

# OIG

Office of the Inspector General  
SOCIAL SECURITY ADMINISTRATION



Semiannual Report to Congress  
April 1, 2016 - September 30, 2016  
Fall Edition

## TABLE OF CONTENTS

A MESSAGE FROM THE ACTING INSPECTOR GENERAL .....	4
EXECUTIVE SUMMARY .....	5
Investigative .....	6
Legal .....	6
Outreach .....	6
INTRODUCTION TO OUR ORGANIZATION.....	7
Immediate Office of the Inspector General .....	8
Office of Audit .....	8
Office of Communications and Resource Management .....	8
Office of the Counsel to the Inspector General.....	8
Office of Investigations.....	8
SSA MANAGEMENT CHALLENGES .....	9
AUDIT .....	12
INVESTIGATIONS.....	16
Significant Investigative Activities .....	19
Disability Fraud .....	19
Representative Payee Fraud.....	20
Employee Fraud.....	21
Deceased Payee Fraud .....	21
SSN Misuse .....	22
Digital Forensics.....	23
Threats and Assaults against SSA Employees .....	24
Cooperative Disability Investigations Program .....	25
LEGAL .....	29
Section 1140 Enforcement.....	29
Section 1140 Outreach/Early Intervention.....	29
Section 1140 Case Highlight.....	30
Section 1129 Enforcement.....	31
Section 1129 Case Highlights .....	31
Deceased Payee Cases.....	31
False Statement and/or Omissions .....	32
Representative Payee Conversion.....	33
Law Enforcement Improvement: Subpoena Legal Review .....	33

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SUPPORT.....	35
Budget.....	35
Human Resource Planning and Management .....	35
Information Technology .....	35
Allegation Management and Fugitive Enforcement Division.....	36
Outreach .....	36
REPORTING REQUIREMENTS .....	37
APPENDIX A: RESOLVING AUDIT RECOMMENDATIONS .....	39
APPENDIX B: REPORTS ISSUED.....	41
APPENDIX C: REPORTING REQUIREMENTS UNDER THE OMNIBUS CONSOLIDATED APPROPRIATIONS ACT OF FISCAL YEAR 199750	50
APPENDIX D: SIGNIFICANT MANAGEMENT DECISIONS WITH WHICH THE INSPECTOR GENERAL DISAGREES .....	52
APPENDIX E: COLLECTIONS FROM INVESTIGATIONS AND AUDITS.....	53
APPENDIX F: SIGNIFICANT MONETARY RECOMMENDATIONS FROM PRIOR FISCAL YEARS FOR WHICH CORRECTIVE ACTIONS HAVE NOT BEEN COMPLETED.....	55
SIGNIFICANT MONETARY RECOMMENDATIONS FROM PRIOR SEMIANNUAL REPORTS TO CONGRESS FOR WHICH RECENT CORRECTIVE ACTIONS HAVE BEEN MADE.....	64
APPENDIX G: SIGNIFICANT NON-MONETARY RECOMMENDATIONS FROM PRIOR FISCAL YEARS FOR WHICH CORRECTIVE ACTIONS HAVE NOT BEEN COMPLETED.....	66
SIGNIFICANT NON-MONETARY RECOMMENDATIONS FROM PRIOR SEMIANNUAL REPORT TO CONGRESS FOR WHICH RECENT CORRECTIVE ACTION HAS BEEN MADE .....	73
APPENDIX H: PEER REVIEWS .....	77
APPENDIX I: REVIEW OF LEGISLATION & REGULATIONS.....	78
GLOSSARY OF ACRONYMS .....	80

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## A MESSAGE FROM THE ACTING INSPECTOR GENERAL

In May, Patrick O'Carroll retired from his position as the Inspector General at the Social Security Administration (SSA), having served admirably in that role for almost 12 years. Since then, it has been an honor and a privilege to serve as the Acting Inspector General at SSA. The Office of the Inspector General (OIG) has existed for more than 21 years, and during that time, three inspectors general steered us in the fight against fraud, waste, abuse and mismanagement at SSA, each advancing the organization as times and technology evolved.

Through transitions in leadership, we remained committed to our mission to oversee Social Security's programs and operations. As we approach the coming transition, I, like my predecessors, am committed to continuing the OIG's success and maintaining our position as a leader in the Federal oversight community.



Therefore, I am proud to present this *Semiannual Report to Congress*, which highlights our accomplishments during the last six months, from April 1 through September 30, 2016. As you review this report, you will see that we continue to uphold the principles of integrity, accountability, and responsible stewardship of taxpayers' funds. Moreover, we continue to look for weaknesses and systemic issues in SSA's programs and operations and recommend corrective actions.

For instance, during the reporting period, our auditors reviewed the number of Supplemental Security Income (SSI) recipients who are eligible for, or receiving, undisclosed pensions from China. SSI is a needs-based program; therefore, income from other sources, such as a pension, affects eligibility. As a result, we estimated that SSA overpaid \$125 million to as many as 5,600 pension beneficiaries.

Our special agents continued their pursuit of various forms of Social Security fraud, including representative payee fraud, in which a person misuses benefits that he or she has been trusted to manage on a beneficiary's behalf. For example, in one case, a Missouri woman misused almost \$80,000 in SSI and State benefits intended for her disabled son. As a result of an OIG investigation, she was sentenced to prison and ordered to repay the stolen funds to SSA and the State of Missouri.

While our attorneys continued to uphold the provisions of the *Social Security Act*, they examined internal processes to improve efficiency. During the reporting period, our attorneys reviewed and referred numerous cases related to large-scale disability fraud schemes to SSA for administrative sanctions; they also worked to improve the speed and accuracy of subpoena requests, which helps our special agents conduct investigations and our auditors gather information for their reports.

Indeed, it is a time of transition across the Federal government. Still, as this report demonstrates, the OIG is firmly committed to working tenaciously to identify and prevent fraud, waste, and abuse within Social Security programs and operations.

A handwritten signature in black ink that reads "Gale S. Stone".

Gale Stallworth Stone  
Acting Inspector General

## EXECUTIVE SUMMARY

This report presents the significant activities of the SSA OIG from April 1, 2016 through September 30, 2016, documenting the achievements of the OIG's Offices of Audit, Investigations and Counsel, and the OIG's support components.

Key Accomplishments	
April 1, 2016 through September 30, 2016	
<b>Audit Reports Issued</b>	51
<b>Questioned Costs</b>	\$611,685,087
<b>Funds Put to Better Use</b>	\$277,133,527
<b>Allegations Received</b>	68,155
<b>Investigations Opened</b>	3,900
<b>Investigations Closed</b>	4,298
<b>Arrests</b>	140
<b>Indictments/Informations</b>	415
<b>Criminal Convictions</b>	554
<b>Civil Actions/Civil Monetary Penalties</b>	105
<b>Cooperative Disability Investigations</b>	
--Claims Denied/Ceased	2,550
--Projected SSA Savings	\$137,640,271
--Projected Non-SSA Savings	\$163,728,847

## Audit

We issued 51 reports and made recommendations on various challenges facing SSA. In these reports, identified more than \$611 million in questioned costs and more than \$277 million in Federal funds, which could be put to better use.

For example, during this reporting period, we found that SSA did not always accurately apply the Windfall Elimination Provision. We estimated SSA improperly paid about \$129 million to about 4,900 beneficiaries who were receiving a government pension not covered by Social Security. If SSA does not take corrective action, we estimate the Agency will pay an extra \$48 million to these beneficiaries.

In other significant audit work, we estimate that:

- SSA improperly paid approximately \$125 million to about 5,600 SSI recipients because they received undisclosed pensions from China;
- SSA incorrectly calculated Medicare premiums for 33,092 beneficiaries, who then paid incorrect amounts totaling almost \$21.9 million; and,
- SSA underpaid about \$224 million to over 25,000 widow(er)s who were eligible for higher monthly benefit amounts than they were receiving.

## Investigative

During this reporting period, we received more than 68,000 allegations from SSA employees, Congress, the public, law enforcement agencies, and other sources. OIG agents closed 4,298 criminal investigations, and reported 140 arrests, 415 indictments and informations, 554 criminal convictions (including pretrial diversions), and 105 civil judgments or Civil Monetary Penalty (CMP) assessments.

We are reporting over \$262 million in investigative accomplishments, including over \$72 million in SSA recoveries, restitution, fines, settlements, and judgments.

## Legal

During this reporting period, our attorneys successfully resolved 97 CMP actions against individuals who made false statements, representations, or omissions to obtain or retain Social Security benefits (violating Section 1129 of the *Social Security Act*).

OIG attorneys imposed almost \$5 million in penalties and assessments through the CMP program. We also pursued actions to protect the public from fraudulent schemes that make use of SSA's well-known name and reputation (violations of Section 1140).

During this reporting period, we shut down or achieved voluntary compliance in 23 Section 1140 cases, imposed penalties totaling \$58,000, and deterred future violations through innovative outreach efforts.

## Outreach

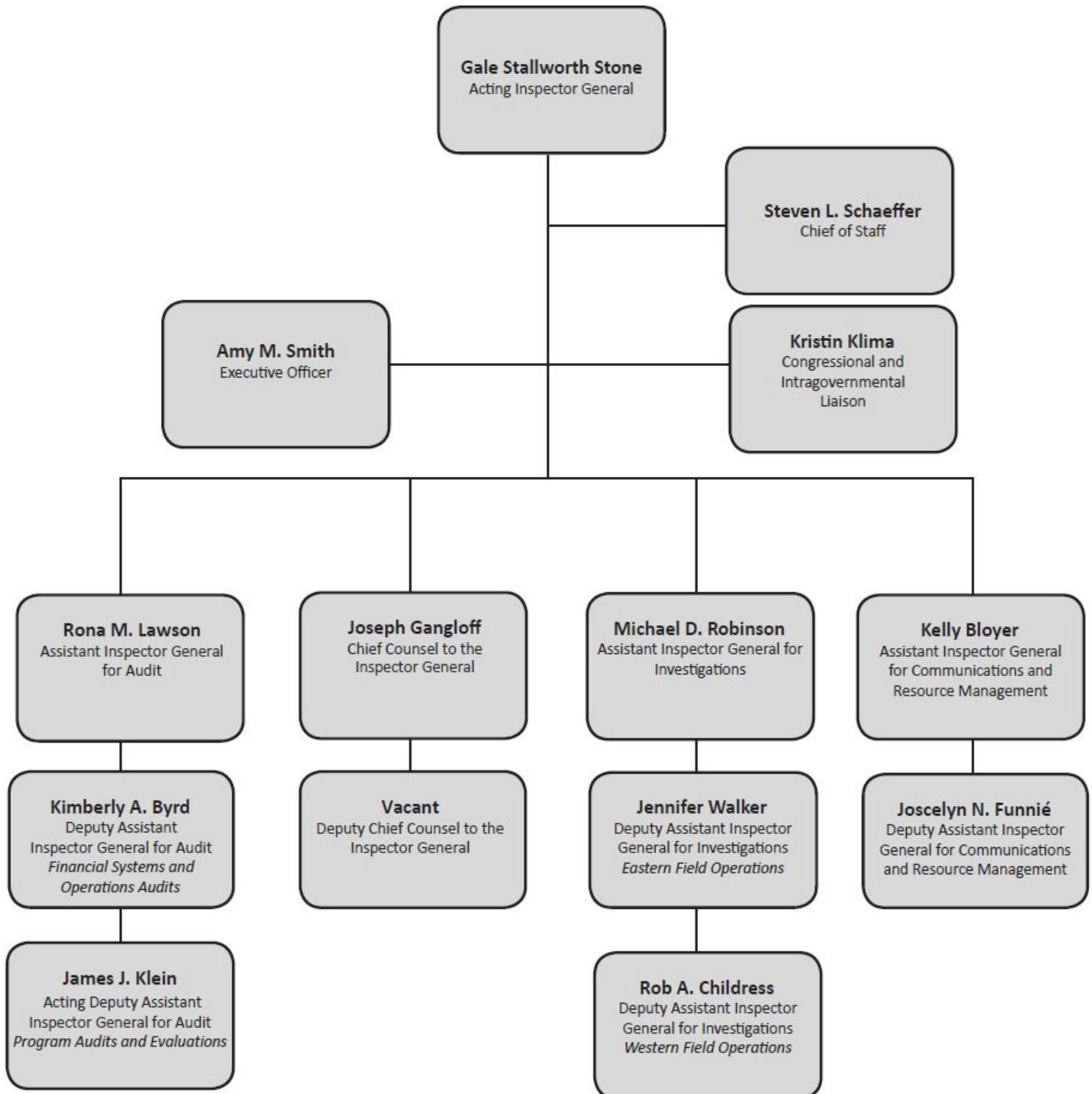
During the reporting period, former Inspector General Patrick O'Carroll, Jr. testified before the Social Security Subcommittee on how the OIG can best protect Social Security from fraud, waste and abuse. Mr. O'Carroll also shared his observations over his 12-year tenure serving as Inspector General.

Also during this reporting period, Acting Inspector General Stone testified before the House Committee on Oversight and Government Reform on SSA's information security management and information security investments.

In July, Deputy Assistant Inspector General for Audit Kimberly Byrd testified before the Social Security Subcommittee on SSA's efforts to modernize its information technology infrastructure.

Finally, the OIG participated in public events with SSA to mark the opening of Cooperative Disability Investigations (CDI) Units in Raleigh, North Carolina in August, and in Milwaukee, Wisconsin in September.

## INTRODUCTION TO OUR ORGANIZATION



SSA OIG comprises the Immediate Office of the Inspector General and four major components: the Offices of Audit, Communications and Resource Management, Counsel, and Investigations.

## **Immediate Office of the Inspector General**

The Immediate Office of the Inspector General (IO) assists the Inspector General with the full range of responsibilities, and coordinates with external entities. IO also includes the Office of Quality Assurance and Professional Responsibility, which ensures compliance with Federal laws and regulations, agency policies, and relevant professional standards; and investigates OIG employee misconduct.

## **Office of Audit**

The Office of Audit (OA) conducts financial and performance audits of SSA programs and operations, and makes recommendations to ensure that SSA achieves program goals effectively and efficiently. Financial audits determine whether SSA's financial statements fairly represent 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 on issues of concern to SSA, the Congress, and the public.

## **Office of Communications and Resource Management**

The Office of Communications and Resource Management (OCRM) provides administrative support to the Inspector General and OIG components. OCRM formulates and executes the OIG budget, and is responsible for strategic planning, performance reporting, and facility and property management. OCRM disseminates information about the OIG's accomplishments to Congress, the media, and the public, and maintains the OIG web presence. OCRM manages OIG's human resources and develops administrative policies and procedures. OCRM also maintains the hardware, software, and telecommunications networks that are integral to OIG's operations. Finally, OCRM manages the OIG's Fraud Hotline and Fugitive Enforcement Program.

## **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 and OIG senior executives on a wide range of issues affecting audits, investigations and administration, including statutes, regulations, legislation and policy directives. Legal advice includes investigative procedures and techniques, Freedom of Information Act requests, Privacy Act disclosures, Congressional responses, and cooperative agreements between state and local law enforcement and SSA for the nation-wide CDI Units. OCIG also administers the CMP program.

## **Office of Investigations**

The Office of Investigations (OI) conducts investigations related to fraud, waste, abuse and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors and third parties, and by SSA employees. OI serves as the OIG's liaison to the Department of Justice (DOJ) on all investigative matters. OI also conducts joint investigations with other law enforcement agencies, and shares responsibility with the Department of Homeland Security's (DHS) Federal Protective Service for investigating threats or violence against SSA employees and facilities.

## SSA MANAGEMENT CHALLENGES

The OIG annually identifies the most significant management and performance challenges facing SSA based on legislative mandates and our audit and investigative work. Listed below is a summary of each challenge.

### **STRENGTHEN PLANNING, TRANSPARENCY, AND ACCOUNTABILITY**

Planning, transparency, and accountability are critical factors in effective management. Failure to plan properly to meet its mission and challenges will lessen SSA's ability to provide its services efficiently and effectively now and in the future. We have previously noted that while planning for the next few years is important, a longer-term vision is critical to ensuring that SSA has the programs, processes, staff, and infrastructure required to provide needed services 10 to 20 years from now and beyond. In FY2015, SSA published its *Vision 2025* report, which presents three priorities—superior customer experience, exceptional employees, and innovative organization. However, *Vision 2025* itself does not include specific, measurable goals or outline the strategy needed to implement SSA's proposed vision. SSA states that *Vision 2025* provides a high-level, aspirational vision, and that specific goals, objectives, and strategies will be published in Agency Strategic Plans and Annual Performance Reports over the coming years with the guidance of *Vision 2025*'s three priorities. To demonstrate transparency, the Agency has a mixture of outcome and output performance measures on which it publicly reports. However, many of the output measures related to budgeted workloads do not indicate whether the completion of the workloads has positive outcomes. Measuring outputs does not inform the public whether SSA is having the outcomes it needs to efficiently and effectively provide its services and meet its mission. Regarding accountability, the FY2016 Independent Auditor's Report contained three significant deficiencies in (a) internal controls related to calculation, recording, and prevention of overpayments, (b) redeterminations, and (c) information systems controls. The Acting Commissioner has made addressing these deficiencies a priority.

### **IMPROVE CUSTOMER SERVICE**

SSA faces several challenges as it pursues its mission to deliver quality services, including responding to rapid advances in technology to accommodate an aging population and workforce. SSA stated that the population ages 65 and older would grow by about 18 million from FY2016 to 2025 and an additional 20.4 million by 2050, thereby dramatically increasing the demand for its services. SSA continues to face significant service delivery challenges due to the aging of the baby boomer population, and the expectation that many of its most experienced staff members will retire soon. While SSA estimates that retirement and disability beneficiaries will increase from 61 million in 2016 to 86.7 million in 2025, it projects that more than one-third of its workforce will retire by 2022. Further, the rapid spread of mobile devices will fuel expectations for mobile access to government services. Finally, our audits continue to identify problems with SSA's administration of the representative payee program, and our investigations identified various types of representative payee fraud. In March 2016, the Social Security Advisory Board released *Representative Payees: A Call to Action*, which outlines some of the issues facing the representative payee program, reasons for concern, and encourages further research.

