



SOCIAL SECURITY

MEMORANDUM

Office of the Inspector General

Date: May 30, 2001

Refer To: ICN 31150-23-163

To: Larry G. Massanari
Acting Commissioner
of Social Security

From: Inspector General

Subject: Effectiveness of the Social Security Administration's Special Project Reviews of Supplemental Security Income Recipients (A-09-99-62010)

The attached final report presents the results of our evaluation. Our objective was to assess the effectiveness of the Social Security Administration's special projects in identifying Supplemental Security Income recipients who receive improper or fraudulent payments.

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

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

James G. Huse, Jr.

Attachment

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**EFFECTIVENESS OF THE SOCIAL
SECURITY ADMINISTRATION'S
SPECIAL PROJECT REVIEWS OF
SUPPLEMENTAL SECURITY
INCOME RECIPIENTS**

May 2001

A-09-99-62010

**EVALUATION
REPORT**



Mission

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

Authority

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

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

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

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

Vision

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

Executive Summary

OBJECTIVE

The objective of our evaluation was to assess the effectiveness of the Social Security Administration's (SSA) special projects in identifying Supplemental Security Income (SSI) recipients who receive improper or fraudulent payments.

BACKGROUND

In October 1998, SSA issued a management report entitled, "Management of the Supplemental Security Income Program: Today and in the Future," to present a plan for strengthening the integrity of the SSI program. The plan stated that the redetermination (redet) process is the most powerful tool available to SSA for improving the accuracy of SSI payments. The report disclosed that the process generated savings (collected and prevented overpayments) of \$8 for each \$1 spent. This cost-effectiveness resulted from the use of a process to identify cases likely to contain payment errors. The process weighs the relative risk that various case characteristics will cause payment errors. SSA uses the results to determine both the frequency and the methodology for conducting redets (i.e., mail contact or personal interview). This is done by categorizing the level of risk for each redet as low, medium or high.

In 1998, the New York Regional Anti-Fraud Committee initiated a redet special project to verify the eligibility of SSI recipients in New York State. A concern was that SSI recipients may be residing in foreign countries. SSI eligibility requires that individuals be U.S. residents. Residency under the SSI program requires that recipients intend to be permanent U.S. residents and not be absent from the United States for 30 or more consecutive days.

Initially, the project consisted of foreign-born recipients who had not used Medicaid services for at least 15 months. It was later expanded to include recipients born in the United States who also had not used Medicaid for a 15-month period. The rationale for the project was that SSI recipients who had not used Medicaid services for at least 15 months were at risk of being outside of the United States for extended periods.

In early 1999, a similar project was initiated in the State of California. This special project included all SSI recipients who were at least 78 years old and had not used MediCal (the State's Medicaid program) for over 1 year. The project emphasis was on detecting recipients who might be deceased.

RESULTS OF REVIEW

We concluded that the New York project was effective in identifying SSI recipients who were ineligible due to U.S. absences. However, residency was the only significant type of SSI error identified. Moreover, the problem of U.S. residency was only significant for recipients with specific characteristics, the most significant being foreign-born. Our analysis of the New York project disclosed at least 20.3 percent of the foreign-born recipients had periods of ineligibility because of U.S. absences. In contrast, only 0.2 percent of the U.S.-born recipients reviewed had payment errors caused by U.S. absences.

Overall, these special projects did not focus as effectively as SSA's redet process on cases with errors. We estimated that the error rate for High-Error Profile (HEP) redet cases in Fiscal Year 1999 was 48 percent. The HEP reviews represent cases that, based on identified characteristics related to errors, are the most likely to contain payment errors. The HEP error rate was about twice as high as the average error rates of the New York and California projects.

However, the New York and California projects disclosed that the redet process was not effective in identifying recipients who were ineligible for SSI due to absences from the United States for extended periods. We identified two reasons for this. First, the case characteristics used to identify the level of risk for redets gives little weight to U.S. residency because absence from the United States is not a significant reason for terminating benefits for the SSI population taken as a whole. Second, the redet reviews lack effective procedures for verifying the residency of SSI recipients.

SSI eligibility requires that recipients be present in the United States and that they intend to be permanent residents. The determination of an individual's intent to be a permanent resident can be a difficult decision to make and support. Another administrative problem for SSA is how to monitor the residency status of recipients and enforce the requirement that recipients report any planned absences from the United States of at least 30 consecutive days.

CONCLUSIONS AND RECOMMENDATIONS

The projects in New York and California disclosed that SSA is vulnerable to paying benefits to recipients who are ineligible due to absences from the United States of 30 or more days. However, these errors were only significant for foreign-born recipients. Thus, future projects intending to identify residency errors would be most effective if they focused on foreign-born SSI populations. Other high-risk factors included prior U.S. absences, long periods since prior redets by personal contact, and ease of access to foreign travel. We also believe that SSA should consider other methods to establish and monitor the residency status of claimants and recipients who are at high risk of being absent from the United States for extended periods. We recommend that SSA:

- Integrate high-risk factors related to residency into the redet case selection process. Factors identified as part of the projects include foreign-born status, prior periods of U.S. absences, time lapsed since a redet by personal contact was done, and the ease of access to foreign travel.
- Focus future special initiatives similar to the New York project based on the high-risk factors specified above.
- Expand the use of contracted investigators to visit the residences of claimants or recipients considered at high risk of not satisfying the U.S. residency requirements.
- Use other methods to address residency issues, such as: (1) issuing "come-in" letters that require face-to-face interviews of recipients considered high-risk, (2) requiring high-risk recipients to provide documentation to support their residency status, and (3) requiring photo identification to verify the identity of recipients during redets.
- Develop factors, such as the extent of prior periods of U.S. absences, to assist field offices in establishing the intent of claimants and recipients to be permanent U.S. residents.
- Use penalties against recipients who have patterns of not reporting extended U.S. absences.

AGENCY COMMENTS

SSA generally agreed with our recommendations. The Agency believes, however, that using foreign-born status as one of the high-risk factors would raise constitutional issues and that such a policy probably would not satisfy the resulting judicial scrutiny. SSA's Office of the General Counsel (OGC) added that "non-citizen status" would be a legally supportable classification. The Agency also commented on the lack of a recommendation concerning the key factor being used in its SSI projects, the nonutilization of medical insurance.

OIG RESPONSE

We are encouraged by SSA's commitment to identifying high-risk characteristics and measuring cost effectiveness in the redetermination case selection process. Regarding the use of foreign-born status as the lone risk factor, OGC believes that a policy of "targeting" foreign-born recipients would not be legally supportable; however, a "classification" based on "non-citizen status" would be legally supportable. While we generally agree with this analysis, it misses the point of our audit recommendation.

We are not recommending that SSA treat all foreign-born individuals differently under the SSI program. As the OGC states, such a policy would be impermissible unless it served a compelling governmental interest and was narrowly tailored to further that

interest. Instead, under our audit recommendation, foreign-born status would be one relevant factor, among several factors, indicating a high risk of ineligibility for continuing SSI payments due to a failure to meet SSI residency requirements.

