

*Audit Report*

Follow-up: Collection of Civil  
Monetary Penalties

A-06-14-14047 / March 2015



# Office of the Inspector General

## SOCIAL SECURITY ADMINISTRATION

## MEMORANDUM

Date: March 10, 2015

## Refer To:

To: The Commissioner

**From:** Inspector General

**Subject:** Follow-up: Collection of Civil Monetary Penalties (A-06-14-14047)

The attached final report presents the results of our audit. Our objective was to assess the Social Security Administration's effectiveness in collecting civil monetary penalties.

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.

Beth & Olavell Jr

Patrick P. O'Carroll, Jr.

## Attachment

# Follow-up: Collection of Civil Monetary Penalties

## A-06-14-14047



March 2015

Office of Audit Report Summary

### Objective

To assess the Social Security Administration's (SSA) effectiveness in collecting civil monetary penalties (CMP).

### Background

CMPs are imposed against individuals, organizations, or other entities that violate sections 1129 or 1140 of the *Social Security Act*. A CMP may have two parts: an assessment of no more than twice the amount of benefits paid because of the violation and/or, with limited exceptions, a penalty of no more than \$5,000 for each violation.

In our August 2011 report, *Collection of Civil Monetary Penalties* (A-06-11-11136), we determined that, while section 1140 CMP collection efforts were effective, section 1129 CMP collection efforts required improvement. Our report included three recommendations that SSA agreed to implement.

For this review, we updated the collection status of section 1129 cases reviewed during our 2011 audit and determined the collection status of CMPs issued between January 2010 and December 2012.

### Findings

Section 1140 CMP collection efforts were effective. All \$526,000 in CMPs imposed during the audit period were collected in full.

SSA's section 1129 CMP collection efforts still require improvement. SSA had made some progress collecting unpaid balances from the 50 randomly selected CMPs included in our prior review but had not effectively addressed collection errors identified during our 2011 audit. SSA also had not developed a database to track and monitor CMP cases or provide periodic reports to SSA management on the status of CMP collection activities.

Our review of 50 randomly selected CMPs imposed from January 2010 through December 2012 indicated that SSA had collected only 13 percent of the amounts imposed. Based on our sample results, we estimate that SSA had not initiated any collection action on approximately \$1.6 million of the \$19 million in CMPs imposed during that period.

SSA did not always collect CMP balances in accordance with approved collection terms from individuals who received SSA payments. Further, SSA did not initiate alternative collection action against individuals who did not receive SSA payments or voluntarily remit CMP restitution. Addressing and correcting these discrepancies could improve CMP recoveries.

### Recommendations

We recommend that SSA (1) identify an accountable official responsible for developing a time-phased action plan to implement a process for monitoring CMP collection status, and (2) Pursue alternative methods to collect section 1129 CMP balances due from individuals who do not receive SSA payments or voluntarily remit restitution.

SSA agreed with our recommendations.

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## **ABBREVIATIONS**

Act	<i>Social Security Act</i>
C.F.R.	Code of Federal Regulations
CMP	Civil Monetary Penalty
OCIG	Office of the Counsel to the Inspector General
OIG	Office of the Inspector General
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

## **OBJECTIVE**

Our objective was to assess the Social Security Administration's (SSA) effectiveness in collecting civil monetary penalties (CMP).

## **BACKGROUND**

CMPs are imposed against individuals, organizations, or other entities that violate sections 1129<sup>1</sup> or 1140<sup>2</sup> of the *Social Security Act* (Act). Section 1129 authorizes a CMP action against anyone who makes any false statements or representations in connection with obtaining or retaining benefits or payments under Titles II, VIII, or XVI of the Act. In addition, CMP action may be initiated against Representative Payees for wrongfully converting beneficiary payments, or against individuals who knowingly withhold a material fact from the Social Security Administration, while receiving benefits.

Section 1140 of the Act is the consumer protection prong of the CMP program. By prohibiting the misleading use of SSA words and symbols in advertisements, solicitations or other communications, the Act helps to protect consumers from being taken advantage of through schemes that use SSA's stellar reputation and importance to the American citizenry as bait. Section 1140 also prohibits the fee-based reproduction, reprinting or distribution of SSA forms, applications or other publications without authorization from SSA. Finally, Section 1140 prohibits providing services for a fee that are available directly from SSA free of charge, without providing a prominent disclaimer that the service is available free of charge from SSA.