### **REDUCE DISABILITY BACKLOGS AND IMPROVE DECISIONAL QUALITY**

While the level of pending initial disability claims decreased, the Agency still faces challenges with pending hearings and appeals. Continued focus on decisional quality is essential to ensure the integrity of the process. SSA ended FY 2016 with almost 568,000 initial disability claims pending. SSA has had a backlog of full medical Continuing Disability Reviews (CDRs) since FY2002. While the CDR backlog

decreased recently, it remained at more than 726,000 at the end of FY2015. SSA has increased the number of full medical CDRs completed in recent years. The Agency expects to eliminate the backlog by the end of FY 2019. As far as returning to work, a recent review of the Ticket to Work and Self-Sufficiency Program found that few Ticket-eligible beneficiaries used their Tickets to receive vocational or employment services. In addition, an independent evaluation failed to provide strong evidence of the Ticket Program's effect on employment and concluded that many successful Program participants might have been equally successful without SSA-financed services or with services provided by state vocational rehabilitation agencies under the payment system that predated the Ticket Program. Another part of the disability program, the hearings and appeals process, has experienced worsening timeliness and growing backlogs. For instance, the average processing time for a hearing increased 24 percent from 426 days at the end of FY2010 to 530 days in June 2016. Moreover, during the same period, the pending hearing backlog grew 59 percent, from about 700,000 cases at the end of FY2010 to more than 1.1 million cases at the end of June 2016.

### **MODERNIZE INFORMATION TECHNOLOGY INFRASTRUCTURE**

SSA must modernize its information technology. SSA's aging IT infrastructure is increasingly difficult and expensive to maintain. The Agency continues to rely on outdated applications and technologies to process its core workloads, such as retirement and disability claims. To ensure SSA can keep pace with increasing workloads, the Agency must maintain its legacy systems while developing their modern replacements. One of the Agency's priorities is to develop, and increase the use of, self-service options. To achieve that goal, SSA plans to rapidly expand the services available through its [my Social Security](#) online portal. In addition, the Agency is expanding the availability of an application to permit certain individuals to request replacement SSN cards online. In 2015, we evaluated SSA's Authentication Risk Assessment for the Internet Social Security Number Replacement Card Project and identified some concerns with the mitigating controls SSA plans to use for the application. SSA also faces challenges in executing and implementing major IT projects and delivering expected functions on-schedule and within budget. For example, to simplify system support and maintenance, improve the speed and quality of the disability process, and reduce the overall growth rate of infrastructure costs, SSA continues to develop the Disability Case Processing System (DCPS). Once implemented, DCPS will be used by all Disability Determination Services. However, the project faced schedule delays and increased stakeholder concerns.

### **SECURE INFORMATION SYSTEMS AND PROTECT SENSITIVE DATA**

SSA must ensure that its information systems are secure, and sensitive data protected. Recent breaches at several Federal agencies have underscored the importance of securing Federal systems and protecting sensitive information. The information SSA houses on nearly every U.S. citizen is invaluable to would-be hackers and potential identity thieves. Therefore, the Agency's information systems may be at particular risk of attack. Given the highly sensitive nature of the personal information in its systems, it is imperative that SSA have a robust information security program. Our prior audit and investigative work has raised some concerns with the security of SSA's information systems. Since FY2012, auditors have identified weaknesses that, when combined, resulted in a significant deficiency in SSA's internal controls. Additionally, other recent audits and evaluations have identified concerns with SSA's information security program. While expanding its inventory of electronic services, the Agency needs to ensure that those services are secure. Prior investigative and audit work has identified incidents of fraud committed through SSA's electronic services. For example, despite controls to prevent unauthorized access to [my Social Security](#), we continue to receive fraud allegations related to [my Social Security](#) accounts.

## **REDUCE IMPROPER PAYMENTS AND INCREASE OVERPAYMENT RECOVERIES**

SSA is responsible for issuing over \$900 billion in benefit payments, annually, to about 65 million people. Given the large overall dollar amounts involved, even the slightest error in the overall process can result in millions of dollars in over- or underpayments. In its FY2015 Agency Financial Report, SSA reported about \$9.8 billion in over- or underpayments. SSA strives to balance its service commitments to the public with its stewardship responsibilities. However, given the size and complexity of the programs the Agency administers, some payment errors will occur. Nonetheless, SSA has not met its payment accuracy targets in the last few years. Both the OIG and Government Accountability Office noted in 2016 reports that SSA is not compliant with the *Improper Payments Elimination and Recovery Act of 2010* requirements for meeting its targeted payment accuracy rates. Because of this noncompliance, SSA prepared remediation plans that outlined steps to become compliant. Once SSA determines an individual has been overpaid, it attempts to recover the overpayment. According to SSA, in FY 2015, it recovered \$3.4 billion in overpayments at an administrative cost of \$0.07 for every dollar collected and ended the FY with an uncollected overpayment balance of \$18.9 billion.

## **STRENGTHEN THE INTEGRITY AND PROTECTION OF THE SOCIAL SECURITY NUMBER**

Protecting the Social Security number (SSN) and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full benefits they are due. While SSA has improved its enumeration process, given the preponderance of SSN misuse and identity theft, we continue to believe protection of this critical number is a considerable challenge for SSA as well as its millions of stakeholders. Unfortunately, once SSA assigns an SSN, it has no authority to control how other entities collect, use, and protect it. Our audit and investigative work have shown that the more SSNs are unnecessarily used, the higher the probability individuals could use them to commit crimes. Further, we remain concerned about SSN misuse by noncitizens who are not authorized to work in the United States. Properly posting earnings ensures eligible individuals receive the full retirement, survivors, and/or disability benefits due them. If employers report earnings information incorrectly or not at all, SSA cannot ensure all individuals entitled to benefits are receiving the correct payment amounts. SSA spends scarce resources correcting earnings data when employers report incorrect information. . .

## AUDIT

### **NUMIDENT DEATH INFORMATION NOT INCLUDED ON THE DEATH MASTER FILE**

Our objective was to determine whether SSA should continue excluding Numident records that contain number holders' dates of death from the Death Master File (DMF).

SSA uses death information from the Numident to compile the DMF, which it provides to Federal benefit-paying agencies for use in preventing payments to deceased individuals. SSA also provides a version of the DMF to the Department of Commerce, which, in turn, sells that data to public and private customers.

SSA excluded from the DMF information for approximately 8.7 million number holders whose Numident records included the individuals' dates of death. SSA records contained various information further indicating that these number holders were deceased.

- Most number holders, if alive, would be age 65 or older; yet almost none had earnings in the past 25 years or received SSA payments at the time of our review.
- Nearly all 8.7 million Numident records contained entry code "D," indicating the number holders were deceased when SSA input their information onto the Numident.
- Approximately 5.3 million number holders also had dates of death on SSA's Master Earnings File and/or payment records.

Thousands of these Social Security numbers (SSNs) may have been misused. For Tax Years 2009 through 2014, individuals using 69,863 SSNs had approximately \$3.9 billion in reported wages, tips, or self-employment income. SSA transferred the earnings to the Earnings Suspense File primarily because the earners' name/SSN combinations did not match SSA records.

Due to concerns regarding the accuracy of death information SSA used when it created the electronic Numident in the early 1970s, SSA decided to exclude the records from the DMF. However, the passage of time confirms the validity of death information on all but a few records. As a result, we believe that SSA should revisit its decision to exclude these records from the DMF.

We recommended that SSA develop a methodology to incorporate these numberholders' information into the DMF. SSA agreed with our recommendation.

### **OFFICE OF PERSONNEL MANAGEMENT DEATHS NOT IN THE SOCIAL SECURITY ADMINISTRATION'S SYSTEMS**

Our objective was to determine whether deceased individuals in the Office of Personnel Management's (OPM) annuitant file were recorded in SSA's systems.

In FY2015, SSA paid about \$932 billion under the Old-Age, Survivors and Disability Insurance (OASDI) and SSI programs to nearly 65 million beneficiaries and recipients. Under these programs, payment to a beneficiary or recipient terminates when the individual dies.

SSA receives death reports from other Federal agencies—but not OPM.

For our review, we obtained from OPM a copy of its annuitant file, which had 2.7 million records with dates of death through December 2013.

OPM's annuitant file contained deaths that were not recorded in SSA's systems. SSA paid \$1.7 million in OASDI benefits to 35 deceased beneficiaries. The average payment after death was \$49,156 for an average of 84 months.

Additionally, we estimate SSA would have continued paying these beneficiaries approximately \$258,000 over the next year had the deaths not been identified.

Also, we identified six more individuals whose deaths were on OPM's file and whose payments SSA had terminated, but whom the Agency paid after their deaths. Had SSA obtained death data regularly from OPM, the Agency could have identified these deaths earlier and prevented \$56,695 in OASDI benefits being paid after death for these six individuals.

Although we found SSA improperly paid a small number of beneficiaries—as compared to the total number of individuals receiving benefits—the cases we found represented an opportunity for SSA to reduce payments after death and improve the completeness of its Death Master File.

We recommend that SSA enter into an agreement with OPM to periodically obtain its death data—with dates of death reported to OPM in calendar year 2014 forward. SSA agreed with the recommendation. On November 2, 2016, SSA informed us that SSA and OPM are jointly working on an Information Exchange Agreement to obtain monthly death reports, which the Agency expects to be in place in early 2017.

#### **SUPPLEMENTAL SECURITY INCOME RECIPIENTS ELIGIBLE FOR, OR RECEIVING, PENSIONS FROM CHINA**

Our objective was to identify SSI recipients who were eligible for, or receiving, pensions from China and who may have therefore been overpaid.

Since SSI is based on financial need and the payer of last resort, SSI recipients must apply for all other available sources of income to remain eligible. This includes foreign-based pensions. Foreign pension-paying entities that pay income to persons living in the United States do not usually make the income information available to the Internal Revenue Service. Therefore, SSA relies on recipients to self-report the information. Additionally, pensions from China may be payable to individuals who have 15 years of work in China, even though the individuals reside in the United States.

We identified 29,361 SSI recipients who may have been eligible for, or receiving a pension from China. We selected a random sample of 200 recipients from this population for review. Based on the results of our review, we estimated SSA overpaid about 5,600 recipients \$125 million because of undisclosed pensions from China. SSA will continue improperly paying about \$25 million in SSI payments over the next 12 months if it does not properly post this income to its records.

Specifically, of the 200 recipients in our sample,

- 40 (20 percent) were receiving a pension from China, and 38 of the 40 were overpaid about \$850,000;
- 12 (6 percent) may have been eligible for, but were not receiving, a pension from China;
- 134 (67 percent) were not eligible for a pension from China;
- 12 (6 percent) did not respond to our request for information. We referred these cases to SSA; and
- 2 (1 percent) were not applicable because the recipient either died or had their benefits suspended.

We recommended that SSA follow-up on the cases in our sample in which the recipients are receiving or potentially eligible for pensions from China and take appropriate corrective action. SSA agreed with the recommendation.

### **THE TICKET TO WORK PROGRAM**

The Ticket to Work and Work Incentives Improvement Act of 1999 established the Ticket to Work and Self-Sufficiency Program (Ticket Program). The purpose of the Ticket Program is to provide the assistance disabled beneficiaries need to return to work.

Few Ticket-eligible beneficiaries used their Tickets to receive vocational or employment services. For example, in FY2015, less than 3 percent of Ticket-eligible beneficiaries assigned their Tickets or placed them in use. Most of the individuals who used their Tickets placed them in use with a State Vocational Rehabilitation agency (SVRA) under the cost-reimbursement option, the type of service that was in place before SSA implemented the Ticket Program.

While few beneficiaries used their Tickets, SSA incurred significant costs to operate the Ticket Program. For example, SSA paid contractors over \$234 million to help manage the Program since its inception. SSA will incur similar costs to help manage the Program in the future.

SSA reported significant savings attributed to the suspension or termination of benefit payments for beneficiaries who assigned or placed their Tickets in-use. Most savings were attributed to beneficiaries who placed their Tickets in use with an SVRA. However, SSA reported that beneficiaries who assigned their Tickets to Employment Networks (EN) had higher average dollar savings than those who placed their Tickets in-use with an SVRA under the cost-reimbursement option.

While the savings estimates for the small percentage of beneficiaries who assign or use their tickets are encouraging, ENs decide which beneficiaries to accept. In fact, the Government Accountability Office found that an increasing number of ENs used service approaches that targeted those who were already working or ready to work. In addition, an independent evaluation failed to provide strong evidence of the Ticket Program's impact on employment and concluded that many successful Program participants might have been equally successful without SSA-financed services or with services provided by an SVRA under the payment system that predated the Ticket Program.

### **SOCIAL SECURITY ADMINISTRATION CORRESPONDENCE CONTAINING FULL SOCIAL SECURITY NUMBERS**

Our objective was to assess SSA's use of SSNs on external correspondence and the potential risks associated with such use.

In 2007, the Office of Management and Budget issued a memorandum requesting that Federal agencies review the unnecessary collection and use of SSNs. Specifically, the memorandum states that agencies should protect personally identifiable information in the Government's possession and avoid its breach.

According to SSA, about 233 (66 percent) of the 352 million notices it sent in 2015 included individuals' full SSNs. While it is unknown how many of the intended addressees received these notices, our audit work has shown that the addresses in SSA's records can be inaccurate. However, we are not aware of any SSN misuse attributable to the SSN displayed on SSA notices.

Many other government and non-government agencies that frequently use the SSN have implemented measures to eliminate or significantly reduce the use of SSNs on correspondence. In 2015, an SSA cross-component workgroup considered options for removing full SSNs from correspondence and recommended that SSA delay the removal of SSNs from all notices at one time. However, SSA stated it would explore

leveraging existing information technology projects to replace the SSN with the Beneficiary Notice Control Number on notices on a case-by-case basis, as resources are available. The Acting Commissioner approved this recommendation. While we are encouraged by the new position, we believe SSA should adopt a timeframe for implementation.

We recommended that SSA (1) make removal of SSNs from SSA correspondence a priority as resources permit, and (2) re-evaluate and document the assumptions used to develop SSA's cost estimates to remove SSNs from its correspondence. SSA agreed with our recommendations.

#### **OLD-AGE, SURVIVORS AND DISABILITY INSURANCE BENEFITS AFFECTED BY FEDERAL PENSIONS**

Our objective was to review SSA's Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) processes as they applied to Federal pensions.

The Social Security Act includes two provisions that reduce Social Security monthly benefits paid to individuals who receive a pension based on Federal, State, or local government employment not covered by Social Security. WEP eliminates "windfall" Social Security benefits for retired and disabled workers receiving pensions from employment not covered by Social Security. GPO reduces monthly Social Security benefits for spouses, divorced spouses, and surviving spouses who receive a pension based on their own work for a Federal, State, or local government that was not covered by Social Security.

SSA needs to improve its controls to ensure that WEP is timely and accurately applied for Federal pensions. We determined WEP should have been applied to 14 of the 250 beneficiaries sampled. Although SSA was aware these beneficiaries had a government pension, the Agency did not reduce their benefit payments for WEP. The 14 beneficiaries received about \$372,000 in overpayments. Based on our sample results, we estimate SSA overpaid about \$129 million in OASDI benefits to about 4,900 beneficiaries.

Because of its administrative finality policies, SSA may not correct all payment errors we identified. If it does not take corrective action, we estimate the Agency will pay an additional \$48 million in future payments to these beneficiaries.

We recommended SSA:

- (1) Complete the WEP and administrative finality determinations for the remaining nine beneficiaries identified during this review and collect overpayments, if applicable;
- (2) Send a reminder to staff to take the appropriate action on reported pension information; and
- (3) Finalize changes to its administrative finality policy regarding whether the Agency should continue to pay prospective benefits even where administrative finality currently prohibits reopening the determination.

SSA agreed with our recommendations.

## INVESTIGATIONS

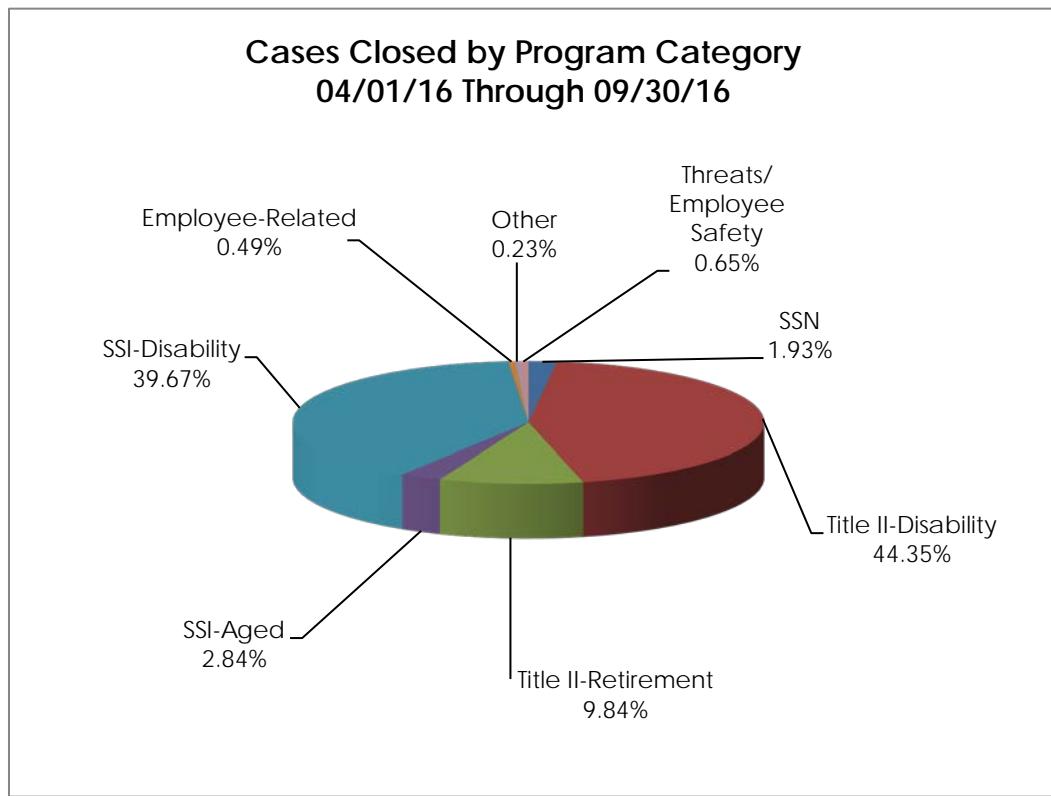
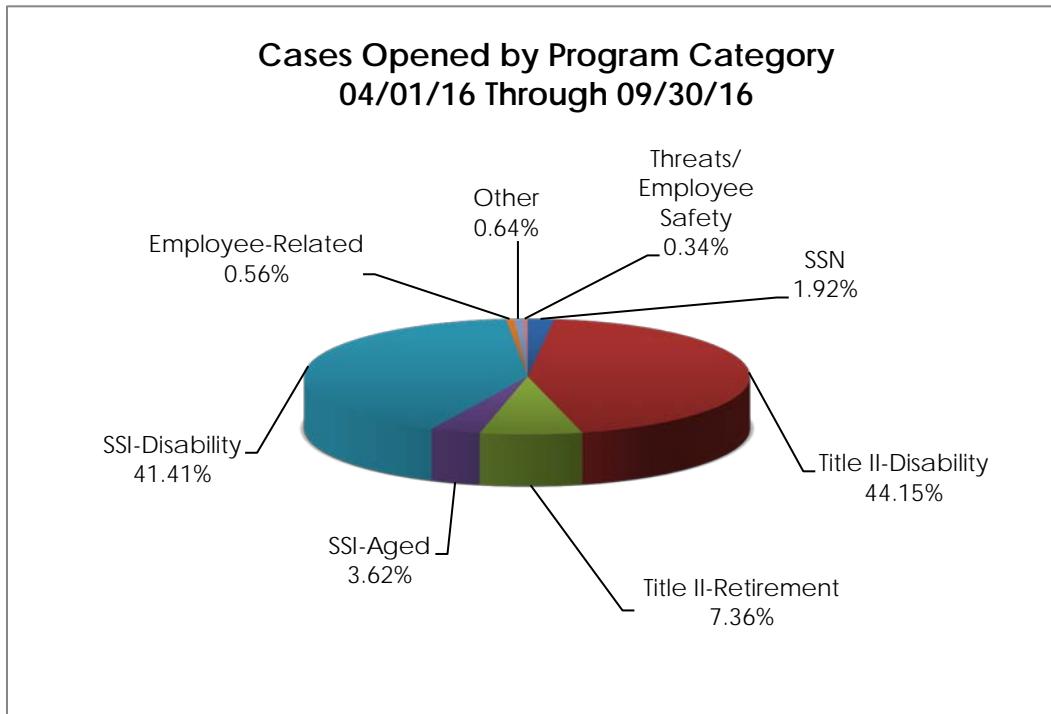
Our Office of Investigations examines and investigates allegations of fraud, waste, abuse, and mismanagement in SSA programs and operations. These allegations may involve issues such as benefit fraud, SSN misuse, violations by SSA employees, or fraud related to grants and contracts. Our investigations often result in criminal or civil prosecutions or the imposition of CMPs against offenders. These investigative efforts improve SSA program integrity by recovering funds and deterring those contemplating fraud against SSA in the future. Our work in the areas of program fraud, enumeration fraud, SSN misuse, and other Social Security-related fraud ensures the integrity of SSA programs.

