

Audit Report

The Social Security Administration's
Actions to Resolve Potentially
Fraudulent Internet Claims

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MEMORANDUM

Date: June 11, 2020 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Actions to Resolve Potentially Fraudulent Internet Claims
(A-09-18-50603)

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The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration had adequate controls over resolving potentially fraudulent Internet Claims identified by its Office of Anti-Fraud Programs.

Please provide within 60 days a corrective action plan that addresses each recommendation. If you wish to discuss the final report, please call me or have your staff contact Rona Lawson, Assistant Inspector General for Audit, at 410-965-9700.

A handwritten signature in black ink that reads "Gail S. Ennis".

Gail S. Ennis

Attachment

The Social Security Administration's Actions to Resolve Potentially Fraudulent Internet Claims

A-09-18-50603



June 2020

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) had adequate controls over resolving potentially fraudulent Internet Claims (iClaim) identified by SSA's Office of Anti-Fraud Programs (OAFP).

Background

Individuals and third parties may complete and electronically submit iClaim applications for retirement, spousal, Medicare, and Disability Insurance benefits. When an iClaim application is submitted, OAFP analyzes the claim to determine whether it is potentially fraudulent. If OAFP determines an iClaim is potentially fraudulent, SSA employees must determine whether the application is valid.

SSA employees must also report likely or known fraudulent iClaim applications to the Office of the Inspector General's, Office of Investigations (OI) by completing an *Electronic Form SSA-8551* (e8551).

OAFP provided us a file of potentially fraudulent iClaim applications it identified from May 9, 2014 through February 28, 2018.

Findings

SSA needed to improve controls over resolving potentially fraudulent iClaims because it did not always require, nor could it provide, evidence to support the validity of potentially fraudulent iClaims O AFP identified. However, from May 2014 through August 2018, SSA took several actions to improve controls to ensure its employees properly resolved potentially fraudulent iClaims O AFP identified.

Based on our review of a random sample of 200 potentially fraudulent iClaims, we estimate SSA determined some iClaims were valid. However, there was no evidence to support the validity of these claims. In addition, we estimate the following.

- SSA employees improperly approved some iClaims that they subsequently determined were likely or known fraudulent.
- SSA employees did not submit an e8551 for some likely or known fraudulent iClaims to OI.
- O AFP's file was not updated to indicate that some iClaims were likely or known fraudulent applications.

Recommendations

We made two recommendations for SSA to take corrective action on the potentially fraudulent iClaims O AFP identified. SSA disagreed with our recommendations.

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TABLE OF CONTENTS

Objective	1
Background	1
Results of Review	3
Evidence Supporting the Validity of iClaim Applications	3
Improper Payments to Likely or Known Fraudulent iClaim Applications.....	5
Likely or Known Fraudulent iClaims Were Not Always Reported to OI	6
Incorrect Determination Status for Potentially Fraudulent iClaims	7
Conclusions.....	8
Recommendations.....	8
Agency Comments.....	8
OIG Response	9
Appendix A – Scope and Methodology	A-1
Appendix B – Sampling Methodology and Results	B-1
Appendix C – Agency Comments.....	C-1

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ABBREVIATIONS

e8551	<i>Electronic Form SSA-8551</i>
iClaim	Internet Claim
OAFP	Office of Anti-Fraud Programs
OI	Office of Investigations
OIG	Office of the Inspector General
POMS	<i>Program Operations Manual System</i>
SSA	Social Security Administration
SSN	Social Security Number

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OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) had adequate controls over resolving potentially fraudulent Internet Claims (iClaim) identified by SSA's Office of Anti-Fraud Programs (OAFP).

BACKGROUND

Individuals and third parties may complete and electronically submit iClaim applications for retirement, spousal, Medicare, and Disability Insurance benefits.

[REDACTED]

SSA's OAFP uses [REDACTED] to identify potentially fraudulent iClaim applications. When an iClaim application is submitted, OAFP analyzes the claim to determine whether it is potentially fraudulent. If OAFP determined an iClaim is potentially fraudulent, SSA employees must then determine whether the application is valid. Since 2014, SSA has revised its procedures to determine the validity of potentially fraudulent iClaims applications as follows.