A CMP may have two parts: an assessment of no more than twice the amount of benefits paid because of the violation and/or a penalty of no more than \$5,000 for each violation.<sup>3</sup>

The Commissioner of Social Security delegated the authority for imposing CMPs to the Inspector General (IG) and authorized further delegation.<sup>4</sup> The Commissioner retained the authority to collect CMPs and the right to make final CMP administrative decisions.<sup>5</sup> The IG

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<sup>1</sup> *Social Security Act* § 1129, 42 U.S.C. § 1320a-8.

<sup>2</sup> *Social Security Act* § 1140, 42 U.S.C. § 1320b-10.

<sup>3</sup> A penalty of \$25,000 may be imposed for each Section 1140 violation consisting of a broadcast or telecast. Section 1140(b)(2) of the Act, 42 U.S.C. §1320b-10(b)(2).

<sup>4</sup> See Memorandum from Shirley S. Chater, Commissioner of Social Security, to Inspector General, Delegations of Authority To Implement Sections 1129 and 1140 of the *Social Security Act*, June 28, 1995.

<sup>5</sup> Id.

re-delegated the authority to administer sections 1129 and 1140 of the Act to the Counsel to the Inspector General.<sup>6</sup>

Section 1129 violators are typically individuals who can resolve the CMP by entering into a settlement agreement that includes negotiated terms on when and how they will repay the CMP. Office of the Counsel to the Inspector General (OCIG) forwards section 1129 CMPs to SSA's Office of Operations for collection. If a settlement agreement is not negotiated, OCIG can impose the CMP by default. If OCIG makes a default determination and the violator is in current payment status, SSA should begin 100 percent withholding of the SSA payment until the CMP is paid in full. Applicable Federal law<sup>7</sup> provides the Commissioner with alternative methods to collect unpaid CMP balances from violators who are not in current payment status.

OCIG typically collects section 1140 settlement payments directly from the violator and remits the funds to SSA's Office of Finance for processing.

In an August 2011 report,<sup>8</sup> we noted that, from September 1997 through December 2009, OCIG imposed approximately \$24 million in section 1129 CMPs and \$3 million in section 1140 CMPs. We determined that, while section 1140 CMP collection efforts were effective, section 1129 CMP collection efforts required improvement. We recommended that SSA improve tracking and monitoring controls to ensure better CMP collection, particularly CMPs imposed against individuals in current payment status. We also recommended that SSA periodically report the status of CMP collection activities to its management. SSA agreed with our recommendations.

From January 2010 through December 2012, OCIG imposed 369 section 1129 CMPs, totaling approximately \$19 million, and 8 section 1140 CMPs, totaling approximately \$526,000. For this review, we updated the collection status of section 1129 cases reviewed during our 2011 audit and determined the collection status of CMPs issued between January 2010 and December 2012. See Appendix B for more information on our scope and methodology.

## RESULTS OF REVIEW

Section 1140 CMP collection efforts were effective. All \$526,000 in CMPs imposed during the audit period were collected in full.

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<sup>6</sup> See Memorandum from the Inspector General to the Acting Counsel to the Inspector General, Delegations of Authority for Civil Monetary Penalties – Action, January 26, 1996; see also Memorandum from the Acting Inspector General to the Counsel to the Inspector General, Delegations of Authority for Civil Monetary Penalties – Action, September 21, 1998.

<sup>7</sup> Social Security Act § 1129, 42 U.S.C. § 1320a-8(e). Regulations implementing the statute were incorporated in 20 C.F.R. § 498.128 per authority granted in the Memorandum from Shirley S. Chater, Commissioner of Social Security, to Inspector General, Delegations of Authority To Implement Sections 1129 and 1140 of the *Social Security Act*. Examples of alternative collection methods available to SSA include civil action brought in United States district court, reduction of tax refunds to which the violator is entitled based on notice to the Secretary of the Treasury, and authorities provided under the *Debt Collection Act of 1982*.

<sup>8</sup> Collection of Civil Monetary Penalties (06-11-11136), August 12, 2011.

