

Inspector General's Report to Congress

Fiscal Year 2000

October 1, 1999 Through September 30, 2000



Mission

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

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.

Message From the Inspector General



I am pleased to present the Social Security Administration's (SSA) Office of the Inspector General (OIG) Report to Congress for Fiscal Year (FY) 2000. This report meets the requirements of the Inspector General Act of 1978, as amended, and includes information that is mandated by Congress.

The accomplishments that are highlighted in this year's report result from the dedicated efforts of each member of the OIG staff. Due to this commitment, the OIG continues to make significant progress in each and every area of our organization. When added collectively, the OIG total monetary results exceed our FY 2000 appropriation by an estimated \$740 million. The Office of Investigations reported over \$282 million in investigative accomplishments with over \$30 million in SSA recoveries, restitution, fines, settlements, and judgments; over \$151 million in SSA savings; and over \$29 million in non-SSA savings. The Office of the Counsel to the Inspector General (OCIG) reported over \$1.2 million in penalties and assessments imposed for persons making false statements. In the area of misleading advertising, OCIG settled four major cases that resulted in the imposition of over \$1.1 million in penalties, achieved a voluntary compliance with eight companies, and secured a permanent injunction against one chronic offender whose scheme targeted new brides. The Office of Audit issued 65 reports with recommendations that over \$236 million in Federal funds could be put to better use and identified over \$76 million in questioned costs. Additionally, because of a recommendation in a prior report entitled, *Effects of State Awarded Workers' Compensation Payments on Social Security Benefits*, issued in September 1998, SSA has revised our estimation of payment errors to \$1.07 billion in underpayments and \$261 million in overpayments. This exceeds our initial projection by over \$800 million.

In addition, this past year we continued our crusade to limit Social Security number (SSN) misuse and support the integrity of SSA's enumeration process. We continued this crusade in an effort to limit the spread of identity fraud through SSN misuse. We had many partners in this endeavor including SSA and Congress. Besides participating in the Department of the Treasury's National Identity Theft Summit in March 2000, we testified before congressional committees, and participated in International conferences to advance awareness of these problems. As a result of the multitude of efforts in this area, Congress intensely focused on SSN misuse and potential legislative remedies.

One of the underlying strengths of the OIG is our employees' strong sense of mission and our ability as an organization to build upon our successes, while remaining flexible and responsive to current issues. In August 2000, we fielded a Workplace Survey to all OIG employees, which obtained a phenomenal completion rate of 91 percent. At our Managers' Conference in September 2000, all OIG managers received training on how to use the survey results to develop an action plan aimed at strengthening our organization. We will use the survey to identify best practices within OIG as we continually strive to improve our performance.

As part of our strategic planning process for FY 2001, we focused on our fundamental mission to increase the efficiency and effectiveness of SSA programs and operations, while detecting, eliminating, and preventing fraud, waste, and abuse. The most difficult part of developing the plan was to determine which activities to measure and track in order to ascertain the impact of positive organizational changes which result in: a productive work force; reduced operational costs; elimination of redundant processes; improved service delivery; acquisition of the appropriate type, quantity, and amount of resources;

elimination of ineffective internal controls; and improved procedures and operational efficiencies. Each of the managers within the OIG will track, monitor, review, and revise their work plan in order to ensure that efforts lead to the achievement of the strategic goals. In a careful and methodical manner, we hope to address each of the areas that we are responsible for, and provide outstanding public service.

In closing, I am confident that OIG employees are prepared to meet the challenges that are before us with the highest level of integrity and accountability. I continue to be proud of our accomplishments and know they could not have been achieved without great effort from OIG staff, the cooperation of the Agency, and the support of Congress.

Sincerely,

A handwritten signature in black ink, appearing to read "James G. Huse, Jr."

James G. Huse, Jr.

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Reporting Requirements

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

| Reporting Requirement | | Page |
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| Section 4(a)(2) | Review of Legislation and Regulations | 156 - 157 |
| Section 5(a)(1) | Significant Problems, Abuses, and Deficiencies | 151 - 182 |
| Section 5(a)(2) | Recommendations With Respect to Significant Problems, Abuses, and Deficiencies | 151 - 182 |
| Section 5(a)(3) | Recommendations Described in Previous Semiannual Reports on Which Corrective Actions Have Not Been Completed | 205 - 208 |
| Section 5(a)(4) | Matters Referred to Prosecutive Authorities and the Prosecutions and Convictions Which Have Resulted | 155 - 169 |
| Sections 5(a)(5) and 6(b)(2) | Summary of Instances Where Information Was Refused | None |
| Section 5(a)(6) | List of Audit Reports | 187 - 191 |
| Section 5(a)(7) | Summary of Particularly Significant Reports | 171 - 182 |
| Section 5(a)(8) | Statistical Table Showing the Total Number of Audit Reports and Total Dollar Value of Questioned Costs | 183 - 184 |
| Section 5(a)(9) | Statistical Table Showing the Total Number of Audit Reports and the Total Dollar Value of Recommendations That Funds Be Put to Better Use | 185 - 186 |
| Section 5(a)(10) | Audit Recommendations More Than 6 Months Old for Which No Management Decision Has Been Made | 183 - 186 |
| Section 5(a)(11) | Significant Management Decisions That Were Revised During the Reporting Period | None |
| Section 5(a)(12) | Significant Management Decisions With Which the Inspector General Disagrees | 209 |

Significant Activities

The past year proved to be a remarkable one for our organization. Since our establishment in 1995, we have built an organization of highly skilled professionals focusing on critical issues in the Social Security Administration's (SSA) fight against fraud, waste, and abuse. Our effectiveness is evidenced by our numerous accomplishments highlighted throughout this report and by the frequency of requests for the Inspector General to testify before Congress on our critical issues. The following discusses several of our most significant activities during Fiscal Year (FY) 2000.

Social Security Number Misuse and Identity Theft



There were two important events that brought the private and public sectors together to discuss solutions to the problem of identity theft. The first of these events was the Canadian Identity Fraud Workshop, which was held in Toronto in February 2000. Our office presented an overview to attendees representing Canada, Australia, and the United Kingdom on the impact of

identity theft in the United States. Our staff discussed the role of Social Security numbers (SSN) in identity theft crimes, initiatives at the Federal and State levels to combat identity theft, and the Office of the Inspector General's (OIG) efforts to combat SSN misuse at SSA. Our staff also participated in round table discussions with the representatives to identify common problems and possible remedies.

The second event, the National Identity Theft Summit held in March 2000, hosted by the Department of the Treasury in Washington, D.C., incorporated five panels to discuss victim issues, prevention measures, and short-term remedies for both the private sector and governmental agencies. OIG co-coordinated and the Inspector General moderated the Prevention Panel. This panel was designed to give the attendees ideas and suggestions on how to prevent identity theft.

Our Office of Investigations (OI) also used existing resources to expand its SSN Misuse Task Force pilot projects. We initiated two additional pilot projects in Baltimore, Maryland, and Seattle, Washington, supplementing pilot projects already in place in Chicago, Illinois; Cleveland, Ohio; Detroit, Michigan; Milwaukee, Wisconsin; and St. Louis, Missouri. To facilitate these projects, our agents adopted lead roles in organizing and coordinating activities with Federal and State law enforcement agencies. Of particular interest this reporting period is the Detroit Task Force's partnership with the Michigan Attorney General's Office's high tech crime unit which will bring a proactive focus to SSN misuse and identity theft involving the Internet.

During FY 2000, these Task Forces opened 176 investigations under these pilots, which resulted in 116 Federal and State convictions. The following showcases two investigations in this area.

- The St. Louis Task Force identified a Missouri Department of Revenue office manager who produced counterfeit State of Missouri identification cards using fictitious names and SSNs. The man sold these identification cards to individuals who used them to commit a variety of financial-related crimes. During an undercover operation with Postal Inspectors, our agents purchased a Missouri identification card from the office manager. As a result of our investigation, he was incarcerated and ordered to pay \$200 in fines and assessments.
- The Seattle Task Force, using information developed by SSA, determined that a professor at Central Washington University had created 19 fictitious identities and applied for SSNs using these identities. He used the false SSNs to obtain State of Oregon identification cards and rent private mail boxes under the aliases. Armed with these fraudulent documents, he opened numerous bank accounts and credit card accounts. Fortunately, the task force was able to investigate and indict the professor prior to any financial losses being incurred. After pleading guilty, he was incarcerated and fined \$4,000.

SSN misuse and identity theft also received significant congressional and public interest since the SSN often plays a central role in facilitating identity theft. Because the SSN is at the core of SSA's programs and operations, we were invited to provide congressional testimony on the following occasions this year.

- Statement for the Record provided to the Senate Committee on the Judiciary, Subcommittee on Technology, Terrorism, and Government Information regarding Identity Theft - March 7, 2000
- Hearing before the House Committee on Ways and Means, Social Security Subcommittee regarding Social Security Program Integrity Issues - March 30, 2000
- Statement for the Record provided to the House Committee on Ways and Means, Social Security Subcommittee regarding Social Security Number Misuse - May 9, 2000
- Statement for the Record provided to the Senate Committee on Governmental Affairs, Permanent Subcommittee on Investigations regarding the Sale of False Identification Documents Via the Internet - May 19, 2000
- Hearing before the Senate Committee on the Judiciary, Subcommittee on Technology, Terrorism, and Government Information regarding Social Security Numbers and Identity Theft - July 12, 2000
- Hearing before the Senate Committee on the Judiciary, Subcommittee on Technology, Terrorism, and Government Information regarding the Emergence of Identity Theft as a Law Enforcement Issue in California - August 30, 2000

To strengthen penalties for SSN misuse and identity theft crimes, we proposed to Congress and SSA that they expand the Civil Monetary Penalty (CMP) program to include SSN misuse and identity theft penalties. We expect that SSN misuse and identity theft allegations and investigations will increase and, as such, legislative remedies need to be enacted.

Critical Infrastructure Division

In response to the Presidential Decision Directives 62 (Terrorism), 63 (Critical Infrastructure Protection), and 67 (Continuity of Government), OIG established the Critical Infrastructure Division (CID). Members of CID are comprised of both audit and investigative professionals. CID worked with SSA's System Security Officers and National Computer Center staff to define an intrusion response policy that includes OIG notification and investigation, if warranted. As SSA becomes more dependent on electronic data, special consideration must be given to protect the transmission, storage, and processing of sensitive data from cyber and/or physical threats. We recognize that this mission goes far beyond our traditional audit and investigative roles.

As SSA embraces "electronic service delivery," many of its functions will be available on the Internet. With this transition we expect that the occurrence of Internet fraud, and other criminal activity conducted in an automated environment, will increase. We established the Electronics Crime Team within CID to meet this challenge. This group provides technological assistance to our investigators, as well as investigative assistance to the Agency in resolving intrusions into SSA's network computer systems.

Representative Payees



SSA provides benefits to the most vulnerable members of our society – the young, the elderly, and the disabled. Congress granted SSA the authority to appoint representative payees for those individuals judged incapable of managing or directing their own benefits. Representative payees receive and manage payments on behalf of these individuals. For the most part, representative payees are honest individuals and true caregivers. However, there are some people who have taken advantage of their position as representative payees of these vulnerable individuals. Because of this, it is imperative that SSA has appropriate screening safeguards and monitoring plans in place to ensure that representative payees meet their responsibilities.

Representative payee fraud is a major investigative focus. OI responds to allegations involving all types of representative payees from individuals to large-scale organizations representing hundreds of individuals. Our most significant case this year involved the investigation of the Aurora Foundation, Inc., a high-volume, fee-for-service, organizational representative payee serving over 140 disabled individuals in West Virginia. In partnership with the Federal Bureau of Investigation (FBI), our investigation revealed that the founder and president of the foundation embezzled over \$300,000 from April 1995 through May 1999. He was incarcerated and ordered to pay restitution of \$303,314 to SSA and \$1,360 to the Department of Veterans Affairs.

Our Office of Audit's (OA) Quick Response and Fraud Liaison Team, which responds to requests from the White House, Congress, SSA management, and SSA's Advisory Board, was also actively involved in this area. Because of the widespread media play and intense congressional concern about the Aurora Foundation, Inc.,

the team amassed information from OI and SSA for use by the Inspector General in the following two congressional hearings.

- Hearing before the Senate Special Committee on Aging regarding the Organizational Representative Payee Program - May 2, 2000
- Statement for the Record provided to the House Committee on Ways and Means, Social Security Subcommittee regarding the Representative Payee Program - May 4, 2000

We also began performing independent on-site audits of a limited number of representative payees. We expect to complete these audits before the end of FY 2001. These audits will identify those problem areas that need to be addressed to ensure that individuals' benefits are being managed in a sound fiduciary manner. Our work has contributed to SSA developing new strategies in the selection, monitoring, and oversight of representative payees.

Cooperative Disability Investigations Teams

In conjunction with SSA's Office of Disability, we administer the Cooperative Disability Investigations (CDI) teams. These teams investigate suspicious disability claims under the Social Security and Supplemental Security Income (SSI) disability programs. These teams are comprised of OIG investigators, State law enforcement officers, as well as SSA and State Disability Determination Services (DDS) personnel. These teams use their combined resources and talents to investigate suspicious initial and continuing claims of disability referred to the teams by DDS offices. The teams investigate the case to either verify or refute the suspicion. If verified, the teams provide SSA with sufficient evidence to deny benefits and assess an overpayment, if applicable.

In the fourth quarter, we added 3 additional CDI teams to bring the total number of teams to 11. These teams are currently operating in the following States: California, Florida, Georgia, Illinois, Louisiana, Missouri, New Jersey, New York, Oregon, Texas, and Virginia. The following table shows a statistical breakdown of the CDI teams' accomplishments for FY 2000.

| | Allegations Received | Confirmed Fraud Cases | SSA Recoveries & Restitution | SSA Savings* | Non-SSA Savings* |
|-------------------|----------------------|-----------------------|------------------------------|---------------------|---------------------|
| California | 479 | 189 | \$26,604 | \$11,157,588 | \$8,029,554 |
| Florida | 0 | 0 | \$0 | \$0 | \$0 |
| Georgia | 302 | 166 | \$36,082 | \$9,507,927 | \$3,470,283 |
| Illinois | 197 | 24 | \$89,044 | \$937,885 | \$1,290,000 |
| Louisiana | 217 | 48 | \$8,506 | \$2,586,905 | \$449,500 |
| Missouri | 154 | 86 | \$25,507 | \$5,343,015 | \$14,400 |
| New Jersey | 68 | 10 | \$31,205 | \$277,430 | \$0 |
| New York | 214 | 115 | \$127,347 | \$5,447,949 | \$5,867,730 |
| Oregon | 178 | 75 | \$2,578 | \$4,342,208 | \$1,702,825 |
| Texas | 28 | 1 | \$0 | \$30,720 | \$840 |
| Virginia | 4 | 0 | \$0 | \$0 | \$0 |
| TOTALS | 1,841 | 714 | \$346,873 | \$39,631,627 | \$20,825,132 |

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

Office of the Counsel to the Inspector General

The Office of the Counsel to the Inspector General (OCIG) provides legal advice and counsel to the Inspector General and the various components of OIG. OCIG supports OI and OA by identifying and reviewing legal implications and conclusions from audit and investigative findings. This office is also responsible for administering the CMP authorities under sections 1129 and 1140 of the Social Security Act.



Section 1129 of the Social Security Act – False Statements

The Commissioner of Social Security has delegated to the Inspector General the authority to impose CMPs against violators of section 1129 of the Social Security Act. Section 1129 prohibits persons from making false statements or representations of material facts in connection with obtaining or retaining benefits or payments under titles II or XVI of the Act. After consultation with the Department of Justice, OIG is authorized to impose penalties of up to \$5,000 for each false statement or representation, as well as an assessment of up to twice the amount of any resulting overpayment.

This program continues to grow as our investigative organization matures. The following table outlines the results for these activities this FY.

| FY 2000 Section 1129 Statistics | |
|------------------------------------|-------------|
| Cases Referred From OI | 197 |
| CMP Cases Initiated | 102 |
| CMP Cases Closed | 126 |
| CMP Penalties and Assessments | \$1,262,071 |
| Number of Hearings Requested | 4 |

The following cases highlight some of our most significant work in this area.

- One of our employee investigations proved that a benefit authorizer had stolen more than \$328,000 while working at SSA. Although he pleaded guilty to wire fraud, he was only sentenced to 4 months incarceration and ordered to pay restitution of \$50,000. After a review of the case file, we determined that he made a total of 93 false statements and we imposed a CMP penalty and assessment of \$908,234.
- A mother, serving as representative payee for her daughter, made numerous false statements to SSA to conceal her daughter's death which occurred in 1994. As a result, she improperly collected SSI benefits from August 1994 through March 1998 totaling \$20,656. On January 20, 2000, we imposed a penalty and assessment of \$62,180. This consisted of twice the amount of overpayment resulting from her false statements occurring after October 1, 1994, plus an additional \$5,000 for each of those false statements.
- A spouse acting as representative payee for his wife began collecting disability benefits on her behalf after his wife sustained serious injuries in an automobile accident. When the couple divorced and the wife returned to work, the ex-husband continued to tell SSA that he was married and that his wife did not work while continuing to receive her benefits. This resulted in a \$57,361 loss to the Government. He pleaded guilty to one felony count of fraudulent concealment of a material fact in violation of Title 42 United States Code section 408(a)(4). He was only ordered to pay \$657 of court ordered restitution. After initiating a CMP action, we obtained a \$65,000 settlement.
- In April 1997, a mother applied for Social Security benefits for her son, claiming that he lived with her. The mother also applied for and became her son's representative payee. Based on an allegation, we initiated an investigation and found that she used the son's benefits for herself. As a result of her false statements, she received and misused \$5,631 in benefits. After we initiated a CMP action, she submitted \$8,131 in settlement of the CMP claim.

Section 1140 of the Social Security Act – Misleading Advertising

Section 1140 of the Social Security Act prohibits the use of SSA's program words, letters, symbols, or emblems in advertisements or other communications in a manner that falsely conveys approval, endorsement, or authorization by SSA. Each misleading communication subjects the violator to a maximum \$5,000 penalty.