[REDACTED]

[REDACTED]

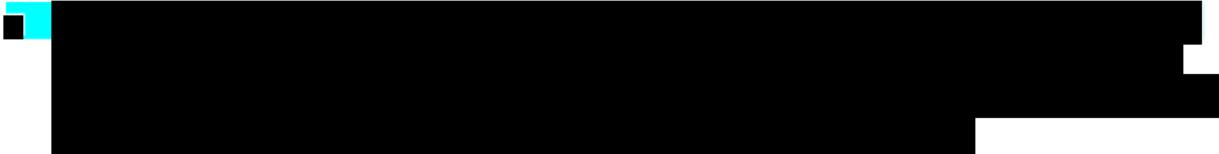
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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SSA employees must also report any likely⁴ or known fraudulent⁵ iClaim applications to the Office of the Inspector General's (OIG) Office of Investigations (OI) for review. OI reviews the allegations; determines whether to investigate; and, if it investigates, determines whether there is sufficient evidence a law has been violated. After OI completes its investigation, it provides SSA a written notification of the results of the investigation. This notification includes an explanation of the outcome for the case, a copy of any court order resulting from a prosecution, and information on any overpayment of which SSA may not be aware. If OI decides not to investigate, it provides SSA a written explanation of its decision.

OAFP provided us a file of [REDACTED] potentially fraudulent iClaim applications filed under the SSNs of [REDACTED] individuals⁶ it identified from May 9, 2014 through February 28, 2018. From this population, we selected a random sample of 200 individuals⁷ for review. See Appendix A for our scope and methodology.



⁶ More than one potentially fraudulent iClaim may be filed under an individual's SSN.

⁷ We reviewed 200 individuals to determine whether SSA [REDACTED] before processing potentially fraudulent iClaims. Of the 200, we reviewed 100 individuals to determine whether SSA employees reported an allegation for likely or known fraudulent iClaims and had the correct status in OAFP's file.

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RESULTS OF REVIEW

SSA needed to improve controls over resolving potentially fraudulent iClaims because it did not always require nor could it provide evidence to support the validity of potentially fraudulent iClaims identified by OAfp. However, from May 2014 through August 2018, SSA took several actions to improve controls to ensure its employees properly resolved potentially fraudulent iClaims identified by OAfp.

Based on our random sample of 200 potentially fraudulent iClaims, we estimate SSA determined approximately [REDACTED] iClaims were valid. However, there was no evidence to support the validity of these claims. In addition, we estimate

- field office employees improperly approved for payment approximately [REDACTED] in benefits for [REDACTED] iClaims that they subsequently determined were likely or known fraudulent;
- SSA employees did not submit an e8551 for [REDACTED] likely or known fraudulent iClaims to OI; and
- OAfp's file was not updated to indicate that approximately [REDACTED] iClaims were likely or known fraudulent applications (see Appendix B).

Evidence Supporting the Validity of iClaim Applications

[REDACTED]
[REDACTED]
[REDACTED]
For all other potentially fraudulent iClaims,

Beginning in July 2017, SSA policy requires [REDACTED]
[REDACTED]
[REDACTED]

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Of the 200 individuals in our sample, SSA determined [REDACTED] iClaim applications were valid and paid benefits totaling [REDACTED]. However, there was no evidence to support the validity of the iClaim applications.⁸ Of these, [REDACTED] are receiving benefits, and [REDACTED] no longer receiving benefits because SSA received a report the individual is deceased.

Of the [REDACTED] iClaim applications, [REDACTED] applications were processed before July 2017. Of these,

- OAFP determined [REDACTED] had a low probability of fraud; [REDACTED]

[REDACTED]

[REDACTED]

The remaining iClaim application was processed in October 2017. However, there was no evidence SSA field office employees [REDACTED] to determine the claim's validity.

For example,

[REDACTED]

In [REDACTED], SSA improved controls to ensure its employees [REDACTED]

[REDACTED]

[REDACTED]

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Improper Payments to Likely or Known Fraudulent iClaim Applications

When OA FP identifies a potentially fraudulent iClaim and [REDACTED]

Of the 200 individuals in our sample, SSA field office employees processed [REDACTED] iClaim applications and approved the issuance of payments totaling [REDACTED] before they obtained evidence or documented the required face-to-face interviews to determine the validity of the iClaim applications.¹⁰ OA FP had identified all [REDACTED] iClaim applications as potentially fraudulent before the field office employees processed the claims. After SSA employees issued the payments, they subsequently determined all [REDACTED] were likely or known fraudulent. Of the [REDACTED] individuals,

[REDACTED]
[REDACTED]
[REDACTED]

For example, [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

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During our review, SSA improved controls to ensure its employees do not approve iClaims and issue payments before they obtain evidence to support the validity of potentially fraudulent iClaims.

