

SOCIAL SECURITY ADMINISTRATION  
OFFICE OF THE INSPECTOR GENERAL

SEMIANNUAL REPORT TO CONGRESS

October 1, 2008 – March 31, 2009



SOCIAL SECURITY ADMINISTRATION  
OFFICE OF THE INSPECTOR GENERAL



MISsION STATEMENT

BY CONDUCTING INDEPENDENT AND OBJECTIVE AUDITS, EVALUATIONS AND INVESTIGATIONS, WE INSPIRE PUBLIC CONFIDENCE IN THE INTEGRITY AND SECURITY OF SSA's PROGRAMS AND OPERATIONS AND PROTECT THEM AGAINST FRAUD, WASTE, AND ABUSE. WE PROVIDE TIMELY, USEFUL AND RELIABLE INFORMATION AND ADVICE TO ADMINISTRATION OFFICIALS, CONGRESS AND THE PUBLIC.

VISION AND VALUES

WE STRIVE FOR CONTINUAL IMPROVEMENT IN SSA's PROGRAMS, OPERATIONS AND MANAGEMENT BY PROACTIVELY SEEKING NEW WAYS TO PREVENT AND DETER FRAUD, WASTE AND ABUSE. WE COMMIT TO INTEGRITY AND EXCELLENCE BY SUPPORTING AN ENVIRONMENT THAT PROVIDES A VALUABLE PUBLIC SERVICE WHILE ENCOURAGING EMPLOYEE DEVELOPMENT AND RETENTION AND FOSTERING DIVERSITY AND INNOVATION.





## A MESSAGE FROM THE INSPECTOR GENERAL

In 1935, as President Franklin Roosevelt signed the Social Security Act into law, he declared that it “represents a cornerstone in a structure which is being built...to lessen the force of possible future depressions. It is, in short, a law that will take care of human needs and at the same time provide the United States an economic structure of vastly greater soundness.” In 2009, we are again facing challenging economic conditions. And yet, our Social Security system remains a critical safety net for millions of Americans, the most vulnerable among us.



The Social Security Administration Office of the Inspector General has as its core mission protecting and improving the Agency and its programs, needed now more than ever. Our 575 dedicated employees inspire confidence in the integrity and security of those programs, and work to protect them against fraud, waste and abuse.

In this *Semiannual Report to Congress*, covering the period October 1, 2008 through March 31, 2009, I am pleased to present to the 111<sup>th</sup> Congress our most significant audit, investigative, and legal accomplishments. Even during times of upheaval, we have maintained a focus on persistent management challenges like the disability backlog, as well as on high-priority investigations, such as those targeting representative payees who misuse the benefits entrusted to them.

Also during this reporting period, the Congress passed the *American Recovery and Reinvestment Act of 2009*, which provides substantial funds to the Social Security Administration, as well as funds for my office to provide oversight. In little more than 60 days, I have led this Office to develop an aggressive oversight plan. We have already met with Agency officials to discuss our plan and have begun related audit work.

At that signing in 1935, President Roosevelt also remarked, “The civilization of the past hundred years, with its startling industrial changes, had tended more and more to make life insecure.” The 74 years since that day have also brought with them startling changes, and yet Social Security’s programs have stood the test of time, providing needed benefits for many who might otherwise falter. As always, my office will continue to partner with the Social Security Administration and the Congress to strengthen those programs and protect them for future generations.

Patrick P. O'Carroll, Jr.  
Inspector General





## SOCIAL SECURITY ADMINISTRATION OFFICE OF THE INSPECTOR GENERAL



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## EXECUTIVE SUMMARY

This report presents the significant accomplishments of the Social Security Administration (SSA) Office of the Inspector General (OIG) from October 1, 2008 through March 31, 2009. The report is organized according to three major goals—impact, value, and people—set forth in the *OIG Strategic Plan: Fiscal Years 2006 – 2010, Fourth Edition*.

### Impact

We work to have a positive impact on SSA programs and operations by enhancing their integrity, efficiency, and effectiveness. During this reporting period, we received more than 50,000 allegations from SSA employees, the Congress, the public, law enforcement agencies, and other sources. Our agents closed more than 4,300 criminal investigations, resulting in over 560 arrests, over 550 indictments and informations, and more than 900 criminal prosecutions (which includes convictions and pretrial diversions) and civil monetary penalty (CMP) assessments. Our Cooperative Disability Investigations (CDI) Program continues to be one of our most successful initiatives, contributing to the integrity of SSA's disability programs. During this reporting period, our CDI program added a new CDI Unit in Little Rock, Arkansas, increasing the number of the CDI Units to 20 located in 18 States. The efforts of our CDI Units during this reporting period resulted in more than \$119 million in SSA program savings.

Our auditors also had a significant impact during this reporting period, issuing 38 reports and making recommendations on a wide variety of challenges facing the Agency.

Our audit work over the past 6 months included a review of SSA's average overall processing time for disability claims from the date of application to the date of denial or the date benefits were paid; as well as a Quick Response Evaluation of the sources of erroneous death entries input into the Death Master File. In response to the *American Recovery and Reinvestment Act of 2009*, our auditors provided a detailed plan to the Congressional Committee on Oversight and Government Reform which described our approach to providing the oversight envisioned by the legislation, and have begun the audit process by meeting and discussing our plan with SSA officials.

### Value

Our organization strives to provide valuable products and services in a timely manner to Congress, SSA, and other key decision makers while sustaining a positive return for each tax dollar invested in OIG activities. During this reporting period, our auditors identified more than \$130.4 million in questioned costs and more than \$320.9 million in Federal funds that could be put to better use. Highlighted audits include a review of SSA's contract for the Benefit Offset National Demonstration project which tests alternate methods of treating work activity in the Title II disability program to determine whether SSA is receiving the goods and services for which it contracted.

In the first half of FY 2009, we are reporting over \$166 million in investigative accomplishments, with over \$24 million in SSA recoveries, restitution, fines, settlements, and judgments, and over \$142 million in projected savings from investigations resulting in the suspension or termination of



benefits. In addition, we participated in multi-agency investigations that resulted in over \$10 million in savings, restitution, and recoveries for other agencies. Highlighted investigations in this section relate to Social Security number (SSN) misuse, representative payee fraud, and other case examples of fraudulent activity for the purpose of collecting disability benefits.

During this reporting period, our attorneys initiated 164 CMP actions (Section 1129 cases) that involved false statements or representations made in connection with obtaining or retaining benefits or payments under Titles II and XVI of the *Social Security Act* (*the Act*). Included in our investigative accomplishments above is nearly \$2.6 million in penalties and assessments that our attorneys imposed through our CMP program.

## People

The collective efforts of our employees continue to be the driving force behind this organization's success in meeting its mission. We provide an encouraging and rewarding work experience with the goal of retaining these exceptional individuals. OIG leadership fosters an environment where employees can realize their potential through training and developmental programs. Each year, OIG components hold training conferences to inform their employees about new procedures and share best practices. In addition, the OIG Organizational Health Committee conducts an annual assessment of employee satisfaction levels and addresses employee concerns.





# INTRODUCTION TO OUR ORGANIZATION

The SSA OIG comprises the Immediate Office of the Inspector General and five major components: the Offices of Audit, Counsel, External Relations, Investigations, and Technology and Resource Management.

## IMMEDIATE OFFICE OF THE INSPECTOR GENERAL

The Immediate Office of the Inspector General (IO) provides the Inspector General with staff assistance on the full range of his responsibilities. IO staff provides liaison with all agencies sharing common interests with OIG and ensures coordination with congressional committees, SSA, the Social Security Advisory Board, and the Council of Inspectors General on Integrity and Efficiency. IO includes the Office of Quality Assurance and Professional Responsibility (OQAPR), which performs two critical functions. First, it conducts exhaustive reviews of each of the OIG's component offices to ensure compliance with Federal laws and regulations, Agency policies, and relevant professional standards. Second, OQAPR conducts thorough and timely investigations into allegations of misconduct by an OIG employee.

## OFFICE OF AUDIT

The Office of Audit (OA) conducts and supervises financial and performance audits of SSA programs and operations, and makes recommendations to ensure that program goals are achieved effectively and efficiently. Financial audits determine whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review

the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management and program evaluations, and other projects on issues of concern to SSA, Congress, and the general public.

## OFFICE OF THE COUNSEL TO THE INSPECTOR GENERAL

The Office of the Counsel to the Inspector General (OCIG) provides independent legal advice and counsel to the Inspector General on a wide range of issues, including interpretation of statutes, regulations, legislation, and policy directives. OCIG also administers the CMP program, and advises the Inspector General on investigative procedures and techniques, as well as on the legal implications of audit and investigative affairs.

## OFFICE OF EXTERNAL RELATIONS

The Office of External Relations (OER) develops the OIG's media and public information policies, directs OIG's external and public affairs programs, and handles congressional, media, and public requests for information. OER is responsible for preparing OIG publications and presentations to internal and external organizations, and coordinating the OIG's presence at SSA and other Federal events. In addition, OER prepares the OIG *Semiannual Report to Congress* and congressional testimony, and coordinates with SSA's Offices of Communications and Legislative and Regulatory Affairs.



## OFFICE OF INVESTIGATIONS

The Office of Investigations (OI) conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, and third parties, as well as by SSA employees while performing their official duties. This office serves as the OIG's liaison to the Department of Justice (DOJ) on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.



## OFFICE OF TECHNOLOGY AND RESOURCE MANAGEMENT

The Office of Technology and Resource Management (OTRM) provides administrative support to the Inspector General and OIG components. OTRM formulates and executes the OIG budget, and is responsible for strategic planning, performance reporting, and facility and property management. OTRM develops and maintains the OIG's administrative and management policy and procedures, and performs human resource support activities. OTRM also maintains hardware, software, and telecommunications networks to support the OIG's mission. Finally, OTRM manages the OIG's allegation management and fugitive enforcement programs and Electronic Crimes Division.





## IMPACT

**The first goal of the OIG Strategic Plan is Impact.** We are committed to enhancing SSA's effectiveness and efficiency through our investigative, audit, and legal activities. We strive to have maximum impact on SSA's programs and operations to ensure their continued integrity and reliability.

During this reporting period, we completed numerous audits, investigations, and legal initiatives covering major SSA program and management areas, which had a significant impact on the detection and prevention of fraud, waste, and abuse. The summaries presented below are indicative of our work over the past 6 months.

### Audit Impact Initiatives

OA contributes to this strategic goal by conducting and supervising comprehensive financial and performance audits and by making recommendations to maximize the effective operations of Social Security programs. These audits, along with short-term management and program evaluations, focus on those SSA programs and activities most vulnerable to fraud and abuse.

### Planned Recovery Act Activities

The *American Recovery and Reinvestment Act of 2009* (*Recovery Act*) was signed into law by President Obama on February 17, 2009. SSA's responsibilities under the *Recovery Act* include replacing the National Computer Center, dedicating additional resources to the processing of disability and retirement workloads, and issuing a one-time payment of \$250 to nearly 55 million Social Security and Supplemental Security Income beneficiaries.

As part of the legislation, OIG was provided \$2 million for oversight of SSA's *Recovery Act* activities. OIG plans to approach its oversight responsibilities proactively, by evaluating SSA's plans for spending prior to their expenditure, as well as conducting

audits of the funds after they are expended. The audit work will assess whether funds were used for authorized purposes and also to identify instances of fraud, waste, error, and abuse.

Our work on our oversight responsibilities has already begun; we have requested SSA provide us a spending plan for all of *Recovery Act* funds, and we met with Agency officials in March to discuss our oversight plan. As *Recovery Act* funds are available through September 30, 2012, we expect to issue several reports over the next few years on *Recovery Act* spending. Initial reports will focus on the steps SSA should take to ensure the correct controls are in place before expenditures begin. Our subsequent reports will report on how successful SSA was in planning and executing the expenditure of *Recovery Act* funds.

