



## SOCIAL SECURITY

### **MEMORANDUM**

Date: September 26, 2003

Refer To:

To: The Commissioner

From: Inspector General

Subject: Controls over Supplemental Security Income Replacement Checks (A-05-03-13010)

Attached is a copy of our final report. Our objectives were to determine whether the Social Security Administration has adequate procedures to control duplicate Supplemental Security Income checks issued to the same recipients and recover overpayments resulting from double check negotiations.

Please comment within 60 days from the date of this memorandum on corrective action taken or planned on each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.



James G. Huse, Jr.

Attachment

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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**Controls Over  
Supplemental Security Income  
Replacement Checks**

September 2003

**A-05-03-13010**

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**AUDIT REPORT**

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## **Mission**

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

## **Authority**

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

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

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

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

## **Vision**

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

# *Executive Summary*

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## **OBJECTIVE**

Our objectives were to determine whether the Social Security Administration (SSA) has adequate procedures to control duplicate Supplemental Security Income (SSI) checks issued to the same recipient and recover overpayments resulting from double check negotiations (DCN).

## **BACKGROUND**

SSA has established procedures to replace monthly SSI checks that recipients claim were not received. A Federal settlement agreement mandated that when a recipient reports a check was not received, SSA will direct the Department of the Treasury (Treasury) to immediately issue a replacement check prior to investigating the status of the missing check. There are two situations when SSA may choose to investigate the status of an original check prior to issuing a replacement check. First, if SSA believes that an individual alleging nonreceipt is misusing SSA's policy of immediate payment, SSA will direct Treasury to determine the status of the original check before replacing it. This action requires SSA to establish that the individual received a final denial on a forgery claim or had a DCN within the last 24 months that was not appealed. Second, SSA can request Treasury to determine the status of a check when the recipient is unsure whether a benefit check was received.

## **RESULTS OF REVIEW**

SSA recorded 226,615 DCNs totaling approximately \$104.7 million during the audit period. Our review concentrated on the 127,262 DCNs totaling \$59.7 million recorded during the 12-month period ended March 31, 2002. These totals include 8,375 individuals who negotiated from 3 to 12 DCNs during the year, resulting in overpayments of \$16.7 million. We visited six field offices that processed a large number of DCNs including two with over 1,000 DCNs each during the period. We also visited an office in Rochester, New York, that processed 649 DCNs and is part of an ongoing project being conducted by our Office of Investigations to investigate and seek prosecution of individuals who abused the replacement check process.

## **CONCLUSIONS AND RECOMMENDATIONS**

SSA has revised its procedures to improve its controls over DCNs and recovery of related overpayments. Nonetheless, the number of DCNs and the amount of related overpayments have increased to a significant level in recent years. We are recommending that SSA take additional actions to deter individuals from initiating multiple DCNs and to recover related overpayments in a timely manner. As a result of reducing the occurrence of DCNs and initiating prompt recovery action, we estimate SSA could realize about \$137.5 million in program savings over a 5-year period.

## **AGENCY COMMENTS**

SSA generally agreed with our recommendations. The Agency added that DCNs are a concern and it strongly supports efforts to deter and prevent fraudulent requests for SSI replacement checks. See Appendix F for SSA's comments.

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## *Acronyms*

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CR	Claims Representative
DCN	Double Check Negotiations
EFT	Electronic Funds Transfer
FO	Field Office
IP	Immediate Payment
OI	Office of Investigations
POMS	Program Operations Manual System
SSI	Supplemental Security Income
SSA	Social Security Administration
SSR	Supplemental Security Record
TSC	Teleservice Center
TSR	Teleservice Representative
Treasury	Department of the Treasury

# *Introduction*

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## **OBJECTIVE**

Our objectives were to determine whether the Social Security Administration (SSA) has adequate procedures to control duplicate Supplemental Security Income (SSI) checks issued to the same recipient and recover overpayments resulting from double check negotiations (DCN).

## **BACKGROUND**

The SSI program is a needs-based program administered by SSA. The program provides cash assistance to financially needy individuals who are aged, blind and/or disabled.<sup>1</sup> SSA estimated total SSI payments of \$31.9 billion were made to an estimated 6.8 million recipients during Calendar Year 2002.

Prior to November 1997, SSA did not provide immediate SSI replacement checks when recipients claimed they did not receive the checks. If a missing check was reported for a current monthly benefit check, SSA reviewed its records to determine if the recipient cashed two checks for the same month's payment during the previous 24 months. If a double check negotiation (DCN) was detected, SSA requested that the Department of the Treasury (Treasury) determine the status of the original check before issuing a replacement check.

This procedure was challenged through a class action suit filed in the State of New York.<sup>2</sup> The plaintiffs filed suit to challenge the procedures used to replace Title II and Title XVI checks for which nonreceipt allegations were filed. As a result, SSA entered into a settlement agreement and, effective November 1997, SSA generally issues an immediate replacement for missing checks. The two exceptions to this general rule are as follows.

First, if SSA has reason to believe that an individual alleging nonreceipt is misusing SSA's policy of immediate replacement, SSA can request Treasury to determine the status of the original check prior to issuing a replacement payment. To do this, SSA records must establish that the individual received a final denial on a forgery claim or had a DCN that was not appealed within the last 24 months. If SSA invokes this option and the original check has not been presented for payment, Treasury will cancel the original check and issue a replacement check. If the original check has been cashed and the check payee denies cashing it, a forgery investigation must be completed before a settlement check will be paid. Second, if an individual is unsure whether a

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<sup>1</sup> 20 C.F.R. § 416.110.