INVESTIGATIVE RESULTS			
	10/1/15-3/31/16	4/1/16-9/30/16	TOTAL FY 2016
<b>Allegations Received</b>	75,230	68,155	<b>143,385</b>
<b>Cases Opened</b>	4,148	3,900	<b>8,048</b>
<b>Cases Closed</b>	4,057	4,298	<b>8,355</b>
<b>Arrests</b>	157	140	<b>297</b>
<b>Indictments/Informations</b>	454	415	<b>869</b>
<b>Criminal Convictions</b>	608	554	<b>1,162</b>
<b>Civil Actions/CMPs</b>	158	105	<b>263</b>

SSA FUNDS REPORTED			
	10/1/15 – 03/31/16	4/1/16-9/30/16	TOTAL FY 2016
<b>Recoveries</b>	\$25,400,081	\$27,183,023	<b>\$52,583,104</b>
<b>Fines</b>	\$2,798,431	\$1,679,130	<b>\$4,477,561</b>
<b>Settlements/Judgments</b>	\$686,264	\$1,052,022	<b>\$1,738,286</b>
<b>Restitution</b>	\$27,115,990	\$42,857,267	<b>\$69,973,257</b>
<b>Estimated Savings</b>	\$166,257,502	\$189,422,807	<b>\$355,680,309</b>
<b>TOTAL</b>	\$222,258,268	\$262,194,249	<b>\$484,452,517</b>

ALLEGATIONS RECEIVED BY SOURCE			
	10/1/15-3/31/16	4/1/16-9/30/16	TOTAL FY 2016
SSA and DDS Employees	26,645	21,268	47,913
Private Citizens	29,352	28,673	58,025
Anonymous	14,257	13,588	27,845
Law Enforcement	1,375	1,651	3,026
Beneficiaries	2,623	2,058	4,681
Public Agencies	971	909	1,880
Other (Congressional, Financial Institutions, Contractors/Grantees, White House, Employee of Contractor, and Employee of Subject)	7	8	15
<b>TOTAL</b>	<b>75,230</b>	<b>68,155</b>	<b>143,385</b>

ALLEGATIONS RECEIVED BY CATEGORY			
	10/1/15-3/31/16	4/1/16-9/30/16	TOTAL FY 2016
Disability Insurance	28,935	27,384	56,319
SSI Disability	13,989	13,662	27,651
SSN Misuse	12,292	10,042	22,334
Old-Age and Survivors Insurance	12,903	9,660	22,563
Other	4,493	4,729	9,222
Threats/Employee Safety	640	554	1,194
Employee-Related	1,226	1,360	2,586
SSI Aged	752	764	1,516
<b>TOTAL</b>	<b>75,230</b>	<b>68,155</b>	<b>143,385</b>



## Significant Investigative Activities

### *Disability Fraud*

#### **PANHANDLER FOUND TO HAVE ASSETS**

Acting on an allegation from the Bowling Green, Kentucky SSA office, our Lexington, Kentucky office investigated a 33-year-old SSI recipient. The investigation revealed that since 2009, the man concealed resources from SSA, including real property and proceeds received while panhandling. In July 2016, after pleading guilty to Social Security fraud, false statements, and theft of government funds, he was sentenced to 42 months in prison and three years' supervised release. He was also ordered to repay \$24,884 to SSA and \$81,831 to the Kentucky Department of Medicaid.

#### **DISABILITY BENEFICIARY WORKED, ASSISTED IN ROBBING BUSINESS**

Acting on a referral from the Penobscot, Maine Sheriff's Office, our Bangor, Maine office investigated a 37-year-old DI beneficiary. The investigation revealed that, between 2011 and 2012, the man worked as a scrap metal dealer and carpenter. During the investigation, this man was also arrested for aiding and abetting the robbery of a pharmacy in Maine. In July 2016, after pleading guilty to Social Security fraud and being an accessory after the fact to the pharmacy robbery, the man was sentenced to 41 months in prison. He was also ordered to repay \$12,864 to SSA and \$5,178 to the pharmacy.

#### **MARYLAND MAN WORKED AS A LETTER CARRIER WHILE COLLECTING BENEFITS**

Based on a referral from our Fraud Hotline, our Baltimore, Maryland office investigated a 62-year-old DI beneficiary. The investigation determined that, from November 2002 through February 2015, the man used his wife's name and SSN to conceal his employment as a letter carrier for the U.S. Postal Service while receiving DI benefits. The man pleaded guilty to theft of government funds and, in April 2016, he was sentenced to six months' home confinement and three years' supervised release. He was also ordered to repay \$368,889 to SSA.

#### **WOMAN CONCEALS MARRIAGE AND WORK TO REMAIN ENTITLED TO BENEFITS**

After receiving an allegation from the Baton Rouge North, Louisiana SSA office, our Baton Rouge, Louisiana office investigated a 45-year-old woman receiving Disabled Adult Child benefits. The investigation determined the woman concealed her 2006 marriage from SSA to remain eligible to receive benefits. According to the investigation, the woman also concealed wages earned as the owner of several businesses. The woman pleaded guilty to theft of government funds and, in July 2016, she was sentenced to 10 months in prison and three years' supervised release. She was also ordered to repay \$62,141 to SSA.

#### **DISABLED MAN CONCEALS WORK, APPEARS ON REALITY TV SHOW**

Based on a referral from HHS/OIG, our Manchester, New Hampshire office investigated a 51-year-old SSI recipient. The investigation determined the man concealed from SSA and from the State of Vermont his employment as a commercial fisherman from 2009 through April 2013. It was further determined that he had been paid to appear on the reality television show "Wicked Tuna" since September 2011. The man pleaded guilty to Social Security fraud and making false statements relating to health care and, in June 2016, he was sentenced to four years' supervised release. He was also ordered to repay \$34,555 to SSA and \$19,104 to the State of Vermont.

## *Representative Payee Fraud*

### **SSI PAYEE CONCEALS TRUE HOUSEHOLD COMPOSITION, RECEIPT OF TRUST**

Based on a referral from the Independence, Missouri SSA office, our Kansas City, Missouri office investigated a 43-year-old representative payee. The investigation determined that, while receiving SSI and benefits administered by the State of Missouri on behalf of her disabled child, the woman failed to report that the child's father resided in the household and had provided support since 2002. The woman also failed to report receiving \$169,000 and interest payments from a trust. The woman pleaded guilty to theft of government money and, in August 2016, she was sentenced to 15 months in prison and three years' supervised release. She was also ordered to repay \$45,465 to SSA and \$32,212 to the State of Missouri.

### **PAYEE CONCEALS CHILD IS RESIDING IN FOSTER CARE FOR 7 YEARS**

After receiving a referral from the New Bedford, Massachusetts SSA office, our Boston, Massachusetts office investigated a 50-year-old representative payee. The investigation determined that, from August 2007 through August 2014, this woman fraudulently received and converted to her own use the SSI payments intended for her disabled son, who had been placed in foster care in 2007. The woman pleaded guilty to Social Security fraud and theft of public money and, in April 2016, she was sentenced to four months in prison and one year of supervised release. She was also ordered to repay \$63,798 to SSA.

### **PAYEE FAILS TO REPORT CHILD NO LONGER IN HIS CARE**

Based on a referral from the West Seneca, New York SSA office, our Batavia, New York office investigated a 45-year-old representative payee. The investigation determined that, from October 2013 through June 2015, the man received and converted to his own use the SSI payments intended for his daughter, even though she had been placed in foster care. The man pleaded guilty to theft of government funds and, in June 2016, he was sentenced to one year of incarceration and three years' supervised release. He was also ordered to repay \$15,456 to SSA.

### **PAYEE FILES A FALSE CLAIM AND RECEIVES BENEFITS FOR CHILD WHO WAS NOT ENTITLED**

After receiving an allegation received from the Melbourne, Florida SSA office, our Clearwater, Florida office investigated a 45-year-old representative payee. The investigation determined the woman provided SSA with false information regarding the paternity of her minor child. As a result, she fraudulently received child's benefits under the record of the purported father from July 2001 through April 2015. The woman pleaded guilty to making false statements and, in June 2016, she was sentenced to two years' probation. She was ordered to repay \$63,884 to SSA.

### **PAYEE USES SSA FUNDS TO PAY BUSINESS EXPENSES**

Based on a referral from the Milwaukee-West, Wisconsin SSA office, our Milwaukee office investigated the 39-year-old owner of an organizational representative payee business. The investigation determined the woman used SSA beneficiary funds to pay rent and employee salaries, and purchase business supplies. The woman pleaded guilty to representative payee fraud and, in August 2016, she was sentenced to six months in prison and three years' supervised release. She was ordered to repay \$251,559 to SSA.

## *Employee Fraud*

### **FORMER EMPLOYEE DIRECTS BENEFICIARY FUNDS INTO HER BANK ACCOUNT**

Based on a referral from SSA's Great Lakes Program Service Center in Chicago, Illinois, our Chicago, Illinois office investigated an SSA benefit authorizer. The investigation determined that the SSA employee manipulated the SSA records of three beneficiaries, causing the release of payments that were not otherwise due. The payments were routed to the employee's personal bank account. The woman resigned from her position with SSA. The woman pleaded guilty to theft of government funds. In June 2016, she was sentenced to two years' probation to include 60 days' home confinement with technological monitoring. She was also ordered to repay \$14,112 to SSA.

### **FORMER EMPLOYEE REDIRECTS BENEFITS TO PREPAID DEBIT CARDS**

Based on a referral from the Portsmouth, Virginia SSA office, our Richmond, Virginia office investigated an SSA service representative. The investigation determined the woman redirected several beneficiaries' payments totaling \$32,966 to prepaid debit card accounts of which she had ownership. Due to internal bank controls, the employee was unable to access the funds. She later resigned from her position with SSA. The woman pleaded guilty to wire fraud and, in May 2016, she was sentenced to six months in prison and ordered to serve one year of supervised probation. She also resigned from her position with SSA in December 2015.

## *Deceased Payee Fraud*

### **SON AND DAUGHTER-IN-LAW COLLECT OVER \$110,000 OF WOMAN'S BENEFITS**

After receiving a referral from the Leesburg, Florida SSA office, our Clearwater, Florida office investigated the 50-year-old son and 47-year-old daughter-in-law of a Widow's Insurance beneficiary. The investigation determined that, from October 2009 through November 2015, the couple received and converted for their own use the SSA benefits intended for their relative, who died in September 2009. The man and woman pleaded guilty to theft of government funds and, in July 2016, they were sentenced to four years' probation. They were also ordered to pay restitution of \$110,696 to SSA.

### **MAN COLLECTS GRANDMOTHER'S RETIREMENT BENEFITS FOR ALMOST 18 YEARS**

Based on a Medicare Non-Utilization Project (MNUP) allegation received from the New Britain, Connecticut SSA office, our Hartford, Connecticut office investigated the 47-year-old grandson of a retirement beneficiary. The investigation determined the grandson received and converted for his own use the SSA benefits intended for his grandmother following her October 1996 death. The man pleaded guilty to theft of government funds and, in May 2016, he was sentenced to six months in prison, three months' home confinement, and three years' supervised release. He was also ordered to repay \$218,097 to SSA.

### **MAN COLLECTS DECEASED MOTHER'S SSA, OPM BENEFITS FOR OVER 12 YEARS**

Based on an MNUP referral from the Nashville, Tennessee SSA office, our Memphis, Tennessee office investigated the 66-year-old son of a retirement beneficiary. The investigation determined that the man continued to receive and convert to his own use SSA and Civil Service Retirement System benefits intended for his mother following her death in July 2001. The man pleaded guilty to theft of government funds and, in July 2016, he was sentenced to 12 months' home detention and three years' supervised release. He was also ordered to repay \$58,267 to SSA and \$176,703 to the Office of Personnel Management.

### **WOMAN COLLECTS DECEASED MOTHER'S BENEFITS FOR OVER 18 YEARS**

Based on an MNUP referral from the Miami Beach, Florida SSA office, our Jacksonville, Florida office investigated the daughter of a retirement beneficiary. The investigation determined that, between September 1995 and January 2014, the 73-year-old woman received and converted for her own use the SSA benefits intended for her mother following her death in the Dominican Republic in August 1995. The woman pleaded guilty to theft of government funds and, in August 2016, she was sentenced to 12 months in prison and one year of supervised release. She was also ordered to repay restitution \$132,957 to SSA.

### **DAUGHTER-IN-LAW ACCESSES DECEASED'S BENEFITS FOR OVER 33 YEARS**

After receiving an MNUP referral from the Colorado Springs, Colorado SSA office, our Denver office investigated the daughter-in-law of a Widows Insurance beneficiary. The investigation determined that, following the beneficiary's death in June 1981, the 69-year-old daughter-in-law accessed the beneficiary's bank account and converted for her own use the benefits for over 33 years. The woman pleaded guilty to theft of government funds and, in August 2016, she was sentenced to six months in prison, six months' home detention, and three years' supervised release. She was also ordered to repay \$224,338 to SSA.

### ***SSN Misuse***

#### **WOMAN COLLECTS BENEFITS UNDER TWO SSNS**

Based on a referral from the Pennsylvania State Police, our Philadelphia, Pennsylvania office investigated a 75-year-old Retirement and Survivors Insurance (RSI) beneficiary. The investigation determined that, in 1974, the beneficiary applied for and received a second SSN in a name other than her own. Between February 1998 and July 2014, the woman utilized the two SSNs to apply for and receive RSI and DI benefits in both identities for which she was not eligible. The woman pleaded guilty to theft of government funds and, in August 2016, she was sentenced to three years' probation and 10 months' house arrest. The woman was also ordered to repay \$121,857 to SSA.

#### **OREGON WOMAN USES MULTIPLE IDENTITIES TO FRAUDULENTLY COLLECT BENEFITS**

After receiving an allegation from the Oregon Department of Motor Vehicles, our Salem, Oregon office investigated a retirement beneficiary. The investigation found that, between 2002 and 2013, the 76-year-old woman used multiple identities to receive retirement benefits and SSI payments, as well as food assistance and state medical benefits, for which she was not eligible. The woman pleaded guilty to theft of government funds and, in July 2016, she was sentenced to three years' probation and 100 hours' community service. She was also ordered to repay \$134,181 to SSA and \$55,823 to the Oregon Department of Human Services.

#### **WOMAN USES DECEASED SIBLINGS' IDENTITIES TO COLLECT BENEFITS**

Acting on information received from the Stow, Ohio, Police Department, our Cleveland, Ohio office investigated an Ohio resident. The investigation determined that the 72-year-old woman used the identities of two of her deceased siblings to apply for and receive retirement benefits and SSI payments between June 2003 and June 2014. In August 2016, after pleading guilty to theft, tampering with records, identity fraud, and forgery, the woman was sentenced to four years in prison, suspended upon successful completion of two years of probation. She was also ordered to repay \$164,482 to SSA.

### **WOMAN USES MULTIPLE SSNS TO COLLECT OVER \$100,000 IN FEDERAL STUDENT AID**

Acting on information received from the U.S. Department of Education (DOE) OIG, our Dallas, Texas office investigated a 34-year-old Fort Worth-area woman. The investigation determined the woman used multiple SSNs to apply for and receive over \$100,000 in federal student aid for which she was not eligible. The woman pleaded guilty to theft of government property and, in August 2016, she was sentenced to 12 months and one day of incarceration and two years' supervised release. She was also ordered to repay \$108,631 to the DOE.

### **MAN CONVICTED OF SUPPLYING COUNTERFEIT DOCUMENTS TO OBTAIN SSN CARDS**

After receiving an allegation from the Staten Island, New York SSA office, our Iselin, New Jersey office investigated a 32-year-old New York resident. The investigation found the man provided counterfeit documentation and assistance to foreign students to fraudulently apply for and receive genuine SSN cards. In July 2016, after pleading guilty to conspiracy to commit mail fraud and conspiracy to commit fraud in connection with identification documents, the man was sentenced to 12 months in prison and two years' supervised release. He was also ordered to forfeit \$30,500, which represented the amount of proceeds obtained through his schemes.

## *Digital Forensics*

### **SEIZED COMPUTERS REVEAL TRAIL OF SOCIAL SECURITY FRAUD**

Our Milwaukee, Wisconsin office investigated an organizational representative payee alleged to have misused the benefits paid on behalf of numerous SSA beneficiaries. Our Digital Forensics Team (DFT) conducted a forensic analysis of the company's network server files and computer hard drives seized by investigators. The analysis identified numerous accounting files and documents related to financial aspects of the company. In August 2016, after pleading guilty to Social Security fraud, the company owner was sentenced to six months in prison and three years' supervised release. She was also ordered to repay \$251,559 to SSA.