However, SSA's section 1129 CMP collection efforts still require improvement. SSA had made some progress collecting unpaid balances from the 50 randomly selected CMPs included in our prior review but had not effectively addressed collection errors identified during our 2011 audit. Also, SSA had not developed a database to track and monitor CMP cases or provide periodic reports to SSA management on the status of CMP collection activities.

Our review of 50 randomly selected CMPs imposed from January 2010 through December 2012 indicated that SSA had collected only 13 percent of the amounts imposed. Further, based on our sample results, we estimate that SSA had not initiated any collection action on approximately \$1.6 million of the \$19 million CMPs imposed.

SSA did not always collect CMP balances in accordance with approved collection terms from individuals who received SSA payments and did not initiate alternative collection action against individuals who did not receive SSA payments or voluntarily remit restitution. Addressing and correcting these discrepancies could improve CMP recoveries.

## Updated Collection Status—50 Section 1129 CMPs from Prior Audit

SSA had made some progress collecting unpaid balances from the 50 randomly selected CMPs in our prior review. As of July 2014, SSA had collected 21 percent of the CMPs imposed against these individuals.

**Table 1: Collection Status of 50 Section 1129 CMPs from Prior Review**

Status as of	Amount Imposed	Amount Collected	Unpaid Balance	Percent Collected
October 2010	\$759,248	\$112,423	\$646,825	15
July 2014	\$759,248	\$160,824	\$598,424	21

SSA fully collected \$103,345 in CMP balances from 17 individuals and received regular payments from 9 individuals with unpaid CMP balances totaling \$171,264. SSA's collection efforts in the remaining 24 cases are summarized below.

- SSA did not collect \$72,421 from seven individuals who died before SSA recovered amounts due. This included three individuals identified in our prior review who had died owing \$21,142 and four additional individuals who died after our prior audit owing \$51,279.
- SSA had not initiated any action to collect five CMPs totaling \$60,620. SSA had not posted the CMPs to any of these individuals' records. We forwarded these cases to SSA for corrective action, and SSA began posting the overpayments.<sup>9</sup>

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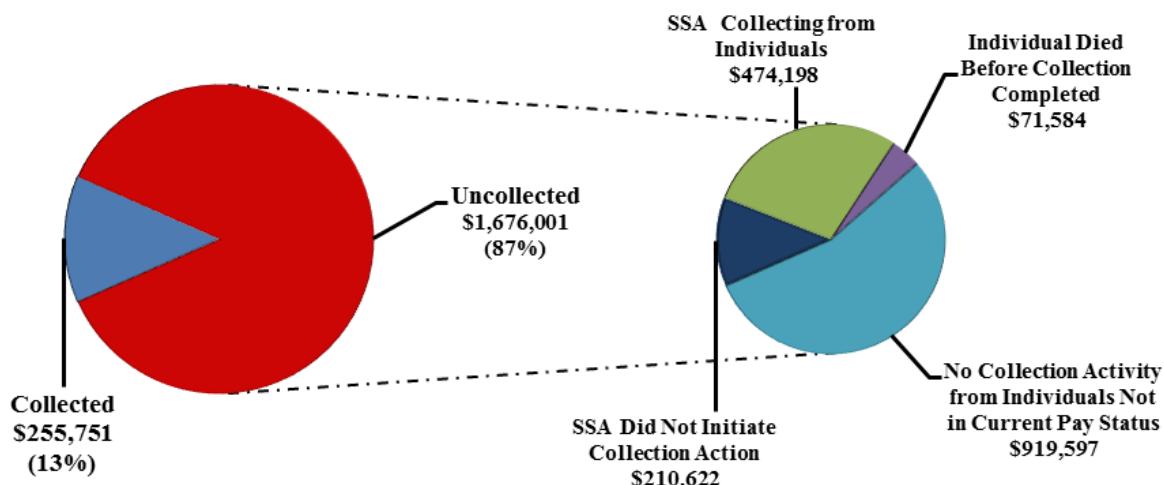
<sup>9</sup> As of December 2014, SSA had posted four of the five CMPs to the individuals' payment records.

- SSA posted, but had not collected, CMP balances totaling \$294,119 from 12 individuals who did not receive SSA payments or voluntarily remit restitution. SSA had not pursued alternative collection methods in these cases.