### Disability Claims Overall Processing Times

We conducted this review to determine SSA's average overall processing time for disability claims decided by the disability determination services (DDS), Administrative Law Judges (ALJ), Appeals Council, (AC) and the Federal Courts.

When an applicant disagrees with the initial disability determination, he or she can file an appeal within 60 days from the date of being notified of the determination. In most cases, there are four levels of appeal, including a: (1) reconsideration by the DDS; (2) hearing by an ALJ; (3) review by the AC; and (4) review by the Federal Courts.

Based on our sample, we determined the average overall processing time for disability claims completed in Calendar Year 2006 from the date of application to the date of denial or the date benefits were paid at time of allowance (including any back payments).

- ✓ 131 days for cases decided at the DDS level (initial claims);
- ✓ 279 days for cases decided at the DDS level (reconsiderations);
- ✓ 811 days for cases decided at the ALJ level;



- ✓ 1,053 days for cases decided at the Appeals Council level; and
- ✓ 1,720 days for cases decided at the Federal Court level.

We believe the processing times determined in our review may assist SSA and the Congress in making decisions about the disability programs. We recommended that SSA develop and publish a measure that shows the overall disability processing time from the claimant's perspective. SSA agreed with our recommendation, but has not moved forward because it is unable to capture the management information necessary to calculate this measure and doing so would require redirecting already limited resources.

### **Quick Response Evaluation: The Social Security Administration's Ability to Address Future Processing Requirements (Limited Distribution)**

SSA's National Computer Center (NCC) houses the infrastructure that supports the Social Security programs. The design and age of the NCC, as well as the increasing workload, has raised concerns about SSA's ability to address future processing requirements. In FY 2008, a study of the NCC identified infrastructure and data processing capacity issues.

In this evaluation, we assessed SSA's efforts to address future processing needs and infrastructure issues at the NCC. Specifically, we assessed SSA's actions to address significant issues identified in the study. The study recommended 17 projects that should be undertaken at SSA's NCC and its Utility Building to sustain existing information technology (IT) operations through the end of 2014.

We found SSA had taken or planned some corrective action on 13 of the 17 recommended projects. Of the 17, the study recommended three projects the Agency should defer because of the anticipated change in the NCC's functional role. The study identified four alternatives deemed viable to resolve the Agency's long-term data processing needs. SSA is progressing on both immediate and long-term solutions to its Data Center needs. Until the significant issues identified by the study are fully addressed and a long-range Data Center solution is implemented, the Agency's operations remain vulnerable.

Going forward, the Agency needs to focus its efforts on detailed plans (1) to acquire, construct and operate a new Data Center; (2) cost estimates for the use and/or disposal of the NCC should a new primary Data Center be built; and (3) for IT requirements for the next 5, 10 and 20 years. Further, SSA should identify the underlying factors that allowed the current NCC situation to occur and implement the necessary controls to prevent this situation from recurring in the future.

### **Quick Response Evaluation: Sources of Erroneous Death Entries Input into the Death Master File**

In June 2008, we reported that SSA's publication of the Death Master File (DMF) resulted in the breach of personally identifiable information (PII) for over 20,000 living individuals erroneously listed as deceased in the DMF. SSA made these individuals' SSNs; first, middle, and last names; dates of birth and death; and State and ZIP codes of last known residences available to DMF users before learning that they were not actually deceased.



We conducted this review to identify the sources of erroneous death reports input into the DMF, and to determine whether requiring all States to submit death reports via the Electronic Death Registration (EDR) reporting system will eliminate death reporting errors. Review of available DMF data indicated that from April 2007 through October 2008, SSA added and subsequently deleted 7,597 death entries to/from the DMF.

We found that most of the erroneous death entries input in the DMF originated from non-State sources, so even if all States submitted death reports via the EDR, death reporting errors would likely continue. Even with full implementation of EDR, additional changes are necessary to eliminate the cause of most erroneous death entries. For example,

- SSA would have to stop accepting death reports from all non-EDR sources. SSA would have to turn away widows or other family members who visit a field office to report a death, and await “official” notification from the State before initiating or terminating related benefit claims.
- SSA would also have to stop processing death reports received directly from other non-State sources, such as funeral homes, postal authorities, etc.

SSA acknowledged that it would not be practical for field offices to stop accepting first party death reports. This would delay the processing of claims, increase erroneous payments, and cause public relations problems. Therefore, SSA must work to improve the death reporting process to reduce or eliminate erroneous death terminations and prevent the accidental exposure of living individuals’ PII.

## Management Advisory Report: R-1 Religious Workers’ Use of Social Security Numbers

Each year, the Department of State issues thousands of visas to non-immigrants who wish to work in a religious vocation or occupation in the United States. SSA assigns SSNs to non-immigrants, including R-1 religious workers, who enter the United States with work authorization. However, regulations prohibit R-1 religious workers from obtaining employment in a secular occupation.

In this audit, we assessed SSN use by non-immigrants with an R-1 religious worker classification, and evaluated SSA’s compliance with policies and procedures when processing R-1 SSN applications. We identified a population of 5,392 non-immigrants to whom SSA assigned original SSNs from April 1, 2005 through March 31, 2006 based on evidence indicating they were R-1 religious workers. From this population, we randomly selected a sample of 200 records.

Of the 200 sample items we reviewed, we found that 31 percent of R-1 religious workers had solely religious wages posted to their earnings record. Wages for the remaining individuals in our sample are categorized as follows:

- 39 percent had no wages reported;
- 11 percent had only self-employment earnings; and
- 19 percent had wages recorded from non-religious organizations or some combination of religious and non-religious wages and/or self-employment earnings.

We recommended that SSA consider requiring R-1 religious workers to provide current evidence of religious employment or a promise of employment, and establish



their need for an SSN for wage reporting purposes before SSN assignment.

Of the 200 sample items we reviewed, 13 percent contained at least 1 compliance error. We recommended that SSA reemphasize to field office personnel the importance of following all policies and procedures when processing SSN applications for R-1 religious workers and take corrective action to address performance problems or training needs when Agency personnel do not comply with this requirement. Lastly, we recommended that SSA correct errors we identified in its records. SSA agreed with our recommendations.

### The Social Security Administration's Listing of Impairments

We conducted this review to assess SSA's efforts to update the Listing of Impairments (the listings) used to determine whether a person is disabled. SSA uses the listings to help expedite the processing of disability claims. By the late 1990s, many of the listings were not up to date, but SSA was working to update them. SSA has made progress in updating its listings, but some have not been updated in many years and do not reflect recent medical and technological advances.

In 2003, SSA implemented a new process for revising the listings. This new process was designed to ensure there are continuous monitoring and updates of the listings about every 3 to 4 years, with feedback loops to allow for increased input from Agency staff, medical experts and advocacy groups. The listings for each body system describe impairments that are considered severe enough to prevent an adult from doing any gainful activity or to cause marked and severe functional limitations in a child younger than 18 years old. As of March 2009, of the 15 body systems,

- 1 had not been updated within 5 years, and the Agency had not published a time frame for issuing a revision;
- 6 had not been updated within 5 years, but SSA expected to update them in the next 12 months; and
- 8 had been updated within 5 years.

In January 2008, SSA officials informed the Government Accountability Office the Agency expected to finish updating all listings by mid-2010. In January 2009, SSA reported it was still on track to meet this goal. To ensure that the listings are current, we recommended SSA: (1) update all listings over 5 years old; and (2) continue to monitor the listings to ensure they reflect medical and technological advances. SSA agreed with the recommendations.

### Earnings Records with Multiple Employer Identification Numbers

SSA maintains a Master Earnings File (MEF) of annual wages reported by employers and the Internal Revenue Service (IRS). We conducted this review to assess the probability that more than one individual worked under the same SSN when the earnings record indicated a large number of employers reported wages for the number holder in Tax Year (TY) 2005.

Our audit confirmed that earnings records with wages reported by multiple employers in 1 year may indicate SSN misuse. For example, in our sample of number holders with wages reported by 6 to 12 employers, it appears that 1.6 percent of the SSNs/names were used by more than one person for work purposes. Additionally, in our sample of number holders with wages reported by 13 to 100 employers, we estimate that 2,268 (10.5 percent) of the 21,603 SSNs in the population were used by more than one person for work purposes.



Along with our Office of Investigations, we determined there are legitimate reasons an individual may receive wage reports from multiple employers. For example, for TY 2005 cases in which over 100 employers reported wages for a number holder, we found no evidence of SSN misuse. Rather, it appears these 14 number holders served as resident agents, officers and/or board members for numerous "passive investment corporations" and received wages from each.

To better ensure the integrity of SSA's enumeration process, we recommended the Agency evaluate the feasibility of adding a special indicator code on the Numident for those number holders who disclaimed wages with SSA or the IRS and alleged that someone other than the true number holder used his or her SSN and name to work. This indicator should prevent the issuance of replacement SSN cards and/or SSN Verification Printouts without independent verification of identity documents. SSA agreed with the recommendation.

### **Quick Response Evaluation: Impact of State Employee Furloughs on the Social Security Administration's Disability Programs**

When an individual applies for disability benefits, SSA generally forwards the claim to the DDS in the State or other responsible jurisdiction in accordance with Federal regulations for a disability determination. DDSs are located in each of the 50 States plus the District of Columbia and Puerto Rico. To deal with budget deficits, some States have instituted or are considering furloughs and/or hiring freezes for State employees, including DDS staff which are funded by SSA, up to its approved funding authorization.

Our objective in conducting this evaluation was to assess the impact of State employee furloughs on SSA's disability programs. Furloughs of DDS employees will impact SSA's ability to process the disability workload. Additionally, because fewer disability decisions will be made in States with DDS furloughs, there will be a negative impact on the flow of money in the United States (U.S.) economy.

As of March 3, 2009, of the 52 DDSs;

- 5 were furloughing—California, Connecticut, Maryland, Massachusetts and Oregon;
- 3 were considering furloughs; and
- 44 were not furloughing or the DDS was exempt.

Additionally, of the 52 DDSs;

- 5 had hiring freezes;
- 1 was considering a hiring freeze; and
- 46 did not have hiring freezes or the DDS was exempt.

We estimate that furloughs in the California DDSs will result in about 2,375 fewer claims processed per month resulting in about 776 fewer allowances and \$648,000 in delayed benefits to new beneficiaries. SSA should continue to urge States to ensure DDSs are operating at full capacity or pursue other options to avoid these delays by shifting work away from States that are implementing furloughs.

### **Fugitive Felons Serving as Representative Payees**

SSA has the authority to appoint representative payees to manage Social Security benefits for individuals who because of their age, mental, and/or physical impairment cannot manage their own finances. In a March 2003 report,



we concluded that SSA should use fugitive warrant information to screen representative payees because a fugitive felon may not be the best individual to manage a beneficiary's funds. After our report was issued, the *Social Security Protection Act of 2004* was signed into law. This law, which took effect in April 2005, contains a provision that disqualifies fugitive felons from serving as representative payees. We conducted this audit to assess SSA's controls in preventing fugitive felons from serving as representative payees.

We found that SSA's controls need to be improved to prevent fugitive felons from serving as representative payees. Based on our sample, we estimate that since the law took effect in April 2005 through September 2008, about \$75.8 million in Social Security funds was paid to about 6,527 fugitive felons who were representative payees. These payees received benefits for about 8,384 SSA beneficiaries. Of the \$75.8 million, we estimate that approximately \$47.6 million (63 percent) in benefits was paid to about 2,070 representative payees whose warrants remained unsatisfied through September 2008. Additionally, about \$19.4 million will be paid over the next 12 months if these warrants remain unsatisfied and the fugitive felons continue serving as representative payees.

We recommended SSA: (1) conduct a match between the Fugitive Felon SSA Control File and the Representative Payee System to identify all representative payees with unsatisfied felony warrants, and determine whether more suitable representative payees are needed; and (2) review its current computer matching process to ensure that future alerts are generated and resolved for all representative payees with outstanding felony warrants. SSA agreed with the recommendations.

