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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**CONTROLS OVER OLD-AGE,  
SURVIVORS, AND DISABILITY  
INSURANCE REPLACEMENT  
CHECKS**

**May 2006**

**A-02-05-15080**

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**AUDIT REPORT**

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## SOCIAL SECURITY

### **MEMORANDUM**

**Date:** May 31, 2006

**Refer To:**

**To:** The Commissioner

**From:** Inspector General

**Subject:** Controls Over Old-Age, Survivors, and Disability Insurance Replacement Checks (A-02-05-15080)

### **OBJECTIVE**

Our objective was to determine the effectiveness of the Social Security Administration's (SSA) controls over the Old-Age, Survivors, and Disability Insurance (OASDI) replacement check process for beneficiaries who had previously negotiated multiple monthly benefit checks.

### **BACKGROUND**

When a beneficiary or representative payee reports to SSA that he or she did not receive an OASDI benefit check, a replacement check can be provided. The cashing of both an original and replacement check for the same month by the same beneficiary is referred to as a double check negotiation (DCN).<sup>1</sup> Usually, when a beneficiary or a representative payee reports that a check was not received, a replacement check is issued before the status of the original check is known. If the beneficiary had a DCN within the last 24 months, and the beneficiary either claimed forgery unsuccessfully or did not make a forgery claim, SSA should not issue a replacement check until the status of the original check is known.

To meet our objective, we obtained a file of 8,497 beneficiaries with 2 or more duplicate-check events recorded on SSA's Payment History Update System (PHUS) between October 2001 and May 2004. From this population, we focused on beneficiaries who had three or more DCNs. We sampled 100 beneficiaries with 3 or 4 DCNs and 50 beneficiaries with 5 or more DCNs. We compared the overpayments identified on the PHUS to overpayments posted on SSA's Recovery of Overpayments Accounting and Reporting (ROAR) system and noted any differences. See Appendix B for additional information on the background, scope and methodology of our review.

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<sup>1</sup> SSA, Program Operations Manual System (POMS), General (GN) 02406.150 and .300 and Teleservice Center Operating Guide (TSCOG), Teleservice Chapter (TC) 25001.030 E.

## **RESULTS OF REVIEW**

We found that the controls over the OASDI replacement check process were not fully effective in preventing the improper recording of DCNs and ensuring that SSA recovers the correct amount of overpayments related to DCNs. Based on our review, we estimate 1,146 beneficiaries had DCNs totaling \$1,201,799 that were not properly recorded on their PHUS records. Although inaccurate PHUS postings do not lead to actual monetary losses for SSA, they affect the integrity of the data SSA staff can use to determine whether a beneficiary has prior DCNs.

Overpayments related to DCNs are tracked for recovery by SSA's ROAR system. We compared our sample DCN-related overpayments from the PHUS to those recorded in the ROAR. We found inaccurate overpayment amounts recorded in the ROAR and estimate that 800 beneficiaries did not have \$549,849 in DCN-related overpayments correctly posted to their ROARs.

Our review also found that the Master Beneficiary Record (MBR) special messages used to alert staff that beneficiaries had previous DCNs were often missing. In some instances when the special messages were present, SSA inappropriately issued replacement checks to beneficiaries prior to receiving confirmation from Treasury of the status of the original checks.

## **ACCURACY OF PHUS RECORDS**

For our 150 sample cases, we reviewed the PHUS to determine if SSA staff properly annotated all DCNs. Our review identified more DCNs for these cases than were recorded in the PHUS. Instead of the 620 DCNs expected based on our data extract, we found the 150 sample cases actually had 639 DCNs.

While there is a net difference of 19 DCNs, the number of errors that occurred was greater since we found some cases had too few DCNs recorded and some cases had too many DCNs. Specifically, we found 79 DCNs, totaling \$46,300, should have been recorded, but were not. For example, one beneficiary had three DCNs on the PHUS totaling \$1,904. However, our analysis determined that the beneficiary actually had six DCNs totaling \$6,963. Based on the results of our analysis, we project that there was an additional \$641,740 that should have been recorded as DCNs.

Conversely, we found 60 DCNs totaling \$39,717 had been recorded, but these DCNs did not actually occur. For example, we determined that one beneficiary had two DCNs of \$991 and \$1,003. However, the PHUS record for the beneficiary listed three DCNs for \$9,919, \$991 and \$1,003. Based on the results of our review, we estimate that \$560,059 was erroneously recorded as DCNs, even though DCNs had not occurred.