Individuals with ties to a foreign country—here, the fact of their birth—would logically be more likely to leave the country than individuals without such attachment. Nonuse of medical benefits for one year is also relevant, because it may also indicate that an individual has left the country. Finally, residence in an area near easy access to foreign travel also increases the likelihood that the individual has left the country. We are only recommending that SSA use country of birth as one of the indicators of possible improper or fraudulent payments involving recipients who may be ineligible due to U.S. absences.

We were unable to assess the effectiveness of using nonutilization of medical insurance as a selection factor. The reason was that there was no control group of recipients who had used their medical insurance for comparison purposes. However, we were able to conclude the HEP redeterminations were significantly more effective than the special projects. SSA needs to consider this when allocating resources to its SSI redetermination efforts.

We also believe that SSA needs to consider the methods suggested in recommendations 3 and 4 as procedures that can be used by field offices to supplement, not replace other redetermination processes. These are tools that could assist field staff in developing suspicious cases.

SSA also provided technical comments that we considered and incorporated, where appropriate. The full text of SSA's comments is included in Appendix A.

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Acronyms

FO	Field Office
FY	Fiscal Year
HEP	High-Error Profile
OIG	Office of the Inspector General
OQA	Office of Quality Assurance and Performance Assessment
RAFC	Regional Anti-Fraud Committee
SSA	Social Security Administration
SSI	Supplemental Security Income

Introduction

OBJECTIVE

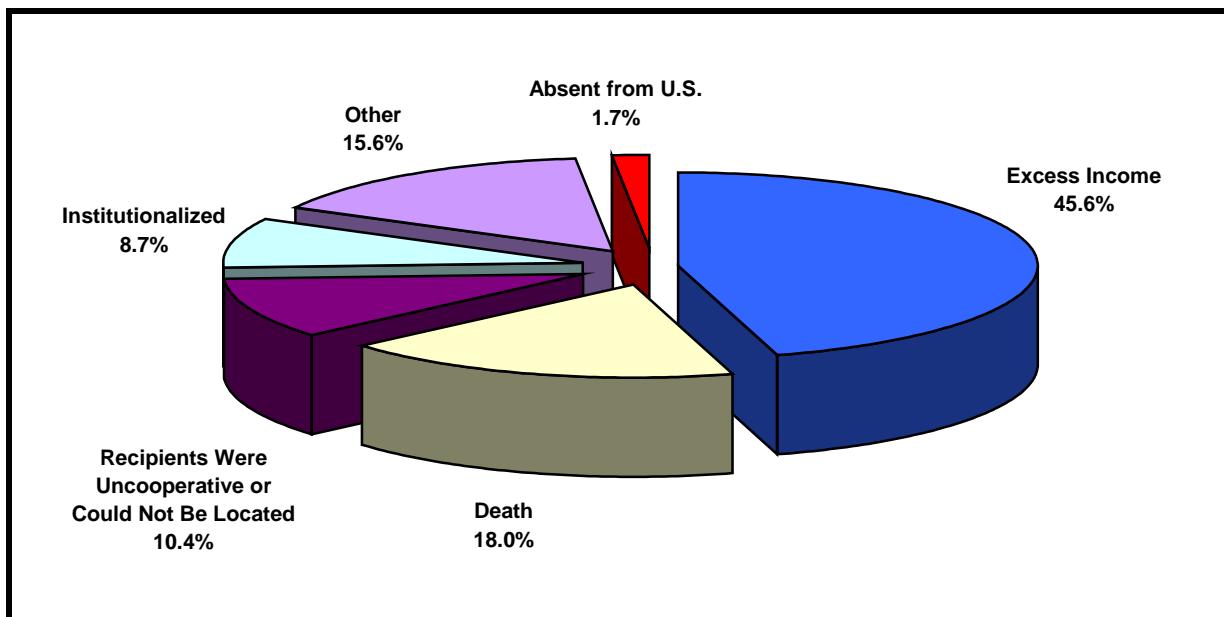
The objective of our evaluation was to assess the effectiveness of the Social Security Administration's (SSA) special projects in identifying Supplemental Security Income (SSI) recipients who receive improper or fraudulent payments.

BACKGROUND

The SSI program has provided cash assistance to financially needy individuals who are aged, blind or disabled since 1974. The program paid benefits totaling about \$28.1 billion to 6.6 million recipients during the Fiscal Year (FY) ended September 30, 1999.¹ SSA recognizes that the program is vulnerable to payment errors because of its administrative complexities and the requirement that SSA: (1) monitor changes in recipients' living arrangements, income, and resources; and (2) adjust benefit amounts accordingly.

SSA estimated that it processed 1.1 million SSI payment suspension actions during FY 1998. Figure 1 shows the frequency of payment suspensions by the most common reasons.

Figure 1. Reasons for Suspension of SSI Payments



¹ Social Security Accountability Report for Fiscal Year 1999, pages vi and vii.

Management Action Plan

In October 1998, SSA issued a report entitled, "Management of the Supplemental Security Income Program: Today and in the Future." The report discussed various initiatives to strengthen the integrity of the SSI program. It categorized the initiatives as payment accuracy, continuing disability reviews, program fraud, and debt collection. The report identified the redetermination (redet) process as the most powerful tool for improving payment accuracy. The report also discussed anti-fraud initiatives involving residency, disability, and fugitive felon projects.

The report stated that SSA realized savings of \$8 for each \$1 spent for redets. The redets are cost-effective because SSA identifies and selects cases that are most likely to contain payment errors. The redet process weighs the risk of payment error based on individual case characteristics. The data used to develop the risk factors is derived from a random sample of SSI recipients, called the Change Rate Study. Depending on the risk of error (low, middle or high), SSA determines the frequency and methodology for conducting the redets. For example, high-risk cases are subject to more frequent redets and require personal contact with the recipient, whereas low-risk cases are reviewed less frequently and are by mail. For FY 1999, SSA conducted 2.1 million redets, including 0.5 million High-Error Profile (HEP), or high-risk cases.

One of the anti-fraud initiatives discussed in the report involved identifying recipients who were not U.S. residents. The initiative used contracted investigators at border sites in California, New Mexico, and Texas to verify residency. Investigations were done for cases that field office (FO) staff determined to be suspect, generally because of suspicious addresses or prior periods of nonresidency.