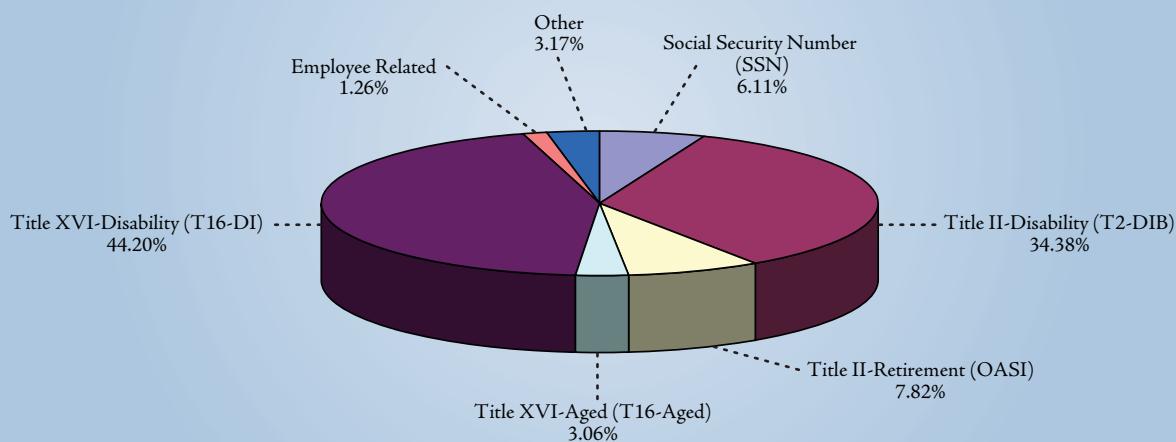
## Investigative Impact Initiatives

OI examines and investigates allegations of fraud, waste, abuse, and mismanagement in SSA programs and operations. These allegations may involve benefit fraud, SSN misuse, violations by SSA employees, or fraud related to grants and contracts. Our investigations often result in criminal or civil prosecutions and the imposition of CMPs against offenders. These investigative efforts impact SSA program integrity by deterring those contemplating fraud against SSA in the future. Our work in the areas of program fraud, enumeration fraud, SSN misuse, and employee misconduct ensures the reliability of SSA programs and their future operations.

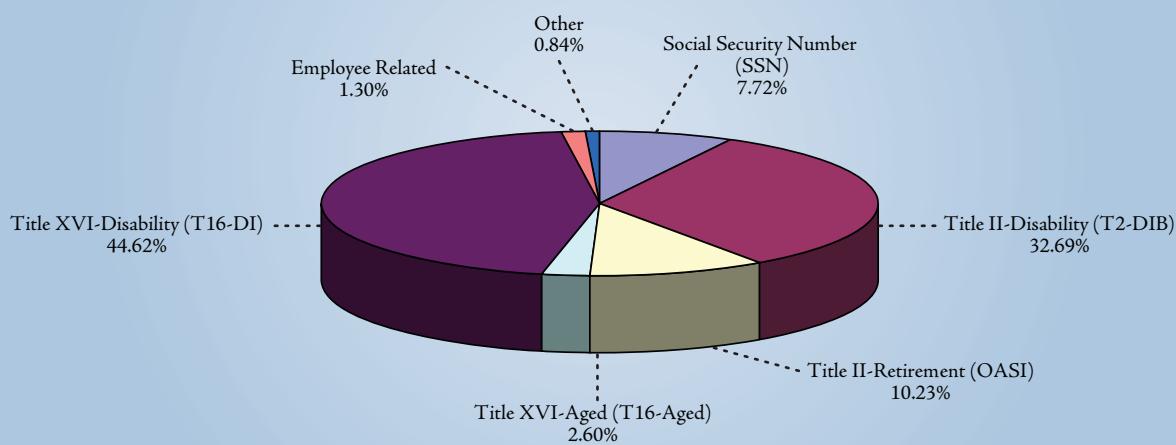
Investigative Results	
October 1, 2008 — March 31, 2009	
Allegations Received	50,474
Cases Opened	3,502
Cases Closed	4,301
Arrests	568
Indictments/Informations	554
Criminal Prosecutions	736
Civil/CMPs	177



## Cases Opened by Program Category 10/01/2008 thru 03/31/2009



## Cases Closed by Program Category 10/01/2008 thru 03/31/2009





### Allegations Received by Source October 1, 2008 — March 31, 2009

Law Enforcement	22,332
SSA Employees	15,249
Private Citizens	5,497
Anonymous	4,232
Other	2,104
Beneficiaries	658
Public Agencies	402
<b>TOTAL</b>	<b>50,474</b>

### Allegations Received by Category October 1, 2008 — March 31, 2009

SSI Disability	21,699
Disability Insurance	16,660
SSN	5,648
Old-Age, Survivors Insurance	2,509
Other	2,968
Employee	499
SSI Aged	491
<b>TOTAL</b>	<b>50,474</b>

### Employee Fraud: Former SSA Employee Misdirects Direct Deposits of Title XVI Recipients

Acting on a referral from the SSA Center for Security and Integrity, our Cleveland, Ohio office investigated an SSA Claims Representative involved in changing the direct deposit information of three Title XVI recipients to financial accounts held by co-conspirators. The investigation revealed that the employee directed three underpayments,

intended for the Title XVI recipients, into his co-conspirators' bank accounts. The funds were quickly withdrawn and dispersed among the employee and the co-conspirators.

The employee resigned from SSA in September 2008. In January 2009, after pleading guilty to theft of government funds, the former employee was sentenced to 3 months of home confinement, 3 years of supervised release and was ordered to pay restitution of \$20,182 to SSA. The co-conspirators were not indicted due to their cooperation with the investigation.

### Employee Fraud: Transit Subsidy Fraud

In response to a request from the SSA/Deputy Commissioner of the Office of Disability Adjudication and Review (ODAR), our Washington, DC office investigated ODAR employees, located at the Falls Church, Virginia office for allegedly committing transit subsidy fraud.

The employees were participants in the National Capital Region Subsidy Transit Program and received transit vouchers supplied to them by SSA to offset the cost of using mass transit to commute to work. The investigation determined that 71 of the 342 participating ODAR employees failed to return vouchers to SSA for days in which they did not use mass transit to travel to work. These employees maintained a monthly parking contract with the company which oversees the parking garage facility located at the Falls Church office. Parking records of the employees revealed the entry and exit dates and times for each employee's parking card.

On January 15, 2009, ODAR informed SSA/OIG of proposed administrative actions against 69 of the 71 employees. ODAR proposed formal counseling for 4 employees and 2 actions were rescinded due



to administrative error, with the remaining 63 employees receiving suspensions ranging from 1 to 14 days. Of the remaining employees, one employee retired and transferred to another component.

## Fugitive Felon Program

The OIG's Fugitive Felon Program identifies fugitive felons and parole and probation violators through data matches between SSA's beneficiary rolls and Federal and State warrant databases. The impact of this program reaches beyond Social Security to local communities across the United States. Our data-sharing efforts with local, State, and Federal law enforcement agencies contributed to the arrest of over 12,000 subjects during this reporting period, and over 83,000 arrests since the program's inception in 1996.

## Cooperative Disability Investigations Program

Our CDI Program continues to be one of our most successful initiatives, contributing to the integrity of SSA's disability programs. CDI is a joint effort of the OIG, SSA, DDS, and State and local law enforcement personnel. Established in 1998 with Units in just 5 States, our CDI program has recently expanded to 20 Units in 18 States. The Units work to obtain sufficient evidence to identify and resolve issues of fraud and abuse related to initial and continuing disability claims.

The following CDI case summaries highlight major investigations we conducted during this reporting period which enhanced SSA program integrity and the reliability of SSA's operations.

### **CDI: Dentist Conceals Work Activity While Collecting Disability Benefits**

Our Iselin, New Jersey CDI Unit investigated a 66-year-old man who had been receiving Title II disability benefits since 1991 due to cardiomyopathy. This case was based on an anonymous complaint stating that the man was concealing his work activity as a dentist, while collecting disability benefits. Our investigation revealed that the man returned to his dentistry practice 8 weeks after undergoing heart surgery and that he failed to notify SSA of his medical improvement and his return to work. From February 1991 through March 2007, he received \$247,516 in disability benefits to which he was not entitled.

In October 2008, the man pled guilty to theft by deception and was sentenced to 3 years' incarceration. In addition to paying restitution to private insurers from whom he fraudulently collected disability insurance payments, he was ordered to repay \$235,032 to SSA, which represents the fraud loss not already repaid by benefit withholding. He also received a civil monetary penalty of \$20,000 and \$155 in court fines.

### **CDI: Administrative Law Judge and Medicaid Fraud Unit Recognizes Work of CDI Unit**

Our Richmond CDI Unit investigated a 51-year-old man who applied for Title II disability benefits due to leg and back problems. The man reported he was unable to work due to his alleged disabilities and needed a cane for ambulation. The Richmond DDS referred this case based on a request by an ALJ from the Richmond, Virginia Office of Disability Adjudication and Review.

Our investigation determined that the man was able to walk without assistive devices. For the past 16 years, he has routinely walked approximately 1 mile to a local store



to purchase beer. Witness interviews also reported that the man frequently walks to a local store and never uses a cane for assistance. As a result of the CDI Unit's investigation, the ALJ denied the man's appeal for Title II disability benefits.

The ALJ made the following statement regarding the Richmond CDI Unit, "... *I really appreciate CDI/OIG's work on this and the other cases I have requested they look into.*" In addition, the Director for the State of Virginia, Attorney General's Medicaid Fraud Unit, stated the following, "*It is always an honor when a judge recognizes the work of our great investigators! The CDI Team Leader's leadership with the Task Force is second to none. This case was thoroughly investigated and the report was well written. You are saving the taxpayers millions of dollars every year.*"

### **CDI: Disability Applicant Seen Doing Lawn Work**

Our Tampa, Florida CDI Unit investigated a 56-year-old man who applied for Title II and Title XVI disability benefits due to back pain, limited ability to walk, and other medical conditions. Witness interviews indicated that the man had no problems walking and was never seen using assistive devices to walk. Also, witnesses reported observing the man loading and unloading heavy items from his vehicles. On another occasion, the man was seen mowing, trimming, and cleaning up debris from his lawn. The man was not observed taking breaks or resting during the activity. As a result of the CDI investigation, the Tampa DDS denied the man's claim for disability benefits.

### **CDI: Man Receives Disability Benefits While Working as a Truck Driver**

The Atlanta CDI Unit investigated a 52-year-old man who had been receiving Title II

disability benefits since 2000 due to coronary artery disease, chronic obstructive pulmonary disease, hypertension, and sleep apnea. SSA received an anonymous report advising that the man had been working as a truck driver for 2 years. Although the man was paid in cash, our investigation determined that the man made false statements regarding his work activities during Continuing Disability Reviews held in 2003 and 2007. Despite the payment of cash for the man's work, our investigators were able to obtain employee wage information from several employers regarding the man's work history and wages.

As a result of the CDI Unit's investigation, OCIG imposed an \$18,000 penalty and \$85,461 assessment for a total penalty of \$103,461 against the man for false statements made to SSA and concealment of work activity.

### **CDI: In-Home Care Provider Fails to Report Work and Marriage to SSA**

Our Baton Rouge CDI Unit investigated a 38-year-old woman who had been receiving SSI disability benefits since 1978 due to mental retardation. SSA referred this case to the Unit based on an earnings enforcement alert. Our investigation determined that the woman had been working as an in-home care employee since 2003. The investigation also revealed that the woman was married and living in the same household with her husband and daughter, even though she reported to SSA that she and her husband had not lived together since 1997.

As a result of the investigation, OCIG imposed a \$30,000 penalty against the woman for false statements made to SSA and concealment of her work activity and marriage.



The following table highlights the successes of the CDI program, which yielded over \$119 million in SSA program savings during this reporting period.