<sup>2</sup> Robinson vs. Sullivan, U.S. Dist. Lexis 14127 (S.D.N.Y.) 1994.

benefit check was received, SSA will direct Treasury to determine the status of the original check before issuing a replacement.<sup>3</sup>

We coordinated our review with the Office of the Inspector General, Office of Investigations (OI), which has projects in place to process and prosecute individuals with multiple DCNs. We also reviewed a memorandum from the SSA Dallas Region that addressed DCN abuses at two field offices (FO). The memorandum, dated June 28, 2002, was addressed to SSA's Deputy Commissioner for Operations. Its primary purpose was to recommend actions to decrease the occurrence of fraudulent DCNs under the SSI program.

## **SCOPE AND METHODOLOGY**

To complete our review we:

- Interviewed SSA employees at Region V offices concerning replacement check procedures and related problems.
- Reviewed fact sheets issued by OI that involved DCN fraud.
- Performed a nationwide data extract of DCNs from the SSI recipient master file, the Supplemental Security Record (SSR), for the 2-year period ended March 31, 2002.
- Followed up on the status of recommendations to reduce DCNs made in a memorandum from the Dallas Regional Office.
- Visited 6 of the 20 FOs nationwide with the largest number of DCNs to review their procedures to control and recover DCNs. The offices were located in Milwaukee, Wisconsin; Los Angeles, California; Rochester, New York; St. Louis, Missouri; Memphis, Tennessee; and Detroit, Michigan.
- Contacted the administrative sanctions coordinators at every region to assess the use of sanctions for individuals who have multiple DCNs.
- Selected all recipients from the 6 FOs that we visited who had 10 or more DCNs from April 1, 2001 to March 31, 2002, to determine what actions were taken.
- Reviewed the OI pilot investigation of DCNs in the State of New York.
- Reviewed applicable Federal regulations and SSA policies and procedures.

We developed a population of DCNs by extracting records from the SSI master file, the SSR. Selected records were reviewed in detail to validate the accuracy of the extract. In addition, we validated other records by using selected cases as a basis for detailed

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<sup>3</sup> Program Operations Manual System (POMS), section GN 02406.002(B).7.

record reviews during our on-site visits to six FOs. Our statistical methodology can be found at Appendix A.

We performed field work from September 2002 through March 2003 at our office in Chicago, Illinois; local FOs in the Chicago area; the six FOs identified previously; and SSA Headquarters in Baltimore, Maryland. The entities audited were SSA's FOs under the Deputy Commissioner for Operations. We conducted our audit in accordance with generally accepted government auditing standards.

# *Results of Review*

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SSA recorded 226,615 DCNs totaling about \$104.7 million during the 2-year audit period ended March 31, 2002. During the most recent year there were 8,375 individuals who negotiated from 3 to 12 DCNs during the same year, resulting in overpayments of \$16.7 million. This category includes 1,271 individuals who negotiated 6 or more SSI replacement and initial checks, resulting in average overpayments of about \$3,500. Our frequency analysis for the year ended March 31, 2002 is shown as Appendix B.

SSA staff expressed the opinion that the Robinson-Reyf settlement agreement to immediately replace checks reported as missing partially explains the significant increase in the number of DCNs under the SSI program. Our discussions with both SSA regional and FO staff identified weaknesses in monitoring DCNs and recovering related overpayments, as well as a lack of penalties to deter DCN abuses. We commend SSA for initiating procedural changes that should reduce both of these weaknesses in the future. Nonetheless, we recommend additional actions be taken to further improve controls over replacement checks and overpayment recoveries from DCNs. Further, SSA needs to increase the use of administrative sanctions as a penalty against those who abuse the replacement check process by incurring multiple DCNs.

## **INCREASED DCN ACTIVITY**

Our data extract for the 2-year period ended March 2002 consists of records from the SSR where both the original and replacement checks were cashed for the same month. The payee may not always be at fault and can exercise an appeals right if it is alleged that another person cashed one of the checks. The number of DCNs for the 1-year period ended March 31, 2002 disclosed an increase of 28 percent above the previous year and the related overpayment dollar amount was 33 percent above the previous year as shown in the table below.

**DOUBLE CHECK NEGOTIATIONS FREQUENCY TABLE**

<b>Year</b>	<b>Number of DCNs</b>	<b>Total Amount</b>
April 1, 2000 to March 31, 2001	99,353	\$ 45,032,402
April 1, 2001 to March 31, 2002	127,262	59,703,356
<b>Totals</b>	<b>226,615</b>	<b>\$104,735,758</b>
<b>Percentage Increases</b>	<b>28</b>	<b>33</b>

The increases in the number of DCNs have been dramatic at some FOs. For example, OI provided the following information on DCN increases at the Syracuse FO in New York after the Robinson-Reyf court action.

Year	Number of DCNs
1996 (prior to Robinson-Reyf settlement)	36
2000	502
2001	733
2002 (at August 31)	723 (projected to 1,084 at year's end)

Another example was provided by the Dallas regional office. The Regional Commissioner, in a memorandum to Headquarters, cited the number of DCNs and related overpayments at two FOs in Oklahoma City, Oklahoma, and Tyler, Texas, for the 4-year periods immediately before and after the Robinson-Reyf settlement. The Region reported that total DCNs and overpayments went from 980 to 1,475 and from \$366,653 to \$628,199, respectively. While not as dramatic as the increases in Syracuse, the data indicates significant average increases in DCNs issued and related overpayments of 50.5 percent and 71.3 percent, respectively. OI has initiated investigations related to some of these cases.

## **VULNERABILITIES IN THE NONRECEIPT SYSTEM**

Our review of SSA instructions in the Program Operations Manual System (POMS) for SSI replacement checks and discussions with FO and regional staff disclosed the need for improvements in the process.