### **ONLINE PROFILE PROVIDES EVIDENCE OF DISABILITY FRAUD**

The Seattle CDI Unit conducted an investigation into alleged work concealment by a DI beneficiary. In support of the investigation, the DFT conducted an internet and social media examination on open source accounts and identified evidence that the 42-year-old beneficiary owned and operated a business while collecting benefits. As a result of the investigation, the Washington Disability Determination Services (DDS) ceased the man's DI benefits. In June 2016, the OIG imposed a \$7,000 CMP against the man.

### **LOCAL POLITICAL FIGURE CONCEALS POSITION FROM SSA TO COLLECT DISABILITY BENEFITS**

Based on a referral from the St. Peters, Missouri SSA office, our St. Louis, Missouri office investigated a 33-year-old DI beneficiary alleged to have concealed self-employment income. The DFT conducted an internet and social media examination on open source accounts and identified numerous online videos depicting the man engaging in various political activities and fundraising. The man pleaded guilty to theft of government funds and, in September 2016, he was sentenced to six months' home confinement and five years' probation. He was ordered to repay \$45,835 to SSA.

## Threats and Assaults against SSA Employees

Employee safety is of paramount concern to SSA and OIG. Social Security employees must follow extreme caution as the number of Americans who depend on government services increases during times of economic challenge.

The Inspector General's OI shares the responsibility for investigating reports of threats or use of force against Agency employees with the Department of Homeland Security's Federal Protective Service, and with local law enforcement if the activity occurs off federally owned or leased property.

During the reporting period, OIG received more than 500 allegations nationwide related to employee safety issues, of which about 200 involved assault or harassment, and over 300 were associated with threats against SSA employees or buildings. We also opened over 10 and closed over 20 cases nationwide related to employee safety. The following case summaries highlight significant SSA employee safety investigations we conducted during this reporting period.

### **DISRUPTIVE CLIENT RETURNS AFTER HOURS TO CONFRONT OFFICE MANAGER**

Based on an allegation received from the Downtown New York SSA office, our New York, New York office investigated a 39-year-old DI beneficiary. The investigation determined the man became disruptive while visiting the Downtown New York SSA office, and was then removed from the premises. Later that evening, when the office manager was leaving for the day, he was confronted by the man, who cursed and spat on him before fleeing the area. The man pleaded guilty to assault or intimidation of a federal officer or employee and, in May 2016, he received a sentence of time served. He was also issued an order prohibiting him from interfering with SSA employees.

### **DISABILITY APPLICANT THREATENS ADMINISTRATIVE LAW JUDGE**

Based on a report from the Federal Protective Service, our Detroit, Michigan office investigated a 29-year-old disability applicant. The investigation determined that, in early August 2015, the man wrote a series of anonymous, threatening letters to an administrative law judge. The man pleaded guilty to mailing threatening communications and, in June 2016, he was sentenced to 15 months in prison and three years' supervised release.

### **MAN THREATENS ASSAULT IF HIS BENEFITS WERE NOT PAID TO HIMSELF**

After receiving an allegation from the Lawrence, Kansas SSA office, our Kansas City, Missouri office investigated a 34-year-old DI beneficiary. The investigation determined that, while visiting the Lawrence, Kansas office, the man threatened to assault an SSA employee if he did not receive the benefits that had been issued to his representative payee. He also alluded to the fact that he had previously been incarcerated for assaulting a federal employee. The man pleaded guilty to threatening an SSA employee and, in June 2016, he was sentenced him to 12 months in prison and 12 months' supervised release.

### **DISABILITY BENEFICIARY THREATENS TO KILL SSA EMPLOYEE BECAUSE OF SUSPENDED BENEFITS**

Based on a report from the St. George, Utah SSA office, our Salt Lake City, Utah office investigated a 56-year-old DI beneficiary. The investigation determined the man threatened to kill an SSA claims representative in the St. George office because his benefits had been suspended. The man then assaulted a guard who attempted to remove him from the SSA office. The man pleaded guilty to resisting/assaulting a federal officer and, in August 2016, he was sentenced to time served, 19 months in prison.

## Cooperative Disability Investigations Program

The CDI program remains one of our most successful initiatives with SSA, contributing to the integrity of the disability programs. CDI is a joint effort among the OIG, SSA, State DDSs, and State/local law enforcement agencies. The units work to obtain sufficient evidence to identify and resolve issues of fraud and abuse related to initial disability claims and CDRs. We established the CDI Program in FY 1998 with units in just five States; currently, the program consists of 38 units covering 33 states, the District of Columbia, and the Commonwealth of Puerto Rico.

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

### **DISABILITY RECIPIENT PERFORMS CONSTRUCTION WORK**

The Chicago CDI Unit investigated a 50-year-old man who was receiving DI for affective mood and anxiety disorders. The man was suspected of concealing self-employment earnings from SSA. The investigation determined that the man had owned and operated his own construction company and performed substantial work activity since 2007.

The man pleaded guilty to theft of government funds and was sentenced to six months in prison and three years' supervised release. He was ordered to repay \$77,353 to SSA.

### **HORSE TRAINER COLLECTS DISABILITY DESPITE SIGNIFICANT Winnings**

The Cleveland CDI Unit investigated a 59-year-old man who was receiving DI and SSI due to back problems. The man denied working and reported to SSA that he spent his days eating, taking medication, and walking around the house.

The investigation revealed that, since 1987, the man was registered with a horse racing association as a driver, trainer, and owner. Records revealed the man was the registered trainer for more than 1,700 horse races and was credited with winnings totaling over \$860,000.

As a result of this investigation, the Ohio Division of Disability Determination reopened the man's disability claim and rendered a denial of benefits, resulting in an overpayment of \$80,413.

### **CALIFORNIA LANDLORD FAILS TO REPORT HIS PROPERTY TO SSA**

The Los Angeles CDI Unit investigated a 53-year-old man who was receiving SSI for peripheral arterial disease. It was alleged the man failed to report ownership in a multi-unit rental property during SSA redeterminations. The investigation revealed the man obtained property in 2012 and collected rental income from two tenants, making him ineligible to receive benefits.

The man pleaded guilty to one count of grand theft and one count of perjury and was sentenced to serve five years' probation. He was ordered to pay restitution of \$19,954 to SSA, \$29,482 to the Medi-Cal Program, and \$22,175 to the In Home Support Services Program.

#### **NEW YORK MAN CONCEALS WORK AT RESTAURANT TO COLLECT DISABILITY**

The New York CDI Unit investigated a 57-year-old man who was receiving DI for a leg injury and diabetes. It was alleged he was working six days per week at a restaurant and was not reporting his work activity to SSA. The investigation revealed the man was working, and he was observed on multiple occasions serving customers, preparing orders, and carrying out the duties of a waiter without any obvious difficulty.

After reviewing the findings of our investigation, the New York DDS terminated the man's benefits. In August 2016, we imposed a \$5,000 CMP against the man.

#### **RHODE ISLAND MAN ASSESSED CMP AFTER SOCIAL MEDIA POSTS CONTRADICT HIS CLAIMS**

The Providence CDI Unit investigated a 24-year-old man who applied for DI and SSI claiming that mental health issues prevented him from leaving the house or interacting with crowds of people. The investigation revealed that the man was employed as a dancer and frequently used social media to solicit dance work at local establishments.

After reviewing our investigative findings, the Rhode Island DDS denied the application for benefits. In May 2016, we imposed a \$7,500 CMP against the man.

#### **APPLICANT FALSIFIES MILITARY SERVICE WOUND, FORGES DOCTOR'S SIGNATURE**

The Tampa CDI Unit investigated a 24-year-old woman who applied for DI and SSI due to epilepsy, knee and toe problems, and migraines. The SSA referred the matter to the CDI Unit after noting many discrepancies in her application, including an alleged injury during military service, that could not be verified by the Department of Veterans' Affairs.

During an interview with CDI investigators, the woman confessed to providing false information to SSA and to forging the doctor's signature that appeared on her medical form. The woman also admitted that she falsely reported to SSA that she was wounded while serving in Iraq, to bring attention to her disability claim.

As a result of the investigation, SSA denied the claim.

The following table highlights the successes of the CDI program, which yielded more than \$137 million in projected SSA program savings during this reporting period.

<b>CDI Program Results</b> <b>October 1, 2015 – September 30, 2016</b>					
<b>State</b>	<b>Claims Denied/Ceased</b>	<b>Judicial Actions<sup>1</sup></b>	<b>SSA Savings<sup>2</sup></b>	<b>Non-SSA Savings<sup>3</sup></b>	<b>SSA Recoveries<sup>4</sup></b>
Alabama	9	0	\$386,650	\$404,381	\$5,864
Arizona	55	1	\$3,569,933	\$3,604,448	\$157,772
Arkansas	55	1	\$2,829,360	\$2,876,694	\$0
California <sup>5</sup>	441	3	\$24,438,600	\$31,984,358	\$259,427
Colorado	71	0	\$3,689,804	\$4,299,093	\$0
District of Columbia <sup>6</sup>	7	0	\$295,387	\$655,384	\$8,063
Florida <sup>7</sup>	104	3	\$5,313,637	\$5,918,366	\$42,599
Georgia	116	0	\$5,885,432	\$6,205,864	\$29,320
Illinois	52	1	\$2,780,089	\$2,532,134	\$114,630
Iowa	73	0	\$3,832,258	\$4,590,739	\$47,121
Kansas	15	6	\$830,420	\$946,256	\$20,000
Kentucky	56	2	\$2,618,039	\$2,969,007	\$92,102
Louisiana	47	1	\$2,766,949	\$2,445,759	\$0
Maryland	25	1	\$1,412,504	\$2,102,062	\$0
Massachusetts	31	0	\$1,811,324	\$2,023,486	\$2,504
Michigan	59	1	\$3,151,173	\$4,038,605	\$89,447
Minnesota	11	0	\$584,503	\$1,213,828	\$867
Mississippi	47	0	\$2,463,297	\$2,512,750	\$17,688
Missouri <sup>8</sup>	138	5	\$7,764,874	\$8,876,490	\$227,406

State	Claims Denied/Ceased	Judicial Actions <sup>1</sup>	SSA Savings <sup>2</sup>	Non-SSA Savings <sup>3</sup>	SSA Recoveries <sup>4</sup>
New York	52	8	\$3,066,807	\$4,248,395	\$354,410
North Carolina	5	0	\$409,283	\$300,565	\$0
Ohio	142	0	\$7,229,978	\$11,650,931	\$151,194
Oklahoma	96	0	\$5,489,300	\$4,709,616	\$0
Oregon	170	0	\$8,484,889	\$10,878,175	\$0
Puerto Rico	11	2	\$734,299	\$507,874	\$0
Rhode Island	17	2	\$811,966	\$1,049,480	\$122,755
South Carolina	175	0	\$10,188,199	\$10,176,514	\$67,386
South Dakota <sup>9</sup>	0	0	\$0	\$0	\$0
Tennessee	35	0	\$1,736,816	\$2,549,010	\$0
Texas <sup>10</sup>	91	13	\$4,624,209	\$6,260,752	\$18,525
Utah	97	0	\$5,314,907	\$5,786,138	\$0
Virginia	117	0	\$6,267,691	\$7,610,770	\$0
Washington	120	4	\$6,430,864	\$7,145,126	\$327,621
West Virginia	10	0	\$426,830	\$655,797	\$0
Wisconsin	0	0	\$0	\$0	\$0
(10/1/15-3/31/16)	2,483	88	\$131,183,884	\$159,380,454	\$2,639,829
(4/1/16-9/30/16)	2,550	54	\$137,640,271	\$163,728,847	\$2,156,701
<b>TOTAL FY 2016</b>	<b>5,033</b>	<b>142</b>	<b>\$268,824,155</b>	<b>\$323,109,301</b>	<b>\$4,796,530</b>

<sup>1</sup> Judicial Actions include Sentencings, Pre-Trial Diversions, Civil Settlements, and Civil Monetary Penalties<sup>2</sup> CDI-related SSA program savings are calculated using a variable method that considers the type of program involved, and factors that account for nationwide denial/cessation rates.<sup>3</sup> Non-SSA Savings are projected over 60 months whenever another governmental program withholds benefits because of a CDI investigation, using estimated or actual benefit amounts documented by the responsible agency.<sup>4</sup> SSA Recoveries include SSA recoveries, restitution, fines, settlements and judgments. Although this data is included in the reported OIG monetary accomplishments, the amount attributable to CDI was not previously included in this chart.<sup>5</sup> California has two units, one in Los Angeles and the other in Oakland.<sup>6</sup> The District of Columbia CDI Unit has been operational for less than one year.<sup>7</sup> Florida has two units, one in Tampa and the other in Miami.<sup>8</sup> Missouri has two units, one in Kansas City and the other in St. Louis.<sup>9</sup> The Sioux Falls, South Dakota CDI Unit has been operational for less than one year.<sup>10</sup> Texas has two units, one in Dallas and the other in Houston.

## LEGAL

### Section 1140 Enforcement

We innovatively and effectively protect consumers using authority delegated by the Commissioner of Social Security under Section 1140 of the *Social Security Act*. Section 1140 establishes two broad prohibited activities:

- Prohibits people or companies from misleading consumers by giving the false impression that they are associated with, or endorsed by SSA when they advertise, solicit services, or otherwise communicate with the public. These communications can take many forms, including mailed, emailed, and televised advertisements, internet websites, social media targeted ads and accounts, mobile apps and text messages.
- Prohibits the reproduction and sale of Social Security publications and forms without authorization and charging for services SSA provides free without providing proper notice.

The *Bipartisan Budget Act of 2015* authorizes penalty amounts to be adjusted for inflation. We have the authority to impose CMPs up to \$9,893 for each violative communication and up to \$49,467 if the violation is a broadcast or telecast.

### Section 1140 Outreach/Early Intervention

We continually educate the public about recognizing and avoiding scams, and we work with other government agencies and the private sector to develop innovative approaches to combat Section 1140 violations. During this period, we continued our emphasis on early intervention initiatives that focus on increasing efficiencies in detection and initiation of Section 1140 action. Early intervention has the benefit of minimizing harm to the public and SSA's reputation, while also allowing violating individuals and entities the opportunity to bring their operations into compliance with Section 1140 before facing more substantial penalties and other business-related costs.

We prospectively identify, contact, and educate potentially violative website operators about Section 1140—often before the websites become operational. Examples of our 1140 early intervention initiative activities this period include:

- Working with the domain registrar services to review newly issued Uniform Resource Locators (URLs)/Domain Names which contain one or more SSA-related letters or words as part of the domain name, increasing the likelihood that the website will be SSA-related (e.g. [SocialSecurity.us.com](http://SocialSecurity.us.com), [SocialSecurityOnlineGuide.com](http://SocialSecurityOnlineGuide.com), and [socialsecurityonlineservices.info](http://socialsecurityonlineservices.info)).
- Working with internet industry leaders to take a new and more effective approach to protect consumers searching for official SSA-related information.

## Section 1140 Case Highlight

### MISLEADING DISABILITY-RELATED TEXT MESSAGES

We reached an agreement with an advertising company regarding the company's misleading disability-related text message solicitations. The company disseminated text messages that asked recipients to call a listed number relating to their recent disability applications. The company did not have information about recent SSA disability applicants—but was casting a wide net knowing that it would reach recent disability applicants. The company agreed to comply with Section 1140 and pay a \$50,000 CMP.

SECTION 1140			
	10/1/15-3/31/16	4/1/16-9/30/16	TOTAL FY16
Cases Reviewed	35	136	171
Cases Closed – No Violation of Section 1140	24	47	71
Early Intervention/Educational Efforts	0	66	66
Cases Successfully Resolved <i>(Voluntary Compliance and Settlement Agreement)</i>	11	23	34
Penalties Imposed	\$11,500	\$58,000	\$69,500

## Section 1129 Enforcement

SSA programs are a critical safety net, providing retirement, disability, and survivor's benefits to those who are eligible to receive them. The OIG is responsible for maintaining the integrity of Social Security programs by enforcing laws related to fraud, waste and abuse. One way we protect taxpayer dollars is through fines called "civil monetary penalties."

Our CMP program, which targets violations of Section 1129 of the *Social Security Act*, maximizes available resources, and creates a positive return on investment. Section 1129 authorizes a CMP against:

- Anyone who makes any false statements or representations to obtain or retain benefits or payments under Titles II, VIII, or XVI of the *Social Security Act*.
- Representative payees for wrongful conversion of payments, or against individuals who knowingly withhold a material fact from SSA.

A CMP consists of penalties of up to \$7,954 for each false statement, representation, conversion, or omission and an assessment, in lieu of damages, of up to twice the amount of any resulting overpayment. When the OIG investigation finds fraud, the matter is referred to DOJ for possible criminal prosecution. If DOJ declines to prosecute, we are authorized to impose CMPs against wrongdoers and settle matters after due process measures.

We are committed to ensuring that our Section 1129 CMP process is effectively addressing wrongdoing in cases where criminal prosecution has been declined. During this period, we successfully resolved 97 cases and imposed almost \$5 million in CMPs, with a fiscal year total of 244 cases and more than \$12 million.

## Section 1129 Case Highlights

Section 1129 cases fall within several general categories: deceased payees; false statements and/or omissions regarding material changes to a claimant's living arrangements, identity, disabilities, income, and/or resources; and representative payee conversion. Below are cases representative of the 97 we resolved during this reporting period.

### *Deceased Payee Cases*

#### **FLORIDA WOMAN WITHDREW AND USED DECEASED MOTHER'S SOCIAL SECURITY BENEFITS**

A daughter failed to notify SSA that her mother, who received Widow's Benefits, passed away, and the daughter continued to withdraw the Social Security benefits that were direct-deposited into a jointly held account for five years. We settled the case for a penalty of \$25,000 and an assessment of \$51,061 for a total CMP of \$76,061. Pursuant to the agreement, the woman made a lump sum payment of \$50,000 and will make monthly payments thereafter.

#### **LAS VEGAS WOMAN WITHDREW AND USED DECEASED FIANCÉ'S SOCIAL SECURITY BENEFITS**

A woman failed to report her fiancé's February 2012 death to SSA, and subsequently withdrew and spent his Social Security disability benefits from a jointly held bank account. She wrongly used \$19,845 in benefits

between March 2012 and December 2014. We negotiated a settlement agreement pursuant to which she will pay an \$8,000 penalty and a \$19,845 assessment in lieu of damages, for a total CMP of \$27,845.

### *False Statement and/or Omissions*

#### **MICHIGAN WOMAN FAILS TO REPORT LIVING ARRANGEMENTS**

A woman wrongfully collected SSI from May 2005 through August 2013, by failing to report that she and her husband had been living together continuously during that time, and that his employment income contributed to their household income. We imposed a \$40,000 penalty and a \$22,114 assessment in lieu of damages, for a total CMP of \$62,114.