Cooperative Disability Investigations Program Results October 1, 2008 — March 31, 2009				
State	Allegations Received	Confirmed Fraud Cases	SSA Savings <sup>1</sup>	Non-SSA Savings <sup>2</sup>
Arizona	144	98	\$8,072,740	\$1,826,975
Arkansas <sup>3</sup>	58	0	\$0	\$0
California <sup>4</sup>	378	266	\$18,366,908	\$18,404,303
Colorado	84	57	\$4,838,880	\$3,017,633
Florida	67	49	\$3,749,196	\$2,550,856
Georgia	174	101	\$8,462,551	\$1,814,718
Illinois	66	52	\$3,972,840	\$1,302,520
Louisiana	128	45	\$3,625,240	\$1,208,414
Massachusetts	66	46	\$3,828,500	\$1,259,040
Missouri	103	51	\$4,229,316	\$1,179,105
New Jersey	87	47	\$4,018,500	\$3,014,120
New York	116	89	\$7,043,232	\$4,986,480
Ohio	196	163	\$13,210,740	\$5,666,600
Oregon	120	90	\$7,441,296	\$5,099,610
Tennessee	67	59	\$5,044,500	\$1,906,415
Texas <sup>5</sup>	327	169	\$14,070,040	\$6,369,556
Virginia	84	42	\$3,545,940	\$2,522,270
Washington	104	81	\$5,960,400	\$3,843,340
<b>TOTAL</b>	<b>2,369</b>	<b>1,505</b>	<b>\$119,480,819</b>	<b>\$65,971,955</b>

<sup>1</sup>SSA program savings are reported at a flat rate of \$85,500 for initial claims that are denied as a result of CDI investigations. When a CDI Investigation supports the cessation of an in-pay case, SSA program savings are calculated by multiplying the actual monthly benefit times 60 months.

<sup>2</sup>Non-SSA Savings are also projected over 60 months whenever another governmental program withholds benefits as a result of a CDI investigation, using estimated or actual benefit amounts documented by the responsible agency.

<sup>3</sup>The Little Rock, Arkansas Unit was established on October 1, 2008.

<sup>4</sup>California has two units, one in Los Angeles and the other in Oakland.

<sup>5</sup>Texas has two units, one in Dallas and the other in Houston.







## VALUE

**The second goal of the OIG Strategic Plan is Value.** All OIG initiatives strive to provide value to SSA, the Congress, other key decision makers, and the public by delivering timely and reliable audit, investigative, and legal products and services. To achieve the intended value, these products and services must effectively meet the needs of all whom we serve while maximizing our available resources. To do this, we integrate best-practice strategies and the newest technologies to increase our productivity and maximize our return on investment to the public.

### Value Attained Through Audits

Many of our audits are focused on identifying SSA programmatic and operational areas where funds could be put to better use. In addition, we often question approaches and their accompanying costs, and we recommend alternatives to yield program and operational savings.

During this reporting period, our auditors issued 38 reports, identifying over \$130.4 million in questioned costs and more than \$320.9 million in Federal funds that could be put to better use. Some of our most notable audits are summarized below.

#### Payments to Spouses Eligible for Higher Retirement Benefits

Title II of the *Social Security Act* provides benefits for retired workers' families including benefits for spouses; however, spouses with sufficient quarters of coverage may become dually entitled to Title II benefits on their own earnings record. We conducted this review to determine whether beneficiaries receiving

spousal benefits were eligible to receive higher retirement benefits on their own earnings records.

We found that SSA's controls did not always ensure that spouses received the highest benefits due them. This occurred because SSA did not have procedures in place to identify and notify spouses when they became eligible for higher benefits on their own earnings records as a result of delayed retirement credits and qualifying quarters of coverage. Specifically, we estimated:

- 13,580 spouses were eligible for an additional \$123.7 million in retirement benefits from February 1993 to January 2008 had they been paid on their own earnings records after attaining age 70. On average, each spouse could have received an additional \$9,112 in benefits.
- Of these individuals, 12,340 spouses could receive an additional \$209 million in retirement benefits over their remaining life expectancies. On average, each spouse could receive an additional \$16,937 in benefits.
- We also estimated that 4,940 spouses were eligible for an additional \$27.3 million in retirement benefits from April 1986 to October 2003 had they been paid on their own earnings records between full retirement age and age 70. On average, each spouse could have received an additional \$5,522 in benefits.

We recommended that SSA identify and notify beneficiaries receiving spousal benefits of their eligibility to receive higher retirement benefits on their own earnings records at full retirement age and/or age 70. SSA agreed with our recommendation.



## Assignment of Social Security Numbers to Individuals in the Commonwealth of the Northern Mariana Islands and American Samoa

We assessed SSA's process for assigning SSNs to individuals in the Commonwealth of the Northern Mariana Islands (CNMI) and American Samoa. Each of these insular areas has its own government and immigration system. Individuals born in the CNMI are U.S. citizens and those in American Samoa are U.S. nationals (considered the same as citizens for SSA purposes). However, thousands of noncitizens travel to these insular areas each year to work, and SSA has relied on the CNMI and American Samoa immigration systems when assigning SSNs. We are concerned that SSA's policies and practices may place it at-risk for improper SSN assignment to individuals who may not be who they purport to be.

To accomplish our objective, we identified a population of 5,229 individuals (U.S. citizens and noncitizens) to whom SSA assigned original SSNs based on applications processed at the Saipan, CNMI, and Pago Pago, American Samoa, field offices in 2007. From this population, we randomly selected a sample of 200 SSNs to determine whether SSA personnel followed applicable policies when processing SSN applications. Of the 200 SSN applications we reviewed, field office personnel generally complied, except as noted below, with these requirements.

During our audit, the United States enacted legislation applying U.S. immigration law to the CNMI. While we are encouraged by this legislation, until DHS implements final regulations, key details regarding noncitizen workers remain unknown; and, we are unaware of any proposed legislation to apply U.S. immigration law to American Samoa. In addition, SSA processed noncitizen SSN

applications at its Saipan and Pago Pago field offices without written operating policies and procedures. Finally, field office personnel in Pago Pago, American Samoa, did not always document their independent verification of birth records for individuals claiming U.S. citizenship.

Accordingly, we recommend that SSA: (1) establish written policies and procedures for assigning SSNs to noncitizens in the CNMI and American Samoa; (2) until DHS assumes responsibility for the CNMI immigration, instruct Saipan field office personnel to compare signatures on immigration documents provided by noncitizens with a signature list of authorized immigration officials to ensure they match; and (3) reemphasize to Pago Pago field office personnel the importance of following all enumeration policies and procedures. SSA agreed with the recommendations.

## Contract for the Benefit Offset National Demonstration Project with Abt Associates, Incorporated

SSA contracted with Abt Associates (Abt) to develop the Benefit Offset National Demonstration (BOND) project that tests alternate methods of treating work activity in the Title II disability program. With this project, SSA plans to test a \$1 reduction in benefits for every \$2 in earnings with the goal of helping more beneficiaries to return to work. In conducting this audit we reviewed the services provided by Abt under the contract and the related costs charged to SSA for adherence to the negotiated contract terms and applicable regulations, and ensured SSA received the goods and services for which it contracted.

We found that Abt generally adhered to the terms of the contract, and delivered the services and final design options SSA requested



under the contract. However, multiple modifications extended the contract period from 2 to 4 years, and obligated costs for the design phase increased to \$10.6 million, \$8.2 million more than initially expected. In addition, the delay of the BOND design phase led to additional costs under the Four-State Pilot, or \$4.5 million more than initially expected. The Four-State Pilot was intended to be a 2-year demonstration project to assist with the design phase to determine the effect of various interventions in combination with a benefit offset on employment outcomes including wages, benefits, hours worked and job retention.

In terms of contract management, prior SSA management demonstrated inadequate oversight of the contract's planning, scope and expenditures. And while current SSA management attempted to streamline the BOND project's design, financial monitoring of the project was inadequate. Furthermore, prior and current SSA management did not monitor the contract in a way that allowed for quickly detecting or avoiding cost overruns for tasks. We found that SSA management had not performed timely contractor performance evaluations which are required by the contract and recommended by the Federal Acquisition Regulations.

In terms of contract coordination, we believe earlier communication between BOND and the Four-State Pilot regarding the project's design would have enhanced the Pilot's usefulness. Finally, we found that the sole-source contract lacked clear separation of duties by allowing the contractor to evaluate its own performance. We made six recommendations to improve oversight of the BOND contract and similar contracts. In response to the report, SSA noted it had already made a number of changes and concurred with four recommendations but disagreed with two —

improved financial monitoring and using an independent party to evaluate the contract.

## Value Attained Through Investigations

During this reporting period, the efforts of our investigators yielded significant results arising from the successful prosecution of cases that we developed. Our investigators achieved over \$166 million in investigative accomplishments, with over \$24 million in SSA recoveries, restitution, fines, and settlements/judgments, and over \$142 million in projected savings from investigations resulting in the suspension or termination of benefits.

The following table represents the efforts of OI personnel nationwide to recover SSA funds paid in fraudulent benefits or through other illegal actions.

SSA Funds Reported October 1, 2008 — March 31, 2009	
Recoveries	\$10,843,514
Fines	\$1,503,677
Settlements/Judgments	\$722,739
Restitution	\$11,871,354
Estimated Savings	\$142,007,915
TOTAL	\$166,949,199

The following case summaries are indicative of the more than 4,300 investigations that we closed during this reporting period. The cases we have highlighted illustrate the many instances where our investigative efforts have resulted in a significant return on investment.



## **SSN Misuse: Man Assumes Identity of Deceased Teens**

Acting on information supplied by the Royal Canadian Mounted Police, agents from our Seattle office and the Federal Bureau of Investigation investigated a man who used at least 9 identities. The investigation revealed that the 53 year-old man assumed the identities of deceased teenage boys for the purpose of obtaining SSN cards, driver's licenses, identity documents, concealed weapons permits, and U.S. passports. The man went so far as to legally change the names of the deceased teenagers. After pleading guilty to SSN fraud, Social Security fraud, unlawful production of an identification document, aggravated identity theft and mail fraud, the man was sentenced in November 2008 to 30 months' incarceration and 3 years' supervised release.

## **SSN Misuse: Scheme Using Multiple Identities Accrues Fraud Losses Exceeding \$500,000**

Our St. Louis office conducted a joint investigation with the St. Louis Identity Theft Task Force involving several individuals who were part of an identity theft ring. The co-conspirators used multiple identities to open new credit accounts, or to add themselves to existing accounts at major chain stores, resulting in fraudulent purchases exceeding \$500,000.

After pleading guilty to access device fraud, one of the co-conspirators was sentenced to 8 months' incarceration and 3 years' supervised release and was ordered to pay restitution of \$25,525 to a financial institution. Another co-conspirator pled guilty to conspiracy and was sentenced in October 2008 to 5 months' home confinement and 3 years' probation and was ordered to pay restitution of \$3,498 to a financial institution.

After pleading guilty to aggravated identity theft and access device fraud, a third co-conspirator was sentenced in November 2008 to 81 months' incarceration and 3 years' supervised release and was ordered to pay restitution of \$152,291 to various financial institutions. This amount is to be paid jointly and severally with 3 of his co-conspirators.

Also in November 2008, after pleading guilty to conspiracy and aggravated identity theft, a fourth co-conspirator was sentenced to 36 months' incarceration and 3 years' supervised release and was ordered to pay restitution of \$46,937 to a financial institution. The final co-conspirator, after pleading guilty to access device fraud, was sentenced in January 2009 to 37 months' incarceration and 3 years' supervised release, and was ordered to pay restitution of \$304,833 to a financial institution.

## **SSN Misuse: Conspirators Face Prison and Deportation for Involvement in Counterfeiting Documents**

Agents from our Atlanta office, in response to a request for assistance from the Immigration and Customs Enforcement (ICE) Document and Benefit Fraud Task Force, participated in a joint investigation with ICE of a criminal organization responsible for a counterfeiting scheme. The investigation revealed that members of the organization were involved in the solicitation, manufacturing, and sale of counterfeit documents in the Atlanta area.