## Collection Status—50 Section 1129 CMPs Imposed from 2010 Through 2012

Our review of 50 randomly selected CMPs, totaling about \$1.9 million, revealed that, as of July 2014, SSA had collected \$255,751 (13 percent). SSA had fully collected balances totaling \$71,547 from 4 individuals and was collecting payments from 19 individuals with balances totaling \$474,198.

**Figure 1: Collection Status - 50 Randomly Selected CMPs Imposed from January 2010 Through December 2012**



### *SSA Had Not Initiated Collection Action*

SSA had not initiated any action to collect eight CMPs totaling \$210,622. According to Operations staff, OCIG referred these CMPs for collection, but Operations staff did not post the balances to individuals' records for collection. Five individuals were receiving SSA payments at the time of our review. We forwarded these cases to SSA for corrective action, and SSA began posting the overpayments.<sup>10</sup>

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<sup>10</sup> As of December 2014, SSA had posted seven of the eight CMPs to the individual's payment records.

**Table 2: CMP Cases Where SSA Had Not Initiated Collection Action**

Date Imposed	Amount Imposed	Monthly SSA Payment
August 15, 2011	\$22,507	\$721
September 19, 2011	30,000	721
November 29, 2011	26,817	0
May 2, 2012	35,606	0
June 13, 2012	67,688	0
August 21, 2012	10,000	721
August 22, 2012	13,004	721
September 21, 2012	5,000	1,425
<b>Total</b>	<b>\$210,622</b>	

This occurred because SSA did not have a mechanism in place to monitor CMP balances or ensure CMP balances were established on SSA payment records. Based on our sample results, we estimate that SSA had not initiated any collection action on approximately \$1.6 million of the \$19 million in CMPs imposed during the audit period.

### *CMP Collection from Individuals Who Were Not Receiving SSA Payments*

SSA was not collecting CMP balances, totaling \$919,597, from 18 individuals who did not receive SSA payments or voluntarily remit restitution. In these instances, SSA mailed collection notices to each of these individuals and recorded the debts on individuals' records in case they become eligible for benefits in the future. However, SSA had not pursued alternative collection methods authorized by applicable Federal law.

**Table 3: CMP Balances Owed by 18 Individuals Who Did Not Receive SSA Payments or Voluntarily Remit Restitution**

Date Imposed	Amount Imposed	Unpaid Balance
January 26, 2010	\$53,118	\$49,532
May 20, 2010	115,000	101,400
April 5, 2011	58,545	58,545
June 1, 2011	116,433	116,143
July 18, 2011	25,794	22,889
August 30, 2011	16,819	16,819
October 28, 2011	90,280	90,280
October 28, 2011	20,784	19,434
November 29, 2011	17,000	16,925
December 19, 2011	34,349	34,349
February 21, 2012	37,000	37,000
March 30, 2012	26,388	25,958

Date Imposed	Amount Imposed	Unpaid Balance
April 6, 2012	39,753	39,753
April 11, 2012	115,000	115,000
June 26, 2012	53,477	52,477
July 31, 2012	18,736	15,622
November 6, 2012	26,084	25,922
November 8, 2012	83,049	81,549
<b>Total</b>	<b>\$947,609</b>	<b>\$919,597</b>

For example, in May 2010, OCIG imposed a \$115,000 CMP against a 39-year-old woman who fraudulently obtained SSI and Disability Insurance benefits by concealing the fact she owned and operated a daycare business. Per the CMP settlement agreement, she submitted an initial restitution payment of \$10,000 and submitted \$300 monthly payments until June 2011, when her CMP balance was \$101,400. However, she had not submitted any payments since June 2011. SSA had not pursued other collection methods on this, or any of the other 17, cases.

According to Agency policy, SSA is responsible for posting each CMP on the Master Beneficiary and/or Supplemental Security Record and collecting the debt by withholding benefits, billing, following up, and initiating civil action. However, Agency officials stated that SSA's Office of General Law issued a legal opinion indicating that SSA regulations do not allow SSA to pursue alternative methods of collecting CMPs. SSA would not provide us the legal opinion, citing attorney-client privilege. Office of General Law staff stated it recommended that the Agency promulgate regulations specifying the authorities and procedures under which SSA may collect CMP debts. Agency officials stated SSA is currently in the process of promulgating these regulations.

