</b> —To become current with Disability Insurance and SSI CDR requirements by 2002	
<b>Performance Indicator</b>	<b>FY 2001 Goal</b>
Percent of multi-year (FY 1996-2002) CDR plan completed	83

## FY 2001—Planned Reviews

We have many additional ongoing performance measure reviews. We are currently reviewing SSA's FY 1999 and FY 2000 Annual Performance Report and its FY 2001 Annual Performance Plan. We will begin a review of SSA's FY 2002 Annual Performance Plan when it is released by the Agency. We are also in the process of conducting reviews that will opine on the reliability of the data used to measure the following SSA performance indicators and goals from SSA's FY 2001 Annual Performance Plan.

<b>Strategic Goal—To promote valued, strong, and responsive Social Security programs and conduct effective policy development, research, and program evaluation</b>	
<b>Objective</b> —Provide information for decisionmakers and others on the Social Security and SSI programs through objective and responsive research, evaluation, and policy development	
<b>Performance Indicator</b>	<b>FY 2001 Goal</b>
Percent of customers assigning a high rating to the quality of SSA's research and analysis products in terms of accuracy, reliability, comprehensiveness, and responsiveness	Establish a baseline

**Objective**—To promote policy changes, based on research and evaluation analysis, that shape the disability program in a manner that increases self-sufficiency and takes account of changing needs based on the medical, technological, demographic, job market, and societal trends

Performance Indicator	FY 2001 Goal
Increase in number of Disability Insurance adult worker beneficiaries who begin a trial work period	10 percent
Increase in the number of SSI disabled beneficiaries, aged 18-64, participating in 1619(a) status	10 percent

**Strategic Goal**—To deliver customer-responsive, world-class service

Output Measures for Major Budgeted Workloads	
Initial disability claims processed	2,057,000
Hearings processed	582,000
800-number calls handled	57,000,000

**Objective**—By 2002, to have 9 out of 10 customers rate SSA's service as good, very good, or excellent, with most rating it excellent

Performance Indicator	FY 2001 Goal
Percent of employers rating SSA's overall service as excellent, very good, or good	94
Percent of employers rating SSA's overall service as excellent	16
Percent of callers who successfully access the 800-number within 5 minutes of their first call	92
Percent of callers who successfully access the 800-number on their first attempt	86
Percent of public with an appointment waiting 10 minutes or less	85
Percent of public without an appointment waiting 30 minutes or less	70
Percent of 800-number calls handled accurately:	
Service accuracy	90
Payment accuracy	95

**Objective**—By 2002, to increase the range of program information services available to customers over the phone and electronically

Performance Indicator	FY 2001 Goal
Number of online Social Security Statement requests as compared to the number of 800-number automated response unit Social Security Statement requests	50 percent initiated on the internet

**Objective**—To raise the number of customers who receive service and payments on time

Performance Indicator	FY 2001 Goal
Initial disability claims average processing (days)	117
Hearings average processing time (days)	208

**Strategic Goal**—To make SSA program management the best-in-business, with zero tolerance for fraud and abuse. (This goal was revised in SSA's current plan as shown under Goal 3 on page 53)

Output Measures for Major Budgeted Workloads	
SSI nondisability redetermination	2,050,500

**Objective**—To make benefit payments in the right amount

Performance Indicator	FY 2001 Goal
Disability Determination Services net decisional accuracy rate	97
Percent of SSNs issued accurately	99.8
Office of Hearings and Appeals decisional accuracy rate	87

**Objective**—To maintain through 2002, current levels of accuracy and timeliness in posting earnings data to individuals' earnings records

Performance Indicator	FY 2001 Goal
Percentage of earnings posted correctly	99

**Objective**—To aggressively deter, identify, and resolve fraud

Performance Indicator	FY 2001 Goal
Number of investigations conducted (i.e. closed)	8,000
OASDI dollar amounts reported from investigative activities	\$55 million
SSI dollar amounts reported from investigative activities	\$90 million
Number of criminal convictions	2,500

**Strategic Goal**—To be an employer that values and invests in each employee

**Objective**—To promote an Agency culture that successfully incorporates our values

Performance Indicator	FY 2001 Goal
Create Agency change strategy	Implement strategy