The management plan also discussed the Office of the Inspector General's (OIG) residency verification project performed in El Paso, Texas. In November 1996, OIG sent mailers to 2,089 SSI recipients living near the U.S.-Mexico border requiring that they provide documentary proof of U.S. residency. Review of the recipients' responses resulted in 580 investigations due to inadequate supporting records, no responses, or questionable addresses. Those investigations resulted in 153 suspensions, or investigation of 26.4 percent of the cases. OIG's analysis of the suspended cases identified such common characteristics as long time lapses since their prior face-to-face redets, citizenship status, and suspicious addresses.²

Special Projects

In 1998, the Regional Anti-Fraud Committee (RAFC) in New York, including SSA regional and OIG staff, initiated a project primarily to address residency errors. SSA based the project on a listing of 10,175 foreign-born SSI recipients who resided in New York State and had not used Medicaid services for the 15-month period ended October 1998. The rationale was that the failure of recipients to use medical assistance

² SSA/OIG report, "Southwest Tactical Operations Plan: Investigative Results," A-06-97-22008, issued March 31, 1998.

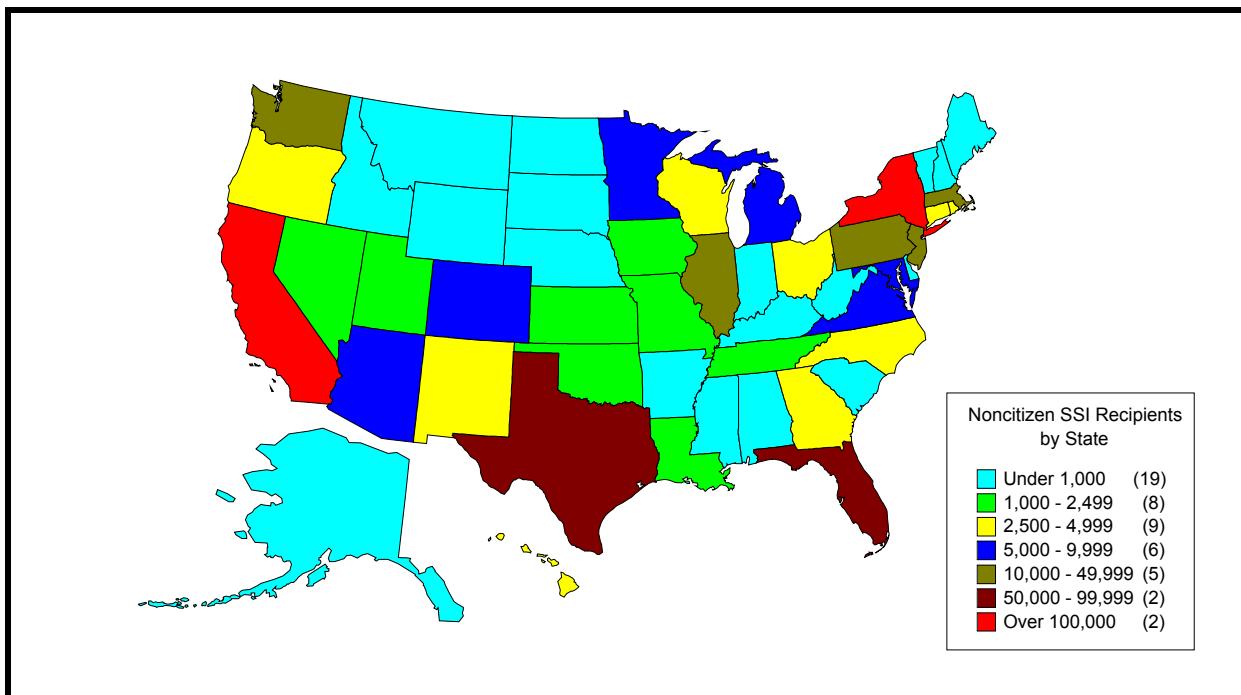
for a long period might indicate U.S. absences. SSA was also concerned that recipients may be deceased or may be individuals with fictitious identities. SSA subsequently expanded the project to include 18,679 U.S.-born recipients who also had not used Medicaid services for the 15-month period ended March 31, 1999.

Since this project focused on residency errors, SSA expanded the redet procedures to include special steps to detect U.S. absences. Specifically, FOs were instructed to: (1) conduct face-to-face interviews with the recipient; (2) review photo identification to verify the identity of the recipient; (3) review and copy the recipient's passport, air tickets, and related credit receipts; and (4) administer a questionnaire about absences from the country.

In 1999, SSA initiated a similar project in the State of California. This project included 11,351 SSI recipients who were at least 78 years old and had not used MediCal (the State's Medicaid program) for at least 1 year. The selected cases included both foreign and U.S.-born recipients.

New York and California have larger foreign-born SSI populations than any other State. As of December 1998, SSA estimated there were 107,860 and 260,770 non-U.S. citizens receiving SSI benefits in New York and California, respectively. Both States are major U.S. points of entry for international travel while California, in addition, shares a land border with Mexico. According to SSA statistics, New York and California accounted for about 55 percent of the entire U.S. noncitizen population receiving SSI as of December 1998. Conversely, there were 19 States with less than 1,000 noncitizens receiving SSI benefits. Figure 2 shows the distribution of noncitizen SSI recipients among the States.

Figure 2. Distribution of Noncitizens Receiving SSI



Residency Determinations

One SSI eligibility requirement is an individual's intent to maintain permanent U.S. residency. Residency ends when a recipient leaves the United States and does not intend to return or abandons U.S. residency status. In addition, recipients are required to be present in the United States, and absences of 30 consecutive days or a full month result in loss of benefits regardless of intent until after the individuals' return for at least 30 consecutive days. On the other hand, returning to the United States for 30 consecutive days should not reestablish eligibility if the recipient does not intend to maintain permanent U.S. residence. SSI recipients are required to report to SSA any planned absences from the United States of 30 days or more. These reporting requirements are explained to recipients at the time the initial claim is filed and during redets.

In February 1998, SSA issued instructions to clarify the distinction between nonresidency and absences from the United States of at least 30 days.³ The instructions briefly discuss how to develop each situation. They also cite examples of questionable circumstances that require additional questions of the recipient and explain when to obtain supporting documentation of residency or collaborating statements from third parties.⁴

³ SSA Program Circular No. 01-98-OPBP.

⁴ SSA's Program Operations Manual System, section GN 00303.740.

SCOPE AND METHODOLOGY

To accomplish our objective we:

- reviewed data from the FY 1997 Change Rate Study;
- analyzed case data from the residency projects performed in New York and California to develop error rates and identify the causes for errors;
- followed up with cases in New York that involved recipients whose benefits were suspended to determine if their benefits were later reinstated or terminated;
- reviewed reports issued by SSA's regional offices in Dallas, Texas, and Richmond, California, on residency initiatives performed in those two States;
- discussed procedural guidelines related to the development of residency determinations with SSA staff from Baltimore, Maryland, and Richmond, California; and
- analyzed the data obtained by the Office of Quality Assurance and Performance Assessment (OQA) during its sample review of HEP cases included in the FY 1999 Change Rate Study.