Our sample results indicated individuals who did not receive SSA payments or voluntarily remit restitution owed more than half the uncollected CMP balances. Absent effective alternative collection methods, a large percentage of these balances may go uncollected.

### *Individual Died Before SSA Recovered the CMP*

In May 2012, OCIG imposed a \$71,584 CMP against a 57-year-old SSI recipient for failing to report that she lived with her husband, which caused her to receive SSI payments to which she was not entitled. SSA had not collected any of the CMP balance before the recipient died in July 2013.

### *SSA Collecting Payments from Individuals with CMP Balances*

As of July 2014, SSA was collecting payments from 19 of 50 sampled individuals with combined unpaid CMP balances totaling \$474,198. In 13 cases, SSA collected CMP amounts in accordance with approved settlement agreements or default determinations. However, in two cases, SSA collected less than required by approved settlement agreements, and, in four cases, collected less than required by default determinations.

## **SSA Collecting in Accordance with CMP Settlement Agreements**

As illustrated on Table 4, SSA received payments from 13 individuals with combined CMP balances totaling \$307,023 in accordance with the terms of approved CMP settlement agreements or default determinations. At this level of collection, it will take approximately 7 years to recover amounts due from these individuals.

**Table 4: Collecting CMPs per Settlement Agreements or Default Determinations**

Date Imposed	Amount Imposed	Unpaid Balance	Monthly SSA Payment	Amount Withheld
May 4, 2010	\$29,936	\$2,190	\$136	\$136
June 22, 2010	45,423	34,173	1,024	225
April 6, 2011	33,856	25,156	430	430
July 19, 2011	40,499	19,230	1,055	500
August 9, 2011	58,764	50,964	0	200 <sup>11</sup>
August 25, 2011	8,000	7,675	833	65
October 28, 2011	39,950	21,350	1,317	600
November 28, 2011	31,614	10,737	721	721
December 7, 2011	24,132	20,380	867	134
January 18, 2012	59,033	51,608	1,545	275
September 10, 2012	15,000	10,910	1,831	150
October 26, 2012	15,000	12,950	921	75
December 20, 2012	47,299	39,700	974	400
<b>Total</b>	<b>\$448,506</b>	<b>\$307,023</b>	<b>\$11,654</b>	<b>\$3,911</b>

## **SSA Not Collecting in Accordance with Terms of CMP Settlement Agreements**

SSA was collecting balances due from two individuals with unpaid CMP balances totaling \$29,456 but not in accordance with the approved CMP settlement agreements.

- In April 2010, OCIG imposed a \$24,856 CMP against a 59-year-old SSI recipient who failed to report that she had a bank account containing approximately \$11,000, resulting in receipt of SSI payments to which she was not entitled. At the time of our review, she was receiving \$721 in monthly SSI payments. Per the CMP settlement agreement, SSA was supposed to withhold \$150 per month from her SSI payment to satisfy the CMP. SSA posted this CMP on the payment record but subordinated it to two other overpayments previously posted on her record. SSA collected only \$50 per month from her payment and applied collected amounts to one of the other overpayments on her record. Because CMPs typically involve

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<sup>11</sup> This individual did not receive SSA payments at the time of our review but voluntarily remitted \$200 monthly payments to SSA.

fraud or misconduct, CMP collection takes priority over other collection activities and should not be subordinated to other overpayment collection activity unless authorized by an approved settlement agreement. The settlement agreement did not authorize SSA to subordinate collection of this CMP. In this case, SSA should have withheld the \$150 settlement agreement amount *in addition to* the \$50 it was already collecting.

- In June 2011, OCIG imposed a \$5,000 CMP against a 42-year-old man who misrepresented his marital status to SSA and received Social Security benefits to which he was not entitled. At the time of our review, the man was not receiving SSA payments. Per the settlement agreement, he was supposed to submit monthly payments of \$100. Since that time, he had submitted only \$400, including a \$25 payment in July 2014.

As a contributing factor, Agency officials stated that SSA implemented many of its current CMP collection policies in May 2010, several months into our review period.