In total, we estimate that \$1,201,799 of DCNs were improperly recorded on the PHUS. See Appendix C for details of our sample results and projections.

## **ACCURACY OF ROAR RECORDS**

Once we independently calculated the DCN-related overpayments for our sample cases, we compared our results to overpayment amounts recorded in the ROAR. Through our review of 150 sample beneficiaries, we found that the ROAR contained inaccurate overpayment postings. In 37 cases, the DCN-related overpayments recorded in the ROAR were less than the amounts we identified. Specifically, the ROAR did not include \$28,796 of overpayments incurred by the 37 beneficiaries due to DCNs. Based on these results, we project that 483 beneficiaries were overpaid \$346,551 more than was recorded.

Conversely, we found 25 beneficiaries' amounts recorded in ROAR were higher than the DCN amount we identified. The 25 beneficiaries had \$17,127 recorded in excess of the actual amounts overpaid. For example, we determined that a beneficiary had four DCNs totaling \$3,840. However, the beneficiary's ROAR had DCN-related overpayments totaling \$4,800. Based on our sample results, we estimate that 317 beneficiaries' overpayments were overstated by a total of \$203,298.

In total, we estimate \$549,849 of DCN-related overpayments were improperly recorded in the ROAR. See Appendix C for details of our sample results and projections.

## **SPECIAL MESSAGES**

SSA staff did not annotate the MBR with a special message for 105 of our 150 sample cases, even though a special message was warranted. Under SSA's current operating procedures, these cases of misuse should have been documented with special messages.

Of our 150 sample cases, 42 had special messages posted to their MBRs. However, in each of these 42 cases, the special messages should have been recorded earlier. Furthermore, 10 of these 42 cases involved beneficiaries who incurred DCNs after the special messages were posted. For example, a beneficiary had DCNs in April and July 2003 even though a special message was posted to his MBR in November 2002. We concluded that the remaining 3 sample cases did not have DCNs, so no special messages were needed.

## **CONCLUSION AND RECOMMENDATIONS**

Based on our review, we believe opportunities exist for SSA to improve controls over the OASDI replacement check process for beneficiaries who had previously negotiated multiple monthly benefit checks. Specifically, SSA could more effectively record DCNs that occurred and the special messages indicating past DCNs. The accurate recording of DCN events by SSA staff is necessary to ensure the integrity of SSA's data and the proper collection of DCN-related overpayments.

To help detect and prevent DCNs in the future, and ensure the recovery of DCN-related overpayments, we recommend SSA ensures that its staff:

1. Correctly record all DCN events on the PHUS.
2. Correctly record all DCN-related overpayments on the ROAR and initiate appropriate overpayment collection activities.
3. Correctly annotate the MBR with special messages for all OASDI beneficiaries who negotiate both the original and replacement benefit checks.
4. Initiate replacement checks only after the status of the original check is confirmed when a special message indicates past misuse of the replacement check process in the prior 24 months.

### **AGENCY COMMENTS**

The Agency agreed with our recommendations and has already initiated corrective action. The Agency's comments are included in Appendix D.



Patrick P. O'Carroll, Jr.

# **Appendices**

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[\*\*APPENDIX A\*\*](#) – Acronyms

[\*\*APPENDIX B\*\*](#) – Background, Scope and Methodology

[\*\*APPENDIX C\*\*](#) – Sample Results and Projections

[\*\*APPENDIX D\*\*](#) – Agency Comments

[\*\*APPENDIX E\*\*](#) – OIG Contacts and Staff Acknowledgments

## ***Appendix A***

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### **Acronyms**

DCN	Double Check Negotiation
GN	General
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors, and Disability Insurance
OIG	Office of the Inspector General
OPSOS	Office of Public Service and Operations Support
PHUS	Payment History Update System
POMS	Program Operations Manual System
ROAR	Recovery of Overpayments Accounting and Reporting
SM	Systems and Methods
SSA	Social Security Administration
TC	Teleservice Chapter
Treasury	Department of the Treasury
TSCOG	Teleservice Center Operating Guide

# **Background, Scope and Methodology**

## **BACKGROUND**

When a beneficiary or representative payee reports to SSA that he or she did not receive an OASDI benefit check, a replacement check can be provided. Once reported, SSA staff review Payment History Update System (PHUS) queries to determine if a check was issued. Additionally, staff reviews the Master Beneficiary Record (MBR) to determine whether a check was due and for the presence of a special message that the beneficiary has a history of double check negotiation (DCN) within the past 24 months.<sup>1</sup> If a special message is not present on the MBR, SSA staff should review queries to determine whether the beneficiary is possibly misusing the replacement check process. If SSA records indicate possible misuse, the employee should issue the replacement check and initiate a review for a possible DCN.<sup>2</sup>