[REDACTED]

Likely or Known Fraudulent iClaims Were Not Always Reported to OI

SSA's policy requires that its employees report likely or known fraudulent claims to OI for review as quickly and efficiently as possible by completing the e8551.¹¹ The e8551 must include information about the person making the allegation, the type of allegation, and a description of the allegation. Within 60 days of receiving the allegation, OI will inform SSA whether it has opened an investigation. If OI does not investigate, it provides SSA a written explanation of its decision not to pursue. If OI investigates, it sends a report explaining the action taken in approximately 30 days.

Of the 100 individuals in our sample, SSA employees did not submit an e8551 to OI for [REDACTED] iClaim applications they determined were likely or known fraudulent. Of the [REDACTED]

[REDACTED]

In August 2019, we obtained and matched OI's e8551 records to determine whether SSA employees reported iClaim applications that they determined were likely or known fraudulent to OI. Of the [REDACTED] potentially fraudulent iClaim applications, SSA employees did not submit e8551s for [REDACTED] likely or known fraudulent iClaims to OI. SSA agreed that employees must submit an e8551 for likely or known fraudulent iClaims to OI. However, OA FP stated it

[REDACTED]

[REDACTED]

[REDACTED]

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Incorrect Determination Status for Potentially Fraudulent iClaims

OAFP uses [REDACTED]



Of the 100 individuals in our sample, OAFP did not have the results for [REDACTED] iClaims it had identified as potentially fraudulent. On average, the determination status of these iClaims had been pending for 21 months.¹⁴



We informed SSA of this condition in a September 2019 report¹⁵ in which we identified [REDACTED] potentially fraudulent iClaims that remained in pending status for longer than 14 months. In that report, we recommended SSA analyze the [REDACTED] potentially fraudulent iClaims in pending status to determine the accuracy of the status and whether corrective action was warranted. In October 2019, SSA indicated it was working to implement this recommendation to improve its ability to update OAFP's file with the correct case results.



¹⁴ The mean is 21 months and the median is 15 months.

¹⁵ SSA, OIG, *The Social Security Administration's Controls for Identifying Potentially Fraudulent Internet Claims*, A-09-18-50655, pp. 6 and 10 (September 2019).

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CONCLUSIONS

SSA needed to improve controls over resolving potentially fraudulent iClaims because it did not always require, nor could it provide, evidence to support the validity of potentially fraudulent iClaims OAFP identified. In addition, SSA employees improperly issued payments for likely or known fraudulent iClaim applications before they obtained evidence to support the application's validity. However, from May 2014 through August 2018, SSA took several actions to improve controls to ensure its employees properly resolved potentially fraudulent iClaims identified by OAFP. We believe these controls, if properly implemented, should ensure SSA employees verify and document an applicant's identity before they approve and issue payments for potentially fraudulent iClaims.

We also found SSA employees did not always submit an e8551 for likely or known fraudulent iClaims to OI.

During our audit, we did not determine whether

Finally, OAFP did not
ly fraudulent iClaims.

RECOMMENDATIONS

We recommend that SSA:

AGENCY COMMENTS

SSA disagreed with our Recommendations. SSA stated it disagreed with Recommendation 1 because its employees followed the processes in place when the [REDACTED] iClaims were filed, and it had no evidence that fraud occurred. Additionally, SSA stated it is unlikely any of the [REDACTED] iClaims are fraudulent since the numberholders did not raise any issues since they filed their claims. Finally, SSA stated, that based on its decision on Recommendation 1, it would not take action on cases from Recommendation 2. The Agency's comments are included in Appendix C.

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OIG RESPONSE

SSA's statement that employees followed the process in place when iClaims were filed is not accurate for [REDACTED] of the [REDACTED] iClaims OIG identified. For those [REDACTED] iClaims, the Agency's policy at the time required that its employees [REDACTED], which was not done. We also disagree with the Agency's statement that it is "unlikely any of the [REDACTED] iClaims are fraudulent since the number holders did not raise any issues since they filed their claims." We do not expect that individuals who filed fraudulent iClaim applications would raise any issues since they are receiving payments. These individuals may be using SSNs for number holders who are not currently receiving SSA benefits and consequently those number holders would not have knowledge that their numbers have been used to apply for benefits. [REDACTED] would allow SSA to confirm that the applicant is the actual number holder. In fact, as stated on page 5 of the report, in some cases we found that SSA employees improperly issued payments without [REDACTED] and subsequently determined the iClaims were fraudulent. Finally, given the significance of SSA's policy change [REDACTED] before approving potentially fraudulent iClaims and the potential risk that SSA employees may have approved fraudulent iClaims before the policy change, we believe, at a minimum, SSA should [REDACTED] for all [REDACTED] iClaims before it makes a decision concerning Recommendation 2.