### **FO EMPLOYEE CONCERNS**

We visited 6 FOs from the list of 20 FOs with the highest volume of DCNs nationwide (see Appendix C). The FOs were selected from different regions to provide nationwide representation. Below we have summarized opinions held by all or most of the staff we interviewed relevant to our audit objectives.

Generally, the FO staff did not believe that current procedures are adequate to reduce overpayments related to DCNs. They believed there are two significant factors in the nonreceipt process that allow or encourage recipients to consistently receive two SSI payments for the same month. The first factor was a lack of consistent POMS instructions between FOs and teleservice centers (TSC) for processing nonreceipts. The comments are summarized below.

- At the time of the interviews, SSA's procedures for teleservice representatives (TSR) were not consistent with those for FO staff. TSRs were not required to initiate a request for Treasury action for recipients who have a history of DCNs. The input of a "C-stop" directs Treasury to investigate a missing check before issuing a replacement check.

- Procedures only required TSRs to process the “C-stop” when a caller was “unsure” as to whether a check was received. Situations where abuse was suspected were to be referred to the FO or program service center for processing.

We noted that SSA responded to this concern. The Agency recently issued an Emergency Message (EM-03028, effective March 24, 2003) to emphasize the importance of annotating the SSR when DCN abuse occurred on recipients' records. The message directs TSRs to input “C-stop” actions when DCNs were committed during the prior 24-month period. However, some of the FO staff we interviewed believed TSRs were not reviewing the records to identify payees as DCN abusers. They stated that overpayments could be avoided if the TSRs were reviewing the records to identify prior DCNs. Instead, they claimed some TSRs input a “B-stop” when the record is annotated that a “C-stop” should be inputted into the system. The “B-stop” directs Treasury to issue a replacement check immediately prior to an investigation of the original check.

The second significant factor identified during the FO interviews concerned DCN recovery procedures. Under the law, SSI overpayment recoveries generally are limited to the lesser of a recipient's SSI benefit or 10 percent of monthly income. An exception is the law allows SSA to withhold an entire SSI payment if fraud, willful misrepresentation, or concealment of material information was involved in connection with the overpayment.<sup>4</sup> However, we determined SSA was not applying this exception to the 10 percent ceiling on SSI payments to recover overpayments related to DCNs. Thus, individuals who incurred multiple DCNs increased their cumulative amount of overpayments.

This year SSA improved its procedures by specifying that individuals who incur DCNs are liable for a withhold of the entire SSI payment to recover related overpayments.<sup>5</sup> This policy, effective May 2003, is based on the legal criteria for exceptions to the 10 percent withhold ceiling, namely “...that similar fault, misrepresentation or concealment of material information was committed by the SSI individual or his/her deemor....” This instruction identifies DCNs as an example of a type of case subject to 100 percent withholding and describes how it should be implemented.<sup>6</sup>

An additional concern was expressed by the manager at one of the FOs we visited. She stated that the POMS notes that a “U” in the “Pay Flag 3 column” of the SSI record means that both original and replacement checks have been cashed. The manager then referred to the case we provided. For this particular record, the recipient was able to double negotiate 12 checks during the 1-year period ended March 31, 2002. The manager noted that not all DCNs were identifiable by a “U.” Instead, the record field was blank. The manager stated an employee could interpret the blanks in this field

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<sup>4</sup> Section 1631(b)(1)(B) of the Social Security Act, as amended (42 U.S.C. 1383(b)(1)(B)).

<sup>5</sup> POMS, section SI 02220.016.

<sup>6</sup> 20 C.F.R. § 416.571.

represented regular payments. She believes all DCNs should be annotated consistently on the record.

## THE PROBLEM OF MULTIPLE DCNS

We visited the six FOs identified previously with high volumes of DCNs. We discussed the problems of multiple DCNs by selecting one SSI payee serviced by each FO who had at least nine DCNs during the 1-year period ended March 31, 2002. We asked FO employees the following key questions:

- Why is your office one of those with the largest number of DCNs issued in the nation?
- How would you respond if the person whose name appears on the record we provided with multiple DCNs were to come to the office for another replacement check?
- What will be done to stop the recipient from continuing to receive replacement checks?

The FO employees generally responded as follows:

1. They believed the number of DCNs were related to demographics of the population served. The high-volume offices tend to be located in low-income communities. As a result, recipients often are presumed to be in dire financial need. Another opinion was that some recipients expect DCNs as a regular income source and know how to manipulate the system in their favor.

Some employees stated that recipients are aware that they can receive a replacement check by calling the SSA 800-number. One allegation was that if the TSR states an investigation of the original check will be done before issuing a replacement check, the recipient will call another TSR until one agrees to issue an immediate payment check. Also, staff stated that recipients are aware that the only SSA response to DCNs was to record overpayments.

Another employee response was that payees have also learned to hold their original check until a replacement check is received. When Treasury releases a replacement check, the individuals will cash both checks at the same time at different currency exchanges.

2. FO employees stated if a recipient with multiple DCNs came into the office for another replacement check, a "C-stop" would be entered onto the record with remarks to alert other staff to use future "C-stops." However, it was stated that the recipient might ask for a manager to request an immediate payment based on "dire need." When this happens, either a supervisor or office manager talks with the person to determine if the payment should be issued. Regardless of the

immediate payment, a “C-stop” will be recorded and a replacement check can still be issued.