The following table shows section 1140 case activity for this FY.

| FY 2000 Section 1140 Statistics | |
|---|-----------------|
| Complaints Received | 284 |
| New Cases Opened | 39 |
| Cases Closed | 40 |
| No Violation | 28 |
| Voluntary Compliance | 8 |
| Settlement Agreement (# of cases/amount) | 4 / \$1,189,500 |
| Penalty/Court Action (# of cases/amount) | 0 / 0 |
| Number of Hearings Requested | 0 |

Due to our aggressive strategies against misleading advertisers, we are receiving fewer complaints of misleading SSA-related solicitations. This demonstrates that full implementation of the CMP Program is accomplishing its objective – to prevent and deter fraud. In cases where companies are not violating section 1140, but may be violating Federal or State laws enforced by other entities, we refer the complaints to the appropriate agency for action. The following cases are examples of our work in this area.

- Senior Direct, Inc., under the name "Regional Processing Center," sent death benefit insurance "lead card" mailings to senior citizens that appeared to be from or related to SSA. When a senior citizen would return the "reply card," a salesperson would try to sell an insurance policy to the individual. We entered into a settlement agreement with Senior Direct, Inc., whereby the company agreed to pay a \$17,500 penalty.

- National Processing Center, also profited from death benefit insurance "lead card" mailings sent to senior citizens. Shortly after imposing a \$15,000 CMP on the owner, our investigators found the owner picking up "reply cards" for similar misleading mailers using a different business name and post office box. The company owner never appealed the \$15,000 CMP and we referred the matter to SSA for collection. We continue to look into various mailers that use SSA's good name or symbols to generate insurance leads.
- We also shut down Newlywed Document Service Corporation and Marriage Notification Service of America, two Nevada corporations that were defrauding brides across the country through the misuse of SSA's name. With the investigative assistance of OI, and with the cooperation of the U.S. Attorney for the District of Nevada and SSA's Office of the General Counsel, we obtained a Federal injunction to stop the mailing of misleading advertisements and to freeze the assets of both companies and its principals. A settlement was eventually reached where the owners of the two companies were required to terminate the operations of the two companies and to pay a \$60,000 CMP.
- A lead card company in California, under the name CMIS, was mailing misleading solicitations that gave the impression that the mailings were endorsed, approved, or affiliated with SSA. The mailings were directed towards senior citizens and if the senior returned the mailer's reply card, the reply card was used as an insurance lead. As a result of our cease and desist letter, the company agreed to drastically modify its mailings. We will, of course, monitor the company's mailings to ensure future compliance.

Legislative Proposal and Regulatory Comment Reviews

The Inspector General Act of 1978, as amended, authorized the Inspector General to review existing and proposed legislation and regulations relating to its agency's programs and operations. During FY 2000, we reviewed various legislative proposals related to SSA and fraud, waste, and abuse. During the course of the review, we sought to ensure that the potential for fraud and abuse in SSA programs was adequately addressed. We also commented on legislative options to address specific areas of concern regarding identity theft.

Specifically, we reviewed 13 legislative proposals. One such legislative proposal was the Identity Theft Prevention Act of 2000 introduced in the Senate as S. 2328. This bill extends CMP authority to impose penalties against representative payees who convert benefits for

their own use, persons who use an SSN obtained through false information, and persons who use SSNs that they know are not the true SSNs assigned to them.

We also reviewed numerous regulations that affect SSA. One was the Health Insurance Portability and Accountability Act of 1996 (HIPAA) privacy regulations. The Department of Health and Human Services' (HHS) proposed regulations to implement sections 261 through 264 of HIPAA, Public Law (P.L.) 104-191. The regulations implement privacy and disclosure standards. The types of information covered essentially include all medical information and the proposed regulations impact the ability to obtain medical information in SSA disability cases. Essentially, no disclosure may be made without patient consent, except as provided in the proposed regulations. We submitted comments to SSA which were included in its comments to HHS. We also participated in both an interagency group and an SSA group to review the 50,000 plus responses to the proposed regulations.

OCIG has also been a major participant in the representative payee reform debate. The Inspector General's May 2, 2000, testimony, before the Senate Special Committee on Aging, revealed several limitations in applying CMP remedies to representative payees. Specifically, the Inspector General noted that certain types of benefit "conversion" cases, where representative payees steal benefit payments directly from a beneficiary, often go unpunished. We helped to reveal this problem, and to prepare common sense solutions to close this significant loophole.

During this reporting period, we played a major role in the fight against identity theft. Working closely with OI and OA, we identified several important potential solutions to help fight this growing problem. For example, we recommended the expansion of CMP authorities for the improper sale or misuse of an SSN. Additionally, we helped to negotiate a Memorandum of Understanding to improve our ability to cooperate with external law enforcement entities that require SSN-related infor-

mation. Further, we supported OI in its quest to secure appropriate tools to fight identity theft. Specifically, we provided extensive assistance in OI's effort to secure permanent law enforcement authority. Such authority will enhance OI's ability to fight SSN abuse across a broad spectrum of Federal programs.



At the request of Senator Feinstein of California, the Deputy Inspector General and several of our attorneys traveled to California to attend an on-site hearing of the Senate Committee on the Judiciary, Subcommittee on Technology, Terrorism, and Government Information. This identity theft hearing was conducted in conjunction with the Los Angeles County Sheriff's Department, in an effort to measure investigative support for identity theft projects. Topics covered included pooling of investigative resources to fight identity theft, and the need for comprehensive legislation to fight the identity theft problem. In response to the hearing, OIG agreed to participate in a West Coast identity theft project.

OCIG also partnered with several external entities to help educate the public on identity theft issues. In addition to assisting the Department of the Treasury in its Identity Theft Summit in March 2000, we also began planning for a 1-day workshop in Washington, D.C., on identity theft prevention. The workshop involved over 30 speakers from the public and private sectors. The workshop's goal was to provide the private sector, privacy rights advocates, and representatives from Congress the chance to discuss identity theft prevention in an open forum. We published notice of this workshop in the Federal Register in August of this year, at 65 F.R. 51049 (August 22, 2000). The workshop took place on October 25, 2000, and will be reported on in our next semiannual report.

Office of Investigations

The Office of Investigations, which is comprised of 5 Headquarters divisions and 10 field divisions nationwide, conducts and coordinates investigative activities related to fraud, waste, and abuse in SSA's programs and operations. It investigates alleged wrongdoings by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and SSA employees. The office frequently conducts joint investigations with other Federal, State, and local law enforcement agencies.

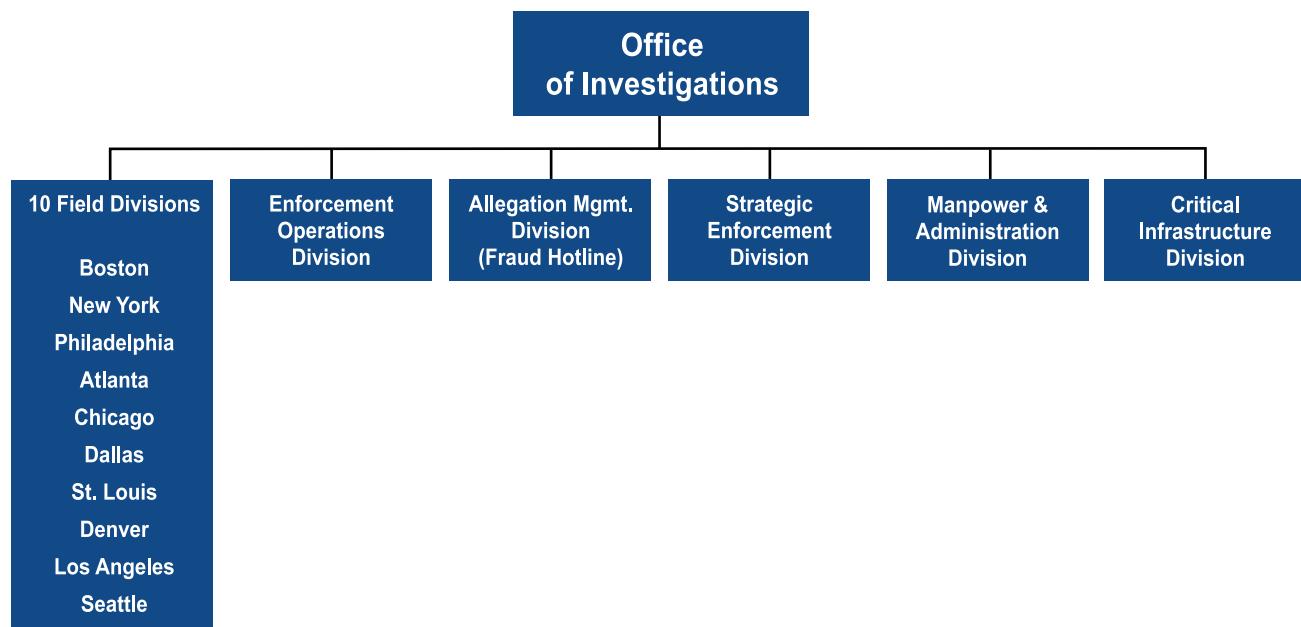
One of the Headquarters divisions, the Allegation Management Division (AMD), operates the SSA Fraud Hotline, which provides an avenue for reporting fraud, waste, and abuse within SSA's programs and operations. During FY 2000, AMD Program Specialists answered 90,159 telephone calls. In addition to receiving allegations by telephone, AMD also receives allegations via regular mail, facsimile, and electronic mail. As a result of implementing a new tracking system on



April 1, 2000, we determined that AMD received 15,801 pieces of correspondence during the second half of FY 2000.

As AMD receives allegations, they are carefully reviewed to determine the most appropriate course of action. Allegations come in from a number of sources including other law enforcement agencies, SSA employees, Congress, private citizens, and public agencies. These allegations may involve fraud within SSA programs or they may fall within the jurisdiction of another law enforcement agency. Allegations may also affect other components of OIG, or they may involve other program or policy components within SSA. Whatever the allegation, AMD is responsible for making a timely referral of each and every allegation to the proper location for appropriate action.

In addition to processing allegations, AMD ensures that the public receives useful information about SSA and OIG when appropriate. Each complainant who submits an allegation by correspondence receives a written response from the Director. These responses help to build the public's trust by reassuring them that we received their allegation and appreciate their efforts in reporting fraud, waste, and abuse within our Government programs. For those allegations addressing identity theft crimes, AMD goes the extra mile and provides fact sheets and brochures suggesting security measures each individual can take to protect themselves from SSN misuse. This type of feedback not only reassures



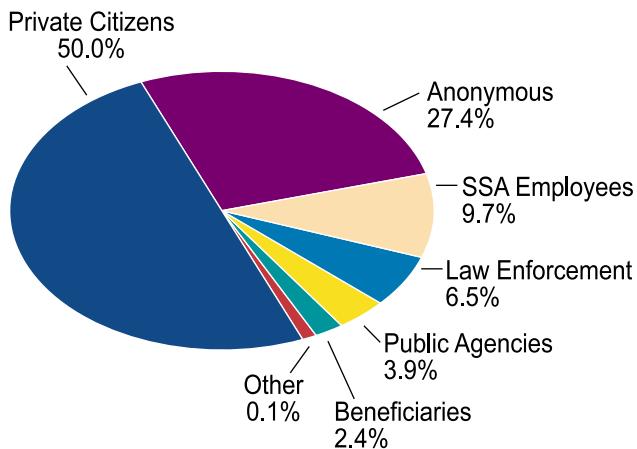
the public that their concerns have been heard, but it serves as a proactive means for preventing the furtherance of criminal activity.

During FY 2000, over 50 percent of the allegations we received involved SSN misuse and identity theft. Since the passage of the Identity Theft and Assumption Deterrence Act of 1998 (P.L. 105-318), we have taken a proactive approach in the investigation of these crimes and AMD has played a major role in this endeavor. This year, we entered into a Memorandum of Understanding with the Federal Trade Commission's (FTC) Bureau of Consumer Protection to refer those SSN misuse and

identity theft allegations received by AMD to the FTC Identity Theft Data Clearinghouse, which is the FTC's data base of identity theft complaints. These allegations are included in a national data base that is shared with other law enforcement agencies and approved users. The sharing of these allegations will not only improve our ability to assist victims, but it will also improve the law enforcement community's effort in the detection of individuals committing identity theft crimes.

The following tables and charts summarize our investigative statistics for FY 2000.

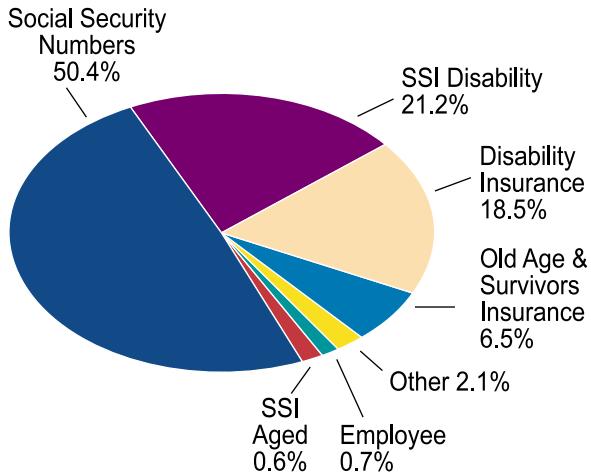
Source of Allegations



| Monetary Achievements | SSA Funds | Non-SSA Funds* |
|------------------------------|----------------------|----------------------|
| Scheduled Recoveries | \$12,722,135 | \$1,172,261 |
| Fines | \$2,447,442 | \$722,200 |
| Settlements/Judgments | \$1,342,099 | \$6,666,100 |
| Restitution | \$13,526,283 | \$63,573,805 |
| Estimated Savings | \$151,060,492 | \$29,119,743 |
| TOTALS | \$181,098,451 | \$101,254,109 |
| Grand Total | \$282,352,560 | |

*Non-SSA Funds represent monies attributed to other government organizations and financial institutions that benefit from the results of our investigative work.

Allegations by Category



| Investigative Statistics | FY 2000 |
|------------------------------|---------|
| Allegations Received | 92,847 |
| Cases Opened | 8,262 |
| Cases Closed | 8,051 |
| Arrests/Indictments | 2,537 |
| Total Convictions | 2,604 |
| Criminal | 1,225 |
| Civil/CMP | 45 |
| Illegal Alien Apprehensions | 283 |
| Fugitive Felon Apprehensions | 1,051 |

Investigative Case Highlights

Our work is focused on the following seven areas of SSA's programs and operations that have potential for widespread fraud and abuse.

- Employee Fraud
- Disability Fraud
- SSI Eligibility Fraud
- Institutionalization
- Payments Made to Deceased Individuals
- SSN Misuse
- Representative Payees

Employee Fraud

Employee fraud remains an investigative priority even though it comprises the fewest number of allegations and cases. One employee working alone or



with co-conspirators can corrupt the computer system, cause financial losses to the Trust Fund, coerce claimants and other employees, and undermine the integrity of SSA's programs. During FY 2000, we opened 85 new employee investigations, closed 112 employee investigations, and took judicial actions that resulted in the conviction of 31 SSA employees.

The following cases highlight our investigative efforts in this area.

Sixteen Vendors Not Paid for Services

Based on a referral from SSA's Office of Hearings and Appeals (OHA) in Norfolk, Virginia, our Philadelphia Field Division and the FBI conducted a joint investigation of an SSA employee who filed fraudulent travel vouchers. Our investigators discovered that the employee submitted documentation with her travel vouchers indicating that she paid several vendors for services. Our investigators established that even though she received the services, claimed the expenses, and was reimbursed, she never paid 16 vendors a total of \$48,670. Our investigation also established that she committed bankruptcy fraud. After failing to appear at three sentencing hearings, a judge issued an arrest war-

rant, and she was located and held in custody until her sentencing. She was finally incarcerated and ordered to pay restitution of \$48,670 to the vendors.

Employee Causes More Than 125 Social Security Cards to Be Issued Illegally

Our Chicago Field Division conducted a joint investigation with the FBI and uncovered an SSA employee who caused more than 125 Social Security cards to be issued for another individual. Our investigation traced some cards to other illegal activities including credit card and bank fraud schemes, illegal work activities, and to aid a fugitive fleeing justice. The employee who had worked for Social Security for over 11 years admitted to her illegal activities and was incarcerated.

SSA Employee and Municipal Government Employee Conspire With 20 Individuals to Defraud SSA

Our New York Field Division, the FBI, and the U.S. Postal Inspection Service investigated an SSA employee and a co-conspirator. The employee's co-conspirator was an employee of the Las Piedras Municipal Government, Las Piedras, Puerto Rico. The 2 conspired with 20 individuals to illegally obtain approximately \$369,085 in Social Security benefits. The investigation revealed that the Las Piedras employee recruited the 20 individuals to file fraudulent applications and provided some of the individuals with fake baptismal certificates. The SSA employee illegally accessed SSA's system to change the individuals' dates of birth and then processed the benefit applications. The employee and his co-conspirator received over \$70,000 for their services from the 20 individuals. The two individuals were sentenced to home detention and supervised release.

Administrative Law Judge Sentenced

Based on a referral from the Special Counsel Staff, OHA in Falls Church, Virginia, our Philadelphia Field Division investigated an administrative law judge who applied for survivor's benefits for her daughter after the death of her ex-husband, who wasn't the child's father. After initially being denied benefits, she requested a reconsideration hearing and wrote on the request that she was not divorced from her husband. She also lied under oath at the hearing when she stated that she was not divorced from her husband, when in fact she was. Initially, she was awarded \$7,164 in retroactive benefits for her daughter and \$803 a month in continuing benefits. As a result of our investigation, she was sentenced

to imprisonment, fined \$30,000, and ordered to perform 200 hours of community service. This matter is now under appeal.

Employee Incarcerated and Ordered to Pay \$435,895 in Restitution

Our New York Field Division, along with the U.S. Postal Inspection Service and U.S. Secret Service, conducted a joint investigation of an SSA employee based on information received from Travelers Bank. The bank indicated that nine replacement credit cards were stolen enroute to the proper credit cardholders and activated. The investigation revealed that an SSA employee accessed SSA's system and obtained personal information about the actual cardholders, which was subsequently used to activate the stolen cards. Investigators established that the employee was associated with activating 63 credit cards resulting in over \$400,000 in losses to Travelers Bank and four other financial institutions. The employee was incarcerated and ordered to pay restitution of \$435,895 to the defrauded financial institutions.