Rona Lawson
Assistant Inspector General for Audit

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APPENDICES

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Appendix A – SCOPE AND METHODOLOGY

From the Social Security Administration's (SSA) Office of Anti-Fraud Programs (OAFP), we obtained [REDACTED] potentially fraudulent Internet Claim (iClaim) applications filed under the Social Security numbers of [REDACTED] individuals it identified from May 9, 2014 through February 28, 2018. From this population, we selected a random sample of 200 individuals for review to determine whether appropriate actions were taken on potentially fraudulent iClaims.

To accomplish our objective, we

- reviewed the applicable sections of SSA's *Program Operations Manual System* and Emergency Messages;
- interviewed SSA employees from the Offices of Operations and Anti-Fraud Programs;
- reviewed prior Office of the Inspector General audits, *Controls over Social Security Internet Benefit Applications*, A-09-11-21165 (Limited Distribution, December 2011) and *Verifying the Identities of Individuals Who File Internet Claims*, A-14-18-50640 (Limited Distribution, November 2018);
- obtained queries from SSA's Master Beneficiary Record, Payment History Update System, Modernized Claims System, Online Retrieval System, and Claims File User Interface;
- obtained files of *Electronic Form SSA-8551* referrals from our Information Technology Division;
- reviewed a random sample of 200 individuals from OAFP's file to determine whether SSA [REDACTED]; and
- reviewed a random sample of 100 individuals to determine whether SSA employees reported an allegation for likely or known fraudulent iClaims and had the correct status in OAFP's file.

We assessed the significance of internal controls necessary to satisfy the audit objective. We determined that internal controls were not significant to the audit objective; therefore, we did not assess the design, implementation, or operating effectiveness of internal controls.

We determined the data provided by OAFP were sufficiently reliable to meet our audit objective. We conducted appropriate tests to determine the accuracy of the data for the purpose of our review.

We conducted audit work in Richmond, California, and Baltimore, Maryland, between October 2018 and October 2019. The entities audited were OAFP under the Office of Analytics, Review and Oversight, and the Offices of Operations and Systems under the Offices of the Deputy Commissioners for Operations and Systems.

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We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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Appendix B – SAMPLING METHODOLOGY AND RESULTS

We obtained a file from the Social Security Administration's (SSA) Office of Anti-Fraud Programs (OAFP). The file contained 75,649 potentially fraudulent Internet Claim (iClaim) applications filed under the Social Security numbers of 65,874 individuals that OAfp identified from May 9, 2014 through February 28, 2018. From this population, we selected a random sample of 200 individuals for review.

We reviewed 200 individuals to determine whether SSA employees obtained evidence to determine the validity of potentially fraudulent iClaims before paying benefits. Our review of the 200 individuals found that SSA employees approved and paid benefits totaling [REDACTED] for [REDACTED] iClaim applications they determined were likely or known fraudulent. SSA employees also approved and paid [REDACTED] iClaims that it determined were valid; however, [REDACTED] to confirm the applicants' identity and the validity of these claims.

Of the 200 individuals, we reviewed 100 to determine whether SSA employees reported an allegation for likely or known fraudulent iClaims to our Office of Investigations (OI) and whether SSA had the correct status in OAfp's file. Our review of 100 individuals found that SSA employees did not report an allegation for [REDACTED] likely or known fraudulent iClaims to OI, as required, and OAfp did not update its records for [REDACTED] iClaims that SSA employees determined were likely or known fraudulent.

Table B-1: Population and Sample Size

Description	Individuals
Population Size	[REDACTED]
Sample Size	200

Of the 200 individuals in our sample, SSA determined [REDACTED] iClaim applications were valid and paid benefits totaling [REDACTED]. However, there was no additional evidence to support the validity of the iClaim applications. As of August 2019, SSA was still paying [REDACTED] claims. Projecting these results to our population of [REDACTED] individuals, we estimate SSA processed approximately [REDACTED] iClaims as valid without evidence [REDACTED]. Table B-2 provides the details of our sample results and statistical projections.