Usually, when a beneficiary or a representative payee reports that a check has not been received, a replacement check is issued before the status of the original check is known. If the beneficiary had a confirmed DCN within the last 24 months, and the beneficiary either claimed forgery unsuccessfully or did not make a forgery claim, SSA should not issue a replacement check until the status of the original check is known. The Department of the Treasury (Treasury) is responsible for determining the status of the original check and notifying SSA of the results of its determination.<sup>3</sup>

If a DCN has been confirmed by Treasury, SSA staff should record the overpayment on the Recovery of Overpayments Accounting and Reporting (ROAR) system, send an overpayment notice, and begin recovery of the overpaid amount.<sup>4</sup> The ROAR system tracks the collection activity and recovery of overpayments.<sup>5</sup> Additionally, staff annotates the PHUS to signify that a DCN has occurred.<sup>6</sup> When a DCN occurs, after forgery has been ruled out, SSA staff should annotate the MBR with a special message indicating the misuse of the replacement check process. The special message assists

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<sup>1</sup> SSA, Program Operations Manual System (POMS), General (GN) 02406.150 and .300 and Teleservice Center Operating Guide (TSCOG), Teleservice Chapter (TC) 25001.030 E. The cashing of both an original and replacement check for the same month by the same beneficiary is referred to as a DCN.

<sup>2</sup> SSA, POMS, GN 02406.003 and TSCOG, TC 25001.020 and TC 030.

<sup>3</sup> SSA, POMS, GN 02406.002 and 003.

<sup>4</sup> SSA, POMS, GN 02406.300.

<sup>5</sup> SSA, POMS, Systems and Methods (SM) 00610.001.

<sup>6</sup> SSA, POMS, SM 00630.210 and GN 02406.300.

SSA staff in the future if a beneficiary who previously abused the process makes a request for a replacement check. The special message will indicate that a replacement check should not be issued until after completion of an investigation of the status of the original check by Treasury.<sup>7</sup> SSA's current policy related to issuing a replacement check when a special message indicates a prior DCN is the result of a settlement agreement reached in 1997.<sup>8</sup>

## SCOPE AND METHODOLOGY

Our objective was to determine the effectiveness of the Social Security Administration's (SSA) controls over the Old-Age, Survivors, and Disability Insurance (OASDI) replacement check process for beneficiaries who had previously negotiated multiple monthly benefit checks. We obtained a nationwide data file of 8,497 beneficiaries with 2 or more duplicate-check events posted to the PHUS between October 2001 and May 2004. From this population, we focused on beneficiaries who had three or more DCNs recorded on the PHUS. To accomplish our objective we:

- Researched relevant Program Operations Manual System (POMS) and Teleservice Center Operating Guide (TSCOG) procedures. Specifically, we researched POMS references General (GN) 02406.002, GN 02406.003, GN 02406.150 (A), GN 02406.300, GN 02604.405 and TSCOG references Teleservice Chapter (TC) 25001.020 and TC 205001.030.
- Performed a nationwide data extract of beneficiaries with two or more duplicate-check events (event "010") posted to the Payment History Update System (PHUS) between October 2001 and May 2004. Separated the results of the extract into two simple random samples: those with three to four duplicate-check events; and those with five or more duplicate-check events. The first sample included only beneficiaries with three or four duplicate-check events recorded on the PHUS. Any beneficiaries with more than four duplicate check events were included in our second sample—beneficiaries with five or more duplicate-check events.

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<sup>7</sup> SSA, POMS, GN 02406.150.

<sup>8</sup> SSA, POMS, GN 02406.002. In January 1997, co-defendants SSA and Treasury entered into a settlement agreement with plaintiffs Robinson-Reyf on a class action suit filed in the State of New York. Prior to the settlement, SSA would immediately replace checks when beneficiaries reported that they did not receive their current month's benefit check as long as there was no indication of a prior DCN. If there was evidence of a prior DCN, SSA would wait for a confirmation from Treasury on the status of the original check. The immediate replacement policy applied only to the current month's benefit check. SSA held the replacement check if the payment was nonrecurring or if it was for a payment for a prior month. After the settlement, SSA no longer distinguished between current month checks and prior month checks, or between recurring and nonrecurring payments, and agreed to release replacement checks prior to the completion of any investigation of the status of the original check in most cases. An exception was made if there was a confirmed DCN in the prior 24 months. In such cases, SSA would have Treasury investigate the status of the original check before issuing a replacement check.