#### **CHICAGO WOMAN RECEIVES SOCIAL SECURITY BENEFITS UNDER FALSE IDENTITY**

A Chicago woman obtained two SSNs under two different names. While properly receiving Social Security retirement benefits under her true identity, she fraudulently applied for, and began receiving, SSI under a second SSN. We imposed a penalty of \$93,000 and an \$87,210 assessment in lieu of damages, for a total CMP of \$180,210.

#### **LOUISIANA MAN CONCEALS HIS LIVING ARRANGEMENTS AND HOUSEHOLD INCOME**

A man claimed he was separated from his wife and concealed household income in order to receive SSI. Although his wife initially supported his claims, during an OIG investigation, she admitted that they had never separated or lived apart, and that her husband had access to her income and resources. We imposed a penalty of \$120,000 and a \$35,140 assessment in lieu of damages, for a total CMP of \$155,140.

#### **CALIFORNIA WOMAN FAILS TO REPORT LIVING ARRANGEMENTS**

A woman, acting as the representative payee for her son, failed to report to SSA that she and her son were living with her husband. Her husband's income and resources rendered her son ineligible for SSI. Due to her failure to report their living arrangements to SSA, she wrongfully received \$29,075 in SSI on her son's behalf. We imposed a penalty of \$10,000 and an assessment in lieu of damages of \$29,075 for a total CMP of \$39,075.

#### **KANSAS MAN FAILS TO REPORT HIS RETURN TO WORK**

A man failed to notify SSA that he experienced medical improvement and returned to work. The OIG investigation demonstrated that the subject returned to his business and continued to work as the owner and operator without notifying SSA. The business was so successful it was featured in a local publication. We negotiated a settlement with the claimant of a \$20,000 penalty. There was no assessment since no overpayment occurred.

#### **KANSAS CITY REALTOR LIED ABOUT HER WORK ACTIVITY**

A woman who received Social Security disability payments since 2009 obtained her real estate license and returned to work in 2011. She failed to report her real estate work, several other jobs she held, and income to SSA. She also lied about her work on work activity reports she completed to continue receiving benefits. Between August 2011 and September 2014, she fraudulently received \$43,472 in benefits for both herself and her minor child. We negotiated a settlement agreement in which she will pay a \$12,000 penalty and a \$43,472 assessment in lieu of damages, for a total CMP of \$55,472.

#### **LAS VEGAS WOMAN COMMITS IDENTITY THEFT TO RECEIVE DOUBLE BENEFITS**

A woman assumed the identity of her ex-husband's deceased wife and applied for Social Security benefits under that identity while receiving benefits under her own identity. She fraudulently received \$112,162 in Social

Security benefits between November 2006 and October 2015. We imposed a penalty of \$69,000 plus an assessment in lieu of damages of \$112,162, for a total CMP of \$181,162.

#### **IOWA MAN LIES ABOUT HIS DISABILITY**

In a July 2015 application for SSI, a man stated he could not walk or drive, could barely move, and was partially paralyzed. An OIG investigation revealed the man engaged in a multitude of activities that contradicted the claims of severe impairment in his application. As a result of the OIG's investigation, his application was denied and we imposed a \$20,000 CMP.

#### *Representative Payee Conversion*

#### **MISSOURI WOMAN FRAUDULENTLY TAKES CHILDREN'S SURVIVOR BENEFITS FOR HERSELF**

The State of Missouri removed two children from their mother's custody in January 2010. Although she was no longer caring for the children, the mother set up bank accounts to facilitate her wrongful receipt of the children's benefits. We imposed a \$38,000 penalty and a \$36,828 assessment in lieu of damages, for a total CMP of \$74,828.

<b>SECTION 1129</b>			
	<b>10/1/15-3/31/16</b>	<b>4/1/16-9/30/16</b>	<b>Total FY16</b>
<b>Penalties and Assessments Imposed</b>	\$7,124,413	\$4,940,101	\$12,064,514
<b>Number of Hearings Requested</b>	12	4	16
<b>Cases Successfully Resolved (settled case, favorable judgment, or penalty imposed)</b>	147	97	244

#### **Referral of 2,000 Cases to SSA for Consideration of Administrative Sanctions**

As a result of OIG investigations of large-scale Social Security disability fraud schemes in Puerto Rico and New York, some cases were criminally prosecuted while others were declined. We considered each for imposition of CMPs. During this reporting period, we determined that of those not prosecuted, almost 2,000 were not appropriate for CMPs, and we referred them to SSA for their consideration of whether to impose administrative sanctions.

#### **Law Enforcement Improvement: Subpoena Legal Review**

Subpoena authority is an important tool granted in the Inspector General Act to compel production of documents when not submitted voluntarily. Subpoenas are most frequently issued in investigations but may be used in audits as well. Document analysis is often critical to substantiating an allegation or corroborating testimony; timely issuance of well-drafted and legally sufficient subpoenas to obtain required documents is essential. Our attorneys have a key role in ensuring subpoena quality.

In the second half of FY16, we focused on reducing the time of our subpoena legal review. A performance goal states that we process 85 percent of subpoenas within 30 days, and we consistently meet that goal. However, we noted that our 30-day review time contributed to repeated work by our agents and attorneys as time between subpoena development and review lengthened.

Since May 2016, we have dedicated one attorney to reviewing subpoena requests, and our average processing time is now less than one day. During that time, we received about 400 subpoenas, and we reviewed all but four of the subpoena requests on the day received. Of the remaining four, the longest wait time was one processed in four days.

By reducing our subpoena review time, we significantly improved service to OIG investigators and auditors while simultaneously reallocating resources to other important tasks. For example, we have improved our business processes and increased our succession-planning efforts.

## SUPPORT

### Budget

For FY2016, our annual appropriation is \$105.5 million, which supports a staffing level of 540. Salaries and benefits of our employees account for 87 percent of overall spending. The remaining 13 percent provides for basic infrastructure needs such as rent, reimbursable work authorizations, fleet, and interagency service agreements, as well as necessary expenses for travel, training, communications, and general procurement. In support of the President's mandate to reduce the Federal footprint and associated costs, we conducted a thorough analysis of our office space needs. As a result, we created a plan to reduce the footprint of several offices over the next five years. As a result, the cost savings in rent will allow us to support other initiatives within our organization. We expend our appropriation each year supporting our responsibility to achieve the goals set forth in the *OIG Strategic Plan for Fiscal Years 2016-2020*. In addition, the goals and accomplishments measured in the OIG Strategic Plan are published in SSA's Annual Congressional Budget Justification.

### Human Resource Planning and Management

The OIG actively pursues and works to retain our best employees. We focus on creating a culture to ensure smart recruitment, tailored internal training, effective leadership-transition efforts, and reciprocal developmental programs. During this reporting period, we continued to expand and offer a series of professional development opportunities in the form of competitive temporary assignments to use knowledge-transfer practices, bridge knowledge gaps, and drive innovation for organizational performance improvement. In addition, we also launched an internal OIG Mentor Program. Specifically, the program is designed to ensure that every new hire is assigned a more experienced staff member in furtherance of his or her own professional career development.

### Information Technology

During this reporting period, OIG IT specialists continued their efforts to update and improve our systems environment. This endeavor includes the migration to a new infrastructure platform to provide redundancy and failover for OIG applications and data, including our National Investigative Case Management System, as well as an upgrade of our Business Process Management software, which provides workflows and approval chains for automated OIG business processes.

Also during the last six months, we continued to make significant investments in our IT infrastructure, including the procurement of servers and storage to create data centers in Richmond, California and Chicago, Illinois that will provide data redundancy for OIG field office servers. In addition, to enhance remote communication and collaboration, we procured state-of-the-art videoconferencing equipment to replace outdated equipment in OIG offices nationwide. We continue to make improvements to our telework infrastructure for increased capacity and improved performance. We also procured new laptops to facilitate expansion of our telework program.

Finally, our IT staff analyzes industry trends to identify new technologies that may enhance our business processes. During this period, we continued to expand the use of virtual technologies. We used virtualization to decrease the number of physical servers in use, which has resulted in reduced power

consumption and increased system uptime. Our IT specialists continue to meet the challenge of providing various IT support services for more than 70 OIG offices throughout the country.

## Allegation Management and Fugitive Enforcement Division

The OIG's Allegation Management and Fugitive Enforcement Division (AMFED) manages the Social Security Fraud Hotline, which during this reporting period, received 45,078 allegations via telephone, mail, fax, and the Internet. Hotline referrals to SSA offices resulted in the identification of \$1,785,267 in Social Security overpayments. The following is a notable investigation from the past six months that resulted from a Hotline referral:

- The Fraud Hotline received a telephone allegation alleging that an Indiana man was improperly receiving SSI benefits while working. An OIG investigation determined that the man was employed as a truck driver by the same company prior to his application for SSI and continued his employment after receiving approval for the benefits. After pleading guilty to SSI fraud, the man was sentenced to six weekends of confinement in the Community Corrections at the Volunteers of Indiana during his four years of probation. He was also ordered to repay \$55,179 to SSA.

AMFED also manages the OIG's Fugitive Felon Enforcement Program, which identified 73,231 beneficiaries or recipients during this reporting period who had outstanding felony arrest warrants or outstanding warrants for parole and probation violations. We share location information for wanted felons or parole/probation violators with local law enforcement agencies to help with apprehending these individuals. The following is one example of our efforts:

- OIG agents and members of the Baltimore Warrant Apprehension Squad arrested an SSI applicant. The SSI applicant was wanted on a warrant for Home Invasion, Assault in the First Degree, Assault in the Second Degree, Handgun on Person, Dangerous Weapon with the Intent/Injure, Robbery, Armed Robbery, Burglary in the First Degree, Burglary in the Third Degree, Burglary in the Fourth Degree, and Theft Less Than \$1,000 Value dated November 17, 2015. The felony warrant was issued by the Baltimore City State's Attorney's Office.

## Outreach

During the reporting period, three OIG officials testified before the United States Congress:

- Former Inspector General Patrick O'Carroll testified before the House Subcommittee on Social Security on protecting SSA from waste, fraud and abuse.
- Acting Inspector General Gale Stallworth Stone testified before the House Committee on Oversight and Government Reform on SSA's information systems.
- Deputy Assistant Inspector General for Audit Kimberly Byrd testified before the Subcommittee on Social Security on SSA's IT modernization efforts.

Chief of Staff Steve Schaeffer made presentations at the Association of Government Accountants Professional Development Training in Anaheim, California and at the National Association of Disability Examiners National Training Conference in Denver, Colorado. In addition, Assistant Inspector General for Investigations Michael Robinson appeared in an ABC "Nightline" feature on investigating disability fraud, and Assistant Inspector General for Audit Rona Lawson appeared in an NPR feature on Social Security's death records.

## **Reporting Requirements & 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	p. 76
Section 5(a)(1)	Significant problems, abuses, and deficiencies	P. 11, P. 18
Section 5(a)(2)	Recommendations concerning significant problems, abuses, and deficiencies	P. 11, P. 18
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	P. 18
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 significant reports	P. 11
Section 5(a)(8)	Table showing the total number of audit reports and total dollar value of questioned costs	Appendix A & B
Section 5(a)(9)	Table showing the total number of audit reports and total dollar value of funds put to better use	Appendix A & B
Section 5(a)(10)	Audit recommendations more than 6 months old for which no management decision has been made	Appendix A & B
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 Public Law 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 April 1, 2016 – September 30, 2016			
	Number	Value Questioned	Value Unsupported
A. For which no management decision had been made by the commencement of the reporting period.	39	\$5,381,113,455	\$3,235,264
B. Which were issued during the reporting period.	15	\$611,685,087	\$0
Subtotal (A + B)	54	\$5,992,798,542	\$3,235,264
Less:			
C. For which a management decision was made during the reporting period.	12 <sup>a</sup>	\$58,054,367	\$2,850,682
i.    Dollar value of disallowed costs.	12	\$57,902,602	\$2,773,768
ii.    Dollar value of costs not disallowed.	2	\$151,765	\$76,914
D. For which no management decision had been made by the end of the reporting period.	46 <sup>b</sup>	\$5,934,744,175	\$384,582

a. See Reports with Questioned Costs in Appendix B of this report.

b. Four reports have multiple monetary recommendations; the first report has one recommendation reflected in both section Ci and Cii and one recommendation is reflected in section D, the second report has one recommendation reflected in Ci and one recommendation reflected in section D, the third report has two recommendations reflected in Ci and one recommendation reflected in section D, the fourth report has two recommendations reflected in Ci and two recommendations reflected in section D.

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

<b>Reports with Funds Put to Better Use for the Reporting Period</b> <b>April 1, 2016 – September 30, 2016</b>		
	<b>Number</b>	<b>Dollar Value</b>
A. For which no management decision had been made by the commencement of the reporting period.	23	\$9,106,314,874
B. Which were issued during the reporting period.	9 <sup>a</sup>	\$277,133,527
Subtotal (A + B)	32	\$9,383,448,401
Less:		
C. For which a management decision was made during the reporting period.	5	\$48,596,092
i. Dollar value of recommendations that were agreed to by management.	5	\$48,596,092
(a) Based on proposed management action.	5	\$48,596,092
(b) Based on proposed legislative action.	0	\$0
ii. Dollar value of costs not agreed to by management.	0	\$0
Subtotal (i + ii)	5	\$48,596,092
D. For which no management decision had been made by the end of the reporting period.	27	\$9,334,852,309

a. 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, 2015 – September 30, 2016		
Audit Number	Report	Issue Date
A-08-15-50020	Social Security Administration Employees with Conduct Issues Who Received Monetary Awards	11/2/2015
A-02-16-50118	Fiscal Year 2015 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges	11/9/2015
A-15-16-50025	The Social Security Administration's Financial Report for Fiscal Year 2015	11/9/2015
A-14-16-50037	The Social Security Administration's Compliance with the Federal Information Security Modernization Act of 2014 for Fiscal Year 2015	11/12/2015
A-08-15-15021	Social Security Numbers Assigned to Diversity Visa Immigrants	11/17/2015
A-12-15-50040	Workload Review of the Dover Hearing Office (Limited Distribution)	12/1/2015
A-15-16-50067	The Social Security Administration's Reporting of High-dollar Overpayments Under Executive Order 13520 in Fiscal Year 2015	12/29/2015
A-06-15-50033	Colorado Disability Determinations Service Administrative Cost Reporting	12/31/2015
A-04-16-50064	Beneficiaries Who Left the Social Security Administration's Disability Programs from 2004 Through 2013	1/6/2016
A-12-14-14082	On-the-Record Favorable Decisions Processed at Hearing Offices Within 100 Days of Receipt	1/21/2016
A-15-16-50034	Volume Individual Representative Payees	1/22/2016
A-13-16-50061	Fiscal Year 2015 Risk Assessment of the Social Security Administration's Charge Card Programs	1/28/2016

A-14-15-25025	The Social Security Administration's Management of Electronic Message Records	2/19/2016
A-08-14-14098	Households With Multiple Children Receiving Supplemental Security Income Payments Because of Mental Impairments	3/2/2016
A-01-16-50051	Status of Compassionate Allowance and Quick Disability Determination Expedited Cases	3/16/2016
A-02-16-50125	Congressional Response Report: The Social Security Administration's Vision 2025 Plan	3/16/2016
A-04-15-50070	Social Security Administration Correspondence Containing Full Social Security Numbers	4/27/2016
A-12-15-15020	Subsequent Events Related to Denied Claimants	4/29/2016
A-15-16-50133	The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2015 Agency Financial Report	5/5/2016
A-77-16-00001	Single Audit of the State of Georgia for the Fiscal Year Ended June 30, 2015	5/10/2016
A-12-15-50041	Workload Oversight in the Miami Hearing Office (Limited Distribution)	6/9/2016
A-77-16-00002	Single Audit of the State of New Hampshire for the Fiscal Year Ended June 30, 2015	6/9/2016
A-77-16-00003	Single Audit of the State of Nevada for the Fiscal Year Ended June 30, 2015	6/16/2016
A-77-16-00004	Single Audit of the Commonwealth of Pennsylvania for the Fiscal Year Ended June 30, 2015	6/20/2016
A-01-12-11217	Electronic Bench Book	6/21/2016
A-08-16-50108	Lump-sum Death Benefit	7/1/2016
A-14-16-50101	The Social Security Administration's National Support Center: Progress Report as of April 2016 (Limited Distribution)	7/8/2016
A-77-16-00005	Single Audit of the State of Idaho for the Fiscal Year Ended June 30, 2015	7/11/2016

A-04-16-50110	Recovering Title II Overpayments Made to Childhood Beneficiaries	7/21/2016
A-77-16-00007	Single Audit of the State of Indiana for the Fiscal Year Ended June 30, 2015	8/4/2016
A-77-16-00008	Single Audit of the Commonwealth of Puerto Rico Department of the Family for the Fiscal Year Ended June 30, 2015	8/4/2016
A-77-16-00009	Single Audit of the State of Oklahoma for the Fiscal Year Ended June 30, 2015	8/4/2016
A-07-16-50137	Individuals Who Have Appeals or New Claims After Cooperative Disability Investigations May Have Supported Prior Denial or Cessation Determinations	8/8/2016
A-14-16-50173	Congressional Response Report: The Security of Systems that Provide Access to Personally Identifiable Information (Limited Distribution)	8/15/2016
A-77-16-00011	Single Audit of the State of West Virginia for the Fiscal Year Ended June 30, 2015	8/26/2016
A-77-16-00012	Single Audit of the State of Arizona for the Fiscal Year Ended June 30, 2015	9/2/2016
A-77-16-00013	Single Audit of the State of Louisiana for the Fiscal Year Ended June 30, 2015	9/12/2016
A-77-16-00014	Single Audit of the State of Illinois for the Fiscal Year Ended June 30, 2015	9/13/2016
A-77-16-00015	Single Audit of the State of Michigan for the Fiscal Year Ended September 30, 2015	9/13/2016
A-05-16-50123	Social Security Benefits Paid Before and After an Individual's Death	9/14/2016
A-14-16-50099	Congressional Response Report: Costs Incurred in Developing the Disability Case Processing System	9/14/2016
A-02-17-50203	The Ticket to Work Program	9/20/2016
A-02-16-23114	Beneficiaries Who Receive Paper Checks	9/21/2016

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A-08-16-50030	The Social Security Administration's Plan to Achieve Self-Support Program	9/27/2016
A-01-16-50218	Congressional Response Report: The Social Security Administration's Implementation of Reporting Information to the National Instant Criminal Background Check System	9/28/2016
A-06-16-50069	Numident Death Information Not Included on the Death Master File	9/28/2016
A-05-16-50207	Characteristics of Claimants in the Social Security Administration's Pending Hearings Backlog	9/29/2016
A-14-15-15010	Access to the Social Security Administration's my Social Security Online Services (Limited Distribution)	9/29/2016
A-05-16-50167	Compassionate And Responsive Service Plan to Reduce Pending Hearings	9/30/2016