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Table B-2: Evidence Supporting the Validity of iClaim Applications

Description	Individuals
Sample Results	[REDACTED]
Point Estimate	[REDACTED]
Projection - Lower Limit	[REDACTED]
Projection - Upper Limit	[REDACTED]

Note: All statistical projections are at the 90-percent confidence level.

Of the 200 individuals in our sample, SSA field office employees approved the issuance of benefit payments totaling [REDACTED] for [REDACTED] likely or known fraudulent iClaims before they obtained evidence or documented [REDACTED] to determine the validity of the iClaim applications. SSA ceased payments on all [REDACTED] claims after they were determined to be likely or known fraudulent. Projecting these results to our population of [REDACTED] individuals, we estimate that SSA approved for payment approximately [REDACTED] in benefits for [REDACTED] cases without any evidence [REDACTED]. Table B-3 provides the details of our sample results and statistical projections.

Table B-3: Improper Payments to Likely or Known Fraudulent iClaim Applications

Description	Individuals	Payments
Sample Results	[REDACTED]	[REDACTED]
Point Estimate	[REDACTED]	[REDACTED]
Projection - Lower Limit	[REDACTED]	[REDACTED]
Projection - Upper Limit	[REDACTED]	[REDACTED]

Note: All statistical projections are at the 90-percent confidence level.

Of the 100 individuals in our sample, we found SSA did not have the correct status in its OA FP file for [REDACTED] iClaims that SSA employees determined were likely or known fraudulent iClaims. Projecting these results to our population of [REDACTED] individuals, we estimate approximately [REDACTED] cases of likely or known fraudulent iClaims did not have the correct status. Table B-4 provides the details of our sample results and statistical projections.

Table B-4: Incorrect Determination Status

Description	Individuals
Sample Results	[REDACTED]
Point Estimate	[REDACTED]
Projection - Lower Limit	[REDACTED]
Projection - Upper Limit	[REDACTED]

Note: All statistical projections are at the 90-percent confidence level.

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Appendix C – AGENCY COMMENTS



SOCIAL SECURITY
Office of the Commissioner

MEMORANDUM

Date: April 2, 2020 Refer To: S1J-3

To: Gail S. Ennis
Inspector General

Stephanie Hall

From: Stephanie Hall
Chief of Staff

Subject: Office of the Inspector General Draft Report, “The Social Security Administration’s Actions to Resolve Potentially Fraudulent Internet Claims” (A-09-18-50603) -- INFORMATION
Thank you for the opportunity to review the draft report. Internet claims (iClaim) are an important service delivery tool and provide a convenient option for the public. We recognize the inherent risks associated with any Internet-based service and appreciate the Office of the Inspector General’s (OIG) efforts to help us further improve our processes to prevent fraud. In the report, OIG acknowledged our efforts to strengthen policies and procedures to prevent and detect iClaim fraud. Since May 2014, we implemented a

[REDACTED] processes to aggressively detect and prevent iClaim fraud. As a result of this work, we detect and prevent payment on approximately [REDACTED] percent of likely fraudulent iClaims before we issue a single payment. Since fiscal year 2017, we estimate that we avoided losses of more than [REDACTED]. Additionally, in January 2020, we implemented the Allegation Referral Intake System, which provides enhanced functionality for SSA employees to report potential fraud, including fraud relating to iClaims.

We continue to work closely with OIG’s Office of Investigations (OI) and routinely provide OI with a file of every iClaim we flag as suspicious. Through our analysis of fraudulent iClaim transactions, we identified and shared commonalities in large groups of cases with OI to assist with its investigations. As a result, in April 2019, OIG secured a conviction for one of the groups we identified.

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With respect to the cases identified in recommendation one, our staff followed the processes in place at the time the iClaims were filed. We have no evidence, and OIG did not establish that the iClaims cited were fraudulent. Additionally, given the time since the claims were filed and in the absence of any issues raised by the number holders, there is a small likelihood that any of the [REDACTED] claims identified are fraudulent. Therefore, we disagree with recommendation one. Given our position for recommendation one, we will not be taking action on the cases from recommendation two. We also provided technical comments at the staff level.

Please let me know if we can be of further assistance. You may direct staff inquiries to Trae Sommer at (410) 965-9102.

MISSION

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