We analyzed the error cases, especially for the New York project, to identify case characteristics, reasons for the errors, and their frequency and impact. We were primarily concerned with cases that SSA had categorized with errors when benefits were either still being paid or had been suspended because the recipients were nonresponsive or could not be located. We followed up on cases to determine how SSA resolved the cases and if an error actually occurred.

We conducted field work in Baltimore, Maryland; Dallas, Texas; Richmond, California; and New York, New York. The entity reviewed was the Office of Program Benefits within the Office of the Deputy Commissioner for Disability and Income Security Programs. We performed our review from June 1999 to April 2000 in accordance with the *Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency*.

Results of Review

The special projects involving SSI recipients who did not use Medicaid disclosed that SSA had not detected a significant number of recipients who were ineligible during periods of absence from the United States. However, the special projects identified an overall error rate that was about half the rate estimated for the HEP redet process. There were high-risk factors related with these errors, primarily foreign-born status. Also, the projects determined that payment errors associated with nonresidency tended to be large dollar amounts.

HEP Redetermination Process

The management plan for the SSI program states that redets are the most powerful tool for improving SSI payment accuracy. Redets are post-entitlement reviews to verify the continuing eligibility of recipients. The selection of HEP cases identifies recipients who are most likely to have SSI payment errors.

OQA is the SSA component that selects random samples (called Change Rate Studies) of SSI recipients to identify high-risk factors for HEP redets. For FY 1999, OQA identified 776 cases from a stratified random sample of 9,558 post-entitlement cases that were categorized as HEP cases. The 776 cases were reported in the "*Fiscal Year 1999 Supplemental Security Income Redeterminations Change Rate Study*," issued in draft on December 20, 1999. The redet reviews performed for those cases resulted in an error rate of 48 percent and retroactive overpayments that averaged \$588 per case reviewed. SSA conducted about 503,000 HEP reviews in FY 1999. Using the OQA data, we estimated retroactive overpayments related to the FY 1999 HEP cases totaled \$295,949,300.⁵

Special Projects

SSA initiated redet projects to identify ineligible SSI recipients based on their failure to use Medicaid services for extended periods. The rationale was that financially needy individuals who are aged or disabled are likely to use Medicaid services on a regular basis. Thus, SSI recipients who have not used Medicaid for long periods may have left the United States or died. The first project in New York focused on foreign-born recipients and was expanded to U.S.-born recipients. Similar projects were started later in California and New Jersey. In addition, SSA is planning to expand the initiative to other State and local governments.

⁵ We are 90 percent confident that the actual overpayment amount was between \$234,771,122 and \$357,127,478.

Summary of Error Analysis

We found that HEP redets were the most effective in identifying payment errors. Among the special projects, the New York project involving foreign-born recipients was significantly more effective than the others. The foreign-born recipients had error rates and average overpayments that were significantly higher than the other projects. The special projects involving U.S.-born recipients, however, resulted in error rates that were actually less than the error rate detected from a random sample of recipients, the 1997 Change Rate Study. Table 1 provides a comparison of the error rates and average overpayments for the various redet projects.

Table 1. Comparison of Error Rates and Average Overpayments

Project	Total Reviews ⁶	Number of Errors	Error Rate	Average Overpayment
New York				
▪ Foreign-Born	8,991	3,653	40.6%	\$711
▪ U.S.-Born	14,825	2,491	16.8%	\$212
Total	23,816	6,144	25.8%	\$401
California				
▪ Foreign-Born	4,835	1,089	22.5%	\$405
▪ U.S.-Born	3,990	652	16.3%	\$288
Total	8,825	1,741	19.7%	\$352
HEP Sample⁷	776	373	48.1%	\$588
1997 Change Rate Study	9,460	1,694	17.9%	\$178

⁶ In addition to completed HEP redets, total reviews include situations in which recipients were outside the United States, could not be located, did not cooperate during the redet process, or were deceased.

⁷ The HEP error rate and average overpayment are estimates based on the sample of 776 HEP reviews included in OQA's FY 1999 Change Rate Study. We limited our review to retroactive overpayments to calculate an error rate comparable with the special projects.

NEW YORK PROJECT

The RAFC, including SSA regional and OIG staff, initiated a special redet project in New York State to assess the eligibility status of SSI recipients who had not used Medicaid services for at least 15 months. SSA focused first on foreign-born recipients and then on U.S.-born recipients. All of the error cases were referred to OIG for possible investigation.

Foreign-Born Recipients

SSA conducted special redet reviews for 8,991 foreign-born SSI recipients from New York State. The intent was to review recipients who were in current pay and had not used Medicaid services over the 15-month period August 1997 through October 1998. The State had indicated that the listing of recipients represented noncitizen residents. However, some 32.5 percent of the individuals reviewed were naturalized citizens. Specifically, the reviews consisted of 6,070 noncitizens (i.e., legally admitted residents) and 2,921 naturalized citizens.

SSA completed reviews on these recipients during the period November 1998 through June 1999. In addition, the following special procedures were performed at FOs to ensure that SSA staff interviewed the actual recipients and to improve the detection of individuals with unreported U.S. absences:

- redets were performed face-to-face with the recipients;
- each recipient's photo identification was reviewed;
- a questionnaire about absences from the United States was completed;
- passports were requested and photocopied; and
- airline tickets and related credit card receipts were reviewed.

The reviews of foreign-born recipients included a significantly higher percentage of recipients age 65 and over than the percentage in the total SSI population. The breakdown was as follows:

- Aged - 72 percent
- Disabled - 27 percent
- Blind - 1 percent

The breakdown for the SSI population of 6.6 million recipients in December 1998 was 20.3 percent aged, 78.5 percent disabled, and 1.2 percent blind.

U.S.-Born Recipients

SSA subsequently reviewed 15,914 U.S.-born SSI recipients who were in current pay and had not used Medicaid over the 15-month period January 1998 through March 1999. Our analysis of the reviews used a data base that included results recorded through October 31, 1999. At that time, some 14,825 reviews had been completed.

SSA completed reviews on these recipients during the period June through December 1999. The special procedures used on the foreign-born population were also used in the review of these recipients. The demographic results of the U.S.-born recipients were similar to that of the entire SSI population. The breakdown was as follows:

- Aged - 21 percent
- Disabled - 78 percent
- Blind - 1 percent

Project Results

SSA reported the results of the New York project based on the status of recipients' benefits after the reviews were completed. A summary of the errors that were reported is categorized below.