Disability Fraud



Disability fraud allegations represent 39.7 percent of the allegations received by our office. Instances of disability fraud are reported to, and investigated by, our field divisions nationwide.

As highlighted in the Significant Activities section of this report, OIG, in conjunction with SSA's Office of Disability, administers the CDI teams. SSA program savings are reported at a flat rate of \$66,500 for initial claims that are denied as a result of CDI investigations, using a formula developed by the Office of Disability. When a CDI investigation supports the cessation of an in-pay case, the SSA program savings are calculated by multiplying the actual monthly benefit times 60 months.

The following section highlights CDI investigative cases, as well as other investigations conducted by our field divisions.

CDI Case Highlights

The Georgia CDI team investigated a Georgia woman who concealed work activity in order to file a false initial claim for Social Security and SSI disability benefits. The woman claimed she was unable to work due to

mental illness, but the results of the DDS examination suggested otherwise. CDI investigators determined that she was employed as a supervisor at a fast food restaurant and developed sufficient information to refute her alleged mental impairment. As a result of the team's investigation, SSA denied her claim.

The Louisiana CDI team investigated a Louisiana man who faked multiple disabilities when filing an initial claim for Social Security and SSI disability benefits. The man claimed he was unable to work due to seizures, blurred vision, neck and back pain, and leg problems that required the use of a cane. The man made inconsistent statements and had no medical documentation to support his claims. Consequently, his examiners referred the case for investigation. CDI investigators determined that the man had received extensive physical therapy that left him able to work, observed him walking without a cane or any apparent impairment, and located witnesses who refuted the man's claims. SSA denied his application for benefits.

The Illinois CDI team investigated a man who faked mental retardation in order to collect more than \$34,000 in SSI disability benefits since 1979. The man claimed he was unable to work or to function independently because of the impairment, but examiners noted multiple inconsistencies during a review of his record. Investigators determined that the subject independently manages his own financial affairs, functions well on his own, and does not meet the criteria for mental retardation. SSA stopped his benefits.

The New York CDI team investigated a woman who made false statements to support an initial claim for SSI disability benefits. The woman alleged that she was unable to work due to a severe psychological disability that prevented her from doing household chores, shopping, driving, having contact with others, or going outside alone. CDI investigators observed the claimant during an eligibility review, at which she clutched a stuffed animal and was mute as her daughter answered questions for her. Surveillance later the same day showed her conversing, traveling alone, driving, and visiting a social club. SSA denied the claim.

The California CDI team investigated a man who faked mental impairments in order to collect more than \$43,400 in SSI disability benefits since 1996. The man claimed he was housebound and unable to drive. He also claimed that he could not work or perform structured tasks due to post-traumatic stress disorder, major depression, a head injury, diminished hearing, and asthma. During a review, examiners became suspicious when they discovered discrepancies in his medical

records and referred the case for investigation. CDI investigators subsequently observed the man driving a truck and engaging in manual labor at both residential and commercial sites. SSA stopped his benefits.

The Oregon CDI team investigated a man who faked physical impairments to file a false initial claim for Social Security disability benefits. The man claimed he was unable to work due to neck, back, and associated pain and that he was unable to perform even the simplest daily chores and activities. Examiners suspected fraud and CDI investigators subsequently videotaped the subject bending, lifting, squatting, and engaging in multiple work activities that were inconsistent with his alleged impairments and his statements to SSA. SSA denied his claim.

The Missouri CDI team investigated a man who faked mental impairments in order to file a false claim for disability benefits. The man, assisted by a friend, claimed he was unable to work due to a mental condition that left him with the “mind of a child” and unable to perform daily activities or to speak, except to himself and a doll. Examiners referred this case to investigators after they became suspicious of the man’s bizarre behavior and the lack of a previous medical history of this condition. Investigators later observed him engaged in normal conversation with others, and he later admitted to investigators that he faked his impairments for financial gain. SSA denied his claim.

The New Jersey CDI team investigated a woman who concealed work activity in order to collect over \$30,000 in disability benefits since 1995. The woman claimed she was unable to work due to a back injury she sustained while lifting boxes of pillows at work. The woman said she could not walk without using a walker, was unable to lift items, and could not stand or sit for extended periods of time. She also stated that she could not drive or sit in a car for more than 45 minutes and experienced other severe limitations in her daily activities. Investigators placed her under surveillance, and on multiple occasions observed her selling collectibles at flea markets, driving, lifting and carrying boxes on her shoulders, and jumping over obstacles. They also saw her loading and unloading merchandise from her van, without any apparent difficulty or benefit of assistive devices. SSA stopped her benefits.

Other Disability Investigations

Father and Son Convicted for Disability Fraud and Conspiracy

Based on a Hotline referral, our Los Angeles Field Division conducted an investigation of a father and son who submitted false disability applications to SSA, stating that the father had become mentally disabled and stopped working in October 1992. The investigation revealed that the father worked as a salesman from 1993 through 1999; took acting classes in Beverly Hills, California, from 1993 through 1996; maintained a residence in North Carolina; and had drivers’ licenses in the States of California and Texas. The investigation also found that the father “laundered” his earnings through a trust account in the State of Nevada to avoid showing that he actually “earned” any money. The father was incarcerated and the son was sentenced to probation. Both defendants were ordered to pay restitution of \$73,116 to SSA.

Psychotherapist Works Full-Time While Collecting Disability Benefits

Based on a referral from the Danbury, Connecticut, SSA Office, our Boston Field Division investigated an individual who was receiving Social Security disability benefits while working full-time as a psychotherapist. The investigation established that the man, with the assistance of his office manager, used various methods to conceal his income from SSA for 9 years. The office manager deposited the man’s income into numerous personal and business accounts that she had opened in her name only. They also made false statements to SSA during three different continuing disability reviews (CDR). The man received probation and was ordered to pay restitution of \$72,820 to SSA. The office manager received home detention and probation, and as part of her plea agreement, she paid full restitution of \$72,820 to the court. The two individuals were ordered to pay total restitution of \$145,640.

Man Fraudulently Receives Benefits for Himself and Two Stepchildren

Based on a referral from the Monroe, Louisiana, SSA Office, our Dallas Field Division investigated a man who intentionally failed to notify SSA that he was working in order to continue receiving his Social Security disability benefits. He also collected auxiliary benefits for two ex-stepchildren that were no longer living with him. In total, he received more than \$45,000 in

benefits to which he was not entitled. He received home detention and was ordered to pay restitution of \$39,244 to SSA.

Man Works Under an Alias to Receive Benefits for 12 Years

Our Philadelphia Field Division conducted an investigation of a Virginia man who was receiving disability benefits and working under an alias and an invalid SSN. When we interviewed the man, he denied that he was the beneficiary. The investigation confirmed that the individual was the beneficiary and that he worked under the assumed identity from 1987 to 1999 while receiving Social Security disability payments. The man was incarcerated and ordered to pay restitution of \$136,475 to SSA.

SSI Eligibility Fraud



We established the SSI Eligibility Fraud Initiative to identify ineligible SSI recipients, stop fraudulent payments, recover monies, and initiate administrative actions and criminal investigations when appropriate. In FY 2000, the primary theme driving the project continued to be focused on identifying SSI recipients who may not reside in the United States, may be deceased, or may

be fictitious – and who have not had an SSA face-to-face interview within 1 year.

During FY 2000, we conducted a project in New York in partnership with SSA that selected a sample of 15,912 SSI recipients for evaluation. Typically, this evaluation involved SSA conducting face-to-face interviews of recipients to determine their continued eligibility for SSI benefits. We reviewed all project results for potential criminal and civil case development. The project identified 2,437 potential subjects who may have been overpaid or should have had their benefits suspended or terminated, and 135 subjects who were deceased. We also sampled 7,945 recipients in New Jersey in which we identified another 1,745 potential subjects.

The estimated fraud losses uncovered during the New York and New Jersey projects amounts to \$6,859,339. The project resulted in a projected savings of

\$38,351,014 because some individuals were found to be ineligible for benefits. We are pursuing criminal cases as deemed appropriate in conjunction with the U.S. Attorney's Office.

In addition to this project, the following cases highlight our investigative work in this area.

Mother and Four Sons Conspire to Defraud SSA for Over 22 Years

Our Los Angeles Field Division investigated a woman who filed false applications for SSI benefits for each of her four sons from 1977 to 1993. Each of the sons, faking similar disabilities of retardation and chronic brain disorder, conspired with their mother to illegally obtain these benefits. For over 22 years, the mother coached each son to act disabled when visited by various county welfare employees or when they visited SSA's offices. Our investigation found that none of the sons were disabled. All were married, had children, and led otherwise normal lives with one exception: none of the sons had any record indicating a work history. The woman and her four sons were all incarcerated and ordered to pay restitution to SSA and State/local agencies totaling \$532,633 for their parts in this long-term scheme to fraudulently receive SSI disability and State benefits.

Woman Fraudulently Collects Over \$108,540 in SSI and Food Stamp Benefits

Our New York Field Division and the New York City Bureau of Investigations conducted a joint investigation of a woman who collected SSI and food stamps under two identities. The investigation determined that the woman collected SSI and food stamps under her true identity, as well as a second identity from February 1992 until June 1997. The woman received probation and was ordered to pay restitution of \$108,540 to SSA and \$6,888 to New York State.

Woman Sentenced for Concealing Assets

The Seattle Field Division investigated a case where an individual received SSI benefits from August 1989 through April 1998 based upon her claims of having no resources or income. The investigation revealed that she actually owned two houses in addition to her residence, a motor home, and about \$90,000 in stocks during the time she received SSI benefits. She was incarcerated and ordered to pay restitution of \$44,147 to SSA and \$61,404 to the State of Idaho Welfare Program.

Recipient Failed to Report Marital Status

Our Chicago Field Division investigated an SSI recipient who failed to report to SSA that she was married in order to conceal her husband's income. She also made false statements to SSA in order to continue receiving SSI benefits. The U.S. Marshals Service (USMS) and our investigators arrested her, and an additional warrant was executed for her failure to appear for sentencing. She eventually received home detention and was ordered to pay restitution of \$29,765 to SSA.

Institutionalization



In most instances, the Social Security Act prohibits SSI payments to individuals who are confined or reside in a public institution for a full calendar month. The Act also prohibits Social Security payments to

individuals confined in a penal institution for more than 30 days and those individuals confined by court order to an institution at public expense in connection with specific verdicts or findings in certain criminal cases.

In addition, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (commonly known as the Welfare Reform Act) amended title XVI of the Social Security Act to make individuals ineligible to receive SSI payments for any month during which the recipient is fleeing to avoid prosecution for a felony, fleeing to avoid custody or confinement after conviction for a felony, or violating a condition of probation or parole imposed under Federal or State law. Additionally, the law requires that SSA furnish, upon written request, certain information pertaining to these fugitive felons to Federal, State, and local law enforcement officials.

Due to this change in the law, we initiated the Fugitive Felon Project with other Federal, State, and local law enforcement agencies. During FY 2000, the project resulted in the following.

The following cases highlight selected investigative work in this area.

| FY 2000 Fugitive Felon Statistics | |
|---|--------------|
| Fugitives Identified | 13,817 |
| Fugitives Arrested | 1,031 |
| Overpayments | \$20,894,605 |
| Estimated Savings | \$34,474,414 |

Man Conceals Brother's Incarceration to Continue Receiving Benefits

Our Atlanta Field Division conducted an investigation of a representative payee who failed to report to SSA that his brother, a disability beneficiary, was incarcerated. The investigation established that the beneficiary was incarcerated for a felony crime from June 1991 through February 1996. The representative payee continued to receive and negotiate his brother's SSA benefits totaling \$20,438. The representative payee received home detention and was ordered to pay restitution of \$20,438 to SSA.

Alleged Rapist Arrested Through National Data Match

Our New York Field Division arrested a man who had outstanding Federal and State arrest warrants for the alleged rape and aggravated molestation of a child. He was located through a national data match that compares the names and identifying information of current SSI recipients with Federal fugitive felon information. The subject was arrested and remanded to the USMS to be transported back to the State of Georgia. As a result of our efforts, SSA suspended his SSI benefits.

Investigators Aid in Arrest of Violent Offender

Our New York Field Division arrested a man in October 1999 who was a violent offender wanted in New York State for burglary in the second degree. Our investigators worked together with State investigators and determined that the man was receiving SSI benefits. He was arrested as he left the Federal building in Syracuse following an appointment with SSA officials and was subsequently turned over to local authorities. SSA stopped the man's SSI benefits.

Payments Made to Deceased Individuals

We frequently receive allegations about individuals who are illegally receiving Social Security payments of deceased individuals. Because of the frequency of these referrals, we implemented projects to identify unreported deaths and those individuals who negotiate payments issued to deceased individuals. The following cases highlight some of our work related to this area.



Son Conceals Father's Death for Over 2 Years

Based on a referral from the Murray, Utah, SSA Office, our Denver Field Division investigated a man who continued to receive and spend a total of \$25,233 in Social Security benefits intended for his deceased father. From August 1995 until September 1997, he continued to deceive SSA about his father's death after SSA attempted to contact his father. The man, an employee of a major Utah bank, was ordered to pay three times the amount of Social Security funds deposited into his account as a result of his false claims. He was also ordered to pay a civil penalty of \$10,000, bringing the total he was ordered to repay to \$86,019.

Pennsylvania Woman Sentenced for Fraudulently Receiving \$109,622 in Benefits

Our Philadelphia Field Division conducted an investigation of a woman who failed to report the death of a beneficiary, who was her housemate, and fraudulently received \$109,622 in benefits. The Norristown, Pennsylvania, SSA District Office referred the case in 1999 after unsuccessful attempts to contact the beneficiary during a review of the case. Our investigation determined that the beneficiary died in 1986. The woman was ordered to pay restitution of \$109,622 to SSA.

Woman Continues to Collect Deceased Mother's Benefits for Over 7 Years

Based on a referral from the Kingsport, Tennessee, SSA Office, our Atlanta Field Division investigated a woman who failed to notify SSA of her mother's death in March 1983. She continued to collect her mother's Social Security payments for her own use after her mother died. The woman was incarcerated and ordered to pay restitution of \$184,859 to SSA.

Man Negotiated Deceased Roommate's Check

Our Philadelphia Field Division conducted an investigation after a concerned citizen notified SSA's Anacostia Field Office in Washington, D.C., that a disability beneficiary died and his former roommate was negotiating his Social Security checks. Our investigation revealed that the beneficiary died in April 1995. The roommate used the deceased individual's identification documents to cash the beneficiary's checks from April 1995 to February 1999. He received home detention and was ordered to pay restitution of \$28,445 to SSA and \$8,249 to a check-cashing establishment.

SSN Misuse

Since the passage of the Identity Theft and Assumption Deterrence Act of 1998, we have accelerated our focus on SSN misuse investigations due to the expanded use of the SSN as an identifier. This expanded use provides the opportunity for unscrupulous individuals to misuse SSNs to their own advantage. The following cases highlight both SSA program-related cases, as well as other SSN misuse investigations.



Program Cases

Woman Claims Benefits for 18 Years for a Child That Never Existed

Our Philadelphia Field Division received a referral from the Salisbury, Maryland, SSA Office involving a woman with multiple identities. Our investigation determined that she received Social Security benefits under multiple names and SSNs. In addition, she received benefits for 18 years for a child that never existed. She was incarcerated and ordered to pay restitution of \$99,983 to SSA.

Father Uses Son's SSN to Conceal Work Activity

Our Chicago Field Division investigated a disability beneficiary who worked under his son's SSN to conceal his work activity. The man admitted to making false statements to SSA to conceal his work activity in order to continue his disability benefits. He pleaded guilty and was ordered to pay restitution of \$57,918 to SSA.

Woman Receives Benefits Under Two Names and SSNs

An investigation by our Chicago Field Division found that a woman was receiving Social Security disability benefits under an SSN she fraudulently obtained in 1971. She then applied for and received SSI under a name and number she had obtained in 1957. When first questioned about receiving benefits under two names and numbers, the woman claimed that the other SSN belonged to her sister who lived in her basement. When she was called into the local SSA office for review, she had a friend accompany her, masquerading as her non-existent sister. The woman had been falsely receiving SSI benefits since June 1980 under the SSN she obtained in 1957. She was incarcerated and ordered to pay restitution of \$63,084 to SSA.

Man Collects \$312,058 During Nearly 2 Decades of Fraud

Our St. Louis Field Division investigated a man who used an alias and a false SSN to conceal his work activities and earnings for nearly 2 decades. He began receiving Social Security disability benefits in the late 1970s. During the course of our investigation, we found that he obtained another SSN under an assumed name. He returned to work in 1980 under the assumed name and related SSN. He failed to report to SSA that he received substantial wages during the years 1980 through 1996. He was incarcerated and ordered to pay restitution of \$312,058 to SSA.

Man Uses Four Identities to Acquire Benefits Totaling \$262,279

Our Los Angeles Field Division conducted an investigation of a man who used four identities and SSNs, including the identity and SSN of his deceased stepfather, to obtain SSI and Social Security benefits totaling \$262,279. The investigation also determined that the man made false statements to SSA in an effort to conceal other sources of income such as workers' compensation (WC) and private disability benefits. The man was ordered to pay restitution of \$262,279. In conjunction with our investigation and the restitution order, the USMS seized a Rolls Royce Corniche, two Cadillac limousines, one Cadillac sedan, as well as jewelry, four mink coats, various antiques, and a grand piano. A lien was also placed against his residence.

Nonprogram Cases

SSNs of Over 100 High-Ranking Military Officials Used in Bank Fraud

As part of a multi-agency task force, our Philadelphia Field Division, conducted an investigation of 2 individuals who used the names and SSNs of over 100 high-ranking U.S. military officials, which they obtained off of the Internet. They used the information to fraudulently obtain credit cards which they applied for over the Internet. The individuals were incarcerated and ordered to pay restitution of over \$287,000 to the companies that were victimized by the scheme.