#### **SSA Not Collecting in Accordance with CMP Default Determinations**

SSA was collecting balances due from four individuals with unpaid CMP balances totaling \$137,719 but at amounts less than required by CMP default determinations.

**Table 5: CMPs Collected at Less than Default Determination Amount**

Date Imposed	Amount Imposed	Unpaid Balance	Monthly SSA Payment	Amount Withheld
October 8, 2010	\$64,947	\$58,547	\$1,700	\$200
December 9, 2011	39,082	38,747	721	72
March 19, 2012	38,000	30,425	903	225
September 10, 2012	10,000	10,000	721	0 <sup>12</sup>
<b>Totals</b>	<b>\$152,029</b>	<b>\$137,719</b>	<b>\$4,045</b>	<b>\$497</b>

- In October 2010, OCIG imposed a \$64,947 CMP against a 36-year-old disability beneficiary for failing to report that he had returned to work, causing SSA to pay benefits he was not entitled to receive. At the time of our review, he was receiving \$1,700 in monthly disability benefits and had an unpaid CMP balance totaling \$58,547. The default determination authorized SSA to withhold 100 percent of his benefits; however, SSA collected only \$200 per month from him. At the current rate of collection, it will take SSA more than 24 years to recover the CMP.
- In December 2011, OCIG imposed a \$39,082 CMP against a 47-year-old SSI recipient for failing to report \$539,869 in gambling winnings earned during Tax Years 2005 through 2009, causing him to receive SSI payments to which he was not entitled. At the time of our

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<sup>12</sup> SSA is withholding \$72 from this individual's monthly SSI payment but is applying the collection against another overpayment.

review, he was receiving \$721 in monthly SSI payments and had an unpaid CMP balance totaling \$38,747. The default determination authorized SSA to withhold 100 percent of his SSI payments; however, SSA collected only \$72 per month from him. At the current rate of collection, it will take SSA more than 44 years to recover the CMP.

Absent approval from SSA's Commissioner, the Agency should collect 100 percent of an individual's monthly payment in satisfaction of a CMP imposed via default. SSA staff acknowledged the Commissioner had not authorized Operations to withhold less than 100 percent of these individual's SSA payments.

## CONCLUSIONS

Section 1140 CMP collection efforts were effective. All \$526,000 in CMPs imposed during the audit period were collected in full.

SSA's section 1129 CMP collection efforts still require improvement. SSA had made some progress collecting unpaid balances from the 50 randomly selected CMPs included in our prior review, but had not effectively addressed collection errors identified during the review. SSA had collected a relatively small amount of the CMPs imposed from January 2010 through December 2012. Based on our sample results, we estimate that SSA had not initiated any collection action on approximately \$1.6 million of the \$19 million in CMPs imposed during that period.

SSA did not always collect CMP balances in accordance with approved collection terms from individuals who received SSA payments. Further, SSA did not initiate alternative collection action against individuals who did not receive SSA payments or voluntarily remit CMP restitution. Addressing and correcting these discrepancies could improve CMP recoveries.

## RECOMMENDATIONS

We recommend that SSA:

1. Identify an accountable official responsible for developing a time-phased action plan to implement a process for monitoring section 1129 CMP collection status and ensuring CMP balances are posted and collected in accordance with approved settlement agreements or default determinations.
2. Pursue alternative methods to collect section 1129 CMP balances due from individuals who do not receive SSA payments or voluntarily remit restitution.

## AGENCY COMMENTS

SSA agreed with our recommendations. The Agency's comments are included in Appendix C.

# *APPENDICES*

## **Appendix A – SCOPE AND METHODOLOGY**

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### **Scope and Methodology**

To accomplish our objective, we:

- Reviewed our August 2011 report, *Collection of Civil Monetary Penalties* (A-06-11-11136).
- Reviewed pertinent sections of the *Social Security Act* and the Social Security Administration's Program Operations Manual System.
- Interviewed Office of the Counsel to the Inspector General (OCIG) attorneys regarding their process for imposing civil monetary penalties (CMP), the data collection tools for tracking CMPs, and the CMP information in the National Investigative Case Management System.
- Interviewed Headquarters staff from the Offices of Financial Policy and Operations, Public Service and Operations Support, and Systems.
- Determined the current status of the section 1129 CMPs we reported in our prior audit.
- Determined whether SSA took action to address our recommendations from the August 2011 report.
- Identified 369 section 1129 CMPs, totaling approximately \$19 million, and 8 section 1140 CMPs, totaling approximately \$526,000, imposed from January 2010 through December 2012. We reviewed available documentation to determine the collection status of
  - 50 randomly selected section 1129 CMPs and
  - all 8 section 1140 CMPs.