Table 2. Types of Errors Reported for the New York Project

Type of Error	New York Foreign-Born		New York U.S.-Born	
	Number of Errors	Percent of Reviews	Number of Errors	Percent of Reviews
Current Pay⁸	1,038	11.5%	792	5.3%
Absence from U.S.	880	9.8% ⁹	88	0.6%
Uncooperative	677	7.5%	496	3.3%
Address Unknown	664	7.4%	370	2.5%
Excess Resources	161	1.8%	210	1.4%
Deceased Recipient	85	0.9%	123	0.8%
Excess Income	71	0.8%	212	1.4%
Other	77	0.9%	200	1.3%
Total	3,653	40.6%	2,491	16.8%
Total Reviews		8,991		14,825

OIG Analysis of Errors

We performed supplemental analyses to more accurately determine the causes of the errors. Our primary focus was on the reviews of foreign-born recipients because the error rate was more than double the rate for U.S.-born recipients. Our analysis showed that 20.3 percent of the foreign-born recipients were overpaid because of U.S. absences.¹⁰ In contrast, only 0.2 percent of the U.S.-born recipients were overpaid because of absences.¹¹

⁸ These cases represent recipients who had an overpayment as a result of the redetermination but continued to be eligible for benefits.

⁹ We noted that for 8,110 foreign-born recipients reported as noncitizens and naturalized citizens, the error rates were 11.9 and 8.3 percent, respectively. Despite the difference, both rates were significantly higher than the 0.6 percent reported for U.S.-born recipients.

¹⁰ We determined that 1,829 foreign-born recipients were absent from the United States for 30 or more days. Included are 880 recipients who were in nonpay status because they were outside the United States at the time of the review and 949 recipients who had prior unreported U.S. absences.

¹¹ There were 109 U.S.-born recipients who had an absence from the United States of at least 30 days. However, we excluded 75 recipients, of whom 16 were actually born outside the United States and 59 were born in Puerto Rico. We believe the recipients born in Puerto Rico should be excluded from the U.S.-born population. Like others who live outside United States, individuals who live in Puerto Rico are not entitled to SSI benefits. Therefore, these recipients should more appropriately be included in the foreign-born population.

The project was also expected to identify unreported recipient deaths. There were 85 deaths reported for foreign-born recipients. Our analysis, however, disclosed that 55 of those deaths were identified by other means. Also, there was fraud potential for 9 of the remaining 30 deaths based on our determination that benefits issued after the month of death were negotiated. Our analysis of U.S.-born recipients had similar results in that 110 of the 123 reported deaths were detected by other means. Ten of the remaining 13 deaths involved cases with potential fraud. In total, the New York project identified 19 deceased recipients (or 0.08 percent of the 23,816 cases reviewed) with potential fraud.

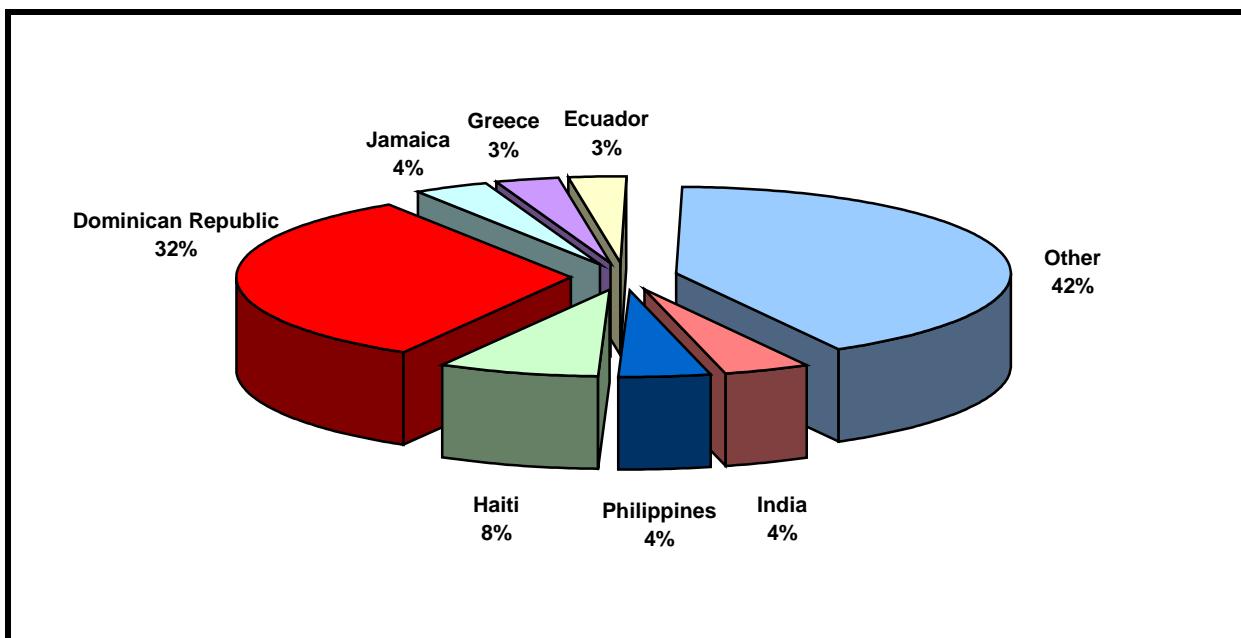
We also followed up to determine how SSA resolved 1,341 cases involving foreign-born recipients whose benefits were stopped because they either could not be located or did not cooperate during the redet process. Our analysis showed that SSA had not done redets for 660 (49.2 percent) of these individuals. Rather, these recipients either had their eligibility terminated because they were in a nonpay status for 1 year (464 recipients) or they were still in nonpay status (196 recipients). Thus, SSA did not develop these cases for possible payment errors.

Characteristics of Foreign-Born Recipients with U.S. Absences

We have four observations about the foreign-born recipients who were ineligible for SSI during U.S. absences.¹² First, as shown in the following diagram, 7 countries accounted for 58 percent of the foreign visits.

¹² This supplemental analysis was limited to 1,522 of the 1,829 recipients who had a period of absence from the United States of at least 30 days. This was done because some information, such as the country visited, was not available on the New York data base for the other 307 recipients who were outside the United States for 30 days or more.

Figure 3. Countries Visited by New York Foreign-Born SSI Recipients



Second, 89.6 percent of the recipients were at least 65 years old. Third, according to SSA's analysis of the entire foreign-born population, there had been long time lapses since the recipients' last face-to-face redets. Face-to-face redets had not been performed for 57 percent of these recipients in over 4 years. In addition, 32 percent of the recipients did not have any type of redet in over 4 years.

Fourth, 70.4 percent of the overpayments were established because of U.S. absences. The average overpayment recorded for these recipients was 233 percent higher than the average overpayment established for the other foreign-born recipients with errors.¹³ The large dollar overpayments in these cases resulted from the length of time the recipients were ineligible. Some recipients were absent from the United States for several years or had several absences which totaled years. SSA continued to pay benefits because the absences were neither reported nor detected.

Example

A claimant applied for SSI benefits as a resident of New York State in April 1992 and began receiving payments the following month. The New York redet project disclosed that the recipient traveled to the Dominican Republic (his place of birth) in August 1992, 1 month after SSA performed a face-to-face redet (and explained to him the SSI reporting responsibilities). The recipient was absent from the United States from August 1992 to March 1998, reportedly residing in the Dominican Republic during that period.