False SSNs Used to File for Over \$900,000 in Student Loans

Our Boston Field Division and the Department of Education's Office of Inspector General joined forces to investigate an individual that submitted dozens of fraudulent Federal student loan applications over a 3-year period to agencies and banks in Massachusetts. The investigation determined that the man used false SSNs to file for over \$900,000 in student loans. The man, while incarcerated and on Federal supervised release for a 1996 conviction for a similar scheme, filed the fraudulent loan applications falsely claiming to be an enrolled student at foreign medical schools. The man was incarcerated and ordered to pay restitution of \$350,000 to the American Student Assistance Corporation. The court also entered an order of forfeiture against him for \$159,840.

Man Misuses an SSN in Six Bankruptcy Filings

Based on a referral from the U.S. Attorney's Office in Phoenix, Arizona, our Los Angeles Field Division joined forces with the FBI and the Internal Revenue Service (IRS) to investigate an individual who used another individual's SSN to file for bankruptcy. The individual filed six bankruptcy petitions with the U.S. Bankruptcy Court using false and incomplete information to forestall foreclosure on rental properties he owned. The investigation further disclosed that he also used another individual's SSN to file insurance claims, apply for credit, and to title and register a vehicle. He was incarcerated and ordered to pay the IRS \$165,000.

Bank Fraud Ring Busted

Our Seattle Field Division conducted a joint investigation with the FBI of seven individuals who schemed to defraud financial institutions out of more than \$320,000 by using false identities, false SSNs, and counterfeit checks. To start their scheme, the individuals estab-

lished residency at various rental properties using fraudulent names and SSNs. They subsequently opened bank accounts with false residential and employment information. When landlords and bank officials tried to verify background information, the individuals would use each other for references on the various rental and bank account applications. After their bank accounts were open for a period of time, they would deposit counterfeit checks and withdraw cash before the banks could detect the fraudulent checks. Six of the individuals were incarcerated and all seven were ordered to pay restitution of amounts ranging from \$29,394 to \$320,022.

Company Manager Conspires With Document Vendors to Assist Illegal Workers

Our Atlanta Field Division conducted a joint investigation with the Immigration and Naturalization Service (INS) and the Florida Department of Law Enforcement of several individuals who conspired to assist illegal aliens in obtaining employment. The investigation determined that a manager of a Florida maintenance company knowingly referred his undocumented alien employees to known fraudulent document vendors. The vendors altered the aliens' passports and INS documents, making their clients appear to be authorized to work in the United States. The vendors also provided their clients with translation services at area Social Security offices where they obtained SSNs using the false documents. The document vendors charged the individuals fees ranging from \$600 to \$800 for these services. The manager of the maintenance company and the document vendors were incarcerated.

Forty-seven aliens working illegally in the United States were also deported.

Man Sentenced for Fraudulent Translator Scheme

Our New York Field Division, the INS, and the Department of State conducted an investigation of a man who was allegedly providing translation services for aliens at SSA and Motor Vehicle offices. The investigation determined that the man was inserting counterfeit U.S. Visas into his alien customers' passports. He then transported his customers to SSA and Motor Vehicle offices to obtain SSN cards and drivers' licenses using the counterfeit documents. The following items were seized when a search warrant was executed at his place of business: passports, counterfeit U.S. Visas, 23 blank counterfeit SSN cards, 5 completed counterfeit SSN cards, passport photos, SSN applications, counterfeit

INS stamps, a list of SSA offices in Florida, a list of Mail Boxes Etc. stores in Florida, and plane tickets to Florida. He was incarcerated and fined \$3,000.

Representative Payees



In the Significant Activities section of this report, we highlighted our work that focuses on the Representative Payee Program. In the past, our reporting of allegations about representative

payees has been embedded in programmatic issues. Because of certain high-profile cases brought to our attention, we are focusing our investigative efforts on these allegations, not only because of dollars misdirected but because of the human suffering representative payee abuses cause. The following cases highlight other significant representative payee cases.

Fifteen Representative Payees Convicted as Part of \$1.5 Million Fraud Scheme

Based on referrals from the Middleburg Heights and Lakewood, Ohio, SSA Offices, our Chicago Field Division led an investigation where 50 individuals were arrested in Ohio, Michigan, Rhode Island, Florida, New York, and New Jersey. The investigation identified a scheme and conspiracy where individuals faked similar mental and emotional disabilities and close friends or family members corroborated those disabilities. Out of the 50 individuals, 15 were representative payees for between 1 and 4 individuals. Sentences for these individuals ranged from incarceration or home detention to probation, and all have been ordered to make full restitution. The estimated loss as a result of this scheme exceeds \$1.5 million.

Man Misuses \$137,000 Intended for His Children

Our Los Angeles Field Division investigated a man who applied for and received Social Security benefits for his two children and himself. He also served as representative payee for his children from January 1990 through July 1997. However, our investigation revealed that he had not had custody of his children since 1990. The man admitted to investigators that he misused the benefits intended for his children and failed to notify SSA of his children's living arrangements. He was incarcerated and ordered to pay restitution and fines of \$64,000. The total fraud loss to SSA was \$137,484.

Representative Payee Sentenced for Misusing Funds

Our Boston Field Division conducted an investigation of a woman who was the representative payee for 23 beneficiaries who were receiving Social Security and SSI disability payments. The checks issued to her as representative payee were mailed to her at the Salvation Army where she was employed. Several beneficiaries complained to SSA that the woman was not using their benefits to pay their bills. Our investigation determined that the woman misused more than \$50,000 in benefits. She received home detention and was ordered to pay restitution of \$51,200 to SSA.

Connecticut Representative Payee Sentenced for Misusing Funds

Our Boston Field Division investigated a former director of a nonprofit association who misused SSA and SSI disability funds entrusted to him as representative payee for clients of the association. The organization provided mental health services to its clients. Our investigation established that the man served as representative payee for 60 individuals and had misused about \$26,000 in benefits. We also found that he had misused State funds and had committed procurement fraud against the mental health association. He received home detention, a \$3,600 fine, and was ordered to receive substance abuse counseling. Before sentencing, he paid over \$43,000 to the mental health association as full restitution for these crimes.

Other Cases of Interest

Couple Ordered to Pay \$88,226 in Restitution to SSA

Our Los Angeles Field Division investigated a couple who continued to receive Social Security benefits for approximately 4 years after their four children were removed from their care by the Arizona Child Protective Services. Both were sentenced to probation and ordered to pay restitution of \$88,226 to SSA.

Man Receives Benefits for Fictitious Individuals

Our New York Field Division and the U.S. Postal Inspection Service conducted an investigation of a man who received Social Security benefits for fictitious individuals. Our investigation determined that the man received benefits for four fictitious children, one fictitious adult, and one deceased individual. He also assisted his nephew in obtaining SSI disability benefits even though he was not disabled. He was incarcerated and ordered to pay restitution of \$46,331 to SSA. The man's nephew was incarcerated and ordered to pay restitution of \$3,200 to SSA.

Man Receives Maximum Sentence for Threatening Agents

The Eau Claire, Wisconsin, SSA Office contacted our Chicago Field Division to report a couple who had divorced in 1993 but continued to live together, posing as a married couple. The woman, an SSI recipient since 1993, was overpaid more than \$30,000. During an interview with two of our investigators, the man became very agitated and threatened the investigators with bodily harm. Our investigators received information that the man recently purchased a handgun and told a witness that he would kill the Federal agents from Social Security if they ever returned. He also telephoned the Social Security office and threatened to shoot another SSA employee and both investigators, as well as "shoot up" the office. During a subsequent telephone conversation with one of the investigators, he made 31 threats to kill both investigators and another SSA employee. He was incarcerated and ordered to have no contact with SSA and its employees.

Woman Ordered to Repay \$105,793 for Benefits She Collected for a Child Not in Her Care

Our Los Angeles Field Division investigated a woman who made false statements and provided a false document to SSA when she filed for Social Security benefits for herself and her daughter. Our investigation established that the woman was not the child's mother and she had actually "purchased" the child from Mexico around 1986. In 1992, she gave the child away and continued to collect \$105,783 in benefits from September 1989 to March 1997. She received home detention and was ordered to pay full restitution to SSA.

Mother Negotiates Daughter's Checks

Based on a referral from the Hobbs, New Mexico, SSA Office, our Dallas Field Division investigated a woman who was receiving Social Security benefits on behalf of her daughter. Our investigation found that the woman failed to report to SSA that her daughter was not living with her and continued negotiating her daughter's SSA checks when her daughter was actually residing with her grandmother. The woman received probation and was ordered to pay restitution of \$63,582 to SSA.

Contractor Ordered to Pay Over \$5 Million in Restitution

At the request of the U.S. Attorney's Office in Pittsburgh, Pennsylvania, our Philadelphia Field Division assisted in a joint investigation with the IRS; the FBI; the Bureau of Alcohol, Tobacco and Firearms; the Environmental Protection Agency; and the Department of

Labor. The investigation revealed that a local bridge painting contractor had diverted employee Federal income tax withholdings. By comparing a variety of tax records to SSA's records, investigators established

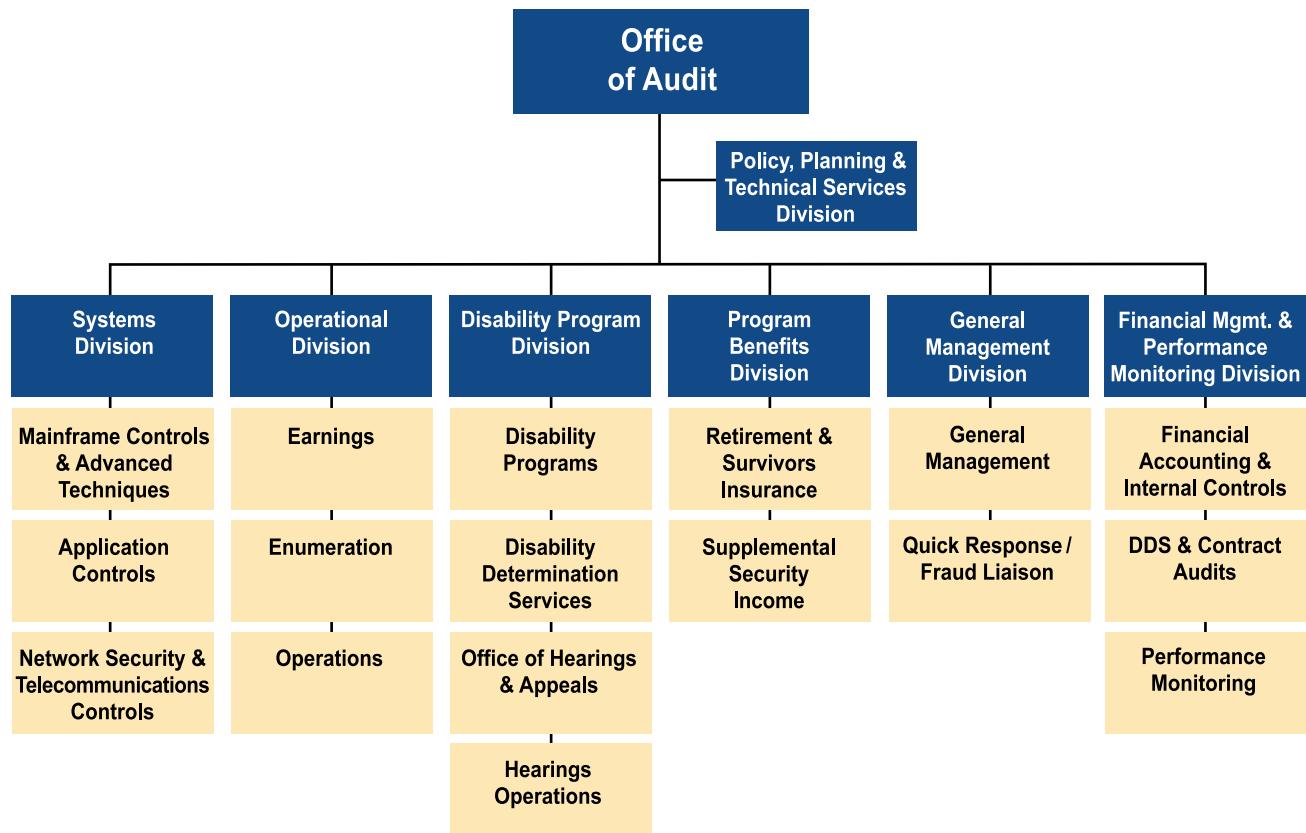
the total amount of funds stolen. The man was incarcerated and ordered to pay restitution of \$5,823,429 to a financial institution, the States of Pennsylvania and Ohio, and the Federal Government.

Office of Audit

The Office of Audit conducts comprehensive financial and performance audits of SSA programs and operations and makes recommendations to ensure that program objectives are achieved effectively and efficiently. OA also conducts management and program evaluations that identify and recommend ways to prevent program fraud and maximize efficiency. The office is organized into issue area teams that specialize in one or more of SSA's programs or operations as displayed in the organization chart below.



During this reporting period, we issued 65 reports with recommendations that \$236,508,945 in Federal funds could be put to better use and identified \$76,991,654 in questioned costs. The following sections highlight some of our most significant reviews.



Enumeration

Enumeration is the process by which SSA assigns original SSNs, issues replacement cards to people with existing SSNs, and verifies SSNs for employers and other Federal agencies.

The importance placed on SSNs as an identifier in today's society provides a tempting motive for individuals to fraudulently acquire an SSN and use it for illegal purposes. SSN misuse may affect a victim's ability to receive legitimate benefits and also may harm his or her credit ratings. In addition, the financial industry passes on the cost associated with identity theft to all of its consumers.

Most importantly, however, is that individuals also use false identities to defraud SSA programs. Our work has revealed that unscrupulous individuals can assume the identity of another person who is either alive or dead and work under the stolen SSN while receiving disability benefits under their own SSN. Individuals also have

assumed the identity of another person to hide assets using the assumed identity in order to qualify for SSI under their own SSNs.

Recognizing SSA's vulnerability to SSN misuse, we issued the following reports.

The Social Security Administration is Pursuing Matching Agreements with New York and Other States Using Biometric Technologies



Our objective was to assess whether the results of biometric technologies used to combat fraud and identify ineligible recipients for social service programs could benefit SSA. As of December 1998, 11 States used or had plans to adopt biometric technologies in their social service programs. In general, States that have implemented biometric programs

have realized significant benefits (California – over \$86 million; Connecticut – \$15 million; New York – \$396 million).

We reviewed 500 sample cases from 12,615 Aid to Families with Dependent Children (AFDC) cases closed by New York for failure to cooperate with the State's finger-imaging requirement from October 1995 to July 1997. In our sample, we identified 64 individuals (13 percent) who had received Social Security or SSI disability benefits. Because SSA did not have a matching agreement in place with New York, we could not determine the propriety of the payments SSA made to these 64 individuals. We were also prohibited from pursuing matching agreements in individual cases.

However, we estimate that, as of January 1998, about \$45 million in benefits were paid to approximately 1,615 individuals within the population of New York State's 12,615 terminated AFDC cases. An additional \$16.3 million in benefits will be paid to individuals within this population between February 1998 and February 2001. We believe SSA could use the results of New York State's biometrics program to identify individuals who are inappropriately receiving benefits, thereby reducing and/or recovering any improper benefit payments.

We recommended that SSA: (1) pursue a matching agreement with New York, so that the Agency can use the results of the State's biometric technologies; and (2) initiate pilot reviews to assess the cost-efficiency of matching data with other States that have used biometrics in their social service programs.

In response to our recommendations, SSA agreed to conduct a pilot matching agreement with New York and consider expanding the program to other States if the New York pilot proves beneficial.

Procedures for Verifying Evidentiary Documents Submitted with Original Social Security Number Applications

Our objective was to determine whether SSA's procedures for examining evidentiary documents are effective in ensuring the proper assignment of original SSNs. In May 1999, we issued a Management Advisory Report (MAR), *Using Social Security Numbers to Commit Fraud* (A-08-99-42002), which outlined the role SSNs play in the commission of identity fraud crimes. In that report, we also described several SSN fraud cases that highlighted some of the vulnerabilities in SSA's enumeration process, including vulnerabilities within SSA's document verification process. This report serves as a sequel to the MAR, provides additional recommendations, and reaffirms some previous recommendations that we believe will improve the integrity of SSA's enumeration process.

Of the SSNs we reviewed, 28 percent were based on invalid or inappropriate evidentiary documents. As such, these SSNs should not have been assigned. We acknowledge this sample was neither statistically selected nor indicative of the percentage of possible errors within the universe of 2.66 million original SSNs assigned during the audit period. However, the results of our review provide insight regarding significant vulnerabilities within SSA's enumeration system. Despite SSA's efforts to address these vulnerabilities, the Agency's controls do not prevent individuals from improperly attaining SSNs with fraudulent evidentiary documents.

Based on our observations at SSA field offices (FO) and our analysis of the selected SSNs, we identified the following vulnerabilities that may have resulted in the acceptance of invalid evidentiary documents.

- SSA employees do not have adequate tools (for example, real-time on-line verification mechanisms) to determine the validity of evidentiary documents.
- Current systems controls do not prevent the assignment of SSNs in certain suspect circumstances (for example, multiple SSN cards sent to common addresses, parents claiming to have had an improbably large number of children).

- SSA's emphasis on customer service discourages personnel from employing security measures that might detect fraudulent documents because it would delay the enumeration process.

We recommended that SSA: (1) obtain independent verification for all alien evidentiary documents before approving the respective SSN applications; (2) accelerate negotiations with the INS and the State Department to implement the Enumeration at Entry program; (3) give credit for fraud detection and development in measuring the performance of FOs and their employees; (4) continue efforts and establish an implementation date for planned system controls that will interrupt SSN assignment in certain suspect circumstances; (5) study the impact of requiring SSN applicants to either provide an actual street address or pick up their SSN cards at the closest SSA FO; and (6) propose legislation that disqualifies individuals who improperly attain SSNs from receiving work credits for periods that they were not authorized to work or reside in the United States.