3. FO employees stated the only required action under POMS to stop DCNs was to record “C-stops” for Treasury action.

## **THE USE OF ADMINISTRATIVE SANCTIONS**

SSA procedures provide for administrative sanctions as a penalty against individuals who abuse the program. FOs submit proposed sanction actions to the regional coordinator for approval. The criteria for administrative sanctions is as follows:

“SSA will impose a penalty when an individual makes (or causes to be made) a statement or representation of a material fact for use in determining title II/title XVI benefit eligibility or amounts if: The statement is false, misleading, or omits a material fact; and the person knows or should know the statement is false, misleading, or omits a material fact and the statement is made with a knowing disregard for the truth; and the statement is made on or after 12/14/99.”<sup>7</sup>

Employees from the six FOs we visited stated that their offices did not propose administrative sanctions for DCN cases. The reasons cited included the following:

- suspending benefits for 6 months is too harsh;
- the additional time and work needed to develop a proposed sanction; and
- the sanction process is too long and tedious and the office has to emphasize production.

In addition, we received feedback from 4 of the 10 regional administrative sanctions coordinators. Of the four, only the coordinator in the Dallas Region was actively imposing sanctions on DCN abusers.

The Dallas coordinator stated that a claims representative (CR) in the FO in Alexandria, Louisiana used the administrative sanction process to reduce fraud and abuse related to DCNs. The CR began submitting DCN cases to the Dallas regional coordinator in May 2002. At the time of our contact, the CR had submitted 34 DCN cases for sanctions and all were approved. The staff noticed a marked decrease in nonreceipt claims for SSI check recipients at the FO. The Dallas coordinator stated that she was publicizing these successes to generate more referrals.

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<sup>7</sup> POMS, section GN 02604.405.

## **FO EMPLOYEES RECOMMEND DIRECT DEPOSIT**

Direct deposit or Electronic Funds Transfer (EFT) can prevent individuals from abusing the SSI Nonreceipt System. If a SSI payee is using EFT, FO employees and/or TSRs can tell immediately if a recipient or representative payee has not received a SSI payment. However, for EFTs in the United States:

“Title II and Title XVI benefit recipients who indicate that payment by EFT would impose a hardship may request to be exempted from the EFT requirement. The recipient will determine what constitutes a hardship. These self-determinations of hardship will not be verified or documented in the file.”<sup>8</sup>

Therefore, SSA staff can only encourage individuals to use direct deposit. We identified cases where individuals with multiple DCNs were told to open an account with a bank to have direct deposit. In some cases, the individuals would then close the account and again double negotiate checks. We determined that some DCN abusers were required to pick up checks at their servicing FOs, although we found no policy to support this procedure. Also, employees stated that they could not efficiently accommodate individuals with multiple DCNs coming into the office at the beginning of every month to pick up checks.

## **ANALYSIS OF DCN RECOVERY RATE**

SSA does not monitor the status of overpayments related to DCNs to determine their repayment status. As a test, we selected the 12 recipients from the 6 FOs we visited who had 10 or more DCNs during the 1-year period ended March 31, 2002. These 12 recipients have a total of 125 DCNs. The detailed results are shown as Appendix D. We found that only one DCN was fully recovered within 1 year following the overpayment. The DCN recovery rate was:

- One DCN was found to be fully repaid by February 2003.
- Thirty-two (25.6 percent) of the DCNs were partially paid.
- Ninety-two (73.6 percent) were awaiting collection. The 10 percent withhold for collection were being applied to earlier overpayments for the same individuals.

## **OFFICE OF INVESTIGATIONS DCN PROJECT**

OI's Batavia Office, New York Field Division, has in process an initiative to address the significant increase in replacement checks received by SSI recipients since the Robinson-Reyf court mandate. Twenty-seven SSA offices within the jurisdiction of the Batavia Office in the State of New York were included in this project.

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<sup>8</sup> POMS, section GN 02402.001.

On December 31, 2002, the Batavia Office received a computer-generated listing of 382 potential DCN fraud suspects, each of whom incurred at least 5 DCNs in the past 60 months. By January 17, 2003, OI completed personal interviews for the 22 worst offenders and all of them provided sworn statements admitting to false claims. Some of the interviews collaborated FO staff statements that TSCs were the weakest link in SSA controls over the replacement check process. During January 21-22, 2003, OI briefed the United States Attorney's Office for the Western and Northern Districts of New York about the investigation. Both agreed to a unified and coordinated prosecution in the two Districts. OI reported in April 2003 that there were a total of 115 cases pending prosecution. For the Eastern and Southern Districts, OI identified 424 DCNs with overpayments totaling over \$1.7 million. Of these, there were 170 cases with potential for criminal prosecution based on a minimum overpayment amount of \$4,000 per case.

Other OI Field Divisions are looking into the viability of DCN investigations. Several factors must be taken into consideration, not the least of which is continuing support by Federal or State/local prosecutors within affected jurisdictions. Other factors include the amount of monetary losses, recipients' or payees' criminal records, availability of investigative resources and competing workloads, and the suspects' age, mental health and financial resources.

# *Conclusions and Recommendations*

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SSA revised its procedures to improve controls over the issuance of DCNs and the recovery of related overpayments. If properly and consistently applied, these procedures will reduce the occurrence of DCNs in the future and provide a means for timely recovery of overpayments when they occur. However, the procedures do not address the timely recovery of DCNs previously incurred with large overpayment balances. Also, our discussions with field staff disclosed concerns about their capability to address effectively the problem of individuals with multiple DCNs. Additional guidance is needed to provide for the consistent use of referrals to OI and administrative sanctions.

Our visits to FOs and discussions with regional staff also disclosed the lack of deterrence to individuals who continue to request replacement checks and incur multiple DCNs. Even for those individuals subject to the OI project in the State of New York, the majority are not subject to prosecution because the amount of money related to the DCNs was below the minimum needed to pursue prosecution. Except for one FO in the Dallas Region, we also found no evidence that field staff were pursuing administrative sanctions against individuals with DCNs. Finally, our visits identified a need for training and enhanced systems support to assist field staff in identifying and taking appropriate action when confronted by individuals with multiple DCNs. Training is particularly critical given the significance of procedural changes this year.