<b>Reports with Questioned Costs</b> <b>October 1, 2015 – September 30, 2016</b>			
Audit Number	Issue Date	Report	Dollar Amount
A-06-14-14037	10/19/2015	Supplemental Security Income Recipients Receiving Payments in Bank Accounts Outside the United States	\$1,210,409
A-01-12-11215	11/5/2015	Parole and Probation Violators and the Clark Court Order	\$27,892,667
A-02-15-22114	11/13/2015	Accuracy of Disability Benefits to Beneficiaries Who Also Receive Federal Employees' Compensation Act Payments	\$130,195,140
A-01-16-50003	12/23/2015	Supplemental Security Income Recipients Who Have Earnings	\$64,435,500
A-09-14-34107	1/28/2016	Retirement Claim Denials Because of Lack of Insured Status	\$20,829,617
A-09-16-50047	2/10/2016	Indirect Costs Claimed by the California Disability Determination Services	\$2,850,682
A-07-16-50055	3/15/2016	Children and Families of Iowa, a Fee-For-Service Representative Payee for the Social Security Administration	\$201
A-09-15-15041	3/21/2016	Old-Age, Survivors and Disability Insurance Benefits Withheld Pending a Windfall Offset Determination	\$71,899,681
A-01-16-50073	3/24/2016	The Social Security Administration's Compliance with the Martinez Fugitive Settlement	\$50,977,441
A-09-14-34103	4/11/2016	Underpayments Payable to Widow(er)s Eligible for a Higher Monthly Benefit Amount	\$223,589,848
A-07-16-50089	4/20/2016	Collecting Title II Overpayments from Contingently Liable Beneficiaries	\$80,636,690

A-13-14-14058	4/20/2016	Manually Posted Supplemental Security Income Overpayments to Surviving Spouses	\$2,679,408
A-13-15-50038	5/10/2016	The Social Security Administration's Fiscal Year 2014 Government Purchase Card Program	\$101,137
A-02-15-13056	5/26/2016	Accounting for Large Underpayments Released to Organizational Representative Payees	\$824
A-14-16-50078	5/31/2016	Congressional Response Report: The Social Security Administration's Analysis of Alternatives for the Disability Case Processing System	\$23,342,620
A-01-16-50011	6/9/2016	Supplemental Security Income Recipients Eligible for, or Receiving, Pensions from China	\$124,749,898
A-07-16-50018	7/22/2016	Title II Spousal or Widow(er) Beneficiaries Whose Unreported Marriages Caused Improper Title XVI Payments	\$104,998
A-77-16-00006	8/4/2016	Single Audit of the State of Tennessee for the Fiscal Year Ended June 30, 2015	\$176,508
A-06-15-50017	8/9/2016	Payments to Individuals Incarcerated in Texas Department of Criminal Justice Facilities	\$3,734,560
A-77-16-00010	8/23/2016	Single Audit of the State of Washington for the Fiscal Year Ended June 30, 2015	\$58,628
A-01-13-23032	8/29/2016	Office of Personnel Management Deaths Not in the Social Security Administration's Systems	\$1,720,464
A-09-16-50088	9/23/2016	Benefits Payable to Child Beneficiaries Whose Benefits Were Withheld Pending the Selection of a Representative Payee	\$9,201,497

A-13-16-23006	9/29/2016	Old-Age, Survivors and Disability Insurance Benefits Affected by Federal Pensions	\$129,231,868
A-08-14-24122	9/30/2016	Using Medical Claim Data to Identify Aged Title XVI Recipients Who Are Deceased	\$12,356,139
<b>Total</b>			<b>\$981,976,425</b>

<b>Reports with Funds Put to Better Use</b> <b>October 1, 2015 – September 30, 2016</b>			
Audit Number	Issue Date	Report	Dollar Amount
A-06-14-14037	10/19/2015	Supplemental Security Income Recipients Receiving Payments in Bank Accounts Outside the United States	\$379,295
A-13-14-24137	1/21/2016	Jones and Jones, LLC, A Representative Payee for the Social Security Administration	\$15,661
A-09-14-34080	2/2/2016	Higher Retirement Benefits Payable to Families of Disabled Beneficiaries	\$27,974,234
A-13-12-21247	2/25/2016	Agency Actions Concerning Misuse of Benefits by Organizational and Volume Representative Payees	\$257,179
A-09-16-50093	5/5/2016	Concurrently Entitled Beneficiaries Receiving Representative Payee and Direct Payments	\$114,820,087
A-02-15-13056	5/26/2016	Accounting for Large Underpayments Released to Organizational Representative Payees	\$2,000
A-01-16-50011	6/9/2016	Supplemental Security Income Recipients Eligible for, or Receiving, Pensions from China	\$24,831,232
A-06-15-50017	8/9/2016	Payments to Individuals Incarcerated in Texas Department of Criminal Justice Facilities	\$1,377,341
A-09-16-50109	8/10/2016	Beneficiaries Serving as Representative Payees Who Have a Representative Payee	\$59,907,190
A-01-13-23032	8/29/2016	Office of Personnel Management Deaths Not in the Social Security Administration's Systems	\$314,885

A-07-16-50135	9/23/2016	Accuracy of the Social Security Administration's Manual Billing Process to Collect Medicare Premiums	\$25,258,047
A-13-16-23006	9/29/2016	Old-Age, Survivors and Disability Insurance Benefits Affected by Federal Pensions	\$48,416,408
A-08-14-24122	9/30/2016	Using Medical Claim Data to Identify Aged Title XVI Recipients Who Are Deceased	\$2,206,337
<b>Total</b>			<b>\$305,759,896</b>

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

To meet the requirements of the Omnibus Consolidated Appropriations Act of 1997, P.L. 104-208, we are providing requisite data for fiscal year 2016 from the Offices of Investigations and Audit in this report.

### OFFICE OF INVESTIGATIONS

We are reporting over \$72 million in monetary accomplishments as a result of our investigations during this reporting period (4/1/16 – 9/30/16). These funds are broken down in the table below.

	1st Quarter 10/1/15- 12/31/15	2nd Quarter 1/1/16-3/31/16	3rd Quarter 4/1/16- 6/30/16	4th Quarter 7/1/16- 9/30/16	TOTAL
Court-Ordered Restitution	\$13,742,290	\$13,373,700	\$10,284,771	\$32,572,496	<b>\$69,973,257</b>
Recoveries	\$12,157,176	\$13,242,905	\$13,682,842	\$13,500,181	<b>\$52,583,104</b>
Fines	\$1,564,660	\$1,233,771	\$929,450	\$749,680	<b>\$4,477,561</b>
Settlement/Judgments	\$353,674	\$332,590	\$658,919	\$393,103	<b>\$1,738,286</b>
<b>TOTAL</b>	<b>\$27,817,800</b>	<b>\$28,182,966</b>	<b>\$25,555,982</b>	<b>\$47,215,460</b>	<b>\$128,772,208</b>

### OFFICE OF AUDIT

Social Security Administration (SSA) management informed us that the Agency has completed implementing recommendations from five audit reports during this period valued at over \$47,600,000.

#### DISABLED BENEFICIARIES WHO ARE ELIGIBLE FOR HIGHER RETIREMENT BENEFITS (A-09-13-23054, 1/30/15)

We recommended that SSA take appropriate action for the 66 beneficiaries identified by our audit. The implemented value of this recommendation is \$406,691.

**DECEASED REPRESENTATIVE PAYEES (A-01-14-34112, 6/17/15)**

We recommended that SSA review the remaining Old-Age, Survivors and Disability Insurance beneficiaries and Supplemental Security Income recipients in our populations where (1) the Agency continues to issue benefit payments to deceased representative payees to manage and refer any potential fraud cases to our investigators and (2) the deceased payee was replaced but his/her Social Security number remains on the Master Beneficiary Record/Supplemental Security Record. The implemented value of this recommendation is \$46,886,205.

**JONES AND JONES, LLC, A REPRESENTATIVE PAYEE FOR THE SOCIAL SECURITY ADMINISTRATION (A-13-14-24137, 1/21/16)**

We recommended that SSA collect the \$15,661 we identified as paid to Jones & Jones for the beneficiaries who left its care in 2013 and 2014. The implemented value of this recommendation is \$15,661.

**ACCOUNTING FOR LARGE UNDERPAYMENTS RELEASED TO ORGANIZATIONAL REPRESENTATIVE PAYEES (A-02-15-13056, 5/26/16)**

We recommended that SSA remind the organizational representative payees that did not apply benefits received on behalf of a beneficiary only for the use and benefit of that beneficiary to do so. The implemented value of this recommendation is \$2,000.

**OFFICE OF PERSONNEL MANAGEMENT DEATHS NOT IN THE SOCIAL SECURITY ADMINISTRATION'S SYSTEMS (A-01-13-23032, 8/29/16)**

We recommended that SSA enter into an agreement with the Office of Personnel Management (OPM) to periodically obtain its death data—with dates of death reported to OPM in Calendar Year 2014 forward. The implemented value of this recommendation is \$314,885.

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

### PAYMENTS TO INDIVIDUALS INCARCERATED IN TEXAS DEPARTMENT OF CRIMINAL JUSTICE FACILITIES (A-06-15-50017, 8/9/2016)

**Results of Review:** We identified 170 inmates who received improper payments while they resided in prison. Controls designed to prevent payments to prisoners were not effective in these instances.

Usually, the Prisoner Update Processing System did not contain the inmates' most recent confinement information or contained what appeared to be contradictory information that may have provided the false appearance that beneficiaries were no longer in prison.

We note these is a few errors compared to the 9,288 instances in Fiscal Year 2014 where Texas prison facilities provided SSA with timely confinement information that resulted in suspension of SSA payments.

Upon notification of these cases, Dallas Region Operations personnel promptly confirmed these inmates' confinement status, suspended or terminated payments, and identified approximately \$3.7 million in overpayments. Prompt suspension of these payments prevented approximately \$1.4 million in additional overpayments over a 12-month period.

**Recommendation:** Determine the feasibility of extending the length of time SSA retains non-claimants' prison information.

**Agency Response:** Extending the length of time that SSA retains non-claimant prison information would compromise the performance of its existing systems. To adequately accommodate a longer retention period would require a substantial information technology investment to build additional capacity.

**OIG Response:** We continue to believe that the Agency should give this issue further consideration. While the additional costs associated with retaining non-claimant prisoner information beyond the current two-year period are unclear, we provided examples where the non-availability of this information allowed individuals serving extended prison sentences to file for, and improperly receive, SSA payments. Further, the potential effect of discarding non-claimant prison information after two years extends beyond SSA, as it is required to share its prisoner information with other Federal benefit paying agencies that have statutory provisions to prohibit payments to prisoners, as well as with State agencies that administer federally funded benefit programs.

## 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 because of OIG activities each semiannual period.

### OFFICE OF INVESTIGATIONS

Total Restitution Reported by the Department of Justice as Collected for the Social Security Administration			
Fiscal Year	Total Number of Individuals Assigned Court-Ordered Restitution	Court-Ordered Restitution for This Period	Total Restitution Collected by the Department of Justice
2014	529	\$34,002,421	\$10,620,357
2015	589	\$45,984,533	\$5,805,856 <sup>1</sup>
2016	538	\$63,551,781	\$11,295,153 <sup>1</sup>
<b>TOTAL</b>	<b>1,656</b>	<b>\$143,538,735</b>	<b>\$27,721,366</b>

<sup>1</sup>This includes the amount collected by the Department of Justice for a portion of the fiscal year. The Department of Justice is working to generate reports that will provide us with the remaining amount.

Recovery Actions Based on Investigations by the Office of Investigations		
Fiscal Year	Total Number of Recovery Actions Initiated	Amount for Recovery
2014	1,878	\$88,478,53
2015	3,296	\$162,779,626
2016	1,271	\$52,583,104
<b>TOTAL</b>	<b>6,445</b>	<b>\$303,841,262</b>

## OFFICE OF AUDIT

The following chart summarizes SSA's responses to our recommendations for the recovery or redirection of questioned and unsupported costs. We prepared this information in coordination with SSA's management officials, and it was current as of September 30, 2016.

SSA's Responses to the OIG's Recommendations Recovery or Redirection of Questioned and Unsupported Costs <sup>1</sup>						
Fiscal Year	Reports with Questioned Costs	Questioned/Unsupported Costs	Management Concurrence	Amount Collected or to be Recovered	Amount Written-Off/Adjustments	Balance <sup>2</sup>
2014	23	\$1,056,576,142	\$487,784,148	\$479,595,248	\$27,305,032	\$549,675,862
2015	21	\$4,142,508,569	\$3,168,589	\$1,878,670	\$174,324	\$4,140,455,575
2016	24	\$981,976,425	\$125,162,219	\$118,134,555	\$576,168	\$863,265,702
<b>Total</b>	<b>68</b>	<b>\$6,181,061,136</b>	<b>\$616,114,956</b>	<b>\$599,608,473</b>	<b>\$28,055,524</b>	<b>\$5,553,397,139</b>

<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 FISCAL YEARS FOR WHICH CORRECTIVE ACTIONS HAVE NOT BEEN COMPLETED

### OLD-AGE, SURVIVORS AND DISABILITY INSURANCE OVERPAYMENTS PENDING COLLECTION (A-02-15-35001, 9/22/15)

**Results of Review:** While the Social Security Administration (SSA) had made some progress in recovering the long-term pending overpayments we reviewed, it could improve the effectiveness of its recovery efforts. In some cases, SSA did not recover any part of the overpayments due. In other cases, the Agency recovered part of the overpayments but did not continue recovering the remaining balances. The longer these overpayments remain unresolved, the less likely the Agency will be able to recover them.

Unresolved protests of the overpayments we reviewed were often the reason the Agency had not recovered the debts owed. An overpayment with a pending protest or waiver request suspends further collection activity until it is resolved. While SSA's system generates alerts of the pending protest workload, the Agency does not have controls in place to ensure that they are addressed timely, which allows protests to remain unresolved and overpayments unrecovered.

Based on our samples, we estimated that SSA has not resolved over \$172 million in overpayments.

**Recommendation:** Evaluate the results of its resolution of the 46 overpayments and determine whether it should review the remaining overpayment balances that had been outstanding for 12 months or longer.

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

**Valued at:** \$172,134,978 in questioned costs.

**Corrective Action:** SSA will evaluate its resolution actions for the 46 overpayments and, if resources permit, the Agency will determine whether to review the remaining balances that have been pending for 12 months or older. SSA anticipates a completion date of end of Fiscal Year (FY) 17.

### COST-BENEFIT ANALYSIS OF PROCESSING LOW-DOLLAR OVERPAYMENTS (A-07-14-14065, 7/1/15)

**Results of Review:** Generally, SSA attempted to collect overpayments regardless of the amount. Sometimes, the value of the overpayment was less than what SSA spent to collect it. Therefore, for some overpayments, collection was not always cost-beneficial.

SSA collects data on the average costs to collect Retirement and Survivors Insurance (RSI), Disability Insurance (DI), and Supplemental Security Income (SSI) overpayments via its Cost Analysis System (CAS). The average cost to collect RSI and DI overpayments reported in CAS includes the total cost for all actions related to collecting overpayments from beneficiaries under each program during an FY. However, the average cost to collect an SSI overpayment as reported in CAS represents the cost of a single action taken to collect an SSI overpayment during an FY. Therefore, the average cost to collect an SSI overpayment does not represent the cost of collecting the overpayment when multiple actions are required. This results in an understatement of the average cost to collect an SSI overpayment when multiple collection actions are required.

Based on our analysis using average cost data from CAS, we estimated SSA spent over \$323 million to collect low-dollar overpayments in FYs 2008 through 2013. Using SSA's overpayment collection percentages for these FYs, we estimated SSA collected approximately \$109.4 million of the low-dollar overpayments. This resulted in SSA spending over \$213.6 million more than it collected.

**Recommendation:** Re-evaluate SSA's process for collecting overpayments where the value of the overpayment is less than what SSA spends to collect the overpayment to ensure that it expends resources on activities that result in the greatest return on investment.

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

**Valued at:** \$3,175,601,911 in funds put to better use.

**Corrective Action:** SSA will re-evaluate the process for collecting overpayments where the value of the overpayment is less than what the Agency spends to collect it. However, SSA believes that this evaluation should include other factors such as reporting deterrents; SSA must obtain the updated SSI data in order to complete this evaluation. SSA was evaluating how to address recommendation 1 [Capture in the Cost Analysis System the average cost of collecting SSI overpayments using a similar methodology as it does for the Retirement Survivors Insurance and Disability Insurance programs] with the Overpayment Redesign effort; however, the project did not receive funding for FY 2017. SSA will continue to pursue this recommendation in coordination with the completion of recommendation 1.

#### **CONTROLS OVER "SPECIAL PAYMENT AMOUNT" OVERPAYMENTS FOR TITLE II BENEFICIARIES (A-09-13-23098, 5/18/15)**

**Results of Review:** Since our prior audit, SSA had reduced the number of overpaid beneficiaries and amount of special payment amount (SPA) overpayments for which it had not initiated recovery actions. Similarly, the number and amount of erroneous overpayments on the Master Beneficiary Record (MBR) had decreased. However, SSA's controls did not always ensure it initiated recovery actions timely and tracked overpayments only when recovered or otherwise resolved.

Based on our random sample, we estimate that SSA

- overpaid 9,222 beneficiaries about \$31 million for which it had not initiated recovery actions and
- should have removed from the MBR erroneous SPA overpayments, totaling about \$18.3 million, for 1,892 beneficiaries.

This occurred because SSA employees did not review the SPA overpayments or resolve the SPA overpayment alerts. We also found SSA could improve its overpayment collection efforts by producing follow-up alerts for SPA overpayments and/or by revising the clean-up project to identify and select SPA overpayments sooner.

**Recommendation:** Improve controls to ensure that employees properly resolve SPA overpayments in a timely manner.

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

**Valued at:** \$49,025,745 in questioned costs.

**Corrective Action:** SSA continues to work with the appropriate Agency representatives to implement a report that will provide cases that were not resolved during the SPA Lifecycle run that is completed every year in June.

### **FOLLOW-UP: COLLECTION OF CIVIL MONETARY PENALTIES (A-06-14-14047, 3/10/15)**

**Results of Review:** Section 1140 civil monetary penalty (CMP) collection efforts were effective. All \$526,000 in CMPs imposed during the audit period were collected in full.

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

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

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

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

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

**Valued at:** \$1,554,390 in funds put to better use.

**Corrective Action:** Using a collaborative approach, the Office of Financial Policy and Operations is leading an executive steering committee to develop a multi-year plan to address the policy changes, systems enhancements, and collection process improvements necessary to improve the monitoring of section 1129 CMPs. SSA's activities continue as systems enhancements will be included in the Overpayment Redesign Project, which is currently in planning and analysis phase.