SSA agreed with or provided an adequate response for four of the six recommendations. However, SSA disagreed with our recommendation to obtain independent verification for all alien evidentiary documents before approving the respective SSN applications. SSA stated that the Agency already verifies with the INS all documents for noncitizens applying for SSNs, except documents for those who have been in the country less than 30 days. SSA believes that delaying approval of their SSN applications for 1 to 2 months until the INS can verify their applications would result in a grave disservice to newly-arrived individuals who have legal authority to work. Instead, the Agency stated that it would continue to work with the INS to shorten the lag time needed to update the INS systems and to have INS collect enumeration data.

SSA also disagreed with our recommendation to propose legislation that disqualifies individuals who improperly attain SSNs from receiving work credits for periods that they were not authorized to work or reside in the United States. SSA stated that the legislative proposal would be extremely difficult to administer because SSA cannot, on its own, determine when or if an individual's immigration or work status has changed. SSA believed that these determinations could be made only by the INS or a judicial proceeding. We asked SSA to reconsider its responses to these two recommendations.

Earnings



An individual's earnings are the basis for calculating Social Security benefits. SSA establishes and maintains a record of an individual's earnings for use in determining an individual's entitlement to benefits and for calculating benefit payment amounts. For those reported earnings that fail to match SSA's name and SSN validation criteria, those items are posted to the Earnings Suspense File (ESF). From 1937 through April 1999, the ESF has grown to about 212 million items representing about \$262 billion in wages. Employer and employee reporting errors are the main causes of the file's growth and size. The ESF is an indication of reporting problems that must be addressed. If not addressed, these reporting problems could result in the beneficiaries receiving less than what they are entitled to. A summary of a related report follows.

The Social Security Administration's Earnings Suspense File Tactical Plan and Efforts to Reduce the File's Growth and Size

Title II of the Social Security Act requires SSA to maintain records of wage amounts that employers pay to individuals. To accomplish this, SSA uses the SSN to record individuals' wages. When wage items fail to match SSA's name and SSN records, they are put in the ESF. Since 1990, the ESF has increased by an average of 5 million wage items and \$17 billion annually.

Six major factors hinder the reduction of the ESF's size and contribute to its growth.

1. Higher Agency priorities for automated systems development resources within SSA.
2. The Agency has neither linked wage information year-by-year to identify chronic problem employers, nor aggressively targeted for corrective action, the employers who have been responsible for a disproportionate share of the ESF for several years.
3. Agency officials reported to us that some employers contacted in a recent effort to correct and prevent wage reporting errors were unaware of wage reporting problems.
4. The ESF Tactical Plan does not adequately address industries that hire transient employees who may not have work authorization from the INS.

5. Initiatives with higher benefits require coordination with, and/or assistance from, other Federal agencies. For example, SSA estimates that if the IRS imposed civil penalties allowed under existing law against employers who file inaccurate wage reports, it would reduce the file's growth by 1.5 million wage items, annually. However, at meetings with SSA officials, the IRS was reluctant to take action.
6. Existing laws and regulations are not clear in specifying an employers' right to require prospective employees to present SSN cards prior to hiring. In addition, overlapping and/or conflicting employee hiring and reporting requirements among SSA, the IRS, and the INS confuse employers.

We recommended and SSA agreed to:

- Establish a high priority on key ESF reduction initiatives in the current ESF Tactical Plan.
- Assign a higher priority to work with the IRS to prepare a legislative proposal to clarify employers' right to see the SSN card before hiring.
- Pursue with the IRS penalties on chronic problem employers.
- Seek sanctioning authority if the IRS fails to impose penalties against chronic problem employers. However, SSA believes that the IRS can more effectively apply such penalties.

Systems – Data Integrity

One of the challenges facing SSA is giving the public the service it expects during a period of increasing demands without a corresponding increase in staff. Demographic changes in the Nation's population over the next several years will cause substantial increases in SSA's operational workloads. To meet this challenge, SSA must increase its reliance on automated systems. The sensitivity of the data maintained and the magnitude of funds expended make controls in automated systems critical to the integrity of SSA programs and client satisfaction.



To ensure the integrity of SSA's controls over application software development and maintenance at SSA, we conducted the following reviews.

Reliability of Diagnosis Codes Contained in the Social Security Administration's Data Bases

Our objective was to determine the impact on SSA's operations when diagnosis codes on the Master Beneficiary Record (MBR) or Supplemental Security Record (SSR) are missing, invalid, or for unestablished diagnoses. The diagnosis code on the MBR and SSR should refer to the basic medical condition that rendered the individual disabled.

SSA's procedures do not ensure valid and specific codes are recorded to the MBR or SSR. We estimate that 1.31 million MBR or SSR records did not contain diagnosis codes representing the medical condition related to the individuals' disabilities. Having diagnosis codes that do not represent specific disabilities on SSA's records affects SSA's ability to properly select beneficiaries or recipients for CDRs and precludes SSA from identifying cases mandated for redeterminations.

For instance, under the Welfare Reform Act, the prior medical determinations of children had to be reviewed if those children had certain disabilities specified in the legislation. Our findings revealed that the required reviews were not performed in cases that should have been selected for redeterminations. We estimate that at least 3,539 recipients with incorrect codes should have had medical redeterminations performed as required under the Welfare Reform Act. Since SSA did not perform these redeterminations, we estimate that at least \$8.97 million in SSI benefits were paid incorrectly.

We recommended that SSA correct the diagnosis codes in its data bases to ensure that, in the future, all beneficiaries' disabilities are represented by valid, specific codes. SSA agreed to take action on most of our recommendations. However, we continue to believe that further corrective action is necessary to ensure that diagnosis codes are carried forward to new records, because SSA's automated edits do not apply to all claims and do not preclude manual override.

Implementation of Drug Addiction and Alcoholism Provisions of Public Law 104-121

The Social Security Act was amended on March 29, 1996, by P.L. 104-121, commonly known as the Contract with America Advancement Act of 1996, to prohibit disability benefits if drug addiction and/or alcoholism (DAA) is material to the finding of disability. The law required SSA to terminate benefits for individuals whose disabilities were based on DAA. If beneficiaries timely appealed their benefit terminations, SSA was to conduct medical redeterminations by January 1, 1997.

In September 1998, we began an audit of SSA's implementation of DAA provisions of P.L. 104-121. Our objective was to determine whether SSA identified all beneficiaries and recipients for whom DAA was a contributing material fact to the finding of a disability. We found that SSA only used one criteria for identifying DAA cases for review. However, using additional diagnosis codes, we focused on 19,946 individuals whose cases we believed might be indicative of a DAA impairment. After reviewing a sample of these claims, we found that DAA was, in fact, the primary reason for disability in many of these cases and we alerted SSA to that fact. The Agency disagreed with our finding and asserted that, based upon data contained in their system, disability determinations for 16,677 of the individuals did not consider DAA material to their disability. Of the remaining 3,269 individuals, SSA informed us that it did not have sufficient information to determine whether or not DAA was material to their disability.

We expressed our concerns to SSA regarding its assertions, and we proceeded with a review of a sample of the 19,946 individuals who appeared to be receiving benefits based on DAA even though the law prohibited such payments. Following our review, we concluded that SSA did not identify and terminate benefits to all individuals where DAA was material to their disability determination. We then estimated that 3,190 individuals were incorrectly paid \$38.7 million in benefits.

Additionally, we found that cases were miscoded in SSA's systems showing DAA, even though DAA was not material to the disability determination. Based on our review, we estimated that 14,420 individuals do not have the correct diagnosis codes, DAA indicators, or both, on their records to show that DAA was not material to their disability determination.

We made the following four recommendations to improve the implementation of the DAA provisions of P.L. 104-121, and to help reduce SSA's incidence of paying benefits to ineligible individuals.

1. Review the 10,611 SSI cases that SSA asserted were either properly handled or miscoded and apply the provisions of P.L. 104-121, where appropriate.
2. When conducting the next scheduled CDRs for the 6,066 Disability Insurance (DI) cases in our extract, ensure that benefits are terminated if DAA is material to the finding of disability.
3. Ensure that the 3,269 cases SSA agreed to review are completed, the coding corrected, and the benefits terminated, where appropriate.

4. Modify its systems so that primary diagnosis codes for DAA will no longer be accepted.

In response to our report, SSA agreed with our recommendations and stated that corrective actions were initiated, and in some cases, completed. The House Committee on the Budget, after reviewing this report, requested that the Inspector General provide testimony concerning SSA's implementation of P.L. 104-121 on September 12, 2000. Also during September 2000, SSA completed all of the medical reviews specified in our first three recommendations. Specifically, SSA reported that it had terminated disability benefits for 2,683 individuals. Of the 2,683 individuals, benefits were terminated for 339 because DAA was material to the finding of disability and the remaining 2,344 had their benefits terminated because they either (1) did not respond to SSA's request to come in for a CDR to ascertain if they had a disability other than DAA or (2) showed medical improvement in their disability impairments. For our fourth recommendation, SSA notified us that it modified its systems to preclude the primary diagnosis codes for DAA in all cases except denials. SSA stated that when a case is denied because of DAA the use of the DAA diagnosis code is appropriate.

Social Security Administration's Suitability Program for Employees and Contractors (CONFIDENTIAL)

Our objective was to determine whether SSA's suitability program provides reasonable assurance that all employees and contractors' employees undergo suitability reviews before they access SSA's facilities and sensitive information. Suitability refers to a person's character traits and past conduct and is distinguishable from the person's ability to fulfill the job qualification requirements, such as experience, education, and skills. Our audit disclosed weaknesses in SSA's suitability program which leaves SSA's facilities and data vulnerable to unauthorized access.



Specifically, SSA did not consistently perform initial suitability or background checks of employees, as required by Executive Order 10450, *Security Requirements for Government Employees*. SSA had not reclassified employee positions to a sensitivity level commensurate with the position's potential for adversely affecting the Agency's service or its compliance with the Computer Security Act of 1987.

We made eight recommendations to SSA to improve its suitability program to ensure access to sensitive information is appropriately limited. Our recommendations included centralization of the suitability program under a single Deputy Commissioner, development and implementation of a policy that all employees receive appropriate background checks, rewriting position descriptions with appropriate sensitivity levels, and enforcing State DDS compliance with SSA's suitability program. SSA agreed with most of our recommendations. However, they did not agree to centralize the suitability program under a single Deputy Commissioner and they have not made a decision that would require State DDS personnel to undergo suitability reviews.

Program Management

SSA is bound by complicated guidelines in administering Old-Age, Survivors and Disability Insurance (OASDI) and SSI programs. This is particularly true for SSI because, as a means-tested program, it is more difficult to administer than OASDI. OASDI entitlement is based on general objectives and relatively stable factors, such as birthdates, earnings history, and marital status.



SSI eligibility, on the other hand, can change monthly because of changes in income, resources, living arrangements, and place of residency. In February 1997, the General Accounting Office declared SSI a high-risk program and this designation continues to exist. To assist in ensuring the integrity of the SSI program, Congress enacted the Welfare Reform Act, which requires that SSA conduct CDRs in certain instances. The Welfare Reform Act also authorized the funding for CDRs for FYs 1997 and 1998. SSA reports annually to Congress on its progress in conducting CDRs.

OASDI programs, commonly referred to as Social Security, provide a comprehensive package of protection against the loss of earnings because of retirement, disability, and death. Monthly cash benefits are financed through payroll taxes paid by workers and their employers and by self-employed individuals. Social Security also provides protection for surviving spouses and children. Several of our reviews about these programs are described in this section.

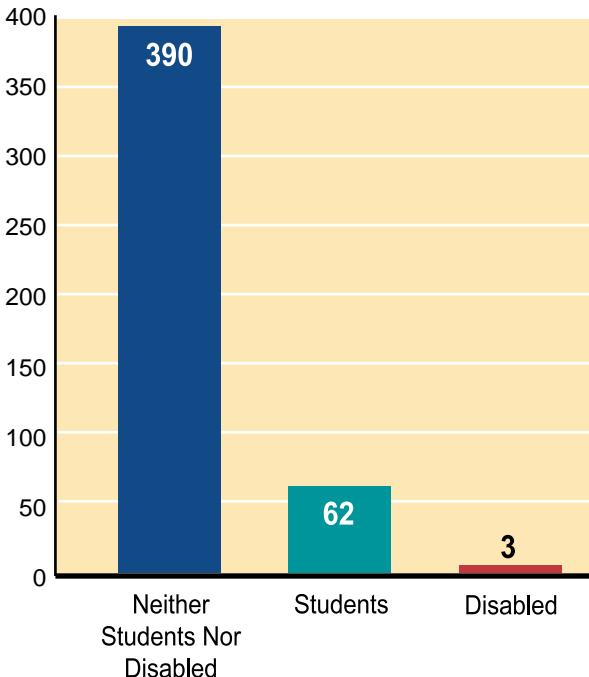
Payments to Child Beneficiaries Age 18 or Over Who Were Neither Students Nor Disabled

The Social Security Act provides benefits to the children of retired, deceased, or disabled workers. Generally, these children are entitled to Social Security benefits until they marry or reach age 18. However, children who are full-time students may continue to receive benefits until they reach age 19 or complete their secondary education, whichever occurs first. The Act does not provide for benefits to child beneficiaries over age 18 if they are neither students nor disabled.

We conducted this audit to determine whether SSA paid benefits to child beneficiaries who were age 18 or over and neither students nor disabled. Our review disclosed that 390 (85.7 percent) of the 455 child beneficiaries in our population were age 18 or over and neither students nor disabled. These individuals were ineligible for Social Security benefits under the Act. The remaining 65 individuals represented child beneficiaries who, based on subsequent information obtained by SSA, were entitled to benefits.

Summary of Child Beneficiaries Reviewed

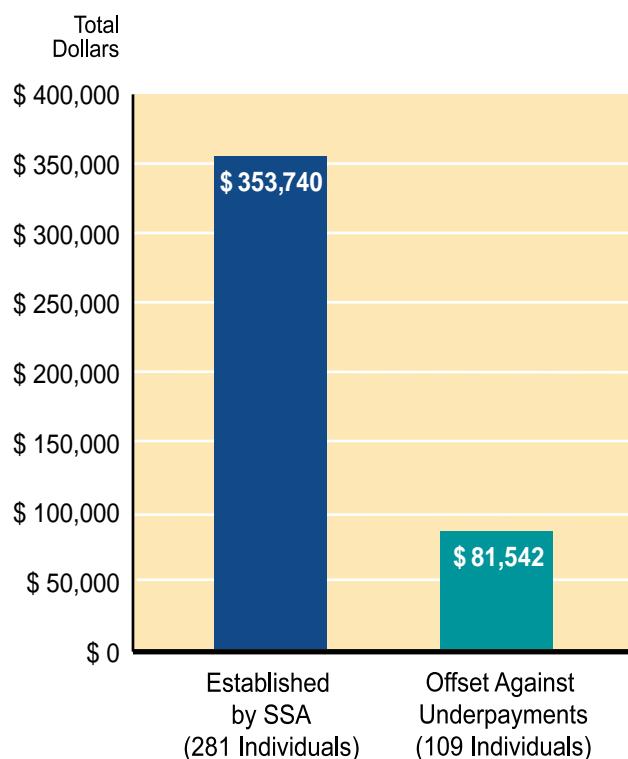
Number
of Cases



We found that the 390 child beneficiaries received \$435,282 in Social Security benefits to which they were not entitled. This occurred because: (1) SSA had not programmed its automated system to terminate benefits

for these individuals, and (2) employees did not manually process the termination actions in a timely manner. As of June 30, 1999, SSA established overpayments totaling \$353,740 against 281 of these individuals. The remaining 109 individuals received \$81,542 in overpayments which were offset against underpayments due other individuals in the same family.

Total Overpayments to Child Beneficiaries



We recommended and SSA agreed to:

- Modify its automated system to terminate benefits to child beneficiaries at age 18 if they are neither disabled nor full-time students.
- Generate alerts for employees to review complex cases, recalculate benefit amounts, and adjust payments due other individuals in the same family, if necessary.
- Evaluate the feasibility of automating benefit increases for other individuals in the same family when the benefits for child beneficiaries who are neither students nor disabled are terminated at age 18.

Workers' Compensation

SSA pays monthly disability benefits to eligible individuals who meet specific disability requirements. Those individuals with a work related injury could also

be eligible for individual State WC payments. Such cases can create a situation where the individual worker could receive more in combined Federal and State disability benefit payments than he earned prior to becoming disabled. To prevent this occurrence, the regulations provide for a WC offset. In favorable Social Security DI decisions in which the claimant is represented by an attorney, SSA must withhold out of the claimants past due benefits and certify direct payment to the attorney, an amount equal to the smaller: (1) 25 percent of the past-due benefits, or (2) an alternate fee authorized by SSA. The complexity of the WC offset calculation makes DI benefits and related attorney fee payments subject to error.

In FY 2000 we issued two reports focusing on the integrity of the WC program. In our audit, *Workers' Compensation Unreported by Social Security Beneficiaries*, November 1999, we investigated the accuracy of individuals reporting WC benefits. We determined that about one-third of the DI population did not voluntarily report changes in their WC status and benefits. This caused SSA to pay inaccurate DI benefits with an estimated total dollar error of \$325.8 million.

We also issued an audit report entitled, *The Social Security Administration Incorrectly Paid Attorney Fees on Disability Income Cases when Workers' Compensation Payments were Involved*, March 2000. The report disclosed that incorrect attorney payments were made because SSA did not verify the WC benefit amounts provided at application. Additional errors occurred because of internal processing mistakes by SSA employees. We estimated that, in 15 percent of WC cases, SSA could have incorrectly paid attorney fees for a potential total dollar error of \$33.8 million.

Fugitive Felons

In 1972, the SSI program was established under title XVI of the Social Security Act to provide income to financially needy individuals who are aged, blind, and/or disabled. Then, on August 22, 1996, Congress passed the Welfare Reform Act that prohibits SSI payments to fugitive felons and parole or probation violators. However, the Social Security Act was not similarly amended to prohibit OASDI benefits to fugitives. Currently, a fugitive felon and parole or probation violator is eligible for OASDI benefits, but he or she is not eligible to receive SSI benefits.