Systems enhancements would reduce the time and increase the accuracy of DCN processing actions required of the employee. Currently, manual actions are taken to access and review each individual's SSI record, identify patterns of DCNs and either request a replacement check or request assistance from Treasury. When DCNs are detected, the employee processes appeals notices and, when appropriate, establishes overpayments for benefit offset recovery actions. We believe this process is labor intensive and, as a result, subject to clerical error or oversight.

## **RECOMMENDATIONS**

We recommend SSA:

1. Conduct training for both FO and TSC staff to address the issue of DCNs. The training should focus on changes in processing requests for replacement checks and increasing the withhold amount to recover DCN overpayments from subsequent checks.
2. Consider automation enhancements to the replacement check process to assist staff in identifying individuals with DCNs and processing appeals and overpayment recovery actions.

3. Develop and implement procedures to use administrative sanctions in an appropriate and consistent manner against individuals with multiple DCNs.
4. Continue encouraging recipients to use the direct deposit system as a means of preventing SSI payment errors.
5. Develop action plans to assist FOs with a high number of DCNs by improving front-end processing. Also ensure FOs refer individuals with multiple DCNs to OI for potential prosecution or, if declined, to regional offices for administrative sanctions.

#### **AGENCY COMMENTS**

SSA generally agreed with our recommendations and supports the need to deter and prevent DCNs, especially when recipients claim high numbers of nonreceipts. The only reservation expressed was to question the need for action plans to assist FOs with a high number of DCNs. SSA believes current improvements are adequate and additional actions for specific FOs are unnecessary.

#### **OIG RESPONSE**

We commend SSA for the actions taken to address the issue of DCNs. Also, SSA may be correct in assuming planned corrective actions are sufficient to address concerns over DCNs, including FOs with high numbers. We believe, however, that it is prudent to recognize some FOs may have more severe problems with DCNs, requiring more of a commitment to resolve than other FOs where the concern is less of an issue.

# *Appendices*

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## **Appendix A**

### **Statistical Analyses and Methodology**

We extracted from the Supplemental Security Record database two files, for the 12-month periods ended March 31, 2001 and 2002. Both files identified nationwide totals for double check negotiations (DCN) that were made during each period with the related overpayment amount. We identified DCNs based on SSI disbursements where both original and replacement checks were negotiated for the same payment period.

The records were sorted by the number of DCNs for each recipient with the related overpayment amount. The number of DCNs and the dollar amount for the 2 years are as follows.

• Number of DCNs for 2001	99,353	Overpayment Amount	\$ 45,032,402
• Number of DCNs for 2002	<u>127,262</u>	Overpayment Amount	<u>59,703,356</u>
<b>Totals</b>	<b><u>226,615</u></b>		<b><u>\$104,735,758</u></b>

For audit purposes, we focused on the most recent 12-month period. We identified 100 percent of the recipients obtaining multiple DCNs. (See Appendix B for a nationwide frequency table.) The table identifies the frequency of DCN issued to the same recipients and representative payees within a 1-year period.

We developed a methodology to visit FOs to review offices' compliance with procedures to control and recover DCNs. The 6 offices that were selected for visits were chosen from 20 FOs with the highest volume of DCNs (nationwide) for the 1-year period ended March 31, 2002. (See Appendix C for the 20 FOs.)

We selected the six offices based on geographic dispersion, as well as a high number of DCNs. The table below presents the 6 selected FOs and their ranking within the "Top 20" for the 12-month period.

<b><u>Location</u></b>	<b><u>Rank</u></b>	<b><u>Total DCNs</u></b>
1. Memphis (Downtown), Tennessee	1	1,152
2. Milwaukee (North), Wisconsin	2	1,080
3. Detroit (East), Michigan	5	810
4. St. Louis (Downtown), Missouri	6	753
5. Los Angeles (Watts), California	10	709
6. Rochester, New York	15	649

## **Appendix B**

**FREQUENCY TABLE  
FOR DOUBLE CHECK NEGOTIATIONS  
(APRIL 1, 2001 – MARCH 31, 2002)**

Number of DCN Occurrences	Number of Recipients			Dollar Amount		
	Individual	Representative Payee	Total	Individual	Representative Payee	Total
12	2	5	7	\$ 11,647	\$ 26,121	\$ 37,768
11	14	16	30	79,635	82,570	162,205
10	40	26	66	209,693	123,980	333,673
9	57	48	105	252,749	200,123	452,872
8	98	76	174	384,364	297,228	681,592
7	175	159	334	619,702	548,694	1,168,396
6	292	263	555	849,460	760,464	1,609,924
5	526	550	1,076	1,260,828	1,339,892	2,600,720
4	972	1,010	1,982	1,883,385	1,978,410	3,861,795
3	2,023	2,023	4,046	2,869,915	2,951,954	5,821,869
2	5,714	5,668	11,382	5,298,125	5,517,048	10,815,173
1	35,122	34,851	69,973	15,404,524	16,752,845	32,157,369
<b>Total</b>	<b>45,035</b>	<b>44,695</b>	<b>89,730</b>	<b>\$ 29,124,027</b>	<b>\$ 30,579,329</b>	<b>\$ 59,703,356</b>