We conducted our audit in the Dallas Audit Division between March and December 2014. We tested the data obtained for our audit and determined them to be sufficiently reliable to meet our objective. The entities audited were the Offices of (1) Financial Policy and Operations, Offices of Payment and Recovery Policy and Finance under the Deputy Commissioner for Budget, Finance, and Management; (2) Public Service and Operational Support under the Deputy Commissioner for Operations; and (3) the Deputy Commissioner for Systems. 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.

## Appendix B – SAMPLING METHODOLOGY AND RESULTS

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We identified 369 section 1129 CMPs, totaling approximately \$19 million, imposed by OCIG from January 2010 through December 2012. We randomly selected 50 of the CMPs for review and determined SSA did not initiate collection action on 8 of these CMPs.

**Table B-1: CMP Population and Sample Results**

Description	Number of Records	Amount
Population Size	369	\$19,021,673
Sample Size	50	\$1,931,753
Sample Cases with No Collection Action	8	\$210,622

Based on our sample results, we estimate SSA had not initiated collection action on approximately \$1.6 million of the \$19 million in section 1129 CMPs imposed during the audit period.

**Table B-2: Sample Estimates**

Description	Results
<b>Point Estimate</b>	<b>\$1,554,390</b>
Projection Lower Limit	\$555,931
Projection Upper Limit	\$2,552,850

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

## **Appendix C – AGENCY COMMENTS**

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### **SOCIAL SECURITY**

#### **MEMORANDUM**

Date: February 25, 2015 Refer To: S1J-3

To: Patrick P. O'Carroll, Jr.  
Inspector General

From: Frank Cristaudo  
Executive Counselor to the Commissioner

Subject: Office of the Inspector General Draft Report, “Follow-Up: Collection of Civil Monetary Penalties” (A-06-14-14047) – INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “FOLLOW-UP: COLLECTION OF CIVIL MONETARY PENALTIES” (A-06-14-14047)**

**Recommendation 1**

Identify an accountable official responsible for developing a time-phased action plan to implement a process for monitoring section 1129 CMP collection status and ensuring CMP balances are posted and collected in accordance with approved settlement agreements or default judgments.

**Response**

We agree. Using a collaborative approach, the Office of Financial Policy and Operations will lead an executive steering committee to develop a multi-year plan to address the policy changes, systems enhancements, and collection process improvements necessary to improve the monitoring of section 1129 Civil Monetary Penalties (CMP). In addition, the Office of Operations is partnering with OIG to automate the CMP referral process that begins with OIG transmitting the CMP to the agency. This is an important component of our current effort to ensure that we post CMPs accurately and timely. Finally, we are exploring ways to improve data quality surrounding the status of CMPs and ensure that collections are in accordance with settlement agreements and default judgments.

**Recommendation 2**

Pursue alternative methods to collect section 1129 CMP balances due from individuals who do not receive SSA payments or voluntarily remit restitution.

**Response**

We agree. Prior to this audit, we drafted a Notice of Proposed Rulemaking (NPRM) that provides the authority to use external collection tools for collection of delinquent CMPs. After the draft undergoes legal review we will issue the NPRM for public comment.

## **Appendix D – MAJOR CONTRIBUTORS**

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Ronald Gunia, Director, Dallas Audit Division

Jason Arrington, Audit Manager

Teresa Williams, Senior Auditor

Gonzalo Cagigal, Program Analyst

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**Mail:** Social Security Fraud Hotline  
P.O. Box 17785  
Baltimore, Maryland 21235

**FAX:** 410-597-0118

**Telephone:** 1-800-269-0271 from 10:00 a.m. to 4:00 p.m. Eastern Standard Time

**TTY:** 1-866-501-2101 for the deaf or hard of hearing