**Objective**—To create a workforce to service SSA's diverse customers in the 21st century.

Performance Indicator	FY 2001 Goal
Complete Agency plan for transitioning to the workforce of the future	Implement and update transition plan
	Develop and implement action items from employee survey

**Strategic Goal**—To strengthen public understanding of the Social Security programs

**Objective**—By 2005, 9 out of 10 customers will be knowledgeable about the Social Security programs in 5 important areas

Performance Indicator	FY 2001 Goal
Percent of public who are knowledgeable about Social Security programs	70 percent



# Appendix B

## Reporting Requirements Under the Omnibus Consolidated Appropriations Act for Fiscal Year 1997

To meet the requirement of the Omnibus Consolidated Appropriations Act for 1997 (Public Law 104-208), we are providing in this report requisite data for the first half of Fiscal Year (FY) 2001 from the Offices of Investigations and Audit. We are reporting \$20,914,215 in Social Security Administration (SSA) funds as a result of our Office of Investigations activities in this reporting period. These funds are broken down in the table below.

	1st Quarter	2nd Quarter	Total
Court Ordered Restitution	\$4,933,617	\$4,199,574	\$9,193,191
Scheduled Recoveries	\$4,255,046	\$4,984,830	\$9,239,876
Fines	\$280,351	\$2,902	\$283,253
Settlements/Judgments	\$851,608	\$1,346,287	\$2,197,895
<b>Totals</b>	<b>\$10,320,622</b>	<b>\$10,533,593</b>	<b>\$20,914,215</b>

SSA management also informed the Office of Audit that it has completed implementing recommendations from two audit reports during this FY valued at \$82.7 million.

### ***Review of Controls Over Processing Income Alerts Which Impact Supplemental Security Income Payments (A-05-98-21002), September 28, 2000***

We recommended that SSA develop a plan to ensure that income alerts are worked more timely and income estimates are used. The implemented recommendation is valued at \$60,444,802.

### ***Conversion of Benefits for Spouses After the Death of a Wage Earner (A-09-99-62009), September 27, 2000***

We recommended that SSA modify the Regular Transcript, Attainment, and Selection Pass program to identify all individuals receiving benefits as spouses or divorced spouses of deceased beneficiaries. The implemented recommendation is valued at \$22,300,000.



# Appendix C

## Collections From Audits and Investigations

The Fiscal Year (FY) 1999 appropriations language for this office requires the reporting of additional information concerning actual collections and offsets achieved as a result of Inspector General activities. Figures are to be provided for each semiannual period as a cumulative number.

### Office of Audit Collections

	<b>Number of Reports</b>	<b>Questioned/ Unsupported Costs</b>	<b>Management Concurrence</b>	<b>Amount Collected or Received</b>	<b>Amount Written Off/ Adjustments</b>	<b>Balance</b>
FY 1997	6	\$3,964,487	\$3,377,089	\$3,372,181	\$4,908	\$587,398
FY 1998	10	\$14,661,078	\$13,999,185 <sup>a</sup>	\$14,495,135	\$1,612,923	\$390,625
FY 1999	10	\$83,989,044	\$78,341,141	\$4,359,257	\$1,361,754	\$78,268,033
FY 2000	7	\$76,991,654	\$76,961,005	\$4,174	\$1,155	\$76,986,325
FY 2001	9	\$3,089,388	\$3,040,276	\$1,871,794	\$0	\$1,217,594
<b>Totals</b>	<b>42</b>	<b>\$182,695,651</b>	<b>\$175,718,696</b>	<b>\$24,102,541</b>	<b>\$2,980,740</b>	<b>\$157,449,975</b>

a. SSA adjusted its management decision to concur with the monies recommended in *Costs Claimed by the State of Michigan on the SSA's Contract Number 600-95-13780* (A-13-98-81033, 9/28/98).