In November 2008, three of the co-conspirators pled guilty to conspiracy to commit identity fraud and aggravated identity theft and were sentenced as follows: one man was sentenced to 54 months' incarceration and 3 years' supervisory release and was ordered to pay a special assessment fee of \$300. Two others were each sentenced to 42 months'



incarceration and 3 years' supervised release and were ordered to pay a \$300 assessment fee. Also in November 2008, after pleading guilty to conspiracy to commit identity fraud, a fourth man was sentenced to 12 months of incarceration and 3 years of supervised release. Upon release from prison, the four men will be remanded to ICE for appropriate removal proceedings.

#### **Representative Payee Fraud: Representative Payee Embezzles Over \$308,000 in SSA Disability Benefits**

Agents from our Seattle office, acting on a referral from the South Seattle SSA office, conducted an investigation of the owner and operator of an organizational representative payee service. The investigation revealed that from March 2003 through September 2007, the man embezzled over \$308,000 from hundreds of SSA disability recipients while acting as their representative payee. After pleading guilty to theft of government funds and Social Security fraud, he was sentenced in February 2009 to 78 months' incarceration, followed by 3 years' supervised release. He was also ordered to pay restitution of \$308,000 to SSA.

#### **Representative Payee Fraud: Daughter Uses Father's Disability Benefits for Living Expenses**

Acting on a referral from the Rapid City, South Dakota SSA office, an agent from our Helena, Montana office investigated the representative payee of a Title II disability beneficiary. The woman served as representative payee for her father who was residing in a Veterans Affairs Hospital. From March 1998 through November 2006, the woman converted \$82,608 of her father's benefits for her own living expenses. The woman pled guilty to theft of government property and was

sentenced in October 2008 to 16 months' incarceration, followed by 3 years' supervised release. In addition, she was ordered to pay restitution of \$82,608 to her father.

#### **Representative Payee Fraud: Police Officer's Wife Conceals Income**

Acting on information supplied by the San Marcos, California SSA office, agents from our San Diego office investigated a woman who served as the representative payee for her two disabled children. The woman failed to report to SSA that she and her husband had reunited and that he was employed as a police officer. Additionally, she did not report the receipt of child support payments from her son's father. This income made the children ineligible for SSI disability payments. In November 2008, after pleading guilty to grand theft and loss of over \$50,000, the woman was sentenced to 5 years' probation and 200 hours of community service. She was also ordered to pay SSA restitution of \$62,824. Prior to her sentencing, the woman repaid \$29,900 to SSA.

#### **Representative Payee Fraud: Mother Fails to Notify SSA that Child Left Her Custody**

Based on information received from the Westbank New Orleans SSA office, our Baton Rouge office investigated the representative payee and mother of an SSI disability recipient. The investigation revealed that the woman failed to notify SSA that her child left her care and custody. SSA determined that from March 2004 through December 2007, the mother was incorrectly paid \$26,736 in benefits for the child. The mother pled guilty to theft and was sentenced in December 2008 to 27 days' incarceration, with 5 years' incarceration suspended, and 5 years' probation. The mother was also ordered to pay restitution of \$26,736 to SSA.



## Disability Program Fraud: Merchant Marine Officer Guilty of Social Security Fraud

Acting on a request for assistance from the New Jersey Division of Criminal Justice, our Iselin, New Jersey office investigated a Title II disability beneficiary. The investigation confirmed that the man collected disability benefits under one name and SSN, while using a second name and SSN to conceal his work and earnings. It was further determined that the man held a U.S. Coast Guard license as a Merchant Marine Officer and that he was found to be mentally and physically competent to captain a U.S. Coast Guard vessel, which was contrary to the medical evidence he submitted to SSA. The man pled guilty to Social Security fraud and was sentenced in December 2008 to 21 months' incarceration and 3 years' supervised release. He was ordered to pay restitution of \$384,980 to SSA.

## Disability Program Fraud: Machine Mechanic Conceals Work Activity

Based on information supplied by the Kapolei, Hawaii SSA office, our Santa Ana, California office investigated a Title II disability beneficiary for work concealment. The investigation revealed that the beneficiary worked as a self-employed heavy machine mechanic at a steel corporation. SSA determined that the man was overpaid beginning in December 2000. In October 2008, after pleading guilty to theft of government funds, the man was sentenced to 1 year of incarceration, followed by 3 years' supervised release. In addition, he was ordered to pay restitution of \$158,183 to SSA.

## Disability Program Fraud: Freight Company Owner Uses Wife's SSN to Conceal Employment

Our Hartford office initiated this investigation pursuant to our audit entitled, *Disabled*

*Beneficiaries Hiding Wages.* This audit identified individuals receiving Title II disability benefits while hiding their wages. The investigation revealed that a disability beneficiary owned and operated his own freight company. From 1997 through 2007, the man reported his earnings using his spouse's SSN. In January 2009, after pleading guilty to Social Security fraud, the man was sentenced to 3 months' home confinement and 3 years' probation. He also was ordered to pay restitution of \$141,666 to SSA.

## Disability Program Fraud: Title II Disability Beneficiary Uses Stepdaughter's SSN to Conceal Employment

Acting on a request for assistance from the Indiana State Police, an agent from our Indianapolis office investigated a Title II disability beneficiary for using his stepdaughter's name and SSN to conceal his employment from SSA. The investigation revealed that from October 2003 through January 2005, the beneficiary was compensated by his company in the name and SSN of his stepdaughter. The beneficiary pled guilty to Social Security fraud and was sentenced in February 2009 to 15 months' incarceration and 3 years' supervised release. He was also ordered to pay restitution of \$45,558 to SSA.

## Deceased Payee Project: Daughter Fails to Report Mother's Death to SSA

Our Birmingham office conducted this investigation as part of the National Deceased Payee Project (BIC-D), which identifies widows and widowers of Title II beneficiaries whose benefits continued to be paid after their death. The investigation determined that benefits continued to be paid to a Title II widow beneficiary who died in October 2004. Further investigation revealed that her daughter, who was her representative



payee, failed to report her mother's death to SSA and continued to receive and cash the benefits checks, converting the funds for her own personal use. In November 2008, after pleading guilty to theft of government funds, the daughter was sentenced to 5 years' probation and was ordered to pay restitution of \$26,306 to SSA.

#### **Deceased Payee Project: Woman Fraudulently Withdraws SSA Funds from Deceased Grandmother's Bank Account**

Agents from our Dallas office conducted this investigation as part of the BIC-D Project. The allegation stated that Title II widows benefits continued to be directly deposited into the beneficiary's bank account although she had died in June 2004. The investigation revealed that the beneficiary's granddaughter withdrew the funds from the bank account and converted them for her own use. After pleading guilty to theft of government funds, the granddaughter was sentenced in October 2008 to 36 months' probation, including 180 days' home confinement. She was also ordered to pay restitution of \$30,210 to SSA.

#### **Double Check Negotiation Project: Wisconsin Woman Convicted After Alleging Non-Receipt of Title XVI Checks on 27 Occasions**

Our Milwaukee office investigated a woman who alleged non-receipt of her Title XVI disability checks on 27 occasions, and then cashed both the original and replacement checks, resulting in an SSA fraud loss of \$13,080. After being interviewed, the woman gave a sworn statement confessing to cashing 54 Social Security checks, as opposed to the 27 checks to which she was entitled. In October 2008, after pleading guilty to theft of government funds, the woman was sentenced to 10 months' incarceration and 1 year of

probation and was ordered to pay restitution of \$7,162 to SSA. Prior to sentencing, SSA administratively recovered \$5,918 of the fraud loss.

#### **Double Check Negotiation Project: California Woman Fraudulently Claimed Non-Receipt of 18 Title XVI Checks**

An investigation by our Santa Ana office determined that a woman, who served as a representative payee for four Title XVI recipients, converted 18 original and replacement checks to her own personal use resulting in an SSA fraud loss of \$12,122. After pleading guilty to mail fraud, the woman was sentenced in November 2008 to 4 months' home detention with electronic monitoring, 3 years' supervised release, and 400 hours of community service. Additionally, she was ordered to pay restitution of \$12,122 to SSA.

#### **Bankruptcy Fraud Project: California Man Files Multiple Fraudulent Bankruptcies**

Our Santa Ana office received a referral from the U.S. Trustee's Office alleging that a California man fraudulently used several aliases and SSNs to file multiple bankruptcy petitions. It was also alleged that the man operated a fraudulent cellular phone scheme that resulted in a Los Angeles County Superior Court judgment against him for \$243,895 in commissions and \$456,818 in cell phone products. The judgment led to the first of his three bankruptcies. Our investigation determined that the man used as many as four aliases and had at least two fraudulent California driver's licenses. In December 2008, after pleading guilty to bankruptcy fraud, the man was sentenced to 12 months' incarceration and 3 years' probation.



### **Bankruptcy Fraud Project: Nebraska Woman's Fraudulent Bankruptcy Causes Foreclosure on Mother's Home**

Our Omaha office received a request for assistance from the Nebraska U.S. Attorney's Office. The referral indicated that the identity of an Omaha homeowner was used by the homeowner's daughter without consent, to apply for a \$15,000 loan using the homeowner's house as collateral. The daughter defaulted on the loan and used her mother's identity to file a bankruptcy petition to delay the foreclosure. Once approved for the bankruptcy, the daughter was not able to make the loan payments and the homeowner lost her home to foreclosure.

After pleading guilty to SSN and bankruptcy fraud, the woman was sentenced in November 2008 to 5 years' probation and 1 month of electronically monitored home confinement. In addition, she was ordered to pay restitution of \$10,290 to a financial institution.

### **Value Attained Through Legal Initiatives**

OCIG's efforts to administer the portion of the CMP program which deals with violators of Section 1129 of *the Act* maximize the resources available to us and create a positive return on investment. Section 1129 of *the Act* allows for the imposition of a CMP against those who make false statements or representations in connection with obtaining or retaining benefits or payments under Titles II, VIII, or XVI of *the Act*. In addition, CMPs may be used to penalize representative payees for wrongful conversion of payments made under the Social Security programs, and to penalize individuals who knowingly withhold a material fact from SSA. After consultation with the DOJ, OCIG is authorized to impose

penalties of up to \$5,000 for each false statement, representation, conversion, or omission. A person may also be subject to an assessment, in lieu of damages, of up to twice the amount of any resulting overpayment.

The following table and cases highlight the value achieved through our Section 1129 efforts for this reporting period.

<b>False Statements Under Section 1129</b>	
<b>October 1, 2008 — March 31, 2009</b>	
Cases Received	1,367
Cases Initiated	164
Cases Closed	853
Penalties and Assessments Imposed	\$2,574,381
Number of Hearings Requested	10

### **New York Business Owner Agrees to CMP Settlement of \$30,000 for Misrepresenting Work Activity**

A New York woman received Title II disability benefits for 7 years due to a back injury. SSA determined that she engaged in substantial gainful activity during that time and ceased her benefits. The subject refused to pay the \$91,000 overpayment. Consequently, SSA recovered the money through her tax returns. The woman applied for benefits again and alleged that she was not working, although she had started her own business.

During an investigation, an OIG Special Agent visited the subject's dog grooming business and observed the subject washing and shaving a large dog despite her alleged back injury. SSA employees reported that the contact number that the subject provided connected them with



her business and provided her work schedule for five days a week. The subject had great success in her new business venture and was even featured in an article in a local newspaper. Nevertheless, the subject maintained that she was not capable of engaging in work activity. After SSA denied her claim for disability benefits, she appealed to an ALJ, who also denied her claim. In a CMP action, OCIG negotiated a settlement with the subject for \$30,000.

### **Ohio Man Agrees to CMP Settlement of \$42,048 for Misrepresenting Marital Status**

An Ohio man reported that he was not married during an SSI redetermination, alleging that he and his girlfriend lived together, and that he asked her to serve as his representative payee. Subsequently, the subject returned to the SSA office to report that he had married his girlfriend.