We completed two reviews this year that found that SSA needs to increase its efforts to prevent SSI benefits from being used to finance a fugitive's flight from justice, and needs to seek legislation to prohibit the use of

OASDI funds for the same purpose. We estimate that at least 24,700 fugitives were incorrectly paid at least \$76 million in SSI benefits since August 1996. We further estimate that SSA will continue to pay fugitives at least \$30 million annually in SSI benefits if SSA does not use State fugitive files to prevent such payments. Also, between August 1996 and October 12, 1999, our investigators assisted in the arrest of 1,853 fugitive felons who were receiving SSI benefits.

Additionally, we estimate that fugitives will continue to receive at least \$39 million in OASDI benefits during the next year if legislation is not enacted to prohibit them. Since August 1996, we estimate that at least 17,300 fugitives were paid at least \$108 million in OASDI payments. Approximately 40 percent of the fugitives in our review also received SSI benefits.

Although the OASDI program is an entitlement program in which beneficiaries have paid into the Social Security Trust Fund, we believe that SSA should not provide OASDI benefits to fugitive felons. These benefit payments may finance a potentially dangerous fugitive's flight from justice.

Additionally, we believe that implementation of a fugitive nonpayment provision in the OASDI program would assist SSA in presenting a consistent message to the public of "zero tolerance for fraud and abuse." The current statutory provisions are inconsistent in that fugitives are prohibited from receiving one type of Social Security benefit, but can continue to receive a second type of benefit payment. Further, while both OASDI and SSI benefit payments are suspended for prisoners, only SSI benefit payments are suspended for fugitive felons. As a result, a prisoner cannot receive OASDI benefits, but a fugitive felon can.

Based on the results of our two reviews, we recommended that SSA: (1) reach agreement with the U.S. Department of Agriculture (USDA) to share fugitive information, because fleeing felons are similarly disqualified from participation in food stamp programs under 7 U.S.C. 2015(k); (2) reach agreement with State agencies, which neither enter fugitive data into the National Crime Information Center nor provide data to the USDA, to obtain their fugitive information in an electronic format; and (3) pursue legislation prohibiting payment of OASDI benefits to fugitives similar to the provisions pertaining to SSI benefits under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193).

In response to our draft reports, SSA agreed with our first two recommendations and is assessing the third recommendation. Specifically, SSA will contact the USDA to determine the feasibility of coordinating its efforts. SSA expects to begin receiving matching agreements, followed by data on fugitives on a regular basis, from State and local law enforcement agencies in the months ahead. For our third recommendation, SSA was not prepared at this time to agree to pursue legislation. However, the Agency agreed to assess our recommendation and provide the results of its assessment.

Status of the Social Security Administration's Updates to the Medical Listings

We performed this review to evaluate SSA's actions to update the medical listings it uses to determine whether an individual is disabled. We found that some medical listings have not been updated during the last 10 years. SSA attributed this delay to staff shortages, competing priorities, and research limitations. In addition, with the passage of the Welfare Reform Act, SSA had a new congressionally mandated workload of disability redeterminations that needed to be completed.

SSA also informed us that they have not made a comprehensive revision of the adult mental disorders listing in the past 15 years, even though the adult mental disorders listings are the most common basis for medical disability in initial claims filed by adults. To their credit, SSA has identified the medical listings that need to be updated; however, it has not established time frames for their completion. Setting completion dates as a goal in the Agency's Performance Plan would not only show SSA's commitment to updating the medical listings but would also show Congress that SSA is responding to past criticism and treats updating listings as a priority.

To ensure that SSA remains focused on updating all the mental disorders listings, as well as enhancing the usefulness of future annual performance plans (APP), we recommended that SSA establish a performance measure for its initiative to update the medical listings, with a specific timetable for each of the planned phases.

In its comments to our report, SSA agreed that they need to keep a focus on updating the listings from a performance perspective, but they did not agree that it should be accomplished through the establishment of a performance measure with specific timetables. The reason behind their disagreement stems from the fact that revisions to the medical listings are subject to several variables, some of which are not fully in the control of the Agency.

Since the Government Performance and Results Act (GPRA) requires agencies to develop performance indicators that assess the relevant service levels and outcomes of each program activity, OIG believes that maintaining updated medical listings for assessing disability is a crucial function. Accordingly, we continue to believe that SSA should develop and report on a measure to assess the service level and outcomes if its medical listings update activities.

Payment Accuracy Task Force Report: Title II Relationship and Dependency

SSA issued a self-challenge to increase the payment accuracy rate. Through a cooperative effort between SSA and OIG, the Agency established a Payment Accuracy Task Force. The Task Force selected title II relationship and dependency payment errors for its FY 2000 review. From FY 1995 through FY 1998, this category of payment error accounted for the largest portion of Old-Age and Survivors Insurance (OASI) overpayment dollars, nearly \$650 million or 40 percent of overpayment dollars as reported in SSA's FY 1998 Annual Stewardship Report to Congress. In February, the Task Force charged an issue team with analyzing the sources and causes of these errors and producing a report with recommendations.

Based on the team's analysis of error cases used for SSA's Stewardship and Index of Dollar Accuracy reviews and FO and Program Service Center interviews, the issue team focused on improving accuracy of payments to child beneficiaries. Title II relationship and dependency payment errors include out-of-wedlock-children, stepchildren, legally adopted children, student beneficiaries, common-law and deemed marriages, and divorce.

The Task Force recommended that SSA:

- Revise the Form SSA-2519 (Child Relationship Statement) to consider State law when determining entitlement for out-of-wedlock children.
- Develop supplemental tools to help with one-half support computations, e.g. an interactive computation screen supported by the Interactive Computation Facility, a worksheet for manual computation, and/or a desk guide.
- Conduct a study to determine the feasibility of continuing to send Beneficiary Recontact program mailers to children ages 15-17.

- Place more emphasis on initial claims representative training and provide subsequent refresher training to emphasize consideration of applicable State laws before disallowing a claim for an out-of-wedlock child.

SSA Performance Measures

We developed a 3-year Work Plan (see Appendix A) to review SSA's implementation of GPRA. To implement this plan, every issue team in OA conducts GPRA-related reviews. One issue team dedicated to GPRA reviews coordinates the work. All of the teams will determine the reliability of SSA's performance data and ensure that SSA's implementation of GPRA is in accordance with its requirements. The following summarizes our efforts in this area.

OIG Reviews

In FY 2000, we released seven reports related to GPRA. Two of the seven reports provided a broad analysis on SSA's implementation of the law. The first, *Performance Measure Review: Survey of the Sources of the Social Security Administration's Performance Measurement Data* issued in November 1999, assessed the availability of data to measure SSA's performance. The report concluded that SSA did have methods to collect data, which is used to report on all of its performance indicators. The second, *Performance Measure Review: Review of the Social Security Administration's Fiscal Year 2000 Annual Performance Plan*, also issued in November 1999, noted that SSA's FY 2000 APP demonstrated a commitment by SSA to comply with GPRA and meet congressional expectations for information on the Agency's performance. However, the report did include some recommendations for improvement for future APPs. For example, we recommended that SSA establish performance measures for all of its major management challenges, better identify the resources needed to achieve planned performance, and identify known performance data weaknesses within its plans. SSA agreed with our recommendations and stated that it would incorporate these changes within its FY 2001 APP.

The other five GPRA reports we released assessed the reliability of the data used to measure specific performance indicators. All five of the *Performance Measure Reviews*, determined the *Reliability of the Data Used to Measure*:

- *the Dollar Accuracy of Old-Age and Survivors Insurance Payment Outlays*, December 1999;

- *Welfare Reform Child Disability Reviews*, March 2000;
- *Continuing Disability Reviews*, June 2000;
- *the Social Security Administration's Debt Collection*, July 2000;
- *Social Security Administration Employee Satisfaction with the Level of Security at Their Facility*, September 2000;

We concluded that SSA reliably reported on its performance for the areas addressed. However, some of the reports highlighted SSA's failure to maintain documentation on the methods and data used to measure performance, which would have assisted in the review of the quality of the data. SSA agreed with these recommendations that it maintain documentation related to the creation of its performance statistics.

Contracted Work

In addition to the OIG GPRA work completed, PricewaterhouseCoopers LLP (PwC) was contracted to conduct GPRA audits. Specifically, PwC conducted their reviews to determine the reliability of the data used to measure performance in six of SSA's business processes. Besides issuing six individual reports, PwC also provided a summary report.

PwC had multiple findings and issued 40 recommendations on how to improve the measurement of performance for the 6 business processes. PwC found that SSA:

- lacked sufficient performance measure process documentation;
- had a number of data integrity deficiencies;
- had three measures that did not reflect a clear measure of performance;
- did not clearly identify the sources of the performance data for all its performance measures; and
- miscalculated three performance measures.

SSA believed that many of the recommendations offered were duplicates of those from the Financial Statement audits conducted by PwC and referred back to its previous responses to the Financial Statement audits to address these recommendations. Of the remaining recommendations, SSA disagreed with two of them.

SSA did not consider it appropriate to divide the representative payee actions performance measure into two separate indicators, as PwC recommended. SSA

believes the indicator appropriately measures the representative workload even though it includes different types of representative payee actions. However, SSA agreed with PwC that the measurement of time it takes to process OASI claims and SSI claims as a performance measure could be affected by how quickly a claimant provided SSA with all necessary information. As a result, PwC recommended that certain performance measures should be redefined so that the Agency was not exposed to such a high degree of external factors. The Agency stated that it was comfortable with having some measures that include elements outside of its control.

Financial Audits



The Chief Financial Officers Act of 1990 (P.L. 101-576), as amended, requires that the Inspector General or an independent external auditor, as determined by the Inspector General,

audit SSA's financial statements in accordance with the General Accounting Office's *Government Auditing Standards*.

We also conduct financial-related audits of SSA programs, segments, line items, and accounts, including related internal control. In addition, we conduct administrative audits of the State agencies and contractors receiving Federal funds for making initial and continuing disability determinations for eligibility under the DI and SSI programs and other contracts as referred by SSA's Office of Acquisitions and Grants.

Audit of the Social Security Administration's Fiscal Year 1999 Financial Statements

PwC performed the audit of SSA's FY 1999 Financial Statements. PwC's audit report was transmitted to the Commissioner on November 19, 1999. PwC issued an unqualified opinion on the FY 1999 financial statements. In PwC's opinion,

. . . the consolidated financial statements audited by us . . . present fairly, in all material respects, the financial position of SSA at September 30, 1999, and 1998, and its consolidated net cost, changes in net position, budgetary resources and reconciliation of net

cost to budgetary resources for the fiscal years then ended in conformity with generally accepted accounting principles.

PwC's audit report did identify two reportable conditions in SSA's internal control. The control weaknesses identified were: (1) SSA needs to further strengthen controls to protect its information and (2) SSA needs to complete and fully test its plan for maintaining continuity of operations.

PwC also reported two instances of noncompliance with laws and regulations. They were: (1) Section 221(i) of the Social Security Act, which requires periodic CDRs for title II beneficiaries and (2) the Federal Financial Management Improvement Act of 1996 (FFMIA) for the cumulative effect of the two internal control weaknesses listed above.

SSA agreed with all of the findings and recommendations, except for the one pertaining to FFMIA. SSA does not feel that the two internal control weaknesses are instances of noncompliance with FFMIA.

Single Audits

The Single Audit Act of 1984 established requirements for audits of States, local governments, and Native American tribal governments that administer Federal financial assistance programs. To implement the requirements for these audits, the Office of Management and Budget issued Circular A-128, *Audits of State and Local Governments*, which requires State and local governments receiving more than \$100,000 per year in Federal financial assistance to have an annual financial and compliance audit.

On July 5, 1996, the President signed the Single Audit Act Amendments of 1996. The Amendments extended the statutory audit requirement to nonprofit organizations and revised various provisions of the 1984 Single Audit Act including raising the dollar threshold for requiring a single audit to \$300,000 in Federal awards expended. As a result, the Office of Management and Budget rescinded Circular A-128 and issued revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, to implement the amendments. We review the quality of these audits, assess the adequacy of the entity's management of Federal funds, and report single audit findings to SSA for audit resolution. The following table summarizes the single audits issued in FY 2000.

| State/DDS/ Commonwealth Audited | FY Ended | Findings | Recommendations | Questioned Costs |
|---------------------------------------|--------------------|----------|-----------------|--------------------|
| Alabama | September 30, 1998 | 2 | 2 | \$0 |
| Arizona | June 30, 1998 | 1 | 1 | \$0 |
| Arkansas | September 30, 1997 | 1 | 1 | \$5,329 |
| Delaware | June 30, 1998 | 1 | 1 | \$0 |
| Kentucky | June 30, 1999 | 1 | 1 | \$0 |
| Louisiana | June 30, 1998 | 1 | 1 | \$0 |
| Minnesota | June 30, 1998 | 3 | 1 | \$0 |
| Mississippi | June 30, 1998 | 1 | 3 | Not Yet Determined |
| New York | March 31, 1997 | 4 | 4 | \$0 |
| New York | March 31, 1998 | 6 | 6 | \$0 |
| Pennsylvania | June 30, 1998 | 9 | 6 | \$0 |
| Rhode Island | June 30, 1999 | 2 | 2 | \$0 |
| Texas | August 31, 1998 | 1 | 1 | \$0 |

In addition to the single audits reviewed, we issued a roll-up report that includes findings for State single audits for Fiscal Year 1997.

***Management Advisory Report: State Fiscal Year 1997
Single Audit Findings: Roll-up Report***

The objective of this report was to identify areas of internal control weaknesses reported in DDS financial audits covering the State FY 1997. To accomplish our objective, we compiled and categorized DDS findings reported for 14 States in their State FY 1997 single audits. Our analysis of the 14 State FY 1997 single audit reports disclosed similar deficiencies in the following categories: cash management, procurement, equipment and real property management, reporting, and allowable costs. The findings relate to DDS' non-compliance with Federal requirements because of weaknesses in internal controls.

The nature and frequency of the findings, reported in State FY 1997 single audits, require SSA's attention to improve DDS operations. The noncompliance with Federal requirements is attributed to SSA's limited internal control emphasis and guidance to DDSs. SSA should be proactive in providing internal control guidance to DDSs. To do so, we recommended, and SSA agreed, to provide the following instructions to DDSs:

1. Adhere to the terms of the Cash Management Improvement Act agreement;
2. Follow procurement instructions established by SSA and the State;
3. Obtain discounted services when competitively contracting for consultative examinations (CE);
4. Implement controls to prevent unauthorized computer access;
5. Develop a formal contingency plan to prevent disruption of services in the event of a disaster;
6. Maintain complete and accurate equipment inventory records and perform periodic physical inventories;
7. Implement effective procedures for preparing, reviewing, approving, and timely reporting of information on the Report of Obligations, the Time Report of Personal Services, and the Cost Effectiveness Measurement System Data Reporting Form;
8. Ensure that costs charged to SSA benefit the program and are properly authorized and documented;
9. Ensure CE fees do not exceed the highest rates paid by Federal or other State agencies for the same or similar types of service; and
10. Adhere to the fees in the State approved CE fee schedule.

Resolving Office of the Inspector General Recommendations

Reports With Questioned Costs for the Reporting Period October 1, 1999 Through March 31, 2000

The following charts summarize SSA's responses to OIG's recommendations for the recovery or redirection of questioned and unsupported costs. Questioned costs are those costs that are challenged because of a violation of law, regulation, etc. Unsupported costs are those costs that are questioned because they are not justified by adequate documentation. This information is provided in accordance with the Supplemental Appropriations and Recission Act of 1980 (P.L. 96-304) and the Inspector General Act of 1978, as amended.

| | Number | Value Questioned | Value Unsupported |
|--|----------------|---------------------|-------------------|
| A. For which no management decision had been made by the commencement of the reporting period. | 6 ^a | \$79,337,819 | \$85,831 |
| B. Which were issued during the reporting period. | 3 ^b | \$108,410 | \$0 |
| Subtotal (A+B) | 9 | \$79,446,229 | \$85,831 |
| Less: | | | |
| C. For which a management decision was made during the reporting period: | 4 ^c | \$826,628 | \$41,933 |
| i. Dollar value of disallowed costs. | 4 | \$826,628 | \$0 |
| ii. Dollar value of costs not disallowed. | 1 | \$0 | \$41,933 |
| D. For which no management decision had been made by the end of the reporting period. | 5 ^d | \$78,619,601 | \$43,898 |

a. *Review of Administrative Costs Claimed for Fiscal Year 1994 by the New Jersey Department of Labor* (A-02-95-00002), June 20, 1997; *Audit of Administrative Costs Claimed by the Ohio Rehabilitation Services Commission for Its Bureau of Disability Determination* (A-13-98-51007), September 24, 1999; *Audit of Costs Claimed by the Center for Addictive Behaviors, Inc. on the Social Security Administration's Contract Number 600-95-22671* (A-13-98-51041), September 24, 1999; *Audit of Administrative Costs Claimed by the Delaware Disability Determination Services* (A-13-98-52015), September 24, 1999; *Waivers Granted for Title II Overpayments Exceeding \$500* (A-09-97-61005), September 27, 1999; *School Attendance by Child Beneficiaries Over Age 18* (A-09-97-61007), September 27, 1999.

b. See Reports with Questioned Costs on page 190 of this report.

c. *Audit of Administrative Costs Claimed by the Ohio Rehabilitation Services Commission for Its Bureau of Disability Determination* (A-13-98-51007), September 24, 1999; *Audit of Administrative Costs Claimed by the Delaware Disability Determination Services* (A-13-98-52015), September 24, 1999 - **This report contained dollars that were disallowed and not disallowed; Workers' Compensation Unreported by Social Security Beneficiaries** (A-04-98-64002), December 6, 1999; *The Social Security Administration Incorrectly Paid Attorney Fees on Disability Income Cases when Workers' Compensation Payments were Involved* (A-04-98-62001), March 8, 2000.

d. *Review of Administrative Costs Claimed for Fiscal Year 1994 by the New Jersey Department of Labor* (A-02-95-00002), June 20, 1997; *Audit of Costs Claimed by the Center for Addictive Behaviors, Inc. on the Social Security Administration's Contract Number 600-95-22671* (A-13-98-51041), September 24, 1999; *Waivers Granted for Title II Overpayment Exceeding \$500* (A-09-97-61005), September 27, 1999; *School Attendance by Child Beneficiaries Over Age 18* (A-09-97-61007), September 27, 1999; *Single Audit of the Arkansas Disability Determination Services for the Fiscal Year Ended September 30, 1997* (A-77-99-00014), November 1, 1999.