- Selected a sample of 100 cases of the 1,742 beneficiaries with 3 to 4 duplicate-check events and analyzed Recovery of Overpayments Accounting and Reporting (ROAR) system, Master Beneficiary Record (MBR) and PHUS records as of January 2005, to determine whether the DCNs were accurate, overpayment amounts were reflected correctly on the ROAR and special messages were correctly posted to the MBR. These 1,742 beneficiaries had 5,652 DCNs totaling \$2,975,936 in overpayments.
- Selected a sample of 50 cases of the 333 beneficiaries with 5 or more duplicate-check events and analyzed ROAR, MBR and PHUS records, as of October 2004, to determine whether the DCNs were accurate, overpayment amounts were reflected correctly on the ROAR and special messages were correctly posted to the MBR. These 333 beneficiaries had 2,023 DCNs totaling \$969,089 in overpayments.

Through our analysis, we identified the number of DCNs and corresponding overpayments that occurred for each sampled beneficiary. We then compared the overpayments identified on the PHUS to overpayments posted on the ROAR and noted any differences. Additionally, we reviewed the MBR for special messages to indicate past DCNs within the prior 24 months.

We provided the results of our analysis to staff in the Division of Operations Analysis and Customer Service—a component of the Office of Public Service and Operations Support (OPSOS)—which is under the Deputy Commissioner for Operations. We discussed our results with the staff and reviewed a number of the conclusions reached. Per this review process, we did not count replacement payments that were still under Treasury review as DCNs. OPSOS staff agreed with our methods and the results of the cases they reviewed.

We performed our audit in the New York Office of Audit between September 2004 and March 2005. We found the data used for this audit were sufficiently reliable to meet our objective. The entities audited were SSA's Field Offices, Teleservice Centers and Program Service Centers under the Deputy Commissioner for Operations. Our audit was performed in accordance with generally accepted government auditing standards.

## Appendix C

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### Sample Results and Projections

Sample Results and Projections			
	3 to 4 Double Check Negotiations (DCN)	5 or more DCNs	Total
Population size (Beneficiaries)	1,742	333	2,075
Sample size	100	50	150
Attribute Results and Projections			
Beneficiaries with unrecorded DCNs	31	15	46
Point estimate	540	100	640
Projection lower limit	411	67	
Projection upper limit	684	139	
Beneficiaries with DCNs recorded in error	21	21	42
Point estimate	366	140	506
Projection lower limit	255	103	
Projection upper limit	499	179	
Total beneficiaries with DCNs not properly recorded on the PHUS			1,146
Beneficiaries with DCN overpayments not posted to ROAR	22	15	37
Point estimate	383	100	483
Projection lower limit	271	67	
Projection upper limit	518	139	
Beneficiaries with DCN overpayments recorded in error to ROAR	14	11	25
Point estimate	244	73	317
Projection lower limit	153	44	
Projection upper limit	363	110	
Total beneficiaries with DCNs not properly posted to ROAR			800

Variable Results and Projections			
Beneficiaries with Unrecorded DCNs	\$30,983	\$15,317	\$46,300
Point estimate	\$539,729	\$102,011	\$641,740
Projection lower limit	\$332,906	\$42,793	
Projection upper limit	\$746,552	\$161,230	
Beneficiaries with DCNs recorded in error	\$27,467	\$12,250	\$39,717
Point estimate	\$478,473	\$81,586	\$560,059
Projection lower limit	\$172,966	\$50,410	
Projection upper limit	\$783,979	\$112,761	
Total of DCNs not properly recorded on the PHUS			\$1,201,799
Beneficiaries with DCN overpayments not posted to ROAR	\$14,383	\$14,413	\$28,796
Point estimate	\$250,559	\$95,992	\$346,551
Projection lower limit	\$156,173	\$28,791	
Projection upper limit	\$344,944	\$163,192	
Beneficiaries with DCN overpayments recorded in error to ROAR	\$8,293	\$8,834	\$17,127
Point estimate	\$144,464	\$58,834	\$203,298
Projection lower limit	\$71,216	\$28,798	
Projection upper limit	\$217,712	\$88,869	
Total of DCNs not properly posted to ROAR			\$549,849

Note: All projections were calculated at the 90-percent confidence level.