¹³ The average overpayment of \$2,959 for the 1,522 recipients is 233 percent higher than the average \$889 overpayment established for the other 2,131 recipients with errors.

After returning to the United States for 1 month in March 1998, the recipient again traveled to the Dominican Republic in April 1998 and reportedly lived there until he returned to the United States in January 1999. It was apparent from the timing that the recipient returned to the United States in response to SSA's letter requiring a face-to-face redet as part of the New York project. Both absences from the United States were not reported to SSA, even though he was informed of the reporting responsibilities on at least three occasions. The recipient continuously received SSI benefits for 6 years and 9 months while he was living outside the U.S. for all but 5 months. As a result, the recipient was overpaid \$28,243.

The recipient has since reestablished eligibility and is receiving benefits. SSA is applying the maximum allowable reduction of 10 percent of the SSI payment (current reduction is \$52.30 per month) to recover the overpayment. However, even assuming the 80-year old recipient remains eligible, full recovery would take about 45 years.

CALIFORNIA PROJECT

SSA Region IX initiated a redet project in California similar to the New York project. SSA identified 10,701 recipients who were age 78 and older and had not used Medicaid services for at least 1 year. SSA conducted reviews of these recipients starting in August 1999 and, as of April 2000, the project was about 98 percent complete. The following special procedures were adopted from the New York project to ensure that SSA staff interviewed the recipient in question:

- redets were performed in person rather than by telephone; and
- each recipient's identification was reviewed.

However, FO staff was not required to complete the residency questionnaire that was used in New York or ask for passports and related credit card receipts as was done in New York.

This project did not separately identify foreign and U.S.-born recipients. We analyzed the project to determine if there were any significant problems unique to one population, such as those found in the New York project. Our analysis of the project was limited to the 8,825 recipients who were reviewed through December 30, 1999, or 82.5 percent of the 10,701 recipients included in the review. The 8,825 recipients included 4,835 foreign-born (55 percent) and 3,990 U.S.-born (45 percent) individuals. The foreign-born recipients included 1,775 naturalized citizens (37 percent) and 3,060 noncitizens (63 percent).

Project Results

The results reported below for the California project are based on the status of the recipients' eligibility after the reviews were completed. The following table shows a distribution by types of errors.

Table 3. Types of Errors Reported for the California Project

Type of Error	California Foreign-Born		California U.S.-Born	
	Number of Errors	Percent of Reviews	Number of Errors	Percent of Reviews
Current Pay¹⁴	297	6.1%	166	4.2%
Absence from U.S.	295	6.1%	18	0.5%
Uncooperative	120	2.5%	91	2.3%
Address Unknown	205	4.2%	111	2.8%
Excess Resources	45	0.9%	116	2.9%
Deceased Recipient	61	1.3%	58	1.5%
Excess Income	34	0.7%	63	1.6%
Other	32	0.7%	29	0.7%
Total	1,089	22.5%	652	16.3%
Total Reviews		4,835		3,990

OIG Analysis of Errors

The results for the California project were similar to New York, except that the error rate for the foreign-born population was significantly less than the rate detected in New York. Nonetheless, unreported absences from the U.S. accounted for 33.4 percent of the errors and 57 percent of the overpayments in the foreign-born population.¹⁵

The California project was also expected to identify unreported recipient deaths. However, our analysis disclosed that, at most, the project identified deaths for 0.44 percent of the recipients reviewed.¹⁶ Nonetheless, the project disclosed several cases involving significant amounts of benefits paid and fraudulently negotiated by third parties after beneficiaries' deaths. These cases were referred to OIG for investigation.

¹⁴ These cases represent recipients who had an overpayment as a result of the redet but continued to be eligible for benefits. We did not determine the cause of the overpayments.

¹⁵ There were 364 absences, consisting of 295 recipients who were outside the United States at the time of the reviews and another 69 who, during the project's redets, were found to have prior unreported absences.

¹⁶ Only 39 of 123 deaths reported for the project actually resulted from the review. Of those, we verified that 22 deaths were detected by the project and 17 may have been.

Example

A recipient receiving both SSI and Social Security retirement benefits died in August 1988. Nevertheless, SSA continued to send benefit checks to the address of record until January 2000, when a California project review discovered the recipient was deceased. The FO found that the recipient's son, now age 75, had been receiving and cashing the recipient's benefit checks. The amount of funds illegally obtained totaled \$83,686. This case was referred to OIG for investigation.

The special procedures implemented for the California project, specifically requiring a face-to-face redet and requiring positive identification, resulted in the discovery of this fraudulent activity. It should be significantly noted that two redets conducted after 1988 did not detect this recipient's death. One redet was done in April 1991 by mail and another redet in August 1995 by telephone.

U.S. Absences by Foreign-Born Recipients

The project disclosed that 364 of the 4,835 foreign-born recipients reviewed (7.5 percent) were overpaid because of U.S. absences.¹⁷ For the U.S.-born recipients, only 20 of the 3,990 (0.5 percent) recipients reviewed were determined to have been absent from the United States for at least 30 days.¹⁸

There were at least three likely factors that resulted in a lower residency error rate for foreign-born recipients in California than in New York. First, the methodology used for the California project did not focus as strongly on the residency issue as New York. Second, there is a high volume of border crossings and few regulatory burdens on U.S. citizens and residents in crossing into and out of Mexico. Thus, it would be simpler for a recipient who resides in Mexico or in other Latin American countries to appear for a redet in California than for an individual returning to New York for a redet from a foreign country. Third, recipients—age 78 and older—are probably less mobile and less likely to travel than younger recipients. Nonetheless, U.S. absences were the most significant cause for errors. The following example illustrates SSA's vulnerability to overpaying SSI benefits while recipients are absent from the United States for extended periods of time.

Example

A husband and wife, age 88 and 86, were receiving SSI benefits based on an application filed in August 1991. SSA conducted only two redets, one in February 1992 and the other in October 1993. The California project resulted in a requested

¹⁷ There were 295 recipients whose benefits were stopped because they were outside the United States at the time of the review and another 69 recipients with overpayments as a result of a prior unreported absence.

¹⁸ There were 18 recipients whose benefits were stopped because they were outside the United States at the time of the review and another 2 with overpayments as a result of a prior unreported absence.

face-to-face redet in September 1999, but the couple failed to come into the FO. The office supervisor attempted to contact the couple, using the telephone number reported on their SSI records. This number connected the supervisor to a board and care home in which the couple had lived. The current operator of the home stated that the couple traveled to the Philippines prior to September 1995, the month she became the home's operator.

However, SSI benefits were paid to this couple, by direct deposit into a bank account, for the period August 1991 through September 1999, the month SSA discovered the couple's absence from the United States. SSA reported that this absence resulted in an overpayment of \$47,417. As of April 2000, this couple was still not receiving benefits because of absence from the United States and none of the overpayment had been recovered.