***Reports With Questioned Costs for the Reporting Period April 1, 2000
Through September 30, 2000***

| | Number | Value Questioned | Value Unsupported |
|--|----------------|---------------------------|-------------------|
| A. For which no management decision had been made by the commencement of the reporting period. | 5 ^a | \$78,619,601 | \$43,898 |
| B. Which were issued during the reporting period. | 4 ^b | \$76,883,244 ^c | \$0 |
| Subtotal (A+B) | 9 | \$155,502,845 | \$43,898 |
| Less: | | | |
| C. For which a management decision was made during the reporting period: | 4 ^d | \$74,354,038 | \$43,898 |
| i. Dollar value of disallowed costs. | 4 ^e | \$74,352,883 | \$32,065 |
| ii. Dollar value of costs not disallowed. | 2 ^f | \$1,155 | \$11,833 |
| D. For which no management decision had been made by the end of the reporting period. | 5 ^g | \$81,148,807 | \$0 |

a. *Review of Administrative Costs Claimed for Fiscal Year 1994 by the New Jersey Department of Labor* (A-02-95-00002), June 20, 1997; *Audit of Costs Claimed by the Center for Addictive Behaviors, Inc. on the Social Security Administration's Contract Number 600-95-22671* (A-13-98-51041), September 24, 1999; *Waivers Granted for Title II Overpayments Exceeding \$500* (A-09-97-61005), September 27, 1999; *School Attendance by Child Beneficiaries Over Age 18* (A-09-97-61007), September 27, 1999; *Single Audit of the Arkansas Disability Determination Services for the Fiscal Year Ended September 30, 1997* (A-77-99-00014), November 1, 1999.

b. See Reports with Questioned Costs on page 190 of this report.

c. This amount is subject to change since the value questioned for the *Single Audit of the State of Mississippi for the Fiscal Year Ended June 30, 1998* (A-77-00-00006), August 31, 2000, has not yet been determined.

d. Two reports contained dollars that were disallowed and dollars not disallowed.

e. *Audit of Costs Claimed by the Center for Addictive Behaviors, Inc. on the Social Security Administration's Contract Number 600-95-22671* (A-13-98-51041), September 24, 1999; *School Attendance by Child Beneficiaries Over Age 18* (A-09-97-61007), September 27, 1999; *Single Audit of the Arkansas Disability Determination Services for the Fiscal Year Ended September 30, 1997* (A-77-99-00014), November 1, 1999; *Payments To Child Beneficiaries Age 18 or Over Who Were Neither Students Nor Disabled* (A-09-99-63008), May 18, 2000.

f. *Audit of Costs Claimed by the Center for Addictive Behaviors, Inc. on the Social Security Administration's Contract Number 600-95-22671* (A-13-98-51041), September 24, 1999; *Single Audit of the Arkansas Disability Determination Services for the Fiscal Year Ended September 30, 1997* (A-77-99-00014), November 1, 1999.

g. *Review of Administrative Costs Claimed for Fiscal Year 1994 by the New Jersey Department of Labor* (A-02-95-00002), June 20, 1997; *Waivers Granted for Title II Overpayments Exceeding \$500* (A-09-97-61005), September 27, 1999; *Costs Claimed by American Institutes for Research on the Social Security Administration's Contract Number 600-97-32018* (A-15-00-23004), August 14, 2000; *Identification of Fugitives Receiving Supplemental Security Income Payments* (A-01-98-61013), August 28, 2000; *Single Audit of the State of Mississippi for the Fiscal Year Ended June 30, 1998* (A-77-00-00006), August 31, 2000.

Reports With Recommendations That Funds Be Put to Better Use for the Reporting Period October 1, 1999 Through March 31, 2000

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

| | Number | Dollar Value |
|--|----------------|----------------------------|
| A. For which no management decision had been made by the commencement of the reporting period. | 7 ^a | \$269,716,442 |
| B. Which were issued during the reporting period. | 4 ^b | \$170,516,955 ^c |
| Subtotal (A+B) | 11 | \$440,233,397 |
| C. For which a management decision was made during the reporting period. | | |
| i. Dollar value of recommendations that were agreed to by management. | | |
| (a) Based on proposed management action. | 6 ^d | \$178,119,695 |
| (b) Based on proposed legislative action. | 1 ^e | \$125,000,000 |
| Subtotal (a+b) | 7 | \$303,119,695 |
| ii. Dollar value of costs that were not agreed to by management. | 4 ^f | \$99,695,976 |
| Subtotal (i+ii) | 11 | \$402,815,671 |
| D. For which no management decision had been made by the end of the reporting period. | 1 ^g | \$37,417,726 |

a. *Management Advisory Report: Welfare Reform Childhood Redetermination Accuracy* (A-01-98-62012), March 3, 1999; *Administrative Costs Claimed at the Missouri Disability Determination Services* (A-07-97-51006), May 17, 1999; *Use of Plans for Achieving Self-Support to Obtain Supplemental Security Income Benefits* (A-01-98-61006), September 20, 1999; *Audit of Administrative Costs Claimed by the Ohio Rehabilitation Services Commission for Its Bureau of Disability Determination* (A-13-98-51007), September 24, 1999; *Waivers Granted for Title II Overpayments Exceeding \$500* (A-09-97-61005), September 27, 1999; *School Attendance by Child Beneficiaries Over Age 18* (A-09-97-61007), September 27, 1999; *Review of Controls Over Nonwork Social Security Numbers* (A-08-97-41002), September 29, 1999.

b. See Reports with Funds Put to Better Use on page 191 of this report.

c. This dollar amount has been modified because of developments that occurred after the issuance of our reports entitled, *Effectiveness of Obtaining Records to Identify Prisoners* (A-01-94-02004), May 10, 1996; and *Effectiveness of the Social Security Administration's Procedures to Process Prisoner Information, Suspend Payments and Collect Overpayments* (A-01-96-61083), June 24, 1997. SSA's Chief Actuary estimated a cost avoidance of about \$3.4 billion over 7 years with \$125 million to be realized semiannually from 1995 to 2001.

d. *Administrative Costs Claimed at the Missouri Disability Determination Services* (A-07-97-51006), May 17, 1999; *Audit of Administrative Costs Claimed by the Ohio Rehabilitation Services Commission for Its Bureau of Disability Determination* (A-13-98-51007), September 24, 1999; *School Attendance by Child Beneficiaries Over Age 18* (A-09-97-61007), September 27, 1999; *The Social Security Administration's Controls over Impairment-Related Work Expense Income Exclusions* (A-01-98-61010), December 20, 1999; *The Social Security Administration's Procedures for Presumptive Disability Payments* (A-01-98-21005), March 2, 2000; *The Social Security Administration Incorrectly Paid Attorney Fees on Disability Income Cases when Workers' Compensation Payments were Involved* (A-04-98-62001), March 8, 2000.

e. See footnote c.

f. *Management Advisory Report: Welfare Reform Childhood Redetermination Accuracy* (A-01-98-62012), March 3, 1999; *Use of Plans for Achieving Self-Support to Obtain Supplemental Security Income Benefits* (A-01-98-61006), September 20, 1999; *Review of Controls Over Nonwork Social Security Numbers* (A-08-97-41002), September 29, 1999; *Reliability of Diagnosis Codes Contained in the Social Security Administration's Data Bases* (A-01-99-61001), March 14, 2000.

g. *Waivers Granted for Title II Overpayments Exceeding \$500* (A-09-97-61005), September 27, 1999.

Reports With Recommendations That Funds Be Put to Better Use for the Reporting Period April 1, 2000 Through September 30, 2000

| | Number | Dollar Value |
|--|----------------|------------------------------|
| A. For which no management decision had been made by the commencement of the reporting period. | 1 ^a | \$37,417,726 |
| B. Which were issued during the reporting period. | 5 ^b | \$1,120,291,990 ^c |
| Subtotal (A+B) | 6 | \$1,157,709,716 |
| C. For which a management decision was made during the reporting period. | | |
| i. Dollar value of recommendations that were agreed to by management. | | |
| (a) Based on proposed management action. | 5 ^d | \$955,645,106 |
| (b) Based on proposed legislative action. | 1 ^e | \$125,000,000 |
| Subtotal (a+b) | 6 | \$1,080,645,106 |
| ii. Dollar value of costs that were not agreed to by management. | 0 | \$0 |
| Subtotal (i+ii) | 6 | \$1,080,645,106 |
| D. For which no management decision had been made by the end of the reporting period. | 2 ^f | \$77,064,610 |

a. *Waivers Granted for Title II Overpayments Exceeding \$500* (A-09-97-61005), September 27, 1999.

b. See Reports with Funds Put to Better Use on page 191 of this report.

c. These dollars include additional amounts recognized by SSA that relate to audit reports issued in prior reporting periods. SSA performed an analysis on a universe of 112,230 workers' compensation cases in response to our report entitled, *Effects of State Awarded Workers' Compensation Payments on Social Security Benefits* (A-04-96-61013), September 30, 1998; SSA estimated about \$1.331 billion in payment errors, which is \$804,300,000 more than the OIG cited in its report. Also, SSA estimated an additional cost avoidance of \$125 million, semiannually, relating to OIG reports entitled, *Effectiveness of Obtaining Records to Identify Prisoners* (A-01-94-02004), May 10, 1996; and *Effectiveness of the Social Security Administration's Procedures to Process Prisoner Information, Suspend Payments and Collect Overpayments* (A-01-96-61083), June 24, 1997.

d. *Effects of State Awarded Workers' Compensation Payments on Social Security Benefits* (A-04-96-61013), September 30, 1998; *Implementation of Drug Addiction and Alcoholism Provisions of Public Law 104-121* (A-01-98-61014), May 12, 2000; *Identification of Fugitives Receiving Supplemental Security Income Payments* (A-01-98-61013), August 28, 2000; *Conversion of Benefits for Spouses After the Death of a Wage Earner* (A-09-99-62009), September 27, 2000; *Review of Controls Over Processing Income Alerts Which Impact Supplemental Security Income Payments* (A-05-98-21002), September 28, 2000.

e. See footnote c.

f. *Waivers Granted for Title II Overpayments Exceeding \$500* (A-09-97-61005), September 27, 1999; *Old-Age, Survivors and Disability Insurance Benefits Paid to Fugitives* (A-01-00-10014), August 29, 2000.

Reports Issued from October 1, 1999 Through September 30, 2000

Reports With Nonmonetary Findings

| Date Issued | Title | Report Number |
|-------------------|--|---------------|
| November 9, 1999 | Review of Internal Controls Over the Processing of One-Check-Only Payments (CONFIDENTIAL) | A-05-97-61001 |
| November 19, 1999 | Audit of the Social Security Administration's Fiscal Year 1999 Financial Statements | A-15-99-51008 |
| November 22, 1999 | Performance Measure Review: Survey of the Sources of the Social Security Administration's Performance Measure Data | A-02-98-01004 |
| November 22, 1999 | Selected Procedures Used in the Social Security Administration's Asbestos Management Program for Its Main Complex | A-13-98-91026 |
| November 26, 1999 | Beneficiaries Expressing Interest in Vocational Rehabilitation Services Through a Continuing Disability Review Mailer | A-01-97-61004 |
| November 26, 1999 | Audit of Quality Review Process at the Office of Central Operations | A-03-97-31002 |
| November 29, 1999 | Review of the Social Security Administration's Fiscal Year 2000 Annual Performance Plan | A-02-99-03007 |
| December 20, 1999 | Performance Measure Review: Reliability of the Data Used to Measure the Dollar Accuracy of Old-Age and Survivors Insurance Payment Outlays | A-02-98-01001 |
| January 3, 2000 | Support Services for Contingency Planning at the Social Security Administration's National Computer Center (CONFIDENTIAL) | A-13-98-12039 |
| January 6, 2000 | Single Audit of the State of New York for the Fiscal Year Ended March 31, 1997 | A-77-00-00001 |
| January 19, 2000 | The Social Security Administration is Pursuing Matching Agreements with New York and Other States Using Biometric Technologies | A-08-98-41007 |
| January 31, 2000 | Management Advisory Report: The Social Security Administration's Warning Banner Implementation | A-13-98-12041 |
| February 7, 2000 | The Social Security Administration's Earnings Suspense File Tactical Plan and Efforts to Reduce the File's Growth and Size | A-03-97-31003 |
| March 1, 2000 | Performance Measure Review: Reliability of the Data Used to Measure Welfare Reform Childhood Disability Reviews | A-01-99-91003 |
| March 20, 2000 | Performance Measure Review: Reliability of the Data Used to Measure Social Security Number Request Processing | A-02-99-01009 |

| Date Issued | Title | Report Number |
|-----------------|---|---------------|
| March 20, 2000 | Performance Measure Review: Reliability of the Data Used to Measure Representative Payee Actions | A-02-99-01010 |
| March 20, 2000 | Performance Measure Review: Reliability of the Data Used to Measure Personal Earnings and Benefit Estimate Statement Processing | A-02-99-01011 |
| March 20, 2000 | Performance Measure Review: Reliability of the Data Used to Measure the Timeliness of Supplemental Security Income Aged Claims Processing | A-02-99-11005 |
| March 21, 2000 | Performance Measure Review: Reliability of the Data Used to Measure the Timeliness of Old-Age and Survivors Insurance Claims Processing | A-02-99-11006 |
| March 21, 2000 | Performance Measure Review: Reliability of the Data Used to Measure the Posting of Earnings Items | A-02-99-01008 |
| March 21, 2000 | Performance Measure Review: Summary of PricewaterhouseCoopers', LLP Review of the Social Security Administration's Performance Data | A-02-00-20024 |
| April 28, 2000 | Second Annual Audit of the MOU Between SSA and DOL/ESA/DCMWC's Program on Handling Part B Black Lung Claims Final Letter Report No. 17-00-009-04-433 | A-15-00-20037 |
| June 5, 2000 | PricewaterhouseCoopers LLP Management Letter, Parts 1 and 2 on the Audit of the Fiscal Year 1999 Financial Statements of the Social Security Administration | A-15-00-20048 |
| June 19, 2000 | Review of the Social Security Administration's Internal Controls over International Merchant Purchase Authorization Card Payments | A-13-97-91018 |
| June 28, 2000 | Performance Measure Review: Reliability of the Data Used to Measure Continuing Disability Reviews | A-01-99-91002 |
| June 30, 2000 | Social Security Administration's Suitability Program for Employees and Contractors (CONFIDENTIAL) | A-14-99-12006 |
| July 7, 2000 | Single Audit of the State of Texas for the Fiscal Year Ended August 31, 1998 | A-77-00-00002 |
| July 13, 2000 | Single Audit of the State of Alabama for the Fiscal Year Ended September 30, 1998 | A-77-00-00003 |
| July 28, 2000 | Improving the Usefulness of the Social Security Administration's Death Master File | A-09-98-61011 |
| July 28, 2000 | Performance Measure Review: Reliability of the Data Used to Measure the Social Security Administration's Debt Collection | A-15-99-51006 |
| August 4, 2000 | Office of Hearings and Appeals Time and Attendance Policies and Procedures at Hearing Offices | A-06-98-91010 |
| August 7, 2000 | Single Audit of the State of Arizona for the Fiscal Year Ended June 30, 1998 | A-77-00-00004 |
| August 14, 2000 | Inspection of the Embassy Sanaa, Yemen | A-77-00-00005 |

| Date Issued | Title | Report Number |
|--------------------|---|---------------|
| August 25, 2000 | Status of the Social Security Administration's Updates to the Medical Listings | A-01-99-21009 |
| August 31, 2000 | Single Audit of the State of Louisiana for the Fiscal Year Ended June 30, 1998 | A-77-00-00007 |
| August 31, 2000 | Single Audit of the Commonwealth of Pennsylvania for the Fiscal Year Ended June 30, 1998 | A-77-00-00008 |
| September 14, 2000 | Effectiveness of Internal Controls in the Modernized Enumeration System | A-08-97-41003 |
| September 15, 2000 | Management Advisory Report: Administration of TOP SECRET at the National Computer Center (CONFIDENTIAL) | A-14-99-11001 |
| September 15, 2000 | Single Audit of the State of Minnesota for the Fiscal Year Ended June 30, 1998 | A-77-00-00009 |
| September 15, 2000 | Single Audit of the State of New York for the Fiscal Year Ended March 31, 1998 | A-77-00-00010 |
| September 15, 2000 | Single Audit of the State of Delaware for the Fiscal Year Ended June 30, 1998 | A-77-00-00011 |
| September 19, 2000 | Procedures for Verifying Evidentiary Documents Submitted with Original Social Security Number Applications | A-08-98-41009 |
| September 19, 2000 | Status of Social Security Administration's Implementation of Selected Recommendations Reported in the Fiscal Year 1998 Management Letter - Part 2 | A-15-99-52020 |
| September 20, 2000 | Single Audit of the State of Rhode Island for the Fiscal Year Ended June 30, 1999 | A-77-00-00012 |
| September 20, 2000 | Single Audit of the Commonwealth of Kentucky for the Fiscal Year Ended June 30, 1999 | A-77-00-00013 |
| September 22, 2000 | Management Advisory Report: State Fiscal Year 1997 Single Audit Findings: Roll-up Report | A-07-99-84007 |
| September 28, 2000 | Controls Over Administrative Law Judges' Decisions (CONFIDENTIAL) | A-06-00-10026 |
| September 28, 2000 | Performance Measure Review: Reliability of the Data Used to Measure Social Security Administration Employee Satisfaction with the Level of Security at Their Facility | A-13-00-10025 |
| September 28, 2000 | Management Advisory Report: Implementation of the Social Security Administration's Integrated Human Resources System | A-14-99-92009 |
| September 29, 2000 | Management Advisory Report: Contact Stations | A-04-99-01001 |
| September 29, 2000 | Payment Accuracy Task Force: Title II Relationship and Dependency | A-16-00-10040 |