## ***Appendix D***

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### **Agency Comments**



## SOCIAL SECURITY

### MEMORANDUM

Date: May 15, 2006

Refer To: S1J-3

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

From: Larry W. Dye /s/  
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "Controls Over Old-Age, Survivors, and Disability Insurance Replacement Checks" (A-02-05-15080)—INFORMATION

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

Please let me know if you have any questions. Staff inquiries may be directed to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

Attachment:  
SSA Response

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL'S (OIG) DRAFT REPORT, "CONTROLS OVER OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE REPLACEMENT CHECKS" (A-02-05-15080)**

Thank you for the opportunity to review and provide comments on this draft report. Historically, double check negotiation (DCN) has been a difficult issue. One of the difficulties is that there is a lag period between the time a beneficiary/recipient alleges non-receipt and the time that it takes the Department of Treasury (Treasury) to decide on a case, which is necessary for the Agency to determine whether a true DCN exists.

The report indicates that the Payment History Update System (PHUS) did not match the results in the Recovery of Overpayments Accounting and Reporting (ROAR). The information found in the PHUS includes any and all DCNs on a beneficiary's record, regardless of whether they are true DCNs or not. The ROAR contains information about DCN overpayments that are true DCNs. As only true DCNs will appear on the ROAR, comparing PHUS DCN data to ROAR DCN overpayments is not likely to yield a match. Beneficiaries do not always cash both checks; therefore, comparing the two sources (PHUS to ROAR) could falsely indicate that the Agency may not be processing or pursuing overpayments for some DCNs.

To assist Agency representatives in the development of DCNs, a "DCN Process" desk guide was prepared and released on January 31, 2006 (Administrative Message (AM) 06024-REV). The desk guide includes background, best practices for processing and suggestions for DCN prevention or deterrents. We believe this will be a valuable tool to assist employees in handling DCN situations and reducing the number of duplicate payments being issued.

**Recommendation 1**

Correctly record all DCN events on the PHUS.

**Comment**

We agree. The Agency has already addressed this issue in special instructions to employees (Emergency Message (EM)-03028 (effective March 24, 2003) and the DCN Process desk guide - AM 06024-REV (released January 31, 2006)). The Agency also provided DCN training and a non-receipt refresher course provided in December 2004. During the training, the language for DCN abuse was explained in detail.

**Recommendation 2**

Correctly record all DCN-related overpayments on the ROAR and initiate appropriate overpayment collection activities.

### **Comment**

We agree. The Agency has already addressed this issue through an automated action based on the disposition of the replacement payment received from Treasury. At the Payment Service Center, the actions are completely automated and require no manual intervention by an employee.

Additionally, as stated for recommendation 1, SSA has already provided DCN non-receipt refresher training.

### **Recommendation 3**

Correctly annotate the Master Beneficiary Record (MBR) with special messages for all Old-Age, Survivors, and Disability Insurance beneficiaries who negotiate both the original and replacement benefit checks.

### **Comment**

We agree. In February 2006, the Program Operations Manual System instruction GN 02406.150 was updated to provide instructions regarding the language to place in the Remarks and Special Message fields when DCN abuse is detected. Additionally, Transmittal Number 3, effective November 2004, revised Teleservice Center operating procedure TC 25001.040 to include instructions to annotate DCN abuse in the Special Message field on the MBR. Individual Regional Offices have also produced Program Circulars (BOS 04-016 GS, effective May 14, 2004) to remind all TSC and FO employees to annotate the MBR with a special message when handling a DCN case. Although we have issued reminders in the past, we will continue to issue reminders via EMs, AMs and Program Circulars, as deemed necessary.

### **Recommendation 4**

Initiate replacement checks only after the status of the original check is confirmed when a special message indicates past misuse of the replacement check process in the prior 24 months.

### **Comment**

We agree. As indicated in our response to recommendations 1 and 3, we have already instructed employees to initiate replacement checks only when a true DCN is not on the record. Reminders have already been issued and we will continue to issue reminders via EMs, AMs and Program Circulars, as deemed necessary.

## ***Appendix E***

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# **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Tim Nee, Director, (212) 264-5295

Vicki Abril, Audit Manager, (212) 264-0504

### ***Acknowledgments***

In addition to those named above:

Christine Hauss, Program Analyst

Robert Blake, Senior Auditor

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