## **Appendix C**

### **Field Offices with the Highest Number of Double Check Negotiations (April 1, 2001 - March 31, 2002)**

<b>Rank</b>	<b>Location</b>	<b>Total DCNs</b>
1	Memphis (Downtown), Tennessee	1,152
2	Milwaukee (North), Wisconsin	1,080
3	Anacostia, District of Columbia	987
4	Toledo (Downtown), Ohio	948
5	Detroit (East), Michigan	810
6	St. Louis (Downtown), Missouri	753
7	Denver, Colorado	751
8	San Bernardino, California	747
9	Phoenix (Downtown), Arizona	710
10	Los Angeles (Watts), California	709
11	Detroit (Northwest), Michigan	700
12	Cleveland (Downtown), Ohio	695
13	Columbus (Downtown), Ohio	659
14	Cincinnati (Downtown), Ohio	651
15	Rochester, New York	649
16	Milwaukee (Downtown), Wisconsin	615
17	St. Louis (Central West) Missouri	612
18	Tampa Bay (Downtown), Florida	611
19	Highland Park, Michigan	602
20	St. Louis (Southside), Missouri	601

## **Appendix D**

### **Overpayment Recoveries for Cases with 10 or More Double Check Negotiations at 6 Field Offices Visited (April 1, 2000 to March 31, 2002)**

<b>State</b>	<b>Number of Recipients</b>	<b>Number of DCNs</b>	<b>Total DCN Amount</b>	<b>Total Overpayments</b>	<b>Collections</b>
Tennessee	1	10	\$4,788	\$ 6,269	\$1,404.90
Tennessee	1	10	4,802	9,426	710.60
Tennessee	1	10	4,802	7,228	492.60
Tennessee	1	10	4,801	5,689	0
Missouri	1	12	5,822	8,027	438.80
Missouri	1	10	4,814	9,504	275.30
California	1	10	7,159	2,242	302.10
California	1	10	6,476	14,891	771.10
Michigan	1	12	3,626	6,725	819.60
Michigan	1	10	4,788	6,953	438.10
New York	1	10	5,597	15,590	254.90
Wisconsin	1	11*	5,431	7,356	165.60
<b>TOTALS</b>	<b>12</b>	<b>125</b>	<b>\$62,906</b>	<b>\$99,900</b>	<b>\$6,073.60</b>

Note: Total overpayments and collections for all causes identified on the selected records were determined as of February 21, 2003. The system does not track activity by overpayment events nor relate collections to specific events.

## **Appendix E**

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SOCIAL SECURITY ADMINISTRATION  
CHICAGO, IL  
REVIEW OF SSI NON-RECEIPT SYSTEM  
SUPPLEMENTAL SECURITY INCOME BENEFITS  
REVIEW PERIOD: APRIL 2000 – MARCH 2002  
CIN: A-05-03-13010

### **QUESTIONNAIRE FOR INTERVIEWS CONDUCTED AT SELECTED SSA FIELD OFFICES**

#### **PURPOSE:**

The purpose of this questionnaire is to review field office (FO) procedures to control and recover overpayments due to double check negotiations (DCNs) under the title XVI program. The \_\_\_\_\_ was selected for review because it was one of twenty offices with the highest volume of DCNs.

#### **PERSONS TO BE INTERVIEWED:**

Two Service Representatives with SSI program experience and conclude with either a SSI supervisor or FO manager to answer any discrepancies between the two interviews.

#### **TIMEFRAME AND DISTRIBUTION OF QUESTIONNAIRE:**

The interviews should be conducted in one day. Once responses to the questions have been written up, please e-mail or fax the completed documents to Elaine Harris, Senior Auditor, Chicago Field Office, as follows:

[Elaine.P.Harris@SSA.Gov](mailto:Elaine.P.Harris@SSA.Gov) or  
(312) 353-8035 (FAX No.)

#### **INTERVIEWEE AND INTERVIEWER INFORMATION:**

Date of Interview: \_\_\_\_\_

Name of Interviewee: \_\_\_\_\_

Interviewee Title: \_\_\_\_\_

Years of SSI Experience: \_\_\_\_\_

Name/Location of FO (City and State): \_\_\_\_\_

Telephone No. of Interviewee: \_\_\_\_\_

Name(s) of OIG Interviewer(s): \_\_\_\_\_

Name/Location of OIG FO (City and State): \_\_\_\_\_

Office Telephone where Auditor(s) can be reached: \_\_\_\_\_

## **QUESTIONS AND RESPONSES**

1. (a) Please provide an overview of how replacement checks are processed for SSI recipients.

**Response:**

- (b) Does the FO process the bulk of requests for replacement checks vs. persons calling SSA's 800 number?

**Response:**

- (c) Please provide an estimated percentage of persons walking in FO \_\_\_\_\_ and persons calling SSA's 800 number \_\_\_\_\_ for replacement checks?

- (d) Based on your experience with the Department of the Treasury (DT) do you feel that some DT personnel will issue replacement checks to individuals who have a history of DCNs and others will not, once a "C stop" has been transmitted? Please explain:

**Response:**

2. How are overpayments due to DCNs handled?

**Response:**

3. Do you feel that current procedures are adequate for reducing overpayments?

**Response:**

## **QUESTIONS AND RESPONSES (CONT'D)**

4. Do you believe overpayments related to DCNs should be recovered quicker than overpayments caused by other reasons? Please state why.

**Response:**

5. (a) Please provide an estimated percentage of SSI overpayments caused by DCNs for a typical month? Please provide an estimated percentage of total SSI overpayments incurred during a typical month.

**Response:**

- (b) Do you believe these overpayments could be avoided? Please state how.

**Response:**

6. What are the most significant factors in the nonreceipt process that allow recipients to consistently double negotiate checks? Please explain.