RESIDENCY DETERMINATIONS

SSA has recognized U.S. residency determinations as a SSI program fraud initiative, particularly for States that border Mexico. In February 1996, SSA contracted with a private vendor to conduct home visit residency verifications for suspect cases referred by the Chula Vista District Office. Located near the California border with Mexico, this office had received complaints about recipients who allegedly resided in Mexico. We issued an audit report disclosing that the preliminary results from contracted home visits were that 110 of 233 recipients reviewed (47.2 percent) either were living outside of the United States or could not be located and their payments were suspended.¹⁹ The initiative was later expanded to other offices in southern California and Texas.

OIG initiated another residency project in November 1996. Mailers were sent to all SSI recipients reported as residing in El Paso, Texas, near the border with Mexico. The recipients were required to verify their residences and provide supporting documentation such as tax payment records, utility bills, leases, or rent payment records. We investigated 580 of the 2,089 recipients included in this review because they either did not respond or did not provide sufficient evidence to support their U.S. residency. The result was that SSA suspended SSI payments to 153 of the 580 recipients investigated (26.4 percent).²⁰ As noted in our report on residency verifications, FOs need the means to verify residency for recipients with suspicious addresses and prior periods of absence from the United States, to prevent benefits from being paid to individuals during periods of ineligibility.

In reviewing the New York and California projects, we found that FOs relied on the "physical presence" and "30 consecutive day" rules when deciding whether a recipient was an eligible U.S. resident. SSA identified prior absences for many recipients during the redets conducted during the special projects but, because the recipients had

¹⁹ SSA/OIG report, "*The Adequacy of the Residency Verification Process for the Supplemental Security Income Program*," A-06-96-62001, issued May 1997.

²⁰ SSA/OIG report, "*Southwest Tactical Operations Plan: Investigative Results*," A-06-97-22008, issued March 1998.

returned to the United States for at least 30 days, benefits were continued. Other recipients had their benefits stopped because of absences, but again started receiving benefits beginning 30 days after they returned to the United States, even though they had lived for years in foreign countries.

Example

A SSI recipient, who received benefits since 1984, was placed in a nonpay status in March 1999 because she did not respond to FO efforts to conduct a redet as part of the New York project. This recipient eventually contacted SSA and a redet was conducted in February 2000. The redet disclosed that the recipient had traveled to the Dominican Republic seven times since 1990.

The seven absences from the United States consisted of 79 of the 109 months (72.5 percent) from November 1990 to November 1999. Four of the absences were during the winter months and the last absence lasted 39 months. The timing is such that it is likely the recipient returned to the United States because of a required face-to-face redet. We also noted that a prior redet, done in February 1998, was completed by mail and did not disclose an absence from the United States even though the recipient, at that time, was living in the Dominican Republic.

The recipient did not report any of the seven absences to SSA, even though she was informed of the reporting responsibilities on at least five occasions. SSA had not conducted a face-to-face redet on this recipient since December 1988, a lapse of over 11 years. The prior two redets were conducted by mail because SSA's selection process categorized this recipient as a low-risk case.

The recipient continuously received SSI benefits during the U.S. absences. As a result, she was overpaid \$27,219. The recipient reestablished eligibility during the special redet in February 2000 (based on physical presence in the United States for 30 days) and is again receiving SSI payments. To recover the overpayment, SSA is applying the maximum allowable reduction of 10 percent of the SSI payment (current reduction is \$59.90 per month). However, at the current rate, full recovery from the 82-year old recipient will take over 37 years.

Conclusions and Recommendations

The special projects conducted in New York and California were not as effective in identifying benefit errors as the redet process used by SSA to review on-going SSI eligibility. Nonetheless, the project in New York disclosed that the redet process was not effective in identifying unreported U.S. absences. These absences can remain undetected for extended periods of time and result in large overpayments. The projects, especially New York, also disclosed that the issue of absence from the United States was a problem that almost exclusively involved foreign-born SSI recipients. This is the key demographic factor that SSA should consider in planning similar projects in the future. Other high-risk factors included prior U.S. absences, long time lapses since prior face-to-face redets, and recipients age 65 and over.

We also noted that SSA has used other methods to assist FOs in establishing and monitoring the residency status of claimants and recipients determined to be at high risk. Such methods should be considered both as preventive procedures at the time of application and as monitoring procedures after entitlement to prevent paying SSI benefits to recipients absent from the United States for extended periods. Therefore, we recommend that SSA:

1. Integrate high-risk factors related to residency into the redet case selection process. Factors identified as part of the projects include foreign-born status, prior periods of U.S. absences, time lapsed since a redet by personal contact was done, and the ease of access to foreign travel.
2. Focus future special initiatives similar to the New York project based on the high-risk factors specified above.
3. Expand the use of contracted investigators to visit the residences of claimants or recipients considered at high risk of not satisfying the U.S. residency requirements.
4. Use other methods to address residency issues, such as: (1) issuing "come-in" letters that require face-to-face interviews of recipients considered high-risk, (2) requiring high-risk recipients to provide documentation to support their residency status, and (3) requiring photo identification to verify the identity of recipients during redets.
5. Develop factors, such as the extent of prior periods of U.S. absences, to assist FOs in establishing the intent of claimants and recipients to be permanent U.S. residents.
6. Use penalties against recipients who have patterns of not reporting extended U.S. absences.

AGENCY COMMENTS

SSA generally agreed with our recommendations. The Agency believes, however, that using foreign-born status as one of the high-risk factors would raise constitutional issues and that such a policy probably would not satisfy the resulting judicial scrutiny. SSA's OGC added that "non-citizen status" would be a legally supportable classification. The Agency also commented on the lack of a recommendation concerning the key factor being used in its SSI projects, the nonutilization of medical insurance.

OIG RESPONSE

We are encouraged by SSA's commitment to identifying high-risk characteristics and measuring cost effectiveness in the redetermination case selection process. Regarding the use of foreign-born status as the lone risk factor, OGC believes that a policy of "targeting" foreign-born recipients would not be legally supportable; however, a "classification" based on "non-citizen status" would be legally supportable. While we generally agree with this analysis, it misses the point of our audit recommendation.

We are not recommending that SSA treat all foreign-born individuals differently under the SSI program. As the OGC states, such a policy would be impermissible unless it served a compelling governmental interest and was narrowly tailored to further that interest. Instead, under our audit recommendation, foreign-born status would be one relevant factor, among several factors, indicating a high risk of ineligibility for continuing SSI payments due to a failure to meet SSI residency requirements.

Individuals with ties to a foreign country – here, the fact of their birth – would logically be more likely to leave the country than individuals without such attachment. Nonuse of medical benefits for one year is also relevant, because it may also indicate that an individual has left the country. Finally, residence in an area near easy access to foreign travel also increases the likelihood that the individual has left the country. We are only recommending that SSA use country of birth as one of the indicators of possible improper or fraudulent payments involving recipients who may be ineligible due to U.S. absences.