An OIG Special Agent visited the subject's residence to verify his living arrangements. During the interview, the subject admitted that he married his girlfriend 7 years ago but did not report the event to SSA. The subject apologized for misrepresenting his marital status. In a CMP action, OCIG negotiated a settlement with the subject. He agreed to pay a \$10,000 penalty and the entire \$32,048 overpayment for a total recovery of \$42,048.

### **Ohio Woman Agrees to CMP Settlement of \$64,276 for Misrepresenting Living Arrangements**

An Ohio woman, on multiple occasions, reported that her husband neither lived with her nor provided any income to support the family. During an SSI redetermination, the subject reiterated this information to continue receiving SSI benefits for herself and, as a representative payee on behalf of her son.

An OIG Special Agent interviewed the subject's husband, who admitted that he had lived with his wife and three children for the past 8 years. Faced with this information, the subject admitted to misrepresenting her living arrangements but she stated that she would "do it again" because she thought it was in the best interest of her family. In a CMP action, the woman agreed to pay a \$10,000 penalty and the entire \$54,276 overpayment for a total recovery of \$64,276.

### **Texas Man Agrees to CMP Settlement of \$90,059 for Working Under His Wife's Social Security Number**

A Texas man initially began receiving disability benefits while battling colon cancer, and was able to eventually return to work. The subject concealed his work activity from SSA by using his wife's SSN so that he could continue to receive his disability benefits.

After an anonymous tip, a Special Agent confirmed that the man had been working under his wife's SSN for many years, while continuing to collect disability benefits. The subject admitted to his illegal behavior and indicated that he was willing to repay the money. OCIG negotiated a settlement with the subject in which he agreed to pay a \$20,000 penalty and an assessment in lieu of damages of \$70,059.

### **Michigan Woman to Pay \$82,968 After Using Children's Benefits for Home Renovations**

OCIG finalized a civil monetary penalty against a Michigan woman who submitted an application for children's insurance benefits for her two minor nieces. The nieces were recently orphaned and were in the woman's temporary custody. She received \$16,484 on the children's behalf representing 10 months of benefits. However, the children left her care



before she received the first benefit payment. The woman did not notify SSA of this fact and she did not use any of the funds for the children's needs. Instead, she used the money to make house renovations. OCIG assessed the woman a \$50,000 penalty and a \$32,968 assessment in lieu of damages for a total penalty of \$82,968.

### **Massachusetts Fisherman Agrees to Pay An \$80,979 CMP**

A Massachusetts fisherman filed for disability benefits in 2004 claiming that he was not able to work due to physical impairments. SSA approved his application and he collected benefits for over 3 years. OI investigated his earnings and determined that the beneficiary never stopped working, that he had commissioned a new 40 foot lobster fishing boat while collecting disability benefits, and that he continued to earn a significant income. OCIG successfully negotiated a settlement whereby the fisherman paid a \$10,000 penalty and a \$70,979 assessment in lieu of damages in a lump sum payment.

### **Seattle Locksmith Agrees to Pay \$47,000**

A Seattle man working as a locksmith was awarded disability benefits based on back problems. He owned a small business, and handled many subcontracting locksmith jobs in the area. The subject filed work activity reports with SSA in June 2002 and in May 2005 in which he under-reported his work activity and income from 2000 through 2002 claiming that no one would hire him.

OI began looking into the matter in 2005. The investigation revealed that the subject had been working numerous small jobs for various employers during those years, and one of those employers provided records showing the money they had paid him. In

September 2005, OI interviewed the subject and confronted him with their evidence. The subject eventually admitted that he had worked significantly more than he had reported, made more money than he had reported, and had lied because he did not want to lose his benefits. He was assessed a penalty of \$9,000 and restitution of the overpayment of \$38,000 for a total CMP of \$47,000.

### **Texas Man Paid SSA \$15,000 After Using Deceased Brother's SSN**

A Texas man with a criminal record assumed his deceased brother's identity and used his brother's SSN for work purposes. Under this assumed record, the man endorsed and negotiated checks to collect Social Security disability benefits from November 2002 through December 2007. After receiving a credible allegation and investigating the matter, OCIG initiated a CMP action against the man for his false representations of his SSN. The man agreed to pay a lump sum penalty of \$15,000 to the Social Security Trust Fund.





## PEOPLE

**The third goal of the OIG Strategic Plan is People.** The collective effort of our employees continues to be the driving force behind this organization's success in meeting its mission. We provide an encouraging and rewarding work experience with the goal of retaining these exceptional individuals. OIG leadership fosters an environment where employees can realize their potential through training and developmental programs. Each year, OIG components convene training conferences to inform their employees about new procedures at various levels of our organization. In addition, the OIG Organizational Health Committee conducts an annual assessment of employee satisfaction levels and addresses employee concerns.

## Budget

For FY 2009, our annual appropriation is \$98 million, which supports an estimated end-of- year staffing level of 598. We also received a \$2 million appropriation available through September 30, 2012 for salaries and expenses necessary for oversight and audit of programs, projects, and activities funded in the *Recovery Act* legislation. The salaries and benefits of our employees accounts for 88 percent of our spending. We will use the remaining 12 percent for necessary expenses such as travel, training, communications, reimbursable work authorizations and general procurements, as well as to provide for basic infrastructure needs such as rent and interagency service agreements. The FY 2009 budget supports our efforts to meet and exceed our expectations set forth in our *Strategic Plan for Fiscal Years 2006 – 2010, Fourth Edition*. The goals and accomplishments measured in our Strategic Plan are also published in the **Annual Congressional Budget Justification**.

## Human Capital Planning and Management

We actively pursue and work to retain the best possible employees. First, our budget and staffing plan forecasts employee departures based on historical trends and human resource data, which allows us to establish optimal timeframes for recruiting new employees. Moreover, OIG managers monitor staffing to ensure that vacant positions are filled promptly, ensuring that OIG components have the ability to fulfill their respective missions.

Our human capital specialists and recruiters participate in job and career fairs nationwide. These events target underrepresented groups in the labor market, allowing us to maintain a truly diverse workforce. Once we identify the best candidates, we employ a structured interview process to fairly assess their qualifications. Through these efforts, we have hired 21 employees through the first half of FY 2009.

Also, of the eight participants in OIG's inaugural Leadership Development Program, which was launched in FY 2008, two have since been accepted into SSA's SES Candidate Development Program and three have been promoted within OIG to leadership positions.

## Information Technology

We provide and maintain most of our own information technology (IT) systems. Our IT specialists value state-of-the-art tools and place a high priority on ensuring that our employees have the latest proven technologies with which to perform their work.

During this reporting period, OIG software specialists worked to improve mission critical



OIG applications including implementation of additional enhancements to our National Investigative Case Management System, which is already a model for investigative case management across the federal government. We have also automated other administrative and business processes and will continue to proceed in this direction to save both time and money.

In support of the President's goal to expand electronic services, we maintain an Internet website that is both informative and useful to the public. Citizens using our web-based services will find them easy to understand. A workgroup comprised of auditors, investigative personnel, attorneys, and administrative specialists continuously monitors the OIG website to ensure that all information is accurate and up-to-date.

Finally, our IT staff analyzes industry trends to find new technologies which may enhance our business processes. During this reporting period, we have continued to expand the use of virtual technologies in our server environment and have begun to explore virtualization of our desktop and mobile computing platforms to reduce hardware and deployment costs and enhance data security. OIG IT Specialists continue to meet the challenge of providing a variety of IT support services for about 70 OIG offices spread throughout the country.

## Outreach Efforts

We are always seeking new ways to reach out to the wider Federal community as well as to members of the public. In a variety of venues, we share our mission of promoting integrity and excellence in Social Security programs and operations. These occasions are important opportunities to exchange information and forge partnerships. They also

give us the chance to educate and inspire public confidence in Federal programs.

During this reporting period, Inspector General Patrick P. O'Carroll, Jr. spoke to seminar attendees at the Federal Bar Association in Chicago on "Immigration Enforcement and Social Security: The IG Perspective." In addition, the *Inspector General Reform Act of 2008* created the Council of Inspectors General on Integrity and Efficiency, merging the former President's Council on Integrity and Efficiency and Executive Council on Integrity and Efficiency. As Chair of the Investigations Committee, one of the CIGIE's seven committees, Inspector General O'Carroll has helped to guide the transition to the newly formed CIGIE structure.

The following are other examples of outreach conducted by OIG officials and personnel.

- The Resident Agent-in-Charge of our Batavia, New York office made presentations on career opportunities in the Federal government to the New York State Police, Monroe County Sheriff's Office, and Brockport, New York Police Department Police Explorer Posts. Also, he participates in the Spencerport, New York High School career program and, in collaboration with the Spencerport Continuing Education Department, provides free classes at night and on weekends on Federal job opportunities and navigating the application process.
- An agent from our Detroit, Michigan office volunteers as an "Admissions Field Representative" for the U.S. Military Academy at West Point. He assists in the selection of candidates, which includes interviewing, visiting high schools, attending college fair nights, and coordinating with U.S. Congressional staffs and the military.



- An agent from our Charleston, West Virginia office was a guest speaker for an computer forensics class at Marshall University located in Huntington, West Virginia. The agent discussed the importance of computer forensics when conducting federal investigations.
- An agent from our San Antonio, Texas office mentors children participating in the Big Brother and Big Sisters program of Greater San Antonio. Also, he volunteers at organizations such as Community in Schools of San Antonio which is the nation's leading community-based drop out prevention network, the Youth Against Gang Activity Program, the San Antonio Food Bank, Family Services of San Antonio which is the oldest human service agency in San Antonio, and serves as a board member and mentor volunteer for the Autism Society of Greater San Antonio.
- An agent from our Lexington, Kentucky office is currently participating in the Central Kentucky Economic Empowerment Project (CKEEP) as a tax preparation volunteer. CKEEP partners with the Internal Revenue Service to provide free tax preparation for low-income families, raise awareness about the Earned Income Tax Credit and help families build assets.
- An agent from our Miramar, Florida office participated in a Thanksgiving food drive that distributed food to needy families and a Christmas holiday toy drive for underprivileged children in the South Florida area. Also, he was involved in a blood drive benefiting South Florida cancer patients and a clothing drive for victims of the hurricanes which devastated Haiti.
- An agent from our Denver Field Division volunteers in several South Dakota organizations which provide assistance to children. He helps raise and donate money to underprivileged children and families in the community, disabled children, and has participated in nationwide fund raising projects that support the Shriners Hospitals for Children.

## Hurricane Response Efforts

We continue to be actively involved in pursuing investigations of fraud related to Hurricanes Katrina and Rita and helping SSA prepare for similar events in the future. Because the SSN is a key identifier for various disaster assistance programs, we have been a critical partner in multi-agency investigations of this type of fraud. In fact, we have assigned an agent to the DOJ's Hurricane Katrina Fraud Task Force in Louisiana, where we have been involved in numerous joint investigations of hurricane-related fraud.

Since the inception of the Task Force, OI has opened 72 investigations and secured 58 indictments and 56 convictions of individuals for hurricane-related fraud. For this reporting period, our investigators opened one case and secured four convictions.

Following are highlights of our hurricane-related investigative activity during this reporting period.

### Louisiana Department of Labor Employee Convicted of Bribery and Extortion

Our Baton Rouge office investigated a contract employee of the Louisiana Department of Labor (LDOL). The investigation determined that the individual accepted bribes and extorted money in order to facilitate and



process fraudulent Disaster Unemployment Assistance (DUA) payments. The employee conspired with several individuals who filed more than 80 fraudulent DUA claims, and obtained more than \$150,000 in DUA benefits. In November 2008, after pleading guilty to extortion under the color of law, the man was sentenced to 18 months' incarceration and 3 years' supervised release.

#### **Louisiana Man Files Fraudulent Disaster Unemployment Assistance Claim**

Our Baton Rouge investigated a resident of Jackson, Louisiana who submitted a fraudulent claim with the DUA. The individual claimed that he lost his job as a result of Hurricane Katrina. The investigation revealed that the man filed a claim with DUA using an SSN that did not belong to him and received \$4,410 in DUA benefits. The man pled guilty to access device fraud and in October 2008 was sentenced to 3 years' probation and was ordered to pay restitution of \$4,410 to the LDOL.