In addition, the Office of Operations is partnering with the OIG to automate the CMP referral process that begins with OIG transmitting the CMP to the Agency. This is an important component of SSA's current effort to ensure that it posts CMPs accurately and timely. Finally, SSA is exploring ways to improve data quality surrounding the status of CMPs and ensure that collections are in accordance with settlement agreements and default judgments.

### **DISABLED BENEFICIARIES WHO ARE ELIGIBLE FOR HIGHER RETIREMENT BENEFITS (A-09-13-23054, 1/30/15)**

**Results of Review:** SSA needs to improve its controls to ensure that it notifies disabled beneficiaries when they are eligible for higher retirement benefits. Based on our random sample, we estimate that 17,137 disabled beneficiaries were eligible for higher retirement benefits totaling approximately \$105.6 million.

This occurred because SSA employees did not inform disabled beneficiaries when they were eligible for the higher retirement benefits or document the reasons beneficiaries did not elect higher retirement benefits, as required.

**Recommendation:** Evaluate the results of its corrective actions for the 66 beneficiaries and take appropriate action to notify the remaining population of disabled beneficiaries who may be eligible for higher retirement benefits.

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

**Valued at:** \$105,188,265 in funds put to better use.

**Corrective Action:** The Office of Operations completed its work on the 66 cases and the Potential Entitlement (PE) Workgroup, led by Office of Quality Improvement (OQI), is taking the lead to address evaluating the results. The task has been added to the PE workgroup's list of issues to address. No definite timeframe has been established at this time.

#### **UNDERPAYMENTS PAYABLE TO TERMINATED TITLE II BENEFICIARIES (A-09-13-23099, 12/17/14)**

**Results of Review:** SSA needs to improve its controls to ensure that it properly pays underpayments due terminated beneficiaries. Based on our random sample, we estimate that

- 55,925 terminated beneficiaries were due \$122.6 million in underpayments that SSA should have paid to eligible beneficiaries, and
- 5,687 terminated beneficiaries had \$5.2 million in erroneous underpayments that SSA should have removed from the MBR.

Generally, this occurred because there was no systems alert when SSA employees manually establish underpayments. In addition, SSA employees did not always (1) pay underpayments to eligible beneficiaries, (2) remove underpayments from the MBR when they were paid, or (3) ensure underpayments recorded on the MBR were valid.

**Recommendation:** Implement a cost-effective approach for correcting and/or paying the population of terminated beneficiaries with special payment amount underpayments on the MBR.

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

**Valued at:** \$127,630, 795 in questioned costs.

**Corrective Action:** Operations worked with the Office of Systems to identify a cost-effective approach for identifying SPA underpayments. Operations worked with Systems on an SPA Underpayment Clean-Up Project, which issues death underpayments to eligible widows. In December 2015, Systems completed Phase 1, which issued 4,676 underpayments. However, other competing workloads delayed Phase 2 until August 2016. An estimated 25,000 cases are scheduled for cleanup in late October 2017.

Once Phase 2 is complete, Systems agreed to discuss the opportunity to expand this clean-up effort. Operations has deferred the Information Technology Investment Process Proposal for a future date, due to limited resources and other priorities. However, Operations will continue to work with Systems on the expansion for Phase 2 of SPA Underpayment Clean-Up Project.

## **ACCUMULATED FUNDS PAYABLE TO BENEFICIARIES OR THEIR REPRESENTATIVE PAYEES (A-09-12-21236, 12/11/2012)**

**Results of Review:** SSA needed to improve controls to ensure it properly and timely paid accumulated funds to Title II beneficiaries or their representative payees. Based on a random sample, we estimate that:

- 4,174 beneficiaries accumulated funds totaling approximately \$29.9 million that SSA had not paid to the beneficiaries or their representative payees;
- 909 beneficiaries had approximately \$18.6 million in accumulated funds that were correctly paid but not timely; and
- 248 representative payees were paid accumulated funds totaling approximately \$4 million, but SSA had not evaluated its ability to manage the funds, as required.

This occurred because SSA did not always (1) establish manual diaries to control the payment of accumulated funds, (2) pay accumulated funds to representative payees when required, or (3) pay all accumulated funds due and payable upon the selection of a representative payee.

**Recommendation:** Develop a cost-effective method for identifying and paying, as appropriate, Title II beneficiaries who have unpaid accumulated funds.

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

**Valued at:** \$29,211,452 in questioned costs.

**Corrective Action:** The Agency will continue to work with the Office of Systems and the Deputy Commissioner for Operations to determine the feasibility of developing a cost-effective method for identifying and paying, as appropriate, Title II beneficiaries who have unpaid accumulated funds.

## **DISABLED INDIVIDUALS POTENTIALLY ELIGIBLE AS AUXILIARY CHILD BENEFICIARIES (A-13-10-10146, 6/12/2012)**

**Results of Review:** Although SSA had taken actions to identify and prevent missed entitlements, we identified SSI recipients who were also eligible for Old Age, Survivors and Disability Insurance (OASDI). Our analysis of 100 SSI recipients found 95 were eligible for OASDI as auxiliary child beneficiaries. Of these, we identified 16 SSI recipients who were due OASDI underpayments totaling about \$71,000. We estimate approximately 2,160 SSI recipients were eligible for OASDI and were due underpayments totaling approximately \$9.6 million.

In February 2012, we identified 14,434 SSI recipients—from all 20 segments of SSA’s records—who were potentially entitled disabled child beneficiaries. We provided this information to the Agency for corrective action.

**Recommendation:** Develop and implement a cost-effective strategy to assess the 14,434 recipients we identified to correctly pay those recipients eligible for OASDI as auxiliary child beneficiaries and pay the OASDI underpayments due the recipients, as appropriate.

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

**Valued at:** \$9,582,380 in questioned costs.

**Corrective Action:** SSA sent 14,453 cases to the regions on June 19, 2015. The Agency has 500 cases pending for an action. These cases are pending either due to the field office has not initiated an action or records are awaiting disability determination services/ODAR disability determinations. SSA's anticipated completion is December 31, 2016.

#### **ANNUAL EARNINGS TEST UNDERPAYMENTS PAYABLE TO BENEFICIARIES (A-09-11-11128, 4/6/2012)**

**Results of Review:** SSA improperly paid beneficiaries whose MBR annual report data exceeded their earnings on the Master Earning File (MEF). We estimated that SSA improperly paid 10,644 beneficiaries about \$15 million during Calendar Years 2005 through 2008. In addition, unless SSA revises the Earnings Enforcement Operation (EEO), we estimated it would improperly pay about \$3.7 million, annually, to 2,661 beneficiaries.

The improper payments occurred because SSA's policy is to exclude from the EEO beneficiaries whose MBR annual report data exceeded the earnings recorded on SSA's MEF. Finally, we found that SSA should not rely on the annual report data on the MBR to determine whether beneficiaries were properly paid. Specifically, we found that annual report data on the MBR (1) were estimated amounts, (2) contained obvious recording errors, and (3) included earnings that were not subject to the annual earning test.

**Recommendation:** Review its policies, procedures, and systems concerning earnings and benefit computations to provide accurate results for Title II beneficiaries.

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

**Valued at:** \$3,754,533 in funds put to better use.

**Corrective Action:** OQI completed its analysis in late August. The Office of Retirement and Disability Policy is now in the process of reviewing its policies and procedures regarding the annual earnings test and benefit computations for any needed clarification based on the report findings. The Agency aims to complete its analysis soon to close out this recommendation.

#### **TITLE II BENEFICIARIES WHOSE BENEFITS HAVE BEEN SUSPENDED AND WHO HAVE A DATE OF DEATH ON THE NUMIDENT (A-09-10-10117, 4/28/2011)**

**Results of Review:** SSA needs to improve controls to ensure that it takes timely and proper actions to resolve death information on the Numident for suspended beneficiaries. We estimate that

- 4,699 beneficiaries remained in suspended pay status despite the death information on their Numident. Of these, we estimate 2,976 were improperly paid approximately \$23.8 million.
- 2,715 beneficiaries' personally identifiable information was at risk of being released to the public.
- 157 beneficiaries whose benefits were terminated were improperly paid \$342,114.

**Recommendation:** Identify and take corrective action on the remaining population of 6,277 suspended beneficiaries who had a date of death on the Numident.

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

**Valued at:** \$22,855,376 in questioned costs.

**Corrective Action:** SSA has 207 cases remaining; 177 cases are pending termination in the Program Centers for processing limitations and 30 cases require additional development for incorrect or missing beneficiary's own account numbers and fraud investigations. These cases might have to be referred to the Regions before SSA can terminate. The Agency estimates an additional 4 months for this recommendation.

#### **PAYMENT ACCURACY OF DUALLY ENTITLED TITLE II BENEFICIARIES (A-04-13-13014, 8/27/2014)**

**Results of Review:** Of the 50 sample Title II beneficiaries who were receiving benefits on two Social Security records, we determined that SSA incorrectly paid 29 (58 percent) beneficiaries full benefits on both records.

Of the 29 payment error cases, nine may have been barred from correction due to SSA's administrative finality regulations. When administrative finality regulations bar correction, SSA will not revise the determinations to assess any possible overpayments or correct the ongoing payments. For these payment error cases, we estimate, as of March 2013, SSA overpaid about 664 beneficiaries approximately \$7.6 million. SSA will continue paying the erroneous amount to child beneficiaries until they reach age 18 and are no longer entitled to benefits or the adult beneficiaries die, resulting in paying additional benefits of about \$10.3 million than what should have been due had the amounts been determined properly initially. In a previous report, we recommended that SSA evaluate, and consider revising, its administrative finality regulations to allow for the collection of more debt. SSA agreed with the recommendation and issued proposed rule changes for public response.

For the remaining 20 payment error cases, we estimate that, as of March 2013, SSA overpaid approximately 1,475 beneficiaries about \$6 million. In addition, 18 of the 20 beneficiaries had overpayments that continued after March 2013. As such, we estimate that, for the 12 months following our audit, overpayments in our population totaled about \$4.3 million.

**Recommendation:** Review all cases in our population to ensure that all overpayments are identified, recorded, and pursued for recovery.

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

**Valued at:** \$13,557,247 in questioned costs and \$14,569,033 in funds put to better use.

**Corrective Action:** SSA has completed all the necessary corrective actions on the sample cases. It is evaluating the results to take appropriate action for the remaining cases by no later than July 31, 2017.

#### **ACCRUED BENEFITS PAYABLE ON BEHALF OF DECEASED BENEFICIARIES (A-09-14-14034, 8/20/2014)**

**Results of Review:** SSA needs to improve its controls to ensure that it pays accrued benefits on behalf of deceased beneficiaries. Based on our random sample, we estimate

- 3,440 deceased beneficiaries accrued \$24.7 million in benefits that SSA should have paid to a surviving beneficiary in current pay, and
- 1,183 deceased beneficiaries' MBRs incorrectly showed they accrued unpaid benefits.

This occurred because (1) SSA employees did not take appropriate action to pay accrued benefits to surviving beneficiaries; (2) there was no systems alert that identified the accrued benefits that may have been payable; and (3) SSA did not remove temporary suspensions from the MBR after it paid or resolved the accrued benefits.

**Recommendation:** Evaluate the results of its corrective actions for the 86 beneficiaries and determine whether it should review the remaining population of 5,275 beneficiaries.

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

**Valued at:** \$24,272,227 in questioned costs.

**Corrective Action:** SSA is working on an automated process to release the underpayments for a portion of the 5,275 cases. It anticipated running a small population of cases through Title II Redesign in October 2016. Once this is completed, the Agency will send the remaining cases out to the Program Service Centers (PSC) for review. The underpayments will require development and computations by the Benefit Authorizers to ensure the underpayment is correct. SSA anticipates completing all necessary actions for the 5,275 cases by the end of FY 2017.

#### **SPOUSAL BENEFICIARIES WHOSE GOVERNMENT PENSION OFFSET HAS STOPPED (A-09-13-23049, 5/27/2014)**

**Results of Review:** SSA needs to improve its controls to ensure that it does not improperly stop Government Pension Offset (GPO) for spousal beneficiaries. We estimate that SSA incorrectly recorded GPO stop dates for 812 spousal beneficiaries on the MBR. This included 314 beneficiaries whom SSA overpaid about \$9.1 million because it improperly stopped withholding GPO or incorrectly calculated the GPO amounts. Finally, we estimate that SSA will overpay the 314 spousal beneficiaries about \$2 million, annually, unless it takes action to identify and correct these errors.

Generally, these errors occurred because SSA employees erroneously recorded GPO stop dates on the MBR, did not properly calculate GPO because they incorrectly recorded monthly pensions as lump sum payments, or did not properly apply pension amounts when they calculated the GPO amount.

**Recommendation:** Evaluate the results of its corrective action for the 88 beneficiaries and determine whether it should review the remaining population of 823 spousal beneficiaries.

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

**Valued at:** \$8,156,734 in questioned costs.

**Corrective Action:** SSA has two PSCs' responses pending. It expects completion by December 30, 2016.

#### **NON-RECEIPT OF SOCIAL SECURITY BENEFITS DUE TO UNAUTHORIZED DIRECT DEPOSIT CHANGES (A-02-13-23004, 5/13/2014)**

**Results of Review:** We identified 23,192 beneficiaries who had multiple changes to their direct deposit information and who reported that they did not receive 25,728 Social Security payments, totaling \$28.3 million, between September 2, 2011 and June 11, 2012. SSA sent replacement payments to many beneficiaries, but not all of them had their missing payment replaced. In total, SSA sent replacement payments totaling \$17.4 million to 13,380 individuals.

When SSA issues a replacement payment, it also initiates a tele-trace request with the Department of the Treasury (Treasury) to determine the status of the initial non-received payment. In cases that involve unauthorized changes to direct deposit information, the Treasury often determines that the new financial account that received the initial payment was in the beneficiary's name because fraudsters used the beneficiary's identity to establish the bank account they control. Since the payment was deposited into an account under the beneficiary's name, the Treasury does not return a credit to SSA, and SSA establishes an overpayment on the beneficiary's record.

SSA charged 2,452 of the beneficiaries who received replacement payments with overpayments totaling \$3 million.

**Recommendation:** Ensure beneficiaries with outstanding overpayments for replacement payments after unauthorized changes to their direct deposit information are not held liable for repaying them.

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

**Valued at:** \$1,409,671 in questioned costs.

**Corrective Action:** Before it starts collecting an overpayment in an individual case, the Agency sends a notice to the individual explaining his or her right to appeal the overpayment. In addition, this notice provides the individual the right to request a waiver of Agency collection activities at any time in the process. Both the right to a formal appeal and the right to request a waiver are specified policies in SSA's regulations. Consistent with the Agency's policies and regulations, SSA is reviewing and correcting the cases the OIG identified for the Agency as being erroneously processed (i.e., erroneously collecting an overpayment). There are over 1,300 cases that are complex with many requiring multiple manual actions. SSA is processing these cases under its current policy and due to resource limitations and competing priorities; it anticipates completion of the cases by June 30, 2017.

#### **ACCURACY OF AUXILIARY PAYMENTS TO CHILDREN AFTER DIVORCE (A-13-11-21100, 5/12/2014)**

**Results of Review:** SSA issued payments to auxiliary beneficiaries after the parents' divorce. We identified 1,390 stepchildren whom SSA determined were entitled to auxiliary OASDI benefits, and the beneficiary's marriage ended in divorce in or after June 2007. We randomly selected 60 of the 1,390 stepchildren to determine whether SSA properly terminated their benefits after the parents divorced.

Of the 60 beneficiaries sampled, we found SSA did not take appropriate action to terminate OASDI benefits for 11 stepchildren. Based on our analysis, we estimate SSA overpaid about \$3.1 million to 248 stepchildren. Unless SSA takes action to identify and correct these errors, we estimate the stepchildren will receive additional overpayments of approximately \$479,000 until they reach age 18 or are older and a full-time student.

**Recommendation:** Determine and implement the most cost-effective process to prevent and detect overpayments to stepchildren after the parents' divorce.

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

**Valued at:** \$2,942,001 in questioned costs and \$448,299 in funds put to better use.

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**Corrective Action:** The Agency is reviewing the additional 1,330 cases identified in this audit to determine what actions are feasible to prevent overpayments to stepchildren. An analysis was completed on a sample in August 2016. The Agency is taking another step to create a file of Social Security numbers to narrow down the universe of cases that will require review and action. SSA anticipates OQI to complete this second phase by January 30, 2017.

## SIGNIFICANT MONETARY RECOMMENDATIONS FROM PRIOR SEMIANNUAL REPORTS TO CONGRESS FOR WHICH RECENT CORRECTIVE ACTIONS HAVE BEEN MADE

### DISABLED BENEFICIARIES WHO ARE ELIGIBLE FOR HIGHER RETIREMENT BENEFITS (A-09-13-23054, 1/30/15)

**Results of Review:** SSA needs to improve its controls to ensure that it notifies disabled beneficiaries when they are eligible for higher retirement benefits. Based on our random sample, we estimate that 17,137 disabled beneficiaries were eligible for higher retirement benefits totaling approximately \$105.6 million.

This occurred because SSA employees did not inform disabled beneficiaries when they were eligible for the higher retirement benefits or document the reasons beneficiaries did not elect higher retirement benefits, as required.

**Recommendation:** Take appropriate action for the 66 beneficiaries identified by our audit.

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

**Valued at:** \$406,691 in funds put to better use.

**Corrective Action:** SSA reviewed and took the appropriate action(s) for the 66 beneficiaries identified by the audit. Of the 66 cases, 38 were not awarded Retirement benefits because either it was not advantageous for the beneficiary or the beneficiary opted to not file for Retirement benefits. SSA awarded Retirement benefits to 26 of the identified cases. Two of the 66 cases have appointments pending.

### PAYMENTS TO TERMINATED OR NON-SELECTED REPRESENTATIVE PAYEES (A-09-13-23071, 2/18/15)

**Results of Review:** SSA needs to improve its controls to ensure that it does not make payments to representative payees it terminated or did not select. Based on our random sample, we estimated that SSA paid terminated or non-selected representative payees approximately \$367 million in benefits payable to 13,539 beneficiaries. We also estimated that SSA improperly (1) terminated in the Representative Payee System (RPS) representative payees who were serving 14,809 beneficiaries and (2) did not select in RPS representative payees who were serving 29,194 beneficiaries.

This occurred because SSA did not (1) remove terminated or non-selected representative payees from the MBR/Supplemental Security Record (SSR) or (2) correct representative payees' status in RPS from terminated or non-selected to selected. We also found that RPS did not always generate alerts when representative payee information in RPS did not agree with representative payee information on the MBR/SSR.

**Recommendation:** Evaluate the results of its corrective actions for the beneficiaries identified by our audit and determine the appropriate action it should take with the remaining population of beneficiaries who have active representative payees on the MBR/SSR that are terminated or not selected in RPS.