We were unable to assess the effectiveness of using nonutilization of medical insurance as a selection factor. The reason was that there was no control group of recipients who had used their medical insurance for comparison purposes. However, we were able to conclude the HEP redeterminations were significantly more effective than the special projects. SSA needs to consider this when allocating resources to its SSI redetermination efforts.

We also believe that SSA needs to consider the methods suggested in recommendations 3 and 4 as procedures that can be used by field offices to supplement, not replace other redetermination processes. These are tools that could assist field staff in developing suspicious cases.

SSA also provided technical comments that we considered and incorporated, where appropriate. The full text of SSA's comments is included in Appendix A.

Appendices

Appendix A

Agency Comments



SOCIAL SECURITY

MEMORANDUM

March 22, 2001

Refer To: SJ1-3

To: James G. Huse, Jr.
Inspector General

William A. Halter *WAH*
Acting Commissioner of Social Security

Subject: Office of the Inspector General (OIG) Draft Report, "Effectiveness of the Social Security Administration's Special Project Reviews of Supplemental Security Income Recipients" (A-09-99-62010)—INFORMATION

Our comments to the subject report are attached. Staff questions may be directed to Odessa J. Woods at extension 50378.

Attachment:
SSA Response

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "EFFECTIVENESS OF THE SOCIAL SECURITY ADMINISTRATION'S (SSA) SPECIAL PROJECT REVIEWS OF SUPPLEMENTAL SECURITY INCOME RECIPIENTS" (A-09-99-62010)

We appreciate the opportunity to comment on the draft report. Following are our comments on the recommendations.

Recommendation 1

Integrate high-risk factors related to residency into the redetermination case selection process. Factors identified as part of the projects include foreign-born status,* prior periods of U.S. absences, time lapsed since a redetermination by personal contact was done and the ease of access to foreign travel.

Comment

We agree that the High Error Profile redetermination process is an effective means of identifying high-risk characteristics.

Nevertheless, we support integrating two of the criteria recommended. We do not agree with targeting foreign-born recipients. SSA's Office of the General Counsel (OGC) believes that targeting the foreign-born raises constitutional issues. OGC further believes that a policy of SSA targeting individuals with a foreign-born status in its fraud prevention efforts would be subjected to strict judicial scrutiny. Under such scrutiny, the Agency would have to show that the proposed policy served a compelling governmental interest and was narrowly tailored to further that interest. OGC indicates that the Agency probably could not satisfy that test.

We will explore integrating the "ease of access to foreign travel," criterion pending further clarification from the OIG.

We incorporated prior recommendations from the New York project to build consideration of prior periods outside the United States into the national redetermination profiling criteria and we currently use them in the profiling process.

We modified the redetermination profiling models in September 1999 for the fiscal year 2000 profiles based on the New York pilot results. We added the following variables: Prior ineligibility due to recipient outside of the United States; 2) prior ineligibility due to excess resources; and 3) several medical diaries that were scheduled.

* We believe that the high-risk factor identified as "foreign-born status" would be legally inappropriate classification. A classification based on "non-citizen status" would be legally supportable.

OIG's report does not include any recommendation concerning the key variable that was part of the New York and California residency pilots, that is, the non-utilization of medical insurance. We believe this is a very important variable that needs to be added to the redetermination profiles. We will continue to pursue a matching agreement with the Health Care Financing Administration (HCFA) to obtain national data on Medicaid usage. Once those data are available, the redetermination profiles will use that variable to help target the selection process. We believe the non-utilization of medical insurance variable will be effective for identifying both residency issues and other types of payment inaccuracies.

Recommendation 2

Focus future special initiatives similar to the New York project based on the high-risk factors specified above.

Comment

As stated in the previous response, we agree that some, but not all, of the variables suggested in the OIG report should be high-risk factors used in the redetermination case selection process.

We have initiated a special SSI project in eight of the ten regions to identify recipients who are deceased and recipients who no longer reside in the United States. The target completion date for all of the pilots is later this Spring. At that time, the data will be analyzed to determine the cost effectiveness of these projects. One possible outcome is a HCFA and SSA national non-utilization match.

Recommendation 3

Expand the use of contracted investigators to visit the residences of claimants or recipients considered at high risk of not satisfying the U.S. residency requirements.

Comment

As part of the Agency's anti-fraud key initiatives, we are currently collecting data from a program with private vendors to verify residency of recipients based on the non-utilization of medical insurance variable. We will explore the feasibility of using the contract investigators to verify residency using other appropriate targeting mechanisms once the analysis of the Medicaid non-utilization pilots has been completed.

Recommendation 4

Use other methods to address residency issues, such as:
(1) Issuing "come-in" letters that require face-to-face interviews of recipients considered high-risk, (2) requiring

high-risk recipients to provide documentation to support their residency status, and (3) requiring photo identification to verify the identity of recipients during redeterminations.

Comment

At the conclusion of the regional pilots mentioned in the comment to recommendation 2, we will assess the most effective methods for addressing residency issues, including the specific methods identified in the recommendation, and provide options and recommendations to the Commissioner.

Recommendation 5

Develop factors, such as the extent of prior periods of U.S. absences, to assist field offices in establishing the intent of claimants and recipients to be permanent U.S. residents.

Comment

At the conclusion of the above mentioned regional pilots and the bio-metric pilot in New York, we will assess the most effective method for addressing residency issues.

Recommendation 6

Use penalties against recipients who have patterns of not reporting extended U.S. absences.

Comment

We agree with this recommendation. However, it should be noted that SSA's authority to impose administrative sanctions is limited to situations that involve an omission of material fact in a report to SSA, e.g., a redetermination.

Technical Comments

Page 4, under the **Residency Determinations**, reads:

"...and absences of 30 consecutive days or longer result in loss of benefits regardless of intent until the individuals return for at least 30 days."

Program Circular No. 01-98-OPBP as cited in the footnote states that ineligibility occurs when a beneficiary is outside the United States for a full calendar month and not 30 days. The 30 days requirement is needed to establish residency. Therefore, this sentence should be changed to be consistent with SSA's regulations and read:

"Individuals are SSI ineligible for a month in which they are outside the United States for a full calendar month

regardless of intent. Reinstatement of eligibility is the 31st day of continuous presence in the United States, starting with the day of return."

Page 10, footnote 11. Individuals born in Puerto Rico are citizens of the United States and should not be treated differently from any other citizen. They should not be excluded from this count. It is unclear whether the 16 foreign-born excluded from this count were citizens.

Appendix B

OIG Contacts and Staff Acknowledgments

OIG Contacts

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Acknowledgments

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President, National Council of Social Security Management Associations, Incorporated	1
Treasurer, National Council of Social Security Management Associations, Incorporated	1
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President, Federal Managers Association	1
Regional Public Affairs Officer	1
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The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.