## Office of Investigation Collections

### Court Ordered Collections as the Result of Prosecution by the Department of Justice

FY 2001 Year-to-Date	Total Number of Individuals Assigned	Court Ordered Restitution for This Period	Total Restitution Collected by the Department of Justice
1999	447	\$13,100,203	\$1,292,954
2000	441	\$13,526,283	\$2,232,424
2001	224	\$7,795,899	\$358,991
<b>Totals</b>	<b>1,112</b>	<b>\$34,422,385</b>	<b>\$3,884,369</b>

## Office of Investigation Collections

### Funds Received Based on Recovery Actions

FY 2001 Year-to-Date	Number of Recovery Actions Initiated	Amount Scheduled for Recovery	Actual Amount Recovered at the Close of the Investigation
1999	1,624	\$25,725,385	\$3,326,913
2000	445	\$12,722,135	\$4,320,432
2001	507	\$9,239,876	\$3,564,780
<b>Totals</b>	<b>2,576</b>	<b>\$47,687,396</b>	<b>\$11,212,125</b>

# Appendix D

## Significant Monetary Recommendations From Prior Fiscal Years for Which Corrective Actions Have Not Been Completed

*The Social Security Administration Incorrectly Paid Attorney Fees on Disability Income Cases when Workers' Compensation Payments were Involved (A-04-98-62001), March 8, 2000*

**Recommendation:** We recommended that the Social Security Administration (SSA) review the cases in our sample to determine the proper attorney fee payment and take the required actions on the \$18,410 in errors of which \$17,238 were overpayments and \$1,172 were underpayments.

**Valued at:** \$33,852,529 in funds put to better use and \$17,238 in questioned costs.

**Agency Response:** SSA agreed. It will review the sample cases and take the appropriate action.

**Corrective Action:** The SSA Office of Operations continues to review the five remaining sample cases.

*School Attendance by Child Beneficiaries Over Age 18 (A-09-97-61007), September 27, 1999*

**Recommendation:** We recommended that SSA request assistance from school officials in identifying and reporting changes in student attendance which may affect their benefit status.

**Valued at:** \$140,359,563 in funds put to better use and \$73,907,760 in questioned costs.

**Agency Response:** SSA agreed that its monitoring of school attendance for child beneficiaries over age 18 could be more efficient with additional assistance from the school.

**Corrective Action:** SSA plans to focus on the front-end of the process by having the student obtain a school official's certification of his/her school attendance before SSA awards student benefits. The student will also leave a form with a school official reporting changes in a student's attendance. The new process is targeted for implementation by the Spring of 2001.



# Appendix E

## Significant Nonmonetary Recommendations From Prior Fiscal Years for Which Corrective Actions Have Not Been Completed

### *Patterns of Reporting Errors and Irregularities by 100 Employers with the Most Suspended Wage Items (A-03-98-31009), September 29, 1999*

**Recommendation:** We recommended that the Social Security Administration (SSA) develop and implement a corrective action plan for the 100 employers who are responsible for large numbers of suspended wage items and continue its current efforts to contact them.

**Agency Response:** SSA agreed that corrective action should be taken.

**Corrective Action:** SSA is in its third year of contacting the 100 employers with large numbers of suspended wage items. They plan to continue these efforts as a way of educating these employers of the importance of submitting accurate wage reports.

### *Nonresponder Representative Payee Alerts for Supplemental Security Income Recipients (A-09-96-62004), September 23, 1999*

**Recommendation:** We recommended that SSA develop procedures for employees to redirect benefit checks to field offices (and require representative payees to provide the accounting forms before releasing the checks) in instances where other attempts to obtain the required forms have been unsuccessful.

**Agency Response:** SSA agreed, in part. When a representative payee does not respond or will not cooperate after repeated attempts to obtain an annual accounting, the field office is required to consider a change of payee when necessary. When the field office determines that a change of payee is necessary, the office searches for a new payee. If a payee is not readily available, the beneficiary is paid directly or placed in suspense status under certain limited circumstances.

**Corrective Action:** SSA proposed legislation to redirect benefit checks when representative payees fail to complete the required accounting form as part of a package of improvements to the payee monitoring process. While it was not passed in the previous congressional session, there is the potential for the proposal to be considered in this congressional session.

***The Social Security Administration's Procedures to Identify Representative Payees Who Are Deceased (A-01-98-61009), September 22, 1999***

**Recommendation:** We recommended that SSA routinely match the Death Master File against the Master Representative Payee File to identify deceased representative payees and select new representative payees for all beneficiaries and/or recipients affected.

**Agency Response:** SSA agreed with the intent of the recommendation, that is, to identify all cases where a representative payee has died so that the appropriate payee change can be taken. SSA believes that the actions envisioned in the Agency's *Enumeration/Client 5-Year Systems Plan* will address the issue of better identifying representative payees who die. These actions include automatic checks of the Master Representative Payee File when a report of death from a third party is keyed into the Death Master File and new screens to reconcile discrepancies between databases with a single input.