**Response:**

**Note: If the interviewee has indicated more than one factor to the above question, please have him/her prioritize the factors according to the most significant.**

## **QUESTIONS AND RESPONSES (CONT'D)**

7. (a) Does your office have a method to identify recipients who consistently negotiate double checks and prevent them from continuing to receive DCNs?

**Response:**

- (b) Do you have any suggestions to address the problem of recipients/rep payees with multiple DCNs?

**Response:**

8. How does your office penalize or otherwise address the problem of chronic abusers of the non-receipt system? For example:

- (a) Does your office require chronic DCN abusers to pick up their checks at the FO?

**Response:**

- (b) Does your office use administrative sanctions to penalize chronic DCN abusers? Please explain.

**Response:**

- (c) What other method does your office use to address the problem of chronic DCN abusers? Please explain.

**Response:**

## **QUESTIONS AND RESPONSES (CONT'D)**

9. Why is your office one of those with the largest number of DCNs issued in the nation?

**Response:**

10. The interviewer should provide the interviewee with a copy of a SSID record (previously obtained from the Chicago Audit Office) and ask the following questions:

- a) How would you handle the person whose name appears on this SSID record if he/she were to come in this office for another replacement check?

**Response:**

- b) What, if anything, will be done to stop the recipient from continuing to receive replacement checks?

**Response:**

11. Do you have any recommendations for controlling the number of overpayments caused by DCNs?

**Response:**

**Note: If the interviewee has noted more than one recommendation, have him/her prioritize the recommendations in their order of significance.**

## **Appendix F**

### **Agency Comments**



## SOCIAL SECURITY

MEMORANDUM

32249-24-960

Date: September 10, 2003

Refer To: S1J-3

To: James G. Huse, Jr.  
Inspector General

From: Larry Dye /s/  
Chief of Staff

Subject: Office of the Inspector General Draft Report, "Controls Over Supplemental Security Income Replacement Checks" (A-05-03-13010)--INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the recommendations are attached.

Please let us know if we can be of further assistance. Staff questions can be referred to Janet Carbonara at extension 53568.

Attachment:  
SSA Response

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “CONTROLS OVER SUPPLEMENTAL SECURITY INCOME REPLACEMENT CHECKS” A-05-03-13010**

We appreciate the opportunity to comment on this draft report. The Agency strongly supports deterring and preventing fraudulent requests for Supplemental Security Income (SSI) replacement checks, as duplicate check negotiations (DCN) are a concern. We are pleased to report that significant automation enhancements have been implemented to detect and prevent the issuance of DCNs under suspicious conditions. Also, additional training to increase awareness of DCNs was provided with the implementation of these system enhancements.

We encourage the Office of Inspector General (OIG) to expand their investigative and criminal pursuits of recipients who claim a high number of non-receipts. We believe that criminal prosecution of these cases would be a deterrent and decrease the number of fraudulent requests for replacement checks.

OIG needs to be aware that the Agency would incur unbudgeted administrative costs to implement these recommendations. The magnitude of these costs would depend on Agency decisions made during implementation planning. The resulting administrative impact would offset a portion of the estimated program savings. Without additional funding to cover these costs, the Agency would have to defer other work.

Below are our specific comments to the recommendations and technical comments to enhance the report.

**Recommendation 1**

Conduct training for both Field Office (FO) and Teleservice Center (TSC) staff to address the issue of DCNs. The training should focus on changes in processing requests for replacement checks and increasing the withhold amount to recover DCN overpayments from subsequent checks.

**Comment**

We agree that refresher training would be beneficial to FO and TSC employees. Several Regional Offices (RO) have already identified and provided training on a local level. Also, refresher training instructions were included with the May 2003 release of the Title XVI modernized screens.

In October 2003, we plan to begin developing the content of a national non-receipt refresher training package. Tentative plans call for the training to be scheduled by the end of the second quarter in fiscal year 2004.

In regard to the withholding amount to recover DCN overpayments, current Program Operations Manual System (POMS) (SI 02220.016.A.2) states that recovery should be made without limitation (i.e., not subject to the normal 10 percent adjustment limitation)

when the FO makes a determination that similar fault, misrepresentation or concealment of material information was committed by the person. These instructions specifically give DCN situations as an example of when recovery without limitation may be appropriate.

### **Recommendation 2**

Consider automation enhancements to the replacement check process to assist staff in identifying individuals with DCNs and processing appeals and overpayment recovery actions.

### **Comment**

We agree and recognize the importance of preventing DCNs while simultaneously complying with the January 1997 Robinson-Reyf Federal settlement agreement.

In May 2003, SSA implemented new user friendly front-end non-receipt processing screens in the Title XVI modernized system for use by FO and TSC employees. Among the enhancements implemented is an alert derived from the payment history records advising the FO employee that a possible DCN situation exists on the SSI record and that further development is required before a replacement check can be issued.

In addition, a second phase of non-receipt enhancements is currently being considered. The Office of Systems is presently working with the Department of the Treasury's (Treasury) Financial Management Service regarding the possibility of providing DCN information online (results of forgery determinations, appeals, denials, etc.). If the Agency could be notified electronically when Treasury has rendered an unfavorable forgery determination on past DCNs, the information could be added to the Supplemental Security Record to assist in identifying patterns of non-receipt and include a diary of due process events for Treasury appeals. This process would assist Agency personnel in recognizing true abusers of the system and would allow preventative measures to be taken.

### **Recommendation 3**

Develop and implement procedures to use administrative sanctions in an appropriate and consistent manner against individuals with multiple DCNs.

### **Comment**

We agree that administrative sanctions should be used in an appropriate and consistent manner. In October 2002, we released an emergency message reiterating the policy and procedures for imposing sanctions and encouraged managers to conduct refresher training and promote the use of sanctions. The Dallas Region has reported fewer DCNs, as the result of administrative sanctions.