***Reports With Questioned Costs for the Reporting Period October 1, 1999
Through September 30, 2000***

| Date Issued | Title | Report Number | Dollar Amount |
|------------------|--|---------------|---------------------|
| November 1, 1999 | Single Audit of the Arkansas Disability Determination Services for the Fiscal Year Ended September 30, 1997 | A-77-99-00014 | \$5,329 |
| December 6, 1999 | Workers' Compensation Unreported by Social Security Beneficiaries | A-04-98-64002 | \$85,843 |
| March 8, 2000 | The Social Security Administration Incorrectly Paid Attorney Fees on Disability Income Cases when Workers' Compensation Payments were Involved | A-04-98-62001 | \$17,238 |
| May 18, 2000 | Payments to Child Beneficiaries Age 18 or Over Who Were Neither Students Nor Disabled | A-09-99-63008 | \$435,282 |
| August 14, 2000 | Costs Claimed by American Institutes for Research on the Social Security Administration's Contract Number 600-97-32018 | A-15-00-20034 | \$29,494 |
| August 28, 2000 | Identification of Fugitives Receiving Supplemental Security Income Payments | A-01-98-61013 | \$76,418,468 |
| August 31, 2000 | Single Audit of the State of Mississippi for the Fiscal Year Ended June 30, 1998 | A-77-00-00006 | To Be Determined |
| TOTAL | | | \$76,991,654 |

***Reports With Funds Put to Better Use for the Reporting Period
October 1, 1999 Through September 30, 2000***

| Date Issued | Title | Report Number | Dollar Amount |
|--------------------|--|---------------|----------------------|
| December 20, 1999 | The Social Security Administration's Controls over Impairment-Related Work Expense Income Exclusions | A-01-98-61010 | \$1,977,891 |
| March 2, 2000 | The Social Security Administration's Procedures for Presumptive Disability Payments | A-01-98-21005 | \$713,156 |
| March 8, 2000 | The Social Security Administration Incorrectly Paid Attorney Fees on Disability Income Cases when Workers' Compensation Payments were Involved | A-04-98-62001 | \$33,852,529 |
| March 14, 2000 | Reliability of Diagnosis Codes Contained in the Social Security Administration's Data Bases | A-01-99-61001 | \$8,973,379 |
| May 12, 2000 | Implementation of Drug Addiction and Alcoholism Provisions of Public Law 104-121 | A-01-98-61014 | \$38,744,244 |
| August 28, 2000 | Identification of Fugitives Receiving Supplemental Security Income Payments | A-01-98-61013 | \$29,856,060 |
| August 29, 2000 | Old-Age, Survivors and Disability Insurance Benefits Paid to Fugitives | A-01-00-10014 | \$39,646,884 |
| September 27, 2000 | Conversion of Benefits for Spouses After the Death of a Wage Earner | A-09-99-62009 | \$22,300,000 |
| September 28, 2000 | Review of Controls Over Processing Income Alerts Which Impact Supplemental Security Income Payments | A-05-98-21002 | \$60,444,802 |
| TOTAL | | | \$236,508,945 |

Appendices

Appendix A

Government Performance and Results Act Work Plan

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

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

Each of these strategic goals has supporting objectives and corresponding performance indicators and goals.

The following is our plan for reviewing SSA's GPRA implementation and performance measures. As performance measures and goals change in future annual performance plans, we will adjust our work plan accordingly.

FY 1999 – Completed Reviews

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

| Strategic Goal: To deliver customer-responsive, world-class service | |
|---|---------------------|
| Objective: By 2002, to have 9 out of 10 customers rate SSA's service as good, very good, or excellent, with most rating it excellent | |
| Performance Indicator | FY 2000 Goal |
| Percent of SSA's core business customers rating SSA's overall service as excellent, very good, or good | 88 |
| Percent of SSA's core business customers rating SSA's overall service as excellent | 37 |
| Percent of SSA's core business customers rating the clarity of SSA's notices as excellent, very good, or good | 82 |

| Objective: To raise the number of customers who receive service and payments on time | |
|--|---------------------|
| Performance Indicator | FY 2000 Goal |
| Percent of original and replacement Social Security number (SSN) cards issued within 5 days of receiving all necessary information | 97 |

FY 2000 – Completed Reviews

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

| Strategic Goal: To deliver customer-responsive, world-class service | |
|--|------------|
| Output Measures for Major Budgeted Workloads | |
| Retirement Survivors Insurance claims processed | 3,134,800 |
| Supplemental Security Income (SSI) aged claims processed | 144,200 |
| SSN requests processed | 16,300,000 |

| Objective: To raise the number of customers who receive service and payments on time | |
|--|---------------------|
| Performance Indicator | FY 2000 Goal |
| Percent of Old-Age and Survivors Insurance (OASI) claims processed by the time the first regular payment is due or within 14 days from effective filing date, if later | 83 |
| Percent of initial SSI aged claims processed within 14 days of filing date | 66 |

| Strategic Goal: To make SSA program management the best-in-business, with zero tolerance for fraud and abuse | |
|---|-------------|
| Output Measures for Major Budgeted Workloads | |
| Continuing Disability Reviews (CDR) processed | 1,804,000 |
| Annual Earnings postings | 258,900,000 |
| Representative Payee actions | 6,990,600 |

| Objective: To make benefit payments in the right amount | |
|--|---------------------|
| Performance Indicator | FY 2000 Goal |
| Dollar accuracy of OASI payment outlays: | |
| Percent without overpayments | 99.8 |
| Percent without underpayments | 99.8 |

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

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

Objective: To increase debt collections by 7 percent annually through 2002

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

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

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

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

Strategic Goal: To strengthen public understanding of the Social Security programs

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

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

FY 2001 – Planned Reviews

In FY 2001, we plan to conduct performance measure reviews of:

- SSA's FY 1999 and FY 2000 Annual Performance Report, and
- SSA's FY 2001 and 2002 Annual Performance Plan.

We also plan to conduct reviews that will determine the reliability of the data used to measure the following SSA performance indicators and goals from SSA's FY 2001 Annual Performance Plan.

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

| | |
|---|---------------------|
| Objective: To promote policy changes, based on research and evaluation analysis, that shape the disability program in a manner that increases self-sufficiency and takes account of changing needs based on the medical, technological, demographic, job market, and societal trends | |
| | |
| Performance Indicator | FY 2001 Goal |
| Increase in number of Disability Insurance adult worker beneficiaries who begin a trial work period | 10 percent |
| Increase in the number of SSI disabled beneficiaries, aged 18-64, participating in 1619(a) | 10 percent |

| | |
|--|------------|
| Strategic Goal: To deliver customer-responsive, world-class service | |
| | |
| Output Measures for Major Budgeted Workloads | |
| Initial disability claims processed | 2,057,000 |
| Hearings processed | 582,000 |
| 800-number calls handled | 57,000,000 |

| | |
|---|---------------------|
| Objective: By 2002, to have 9 out of 10 customers rate SSA's service as good, very good, or excellent, with most rating it excellent | |
| | |
| Performance Indicator | FY 2001 Goal |
| Percent of employers rating SSA's overall service as excellent, very good, or good | 94 |
| Percent of employers rating SSA's overall service as excellent | 16 |
| Percent of callers who successfully access the 800-number within 5 minutes of their first call | 92 |

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

| Performance Indicator | FY 2001 Goal |
|---|--------------|
| Percent of callers who get through to the 800-number on their first attempt | 86 |
| Percent of public with an appointment waiting 10 minutes or less | 85 |
| Percent of public without an appointment waiting 30 minutes or less | 70 |
| Percent of 800-number calls handled accurately: | |
| Service accuracy | 90 |
| Payment accuracy | 95 |

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

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

Strategic Goal: To make SSA program management the best-in-business, with zero tolerance for fraud and abuse

Output Measures for Major Budgeted Workloads

| | |
|------------------------------------|-----------|
| SSI nondisability redeterminations | 2,050,500 |
|------------------------------------|-----------|

Objective: To make benefit payments in the right amount

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

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

| Performance Indicator | FY 2001 Goal |
|--------------------------------------|--------------|
| Percent of earnings posted correctly | 99 |

Objective: To become current with Disability Insurance and SSI CDR requirements by 2002

| Performance Indicator | FY 2001 Goal |
|---|--------------|
| Percent of multi-year (FY 1996 - 2002) CDR plan completed | 83 |

Objective: To aggressively deter, identify, and resolve fraud

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

Strategic Goal: To be an employer that values and invests in each employee**Objective: To promote an Agency culture that successfully incorporates our values**

| Performance Indicator | FY 2001 Goal |
|-------------------------------|--------------------|
| Create Agency change strategy | Implement strategy |

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

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

Strategic Goal: To strengthen public understanding of the Social Security programs**Objective: By 2005, 9 out of 10 Americans will be knowledgeable about the Social Security programs in 5 important areas**

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

Appendix B

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

To meet the requirement of the Omnibus Consolidated Appropriations Act for 1997 (Public Law 104-208), we are providing in this report requisite data for Fiscal Year 2000 from the Offices of Investigations and Audit.

We are reporting \$30,037,959 in Social Security Administration (SSA) funds as a result of our Office of Investigations activities in this reporting period. These funds are broken down in the table below.

| Types of Funds | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Total |
|---------------------------|---------------------|---------------------|--------------------|--------------------|---------------------|
| Court-Ordered Restitution | \$3,245,187 | \$3,376,445 | \$3,225,008 | \$3,679,643 | \$13,526,283 |
| Scheduled Recoveries | \$2,798,573 | \$2,672,431 | \$3,827,351 | \$3,423,780 | \$12,722,135 |
| Fines | \$935,189 | \$265,455 | \$1,067,478 | \$179,320 | \$2,447,442 |
| Settlements/Judgments | \$148,570 | \$709,917 | \$263,173 | \$220,439 | \$1,342,099 |
| TOTALS | \$7,127,519* | \$7,024,248* | \$8,383,010 | \$7,503,182 | \$30,037,959 |

*Figures updated from our prior semiannual report.

SSA management has informed the Office of Audit that it has completed implementing recommendations from 5 audit reports during this fiscal year valued at \$16.2 million.

The Social Security Administration's Procedures for Presumptive Disability Payments (A-01-98-21005), March 2, 2000

We recommended that SSA remind staff to follow SSA's guidance in approving presumptive disability/presumptive blindness payments so that such allowances are based on appropriate evidence. The implemented recommendation is valued at \$713,000.

Audit of Administrative Costs Claimed by the Ohio Rehabilitation Services Commission for Its Bureau of Disability Determination (A-13-98-51007), September 24, 1999

We recommended that SSA instruct the State of Ohio Rehabilitative Services Commission to require the Ohio State Bureau of Disability Determination to amend its Forms SSA-4513 by a \$28,895 increase, \$871,223 decrease, and \$266,800 decrease for Fiscal Years 1995, 1996, and 1997, respectively, to adjust obligations. The implemented recommendation is valued at \$1.2 million.

The Social Security Administration's Controls over Impairment-Related Work Expense Income Exclusions (A-01-98-61010), December 20, 1999

We recommended that SSA emphasize to its employees the importance of following established policies and procedures to verify and document the need and payment for items or services before approving impair-

ment-related work expense income exclusions. The implemented recommendation is valued at \$1.98 million.

***Management Advisory Report: Welfare Reform
Childhood Redetermination Accuracy
(A-01-98-62012), March 3, 1999***

We recommended that SSA ensure that erroneous childhood continuances are reviewed by identifying questionable continuation cases and updating the profile of

these cases to expedite the next scheduled full medical continuing disability review. The implemented recommendation is valued at \$9.47 million.

Southwest Tactical Operation Plan: Investigative Results (A-06-97-22008), March 31, 1998

We recommended that SSA develop guidance on using locally determined characteristics warranting in-depth investigation to accurately determine residency status. The implemented recommendation is valued at \$2.9 million.

Appendix C

Collections From Audits and Investigations

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

Office of Audit

| Fiscal Year | Number of Reports With Questioned Costs | Questioned/Unsupported Costs | Management Concurrence | Amount Collected or Recovered | Amount Written Off/Adjustments | Balance |
|---------------|---|------------------------------|------------------------|-------------------------------|--------------------------------|----------------------|
| 1997 | 6 | \$3,964,487 | \$3,377,089 | \$3,372,181 | \$4,908 | \$587,398 |
| 1998 | 10 | \$14,661,078 | \$13,986,131 | \$14,482,081 | \$1,625,977 | \$390,625 |
| 1999 | 10 | \$83,989,044 | \$78,341,141 | \$4,339,292 | \$1,305,397 | \$78,344,355 |
| 2000 | 7 | \$76,991,654 | \$542,537* | \$4,174 | \$1,155 | \$76,986,325** |
| TOTALS | 33 | \$179,606,263 | \$96,246,898 | \$22,197,728 | \$2,937,437 | \$156,308,703 |

*The Social Security Administration has not yet made a management decision for *Costs Claimed by American Institutes for Research on the Social Security Administration's Contract Number 600-97-32018* (A-15-00-20034), August 14, 2000; *Identification of Fugitives Receiving Supplemental Security Income Payments* (A-01-98-61013), August 28, 2000; and *Single Audit of the State of Mississippi for the Fiscal Year Ended June 30, 1998* (A-77-00-00006), August 31, 2000. These recommendations are valued at \$76,447,962.

**Although no management decision has been made for several of the FY 2000 recommendations (see note above), the recommended amounts are included in the FY 2000 balance figure because the balance is independent of management concurrence.

Office of Investigations

Table 1: Court Ordered Collections as the Result of Prosecution by the Department of Justice

| Fiscal Year | Total Number of Individuals Assigned Court Ordered Restitution | Court Ordered Restitution for This Period | Total Restitution Collected by the Department of Justice for This Period |
|---------------|--|---|--|
| 1999 | 447 | \$13,100,203 | \$1,292,954 |
| 2000 | 441 | \$13,526,283 | \$2,232,424 |
| TOTALS | Not Applicable | \$26,626,486 | \$3,525,378 |

Table 2: Funds Received Based on Recovery Actions

| Fiscal Year | Number of Recovery Actions Initiated | Amount Scheduled for Recovery | Actual Amount Recovered at the Close of the Investigation |
|---------------|--------------------------------------|-------------------------------|---|
| 1999 | 1,624 | \$25,725,385 | \$3,326,913 |
| 2000 | 445 | \$12,722,135 | \$4,320,432 |
| TOTALS | 2,069 | \$38,447,520 | \$7,647,345 |

Appendix D

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

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

Recommendation: We recommended that the Social Security Administration (SSA) request assistance from school officials in identifying and reporting changes in student attendance which may affect their benefit status.

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

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

Corrective Action: SSA has redesigned the process for student benefits and has incorporated the recommendation. Implementation will begin mid-2001. In the redesigned process, field offices will review, verify, and retain school attendance information.

Appendix E

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

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

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

Agency Response: SSA agrees that corrective action should be taken.

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

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

Recommendation: We recommended that SSA evaluate the feasibility of shifting the responsibility for monitoring student beneficiaries from the program service centers to the field offices.

Agency Response: SSA agreed to evaluate the recommendation as they proceed with the redesign process.

Corrective Action: As part of the redesign effort, the Agency plans to focus on the front-end of the process and to contact schools prior to awarding student benefits. In its latest status report, the Agency stated that the proposal would be released shortly.

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

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

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

Corrective Action: SSA will examine changing procedures to allow employees to redirect benefit checks to the FO if it is in the best interest of the beneficiary. SSA will convene a workgroup to determine who the representative payees are that are not returning the annual accounting forms, including their relationship to the beneficiary and their compliance history, and to research what legal/statutory authority the Agency could use to put any revised procedures into place.

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

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

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

Corrective Action: Beginning in December, SSA plans to develop a schedule which will contain completion dates and milestones.

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

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

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

Corrective Action: Corrective action has not yet been reported.

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

Recommendation: We recommended that SSA modify the Supplemental Security Income Display to include additional comments or codes for the identification of

potential fraud/abuse cases, subject to SSA's evaluation of the most advantageous method of presentation on the Supplemental Security Income Display.

Agency Response: The Agency agreed to implement this recommendation only if the Office of the General Counsel (OGC) found no legal problems.

Corrective Action: OGC's opinion raises several concerns, and confirms that developing a code or remarks based on "potential" or "suspected" fraud/abuse would leave SSA open to civil action. There is no pending legislation that would alter their assessment. As an alternative, SSA requires the Disability Determination Services (DDS) to insert a list code in any record for which there is a finding of fraud or similar fault. In addition, the Agency has asked the Office of the Inspector General's (OIG) Office of Investigations to determine what other public and private data exist based on findings of wrongful activity. If OIG were to find that such information is available, we would then work with OIG and the Office of Systems to develop a way to make it accessible to field employees. In the interim, instructions encourage the DDSs to maintain local lists of problem cases.

Appendix F

Significant Management Decisions With Which the Inspector General Disagrees

Procedures for Verifying Evidentiary Documents Submitted with Original Social Security Number Applications (A-08-98-41009), September 19, 2000

We recommended that the Social Security Administration (SSA) obtain independent verification from the issuing Agency for all alien evidentiary documents before approving the respective Social Security number (SSN) applications, until the Enumeration at Entry program is implemented.

We recommended that SSA propose legislation that disqualifies individuals who improperly attain SSNs from receiving work credits for periods that they were not authorized to work or reside in the United States.

Effectiveness of Internal Controls in the Modernized Enumeration System (A-08-97-41003), September 14, 2000

We recommended that SSA require field office (FO) management to perform periodic quality reviews of

processed Earnings Modernization (EM) transactions and provide appropriate feedback and related training to FO personnel.

We recommended that SSA require FO personnel to document the basis of all resolution actions taken on EMs for an appropriate period of time to facilitate management review.

Social Security Administration's Suitability Program for Employees and Contractors (A-14-99-12006), June 30, 2000 (CONFIDENTIAL)

We recommended that SSA centralize the suitability program under a single Deputy Commissioner.

Review of Internal Controls Over the Processing of One-Check-Only Payments (A-05-97-61001), November 9, 1999 (CONFIDENTIAL)

We recommended that SSA develop guidelines to maintain One-Check-Only payment authorization forms in the case folders.

How to Report Fraud

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

Call

1-800-269-0271

Write

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

(FAX) 410-597-0118

E-mail

oig.hotline@ssa.gov