**Corrective Action:** Corrective activity was expected to begin in December 2000. However, resources were redirected to higher priority projects. A revised implementation date can not be determined at this time.

***Early Alert: Disclosure of Personal Information on Representative Payees (A-01-99-82008), January 21, 1999 (CONFIDENTIAL MEMORANDUM)***

**Recommendation:** SSA should verify the death information for the 6,004 representative payees our match shows as deceased on the Death Master File but currently serving as representative payees for beneficiaries on the Master Beneficiary Record and the Supplemental Security Record.

**Agency Response:** The Agency has not yet issued a management decision.

**Corrective Action:** Corrective action has not yet been reported.

# Appendix F

## Significant Management Decisions With Which the Inspector General Disagrees

### *Obstacles to Reducing Social Security Number Misuse in the Agriculture Industry (A-08-99-41004), January 22, 2001*

**Recommendation:** We recommended that the Social Security Administration (SSA):

- (1) Introduce legislation that would provide SSA the authority to require chronic problem employers to use the Enumeration Verification System (EVS).
- (2) Collaborate with the Immigration and Naturalization Service (INS) to develop a better understanding of the extent that immigration issues contribute to Social Security number misuse and growth of the Earnings Suspense File. Additionally, SSA should reevaluate its application of existing disclosure laws or seek legislative authority to remove barriers that would allow the Agency to share information regarding chronic problem employers with INS.

**Agency Response:** The Agency will not be implementing these recommendations. SSA states the Internal Revenue Service (IRS) currently has the authority to penalize employees who do not comply with wage reporting requirements. Additionally, SSA identified the major offenders of EVS for Tax Years 1996-1998 and provided this information to IRS.

**OIG Comment:** We continue to believe it is important that SSA seek legislative authority to require employers who submit inaccurate wage reports to use EVS. This would assist IRS in its effort to apply penalties by providing it with evidence to show an employer knew, or should have known, its employees' Social Security numbers were incorrect. Further, until SSA requires these employers to use EVS and holds them accountable for their actions, we do not believe employer wage reporting will significantly improve. We also continue to believe SSA should collaborate with INS to determine the extent to which immigration issues contribute to these problems.

***The Social Security Administration Incorrectly Paid Attorney Fees on Disability Income Cases when Workers' Compensation Payments were Involved (A-04-98-62001), March 8, 2000***

**Recommendation:** We recommended that SSA verify that State worker's compensation payment information is current and accurate when past due benefits are paid to claimants and attorney fees are calculated.

**Agency Response:** SSA completed a study on this recommendation and believes implementation would constitute a major change in processing Workers' Compensation claims. While the beneficiary's payments and the resulting attorney fee payment may be more accurate using this method, the impact of further delaying payments to the claimant is a major consideration. SSA does not plan to implement this recommendation.

***Special Joint Vulnerability Review of the Supplemental Security Income Program (A-04-95-06020), December 16, 1997***

**Recommendation:** We recommended that SSA modify the Supplemental Security Income Display to include additional comments or codes for the identification of potential fraud/abuse cases, subject to SSA's evaluation of the most advantageous method of presentation on the Supplemental Security Income Display.

**Agency Response:** When this recommendation was first presented to the Agency, it decided to have the Office of General Counsel (OGC) determine the legality of the coding. OGC opined that developing a code or inputting remarks based on "potential" or "suspected" fraud or abuse would leave SSA or the State Disability Determination Services open to civil action. As a result, SSA will not pursue this recommendation further.

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# How to Report Fraud

**The Social Security Administration's (SSA) Fraud Hotline** offers a convenient means for you to provide information on suspected fraud, waste, and abuse. If you know of current or potentially illegal or improper activities involving SSA programs or personnel, we encourage you to contact the SSA Fraud Hotline.

## Call

1-800-269-0271

## Write

Social Security Administration  
Office of the Inspector General  
Attention: SSA Fraud Hotline  
P.O. Box 17768  
Baltimore, MD 21235

(FAX) 410-597-0118

## Email

*oig.hotline@ssa.gov*

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# **Inspector General's Semiannual Report to Congress**



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