#### **Man Claims Job Loss Due to Hurricane Katrina**

Agents from our Baton Rouge office investigated a man who used a fraudulent SSN to file for DUA benefits with the LDOL. On his application, the man falsely claimed that he lost his job due to Hurricane Katrina. Based on his application, he received \$10,312 in DUA benefits. In January 2009, after pleading guilty to access device fraud, the man was sentenced to 5 years' probation and was ordered to pay restitution of \$10,312 to the LDOL.

#### **A SPECIAL THANK YOU**

THE DILIGENT WORK,  
OUTSTANDING EFFORTS, AND  
MANY CONTRIBUTIONS OF OUR  
ENTIRE OIG STAFF MAKE THE  
ACCOMPLISHMENTS HIGHLIGHTED  
IN THIS *SEMIANNUAL REPORT TO  
CONGRESS* POSSIBLE.

WE WOULD LIKE TO THANK THEM  
FOR THEIR DEDICATED SPIRIT AND  
MANY SUCCESSES.



# REPORTING REQUIREMENTS AND APPENDICES



## REPORTING REQUIREMENTS

This report meets the requirements of the *Inspector General Act of 1978*, as amended, and includes information mandated by Congress.

Section	Requirement	Page(s)
Section 4(a)(2)	Review of legislation and regulations	N/A
Section 5(a)(1)	Significant problems, abuses, and deficiencies	9–34
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	9–14 21–23
Section 5(a)(3)	Recommendations described in previous Semiannual Reports on which corrective actions are incomplete	Appendix F & G
Section 5(a)(4)	Matters referred to prospective authorities and the prosecutions and convictions that have resulted	14–20 23–28 33–34
Section 5(a)(5) & Section 6(b)(2)	Summary of instances where information was refused	N/A
Section 5(a)(6)	List of audits	Appendix B
Section 5(a)(7)	Summary of particularly significant reports	9–14 21–23
Section 5(a)(8)	Table showing the total number of audit reports and total dollar value of questioned costs	Appendix A
Section 5(a)(9)	Table showing the total number of audit reports and total dollar value of funds put to better use	Appendix A
Section 5(a)(10)	Audit recommendations more than 6 months old for which no management decision has been made	Appendix A
Section 5(a)(11)	Significant management decisions that were revised during the reporting period	N/A
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees	Appendix D



## APPENDIX A: RESOLVING AUDIT RECOMMENDATIONS

The following chart summarizes SSA's responses to our 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 P.L. 96- 304 (the *Supplemental Appropriations and Recession Act of 1980*) and the *Inspector General Act of 1978*, as amended.

Reports with Questioned Costs for the Reporting Period October 1, 2008 – March 31, 2009			
	Number	Value Questioned	Value Unsupported
A. For which no management decision had been made by the commencement of the reporting period.	19	\$1,324,993,528	\$2,095,395
B. Which were issued during the reporting period.	6 <sup>a</sup>	\$130,436,678	\$26,233
Subtotal (A + B)	25	\$1,455,430,206	\$2,121,628
Less:			
C. For which a management decision was made during the reporting period.	12	\$1,310,756,655	\$247,757
i. Dollar value of disallowed costs.	9	\$88,704,930	\$247,757
ii. Dollar value of costs not disallowed.	3	\$1,222,051,725	\$0
D. For which no management decision had been made by the end of the reporting period.	13	\$144,673,551	\$1,873,871

<sup>a</sup>See Reports with Questioned Costs in Appendix B of this report.



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

Reports with Recommendations that Funds Be Put to Better Use Reporting Period October 1, 2008 – March 31, 2009		
	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	10	\$558,029,282
B. Which were issued during the reporting period.	5 <sup>a</sup>	\$320,902,901
Subtotal (A + B)	15	\$878,932,183
Less:		
C. For which a management decision was made during the reporting period.		
i. Dollar value of recommendations that were agreed to by management.	7	\$213,802,743
(a) Based on proposed management action.	7	\$213,802,743
(b) Based on proposed legislative action.	0	\$0
ii. Dollar value of costs not agreed to by management.	2	\$222,381,907
Subtotal (i + ii)	9	\$436,184,650
D. For which no management decision had been made by the end of the reporting period.	6	\$442,747,533

<sup>a</sup> See Reports with Funds Put to Better Use in Appendix B of this report.



## APPENDIX B: REPORTS ISSUED

Reports with Non-Monetary Findings October 1, 2008 – March 31, 2009		
Audit Number	Report	Issue Date
A-77-09-00001	Management Advisory Report: Single Audit of the State of Minnesota for the Fiscal Year Ended June 30, 2007	10/2/2008
A-77-09-00002	Management Advisory Report: Single Audit of the State of Washington for the Fiscal Year Ended June 30, 2007	10/3/2008
A-12-08-28080	Congressional Response Report: Customer Service Issues at the Dover Hearing Office	10/27/2008
A-02-09-19074	Fiscal Year 2008 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges	11/5/2008
A-77-09-00003	Management Advisory Report: Single Audit of the Commonwealth of Massachusetts for the Fiscal Year Ended June 30, 2007	11/5/2008
A-15-08-18087	Fiscal Year 2008 Financial Statement Audit Oversight	11/7/2008
A-77-09-00004	Management Advisory Report: Single Audit of the State of Texas for the Fiscal Year Ended August 31, 2007	11/21/2008
A-03-07-17105	Quick Response Evaluation: Effectiveness of Educational Correspondence to Employers	12/15/2008
A-15-08-28125	Quick Response Evaluation: Federal Protective Service Basic Security Fees	12/18/2008
A-77-09-00005	Management Advisory Report: Single Audit of the Commonwealth of Virginia for the Fiscal Year Ended June 30, 2007	12/18/2008
A-01-08-18011	Disability Claims Overall Processing Times	12/19/2008
A-15-08-18010	The Social Security Administration's Oversight of MDRC Contract No. SS00-06-60075	12/22/2008
A-15-09-29064	Costs Claimed by the Virginia Commonwealth University Contract Number SS00-04-60097 (Limited Distribution)	1/5/2009
A-08-08-18002	Earnings Records with Multiple Employer Identification Numbers	1/5/2009
A-13-08-18077	Follow-up: The Social Security Administration's Procedures for Addressing Employee-related Allegations	1/20/2009
A-06-09-29095	Quick Response Evaluation: Sources of Erroneous Death Entries Input into the Death Master File	2/4/2009



**Reports with Non-Monetary Findings**  
October 1, 2008 – March 31, 2009

A-15-09-29076	Quick Response Evaluation: Social Security Administration Employees Who Were Absent Without Leave	2/18/2009
A-08-08-18059	Administrative Costs Claimed by the Kentucky Disability Determination Services	2/20/2009
A-08-08-18098	Assignment of Social Security Numbers to Individuals in the Commonwealth of the Northern Mariana Islands and American Samoa	2/25/2009
A-08-08-18079	Management Advisory Report: R-1 Religious Workers' Use of Social Security Numbers	3/9/2009
A-44-09-19098	Quick Response Evaluation: The Social Security Administration's Ability to Address Future Processing Requirements (Limited Distribution)	3/16/2009
A-77-09-00008	Management Advisory Report: Single Audit of the State of New York for the Fiscal Year Ended March 31, 2007	3/17/2009
A-15-09-19021	Administrative Costs Claimed by the Pennsylvania Bureau of Disability Determination	3/19/2009
A-12-08-18072	Physical Security at the Office of Disability Adjudication and Review's Headquarters Building (Limited Distribution)	3/26/2009
A-77-09-00009	Management Advisory Report: Single Audit of the State of Illinois for the Fiscal Year Ended June 30, 2007	3/26/2009
A-77-09-00010	Management Advisory Report: Single Audit of the State of Maine for the Fiscal Year Ended June 30, 2007	3/26/2009
A-01-08-18023	The Social Security Administration's Listing of Impairments	3/27/2009
A-01-09-29137	Quick Response Evaluation: Impact of State Employee Furloughs on the Social Security Administration's Disability Programs	3/27/2009



**Reports with Questioned Costs**  
October 1, 2008 – March 31, 2009

Audit Number	Issue Date	Report	Dollar Amount
A-15-08-28093	11/4/2008	Individual Volume Representative Payee in Hartford, Connecticut	\$3,965
A-09-08-18007	12/16/2008	Payments to Spouses Eligible for Higher Retirement Benefits	\$123,735,700
A-77-09-00006	2/4/2009	Management Advisory Report: Single Audit of the State of Montana for the 2-Year Period Ended June 30, 2007	\$90,374
A-02-09-29007	2/10/2009	Quick Response Evaluation: Effectiveness of Title XVI Installment Agreements	\$5,053,700
A-77-09-00007	3/19/2009	Single Audit of the Commonwealth of Pennsylvania for the Fiscal Year Ended June 30, 2007	\$1,568,644
A-07-09-19005	3/30/2009	Administrative Costs Claimed by the Utah Disability Determination Services	\$10,528
		<b>TOTAL</b>	<b>\$130,462,911</b>



**Reports with Funds Put to Better Use**  
**October 1, 2008 – March 31, 2009**

Audit Number	Issue Date	Report	Dollar Amount
A-04-08-18066	11/20/2008	Contract with Lockheed Martin Government Services, Inc., for Digital Imaging Services	\$1,615,464
A-09-08-18007	12/16/2008	Payments to Spouses Eligible for Higher Retirement Benefits	\$208,996,900
A-06-08-18092	1/26/2009	Indirect Costs Claimed by the Texas Disability Determination Services	\$9,790,704
A-05-08-18041	3/12/2009	Contract for the Benefit Offset National Demonstration Project with Abt Associates, Incorporated	\$5,300,000
A-01-08-18021	3/31/2009	Fugitive Felons Serving as Representative Payees	\$95,199,833
		<b>TOTAL</b>	<b>\$320,902,901</b>



## APPENDIX C: REPORTING REQUIREMENTS UNDER THE OMNIBUS CONSOLIDATED APPROPRIATIONS ACT OF FY 1997

To meet the requirements of the *Omnibus Consolidated Appropriations Act of 1997*, P.L. 104-208, we are providing requisite data for the first half of FY 2009 from the Offices of Investigations and Audit in this report.

### OFFICE OF INVESTIGATIONS

We are reporting over \$24 million in SSA funds as a result of our investigative activities in this reporting period (10/1/08 – 3/31/09). These funds are broken down in the table below.

Investigative Activities			
	1st Quarter 10/1/08 – 12/31/08	2nd Quarter 1/1/09 – 3/31/09	Total
Court Ordered Restitution	\$5,814,165	\$6,057,189	\$11,871,354
Recoveries	\$5,683,723	\$5,159,791	\$10,843,514
Fines	\$468,642	\$1,035,035	\$1,503,677
Settlements/Judgments	\$433,560	\$289,179	\$722,739
<b>TOTAL</b>	<b>\$12,400,090</b>	<b>\$12,541,194</b>	<b>\$24,941,284</b>

### OFFICE OF AUDIT

SSA management has informed us that it has completed implementing recommendations from 1 audit report during this time period valued at over \$223 million.

#### The Social Security Administration's Income and Resource Verification Process for Individuals Applying for Help with Medicare Prescription Drug Plan Costs (A-06-06-16135, 2/19/2008)

We recommended that SSA ensure its redetermination process identifies and terminates improperly awarded subsidies currently in effect. The implemented value of this recommendation is \$223,594,840.



## APPENDIX D: SIGNIFICANT MANAGEMENT DECISIONS WITH WHICH THE INSPECTOR GENERAL DISAGREES

There are no significant management decisions with which the Inspector General disagrees.



## APPENDIX E: COLLECTIONS FROM INVESTIGATIONS AND AUDITS

The *Omnibus Consolidated Appropriations Act of 1997* (P.L. 104-208) requires us to report additional information concerning actual cumulative collections and offsets achieved as a result of OIG activities each semiannual period.