There are POMS instructions in place (GN 02604.410.A5) that provide examples of specific types of actions that may cause a sanction, one of which is a DCN situation. As the report stated, FO employees view the sanction process as “too long and tedious.” We are currently in the process of reviewing the sanction process to ensure it is implemented consistently throughout the nation.

Also in October 2002, we submitted system requirements to OIG to build an Administrative Sanctions flag into the electronic SSA-8551, OIG Referral of Potential Violation process. OIG concurred and tentatively has the change planned for October 2003.

#### **Recommendation 4**

Continue encouraging recipients to use the direct deposit system as a means of preventing SSI payment errors.

#### **Comment**

We agree, although it is important to clarify that DCNs are not “payment errors.” If the person alleging non-receipt is not a known abuser of the non-receipt reporting system, SSA **must** ask Treasury to replace the missing check under the provisions of the Robinson-Reyf Federal settlement agreement. If it later turns out to be a situation of fraud, then the resulting overpayment was unavoidable, and a payment error.

For many years, SSA has participated in a direct deposit campaign in association with the National Automated Clearing House Association to encourage recipients to enroll in direct deposit. This campaign involves check inserts, advertisement materials for the banks to display and a nationally televised public service announcement.

At this time, SSA is supporting an in-depth study sponsored by Treasury to determine why Social Security and SSI check recipients are reluctant to sign up for direct deposit. We anticipate that the findings and recommendations from the study will be used in future electronic payment marketing efforts.

#### **Recommendation 5**

Develop action plans to assist FOs with a high number of DCNs by improving front-end processing. Also, ensure FOs refer individuals with multiple DCNs to the Office of Investigations (OI) for potential prosecution or, if declined, to RO for administrative sanctions.

#### **Comment**

We agree in part. We disagree with the development of action plans to assist FOs with a high number of DCNs since improvements are already underway due to enhancements in the Modernized Supplemental Security Income Claims System.

As for ensuring the FOs refer individual cases with multiple DCNs to OI, we agree. However, it should be noted that although a case may show multiple DCNs have been issued, this may not be an indicator that the case meets the definition of a “true” DCN. To help address OIG’s concern, we will include this issue in the refresher training described in recommendation 1.

### **Technical Comments**

Executive Summary, Background, second sentence – The words “court decision” should be removed and replaced with “settlement agreement.” The Robinson-Reyf litigation, as the Agency understands, resulted in a settlement agreement. If this is not the case, we recommend that OIG specify the court decision and give the citation.

Executive Summary, Results of Review, second sentence – The 12-month period ended, should be 12-month period “ending.” This should be changed throughout the report.

Background, Page 1, second paragraph – We agree that the procedure was challenged in 1994 (see Robinson vs. Sullivan, 1994 WL 750634 (S.D.N.Y.) (October 6, 1994)) and according to POMS GN 02406.002, a settlement agreement was entered into in January 1997. We feel that this information needs to be clarified.

Background, Page 1, fourth paragraph, fourth line – Add the word “final” between “a” and “denial.” This is because an initial finding of no forgery by Treasury can be followed by an appeal for another determination.

Scope and Methodology, Page 2, fourth bullet - This refers to recommendations stated in the memorandum from the Dallas RO. We suggest that this memorandum be included as an attachment, as not all of the readers may be aware of the recommendations.

Results of Review, Page 4, second paragraph – Delete “court decision” and replace with “settlement agreement.”

Results of Review, Pages 4 and 5 - The table contains inflated data because the totals reflect the incidence of DCNs but not necessarily a true DCN, where the recipient admitted to or was found to have signed both checks. Two checks cashed in the same month is not a true DCN if one or both checks were cashed over a forged endorsement. This is true for all of the data shown in this report.

Results of Review, Page 6, second paragraph – This paragraph seems to be misleading and we believe that it should be revised to reference the statutory and regulatory provisions that address the 10 percent limitation of recoupment rate for overpayment first, which takes legal precedent over the POMS. Section 1631(b)(1) of the Social Security Act, as amended by section 2612 of Pub. L. No. 98-369 (which was enacted July 18, 1994, and became effective October 1, 1984), defines the Commissioner’s authority for recovering funds when an individual receives more than the correct amount

of benefits. While section 1631(b)(1)(B) provides that the rate of adjustment of payment to recover SSI overpayments will be the lesser of the individual's entire monthly benefit or 10 percent of the individual's total income for that month, it also makes clear that this 10 percent limitation does not apply if fraud, willful misrepresentation or concealment of material information was involved in connection with the overpayment by the individual. The Agency's rules which implement section 2612 can be found at 20 C.F.R. 416.571. These regulations became effective August 17, 1990 (55 Fed. Reg. 33667). The paragraph as written might be read to imply that the Agency could not impose a rate of recovery of up to 100 percent when overpayments were received under the circumstances mentioned until 2002. Also, it should be noted that SSA revised POMS section SI 02220.016 in May 2003.

Appendix A, Page E-1 – This appendix page number is E-1, it should be A-1.

## **Appendix G**

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# OIG Contacts and Staff Acknowledgments

### ***OIG Contacts***

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Teresa S. Williams, Deputy Director, (312) 353-0331

### ***Acknowledgments***

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### **Office of Audit**

The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration's (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers' Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations and cash flow. Performance audits review the economy, efficiency and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency, rather than detecting problems after they occur.

### **Office of Executive Operations**

The Office of Executive Operations (OEO) supports the Office of the Inspector General (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.

### **Office of Investigations**

The Office of Investigations (OI) conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and by SSA employees in the performance of their duties. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

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

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