### OFFICE OF INVESTIGATIONS

Total Restitution Reported by DOJ as Collected for SSA			
FY	Total Number of Individuals Assigned Court Ordered Restitution	Court Ordered Restitution for This Period	Total Restitution Collected by DOJ
2007	655	\$26,435,626	\$898,764 <sup>1</sup>
2008	765	\$22,975,145	\$898,764 <sup>2</sup>
2009 (10/1/08 - 3/31/09)	300	\$11,871,354	See Footnote <sup>2</sup>
TOTAL	1,720	\$61,282,125	\$898,764

<sup>1</sup> Reflects collection for October 1, 2006– June 30, 2007.

<sup>2</sup> DOJ advised it is currently migrating collection data to a new computer system and the data is unavailable at this time. Last available collection data is for the period ending June 30, 2007.

Recovery Actions Based on OI Investigations		
FY	Total Number of Recovery Actions Initiated	Amount for Recovery
2007	2,514	\$44,081,776
2008	1,862	\$40,040,214
2009	476	\$10,843,514
TOTAL	4,852	\$94,965,504



## OFFICE OF AUDIT

The following chart summarizes SSA's responses to our recommendations for the recovery or redirection of questioned and unsupported costs. This information is prepared in coordination with SSA's management officials and was current as of March 31, 2009.

SSA's Responses to OIG's Recommendations Recovery or Redirection of Questioned and Unsupported Costs						
FY	Reports with Questioned Costs	Questioned/Unsupported Costs	Management Concurrence	Amount Collected or to be Recovered	Amount Written-Off/Adjustments	Balance <sup>2</sup>
2007	36	\$1,261,104,045	\$878,975,863	\$506,921,717	\$363,766,409	\$390,415,919
2008	28	\$2,409,411,231	\$437,744,569	\$189,598,744	\$1,922,007,212	\$297,805,275
2009	6	\$130,462,911	\$5,057,665	\$5,053,700	\$0	\$125,409,211
TOTAL	70	\$3,800,978,187	\$1,321,778,097	\$701,574,161 <sup>1</sup>	\$2,285,773,621	\$813,630,405

<sup>1</sup> The amounts in the table regarding collections, recoveries, and write-offs/adjustments were not verified by the OIG.

<sup>2</sup> Balance = Questioned/Unsupported Costs - Amount Collected or to be Recovered - Amount Written-Off/Adjustments



## APPENDIX F: SIGNIFICANT MONETARY RECOMMENDATIONS FROM PRIOR FYs FOR WHICH CORRECTIVE ACTIONS HAVE NOT BEEN COMPLETED

### Controls over Miscellaneous Payments Made Through the Single Payment System (A-09-07-17119, 10/25/2007)

**Results of Review:** Our audit disclosed that SSA's controls to prevent or detect improper or duplicate miscellaneous payments were generally effective. However, SSA needed to improve its controls over the retention of supporting documentation for miscellaneous Single Payment System (SPS) payments and the recording of Social Security numbers for SPS payments issued to non-beneficiaries. Based on our review of a random sample of 275 death underpayments from the population of 327,580 non beneficiaries, we found that SSA

- improperly paid an estimated \$7.3 million to 11,912 non-beneficiaries;
- did not retain adequate supporting documentation for an estimated \$98 million in payments made to 50,030 non-beneficiaries;
- did not obtain or record the Social Security numbers (SSN) for 176,029 (53 percent) of the 332,680 death underpayments issued to non-beneficiaries; and
- paid improper duplicate payments of \$27,480 to 3 individuals.

**Recommendation:** SSA should establish an appropriate control to ensure the SSA-1724 or other written application for a death underpayment is retained.

**Valued at:** \$98,280,016 in questioned costs.

**Agency Response:** SSA agreed with the recommendation.

**Corrective Action:** SSA responded that they will explore appropriate controls to ensure retention of documentation for death underpayments. SSA will also establish appropriate controls as resources permit.

### Improper Payments Resulting from the Annual Earnings Test (AET) (A-09-07-17066, 8/31/2007)

**Results of Review:** Our audit disclosed that SSA did not adjust the benefit payments for all beneficiaries who were subject to AET. Based on a random sample of 250 beneficiaries for Calendar Years 2002 through 2004, we found SSA overpaid \$393,117 to 112 beneficiaries and underpaid \$44,264 to 16 beneficiaries. As a result, we estimate SSA overpaid about \$313 million to 89,300 beneficiaries and underpaid about \$35 million to 12,800 beneficiaries. These payment errors primarily occurred because SSA did not process all records identified by its Earnings Enforcement Operation.

**Recommendation:** SSA should review and process, as appropriate, all Earnings Enforcement Operation selections pending in the Office of Quality Performance since 1996.



**Valued at:** \$348,680,140 in questioned costs.

**Agency Response:** SSA agreed with the recommendation.

**Corrective Action:** SSA responded that accounts for tax year (TY) 2004 are now complete. SSA will continue to work on accounts for tax year 2005 and forward. A sample of TIER II enforcement selections for TYs prior to 2004 have been reviewed. The draft strategy for handling pending TIER II enforcement selections for TYs prior to 2004 continues to be evaluated.

**Supplemental Security Income Recipients Eligible as Disabled Adult Children (DAC) Under the Old-Age, Survivors and Disability Insurance Program (A-13-07-17073, 4/30/2007)**

**Results of Review:** Our objective was to determine whether SSI recipients who previously received OASDI benefits as child beneficiaries were eligible for additional OASDI benefits.

Our analysis of information in SSA's Supplement Security and Master Beneficiary Records found there were SSI recipients who received OASDI benefits as child beneficiaries who appeared to be eligible for additional OASDI benefits. Of the 200 SSI recipients we reviewed, 137 appeared to be DAC cases and eligible for additional OASDI benefits. As such, we estimate about 4,047 of the 5,908 SSI recipients we identified may be eligible for additional OASDI benefits. In 2007, we estimated the OASDI underpayments due was about \$23 million.

**Recommendation:** SSA should determine whether the 5,908 Supplemental Security Income (SSI) recipients are eligible for Old Age Survivors and Disability Income (OASDI) benefits as Disabled Adult Children (DAC) and calculate the OASDI underpayments due the recipients as appropriate.

**Valued at:** \$22,937,603 in funds put to better use.

**Agency Response:** SSA agreed with the recommendation.

**Corrective Action:** SSA responded that its Office of Operations has recently identified a similar workload with much of the same criteria as that used to detect the 5,908 recipients included in this audit. All cases were released to the regions to work. As of December 31, 2007, approximately 30 percent of the cases are complete. Operations continue to work the claims identified as potential DAC cases.

**Significant Monetary Recommendations From Prior Semiannual Report to Congress for Which Recent Corrective Actions Have Been Made**

There are no significant management decisions from the prior semiannual report for which recent corrective actions were made.



## APPENDIX G: SIGNIFICANT NON-MONETARY RECOMMENDATIONS FROM PRIOR FYs FOR WHICH CORRECTIVE ACTIONS HAVE NOT BEEN COMPLETED

### Controls Over Employee Verification Programs (A-03-06-15036, 9/4/2007)

**Results of Review:** We assessed the controls over SSA's employee verification programs. We found that SSA's Social Security Number Verification Service (SSNVS) had adequate access and monitoring controls. However, we found that SSA needed to establish more effective controls over access to its E-Verify programs, and that the Department of Homeland Security (DHS) needed to establish more effective controls over E-Verify. In addition, we determined that feedback responses provided to employers were inconsistent among the verification programs. Finally, we found that both EVS programs and DHS' E-Verify lacked effective controls related to monitoring employers' use of the programs. Because of the vulnerabilities and inconsistencies we found among these programs, SSA's data could be susceptible to unauthorized access as well as inadvertent disclosure of personally identifiable information to unauthorized users.

**Recommendation:** SSA should ensure feedback responses provided to employers for the four verification programs are consistent as it relates to (a) name and SSN matches and (b) death indicator responses.

**Agency Response:** SSA agreed with the recommendation.

**Corrective Action:** SSA responded that its current disclosure policy allows us to share the same data with employers via any SSN verification process. The routine use established for the applicable Privacy Act system of records, the SSN Master File (that is, Numident records), allows information from that system to be disclosed to employers consistent with their wage reporting responsibilities. Feedback response differences between the E-Verify and the various SSN verification processes were established for different purposes; therefore, it may be appropriate to maintain different matching protocols. E-Verify was designed to verify work eligibility status (determined by citizenship status) and is driven by Department of Homeland Security needs. The other programs verify only the SSN, name and date of birth match (and check for death information) for wage reporting; citizenship status is not checked. SSA noted, however, that a future release of the Social Security Number Verification System (SSNVS) will return successful and unsuccessful matches to the user. This brings the functionality of E-Verify and SSNVS in line with each other.

Lastly, the implementation of this recommendation could be affected by the outcomes for several pending developments concerning the E-Verify program, as several States are enacting legislation requiring that employers use E-Verify. Although comprehensive immigration reform legislation did not pass, there are other pending legislative proposals mandating the use of E-Verify. If the legislation is passed, or E-Verify is otherwise implemented, the need for other SSN verification programs for employers may diminish, as all employers will be required to use E-Verify for new hires.



## Significant Non-Monetary Recommendations From Prior Semiannual Report to Congress for Which Recent Corrective Action Has Been Made

### **The Social Security Administration's Incident Response and Reporting System (A-14-07-17070, 8/3/2007)**

**Recommendation:** SSA should align policy, procedures and practices for reporting personally identifiable information (PII) incidents including the Agency's escalation policy to the US-CERT.

**Corrective Action:** SSA responded that they have made changes to ensure that practices and procedures for reporting and escalation of PII incidents align with the US-CERT.

### **Social Security Administration's Management of Information Technology Projects (A-14-07-17099, 7/26/2007)**

**Recommendation:** SSA should implement a Post Implementation Reviews (PIR) process as required by the Office of Management and Budget and, to the extent possible, leverage SSA's current processes.

**Corrective Action:** SSA responded that they have implemented a PIR that defines procedures, provides adequate resources, and assigns individuals who are familiar with the post-implementation process.



## GLOSSARY OF ACRONYMS

Abt	Abt Associates
AC	Appeals Council
ALJ	Administrative Law Judge
BIC-D	National Deceased Payee Project
BOND	Benefit Offset National Demonstration
CDI	Cooperative Disability Investigative
CIGIE	Council of Inspectors General on Integrity and Efficiency
CKEEP	Central Kentucky Economic Empowerment Project
CMP	Civil Monetary Penalty
CNMI	Commonwealth of the Northern Mariana Islands
DC	Double Check Negotiation
DDS	Disability Determination Services
DHS	Department of Homeland Security
DI	Disability Insurance
DMF	Death Master File
DOJ	Department of Justice
DOL	Department of Labor
DUA	Disaster Unemployment Assistance
ECIE	Executive Council on Integrity and Efficiency
EDR	Electronic Death Registration
FI	Financial Institutions
FY	Fiscal Year
ICE	Immigration and Customs Enforcement
IO	Immediate Office
IRS	Internal Revenue Service
IT	Information Technology
LDOL	Louisiana Department of Labor
the Listings	Listing of Impairments



MEF	Master Earnings File
NCC	National Computer Center
NH	Number Holder
OA	Office of Audit
OASDI	Old-Age, Survivors, and Disability Insurance
OCIG	Office of the Counsel to the Inspector General
ODAR	Office of Disability Adjudication and Review
OER	Office of External Relations
OI	Office of Investigations
OIG	Office of the Inspector General
OQAPR	Office of Quality Assurance and Professional Responsibility
OTRM	Office of Technology and Resource Management
PCIE	President's Council on Integrity and Efficiency
PII	Personally Identifiable Information
SAC	Special Agent-in-Charge
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
the Act	Social Security Act
TY	Tax Year
U.S.	United States

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