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

**Valued at:** \$366,166,493 in questioned costs.

**Corrective Action:** SSA tested the new RPS Redesign application, which created an alert for employees to resolve the discrepancy, "there is an established MBR/SSR with representative payee data, but no active payee data is shown on the representative payee file." SSA moved the new eRPS into production the weekend of April 16, 2016. The Agency has determined the appropriate action for the remaining population and is working these alerts during its daily business processes.

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

### SUPPLEMENTAL SECURITY INCOME OVERPAYMENTS PENDING A COLLECTION DETERMINATION BY THE SOCIAL SECURITY ADMINISTRATION (A-07-15-15030, 9/22/15)

**Results of Review:** From a sample of 100 overpayments for individuals who were not receiving Supplemental Security Income (SSI) payments, we found the Social Security Administration (SSA) had partially collected 8, was unable to collect 7 because of legal or policy restrictions, and took action to collect 58 (it appeared SSA could have taken additional actions for 7 of these 58). SSA had not taken any collection actions on the remaining 27 overpayments since December 31, 2013. Accordingly, we project SSA had not taken recent actions to collect 16,240 overpayments, totaling more than \$128 million.

From a sample of 50 overpayments for individuals who were receiving SSI payments, we found SSA had partially collected 2, was unable to collect 4 because of legal or policy restrictions, and took action to collect 3. Further, SSA had not taken appropriate action since December 31, 2013 for one overpayment. SSA combined the remaining 40 overpayments with the recipients' prior and subsequent overpayments and was withholding all or a portion of the recipients' SSI payments to recover the total debt.

**Recommendation:** Take appropriate actions to collect the seven overpayments to individuals no longer receiving SSI payments where it appeared SSA could have taken additional collection actions.

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

**Corrective Action:** SSA is planning to complete the review of the seven overpayments and complete all necessary actions no later than August 31, 2017.

**Recommendation:** As resources allow, establish a plan to review remaining overpayments where no recent actions had been taken to collect overpayments from individuals no longer receiving SSI payments, focusing on the highest dollar overpayments first.

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

**Corrective Action:** Operations is working with Systems on the volume of cases. SSA is still in the process of developing a plan of action. The Agency does not have a proposed completion date at this time.

### THE SOCIAL SECURITY ADMINISTRATION'S USE OF THE TREASURY OFFSET PROGRAM (A-04-14-14104, 7/2/15)

**Results of Review:** Our review found that SSA properly referred delinquent debts 10 years and older to the Department of the Treasury (Treasury), as provided for under current laws and regulations. SSA's External Collection Operation system also correctly selected and referred debts to Treasury according to its policies and procedures and prevented the selection of 700 debts because of discrepancies in SSA benefit records.

For those debts referred to Treasury, SSA mailed debtors a pre-offset notice to the last known address in the Agency's records, as authorized by Treasury regulations. However, of the 264,558 10-year and older delinquent debts referred to Treasury, 7,580 (2.9 percent) debtors had a Treasury Offset Program (TOP) offset after the U.S.

Postal Service returned the debtors' pre-offset notices as undeliverable. For these debtors, the offset occurred because SSA experienced delays in recording the undeliverable notice information into its system. SSA took action to contact affected debtors and offered a refund of their offset.

For the 152,462 initial pre-offset notices returned to SSA as undeliverable, SSA requested an updated address from its address verification contractor. Before SSA resumes its referral of delinquent debts 10-years and older, it needs valid addresses for 67,789 debtors and needs to mail an initial pre-offset notice to 76,747 debtors. SSA stated it will seek a valid address, if it decides to resume referring the delinquent 10-year and older debts to TOP. Moreover, the pre-offset notices for these debts contained limited information about the debt. We believe that the information was insufficient for the debtor to recall the debt and the circumstances surrounding the debt.

**Recommendation:** Resolve the record discrepancies for the 700 debts to ensure that eligible debts are selected by the External Collection Operation and referred to TOP.

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

**Corrective Action:** SSA has completed all cases except BIC C cases. A legislative proposal in the Fiscal Year (FY) 2017 President's Budget addresses the TOP debtors, including BIC Cs. SSA has resumed TOP and plans to address these cases and provide a status update in March 2017.

#### **QUALIFYING FOR DISABILITY BENEFITS IN PUERTO RICO BASED ON AN INABILITY TO SPEAK ENGLISH (A-12-13-13062, 4/3/15)**

**Results of Review:** SSA has applied the medical-vocational guidelines nationally and does not make exceptions for claimants who reside in Puerto Rico where both Spanish and English are the official languages. The guidelines assume individuals who are unable to communicate in English are limited in their ability to find a job in the regional or national economy where English is the predominant language, even though residents of Puerto Rico may be able to find local work with their Spanish-speaking skills.

While the Agency had incomplete management information on claimants allowed using the grid rules related to an inability to communicate in English, we identified 244 cases in Puerto Rico from Calendar Year 2011 to 2013 where disability determination services used the aforementioned grid rules to grant benefits. Moreover, about 4 percent of the hearings we sampled involved these same grid rules.

SSA is preparing to issue an Advanced Notice of Proposed Rulemaking on the need to update the medical-vocational guidelines. This process should lead to changes in how the Agency considers factors that may affect a claimant's ability to adjust to other work in the economy. SSA may also want to review other interpretations of the grid rules. For example, a U.S. District Court's earlier judgment, upheld by a U.S. Court of Appeals, found that, usually, it is the ability to communicate in Spanish, not English, which is vocationally important in Puerto Rico.

**Recommendation:** Evaluate the appropriateness of the grid rules related to an inability to communicate in English when determining eligibility for disability benefits in circumstances such as those we identified in our audit.

**Agency Response:** The Agency agreed with our recommendation.

**Corrective Action:** SSA is pursuing an evidence-based approach to updating the grids to ensure it remains current with changes in medical and vocational practice, technology, and the work force. The Agency has done extensive outreach and gathered research findings and data for consideration. SSA established the multi-component Vocational Regulations Modernization (VRM) Workgroup in May 2015 to begin the process of reviewing its vocational factors, and the Medical-Vocational Guidelines, to determine how it should consider these factors. The VRM Workgroup concluded its work in July 2016 and issued preliminary recommendations for modernizing SSA's vocational factors. SSA also published an ANPRM in the Federal Register on September 14, 2015 soliciting public comments on how the Agency should consider the vocational factors of age, education, and past work experience to determine whether changes to modernize our vocational rules are warranted. This initiative includes evaluation of the appropriateness of the grid rules related to an inability to communicate in English when determining eligibility for disability benefits. SSA is now planning targeted research to support NPRM. SSA expects to complete research and associated rulemaking processes by FY 2019.

#### **FOLLOW-UP: COLLECTION OF CIVIL MONETARY PENALTIES (A-06-14-14047, 3/10/15)**

**Results of Review:** Section 1140 civil monetary penalty (CMP) collection efforts were effective. All \$526,000 in CMPs imposed during the audit period were collected in full.

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

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

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

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

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

**Corrective Action:** SSA drafted a Notice of Proposed Rulemaking (NPRM) that provides the authority to use external collection tools for collection of delinquent CMPs. The Agency is still awaiting the Office of General Counsel's feedback. After the draft undergoes legal review, it will issue the NPRM for public comment.

#### **DISABLED BENEFICIARIES WHO ARE ELIGIBLE FOR HIGHER RETIREMENT BENEFITS (A-09-13-23054, 1/30/15)**

**Results of Review:** SSA needs to improve its controls to ensure that it notifies disabled beneficiaries when they are eligible for higher retirement benefits. Based on our random sample, we estimate that 17,137 disabled beneficiaries were eligible for higher retirement benefits totaling approximately \$105.6 million.

This occurred because SSA employees did not inform disabled beneficiaries when they were eligible for the higher retirement benefits or document the reasons beneficiaries did not elect higher retirement benefits, as required.

**Recommendation:** Improve controls to ensure that disabled beneficiaries are informed when they are eligible for higher retirement benefits or document the reason beneficiaries did not elect higher retirement benefits.

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

**Corrective Action:** The Potential Entitlements Workgroup continues to consider this recommendation as part of its ongoing activities.

#### **REPRESENTATIVE PAYEE SELECTIONS PENDING IN THE REPRESENTATIVE PAYEE SYSTEM (A-09-12-11252, 2/27/2014)**

**Results of Review:** SSA did not always resolve representative payee selections that were pending in its Representative Payee System (RPS). Based on our random sample, we estimate that SSA

- Did not resolve the representative payee selections for 29,092 beneficiaries. Of these, SSA paid \$132.5 million in benefits to someone other than the selected representative payees for 8,951 beneficiaries.
- Improperly changed the representative payee selections to a non-selected status for 20,141 beneficiaries. Of these, SSA paid \$265 million in benefits to someone other than the selected representative payees for 11,749 beneficiaries.
- Incorrectly recorded beneficiary information in RPS for 5,595 beneficiaries.
- Did not timely resolve the representative payee selections for 17,343 beneficiaries.

**Recommendation:** Determine whether it should modify the RPS clean-up operation to ensure that it does not improperly change representative payee selections to a non-selected status.

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

**Corrective Action:** SSA has not run the RPS clean-up operation since the release of electronic Representative Payee System (eRPS) in July 2016. It does not plan to run the clean-up operation until later in FY 2017 because of higher priorities. In addition, SSA's developers are writing new code before the process is run again.

#### **IMPROPER PAYMENTS RESULTING FROM UNRESOLVED DELAYED CLAIMANTS (A-09-12-22100, 2/7/2014)**

**Results of Review:** Since we issued our 2009 audit, SSA reduced the number of unresolved delayed claimants. However, our current review found that SSA's controls did not always ensure that it properly resolved all delayed claimants. Based on our random sample, we estimate that if SSA

- Approves the auxiliary or survivor delayed claimants on 1,620 records, they would be due \$9.1 million; or
- Does not approve the delayed claimants, the currently entitled auxiliary beneficiaries on 1,710 records will be improperly paid about \$6.8 million.

We also estimate that SSA did not timely resolve the delayed claims for 2,730 records. This occurred because SSA employees did not (1) establish diaries for claimants placed in delayed status, (2) take appropriate action on the diaries when they matured, or (3) resolve alerts for delayed claimants.

**Recommendation:** Remind employees of the proper policies and procedures to establish and take action on diaries and alerts received for claimants in delayed status.

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

**Corrective Action:** The Deputy Commissioner, Retirement and Disability Policy and the Deputy Commissioner for Operations collaborated to draft delayed claimant Program Operations Manual System (POMS) in July and have incorporated the comments to post electronic inter-component review (eIRD). The eIRD officially closed for comment on September 26, 2016. SSA plans to publish POMS GN 01010.140 by no later than November 30, 2016.

#### **SUPPLEMENTAL SECURITY INCOME TELEPHONE WAGE REPORTING (A-15-12-11233, 2/6/2014)**

**Results of Review:** We determined Supplemental Security Income Telephone Wage Reporting (SSITWR) effectively received and processed wages reported via the telephone, and SSA accurately posted those reported wages to the Supplemental Security Record and the Modernized Supplemental Security Income Claims System. Although SSA reduced improper payments since it implemented SSITWR, information was not available to correlate the reduction with this new process.

Additionally, we noted the following items, which we believe SSA should address.

For the period September 1, 2011 to August 31, 2012, we identified 7,498 duplicate SSITWR transactions; however, these transactions did not affect the benefit payments since SSA only posted the most recent transaction to the recipient's record.

We determined that 22 of 50 randomly sampled SSI recipients, their representative payees, and deemors, regardless of their association with SSITWR, did not report wages and incurred overpayments totaling \$21,388. The purpose of this comparison was to determine the importance of timely wage reporting.

We determined that SSA did not include language in the SSI overpayment notices, due to wages, to inform the individuals about the different methods available to report their wages.

**Recommendation:** Adopt a process to identify and report unique SSITWR (for example, wage reports, wage reporters, wage earners, users, usage, etc.) for a specified period.

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

**Corrective Action:** On May 30, 2014, SSA submitted a Strategic Information Technology Assessment and Review (SITAR) proposal for FY 2015 to identify unique wage reports and reporters for SSITWR and Supplemental Security Income Mobile Wage Reporting (SSIMWR) and to move the SSITWR Management Information (MI) to MI Central where it maintains the SSIMWR MI. SSA deferred consideration of this SITAR proposal until FY 2016. The Agency will re-submit the proposal during the FY 2016 SITAR planning cycle. Implementation of the proposal is contingent upon allocation of SITAR resources.

## **STATE DISABILITY DETERMINATION SERVICES' EMPLOYEE AND CONTRACTOR SUITABILITY PROGRAM (A-15-11-21180, 12/21/2011)**

**Results of Review:** Although SSA had a limited policy in place that required a statewide criminal background check, we noted several vulnerable areas in the policy that could pose a risk to SSA data and systems. We found that State policy regarding suitability determinations for employees, contractors, and other disability determination services (DDS) staff varied widely from State to State. Some States had yet to implement a policy requiring statewide criminal background checks. Additionally, we found that although most States had a policy in place for prospective employees, the policy did not require criminal background checks for existing employees.

SSA performed some oversight of the DDS suitability process. Regional Office staff should review the DDS' self-assessments, but beyond this, Regional Office staff stated they leave the suitability determinations to the DDSs. According to SSA, Regional Office staff is responsible for conducting the day-to-day monitoring of the DDSs.

**Recommendation:** Require all individuals with access to SSA systems and data to have an appropriate suitability determination consistent with the requirements of SSA's suitability program.

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

**Corrective Action:** In response to the above review recommendation of requiring all individuals with access to SSA systems and data to have an appropriate suitability determination consistent with SSA's suitability program, the Office of Personnel (OPE) began working with the Office of Disability Determinations (ODD) to begin credentialing DDS sites on a volunteer basis.

In fiscal year (FY) 2015, OPE began a cross-component initiative with the DCS Office of Information Security (OIS), the Office of Security and Emergency Preparedness (OSEP) and ODD to complete the Homeland Security Presidential Directive (HSPD)-12 credentialing for DDS employees and contractors. Throughout FY 2015, OPE developed an internal DDS team structure to process the background investigations and Personal Identification Verification (PIV) cards for the remaining 16,500 DDS employees and contractors.

Due to OPE's efforts, OPE processed 15,082 out of 16,236 HSPD-12 suitability reviews for the DDS population by the end of FY 2016. To date, 32 states have completed HSPD-12 suitability reviews and received their PIV cards. By December 2016, OPE anticipates we will remain on target, and 18 more states and Puerto Rico will complete full HSPD-12 implementation for their employees and contractors.

## **REPRESENTATIVE PAYEES AND BENEFICIARIES WHO WERE RESIDING IN DIFFERENT STATES (A-02-14-14044, 8/27/2014)**

**Results of Review:** Based on our observations during our visit, we believe that the representative payees were using beneficiaries' benefits to meet their food, clothing, and shelter needs in all but two cases. We referred these two cases to SSA to determine whether the representative payees were suitable to manage benefits for the beneficiaries they represented. SSA has taken action on one of these cases. Additionally, we were unable to determine whether 41 (23 percent) of the beneficiaries' needs were being met because the representative payees or their beneficiaries refused to participate in our review or we were unable to contact them. We also found that SSA did not mail Representative Payee Reports to all representative payees, as required, and did not always follow up with representative payees who did not submit their accounting reports.

**Recommendation:** Determine whether additional oversight is required for representative payees who reside in a State different from the beneficiaries they represent based on any action taken in response to Recommendations 1 and 2.

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

**Corrective Action:** The first phase of the eRPS was released in April 2016; the system alert referenced in this recommendation will not be implemented until a later system release date. The date of the release is still to be determined.

#### **SUBSEQUENT APPELLATE ACTIONS ON DENIALS ISSUED BY LOW-ALLOWANCE ADMINISTRATIVE LAW JUDGES (A-12-13-13084, 7/3/2014)**

**Results of Review:** While administrative law judge (ALJ) decisions on cases may differ for various reasons, including qualified decisional independence, the rate of subsequent actions on denied cases should be relatively consistent among ALJs. Remand and reversal rates on appealed cases can provide indications about the quality of an ALJ's decisions. In addition, time spent processing such cases delays final decisions for affected claimants and reduces the time available for other cases awaiting processing.

For the 12 low-allowance ALJs, we found the following related to their Title II workloads.

- Four had at least 80 percent of their denied cases appealed to the Appeals Council (AC), compared to the 67-percent national average. For instance, 84 percent of one ALJ's denied cases were appealed to the AC.
- Six ALJs had AC reversal rates that were more than twice the 2-percent national average. For instance, one ALJ had a 10-percent reversal rate, 5 times the national average.
- One ALJ had a 42-percent AC remand rate, more than twice the 19-percent national average. Overall, the AC remanded the ALJs' decisions at about the same rate as the national average.

The Office of Disability Adjudication and Review (ODAR) implemented several tools to track ALJ and hearing office performance. However, we believe that ODAR could further improve management oversight by

- Informing ALJs about the reasons for AC reversals;
- Monitoring AC reversal trends to identify ALJs who have high reversal rates; and
- Tracking subsequent ALJ actions on remanded cases.

**Recommendation:** Monitor administrative law judge decisions on AC remands to identify outlier behavior that may require additional management attention.

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

**Corrective Action:** As SSA expects budgetary uncertainty and significant limitations on systems resources to continue in FY 2017, it is unable to provide an estimated timeframe for completion at this time.

## SIGNIFICANT NON-MONETARY RECOMMENDATIONS FROM PRIOR SEMIANNUAL REPORT TO CONGRESS FOR WHICH RECENT CORRECTIVE ACTION HAS BEEN MADE

### REPRESENTATIVE PAYEE SELECTIONS PENDING IN THE REPRESENTATIVE PAYEE SYSTEM (A-09-12-11252, 2/27/2014)

**Results of Review:** SSA did not always resolve representative payee selections that were pending in its RPS. Based on our random sample, we estimate that SSA

- Did not resolve the representative payee selections for 29,092 beneficiaries. Of these, SSA paid \$132.5 million in benefits to someone other than the selected representative payees for 8,951 beneficiaries.
- Improperly changed the representative payee selections to a non-selected status for 20,141 beneficiaries. Of these, SSA paid \$265 million in benefits to someone other than the selected representative payees for 11,749 beneficiaries.
- Incorrectly recorded beneficiary information in RPS for 5,595 beneficiaries.
- Did not timely resolve the representative payee selections for 17,343 beneficiaries.

**Recommendation:** Determine whether it should develop additional guidance to ensure that representative payee selections are properly and timely resolved.

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

**Corrective Action:** SSA completed its actions for the 98 cases from Recommendation 1. SSA evaluated those results to determine if any additional guidance is necessary. The Agency tested the new eRPS Redesign application, which adds new features to monitor and process pending representative payee selections in eRPS, as well as to make corrections to the representative payee information. SSA moved eRPS into production the weekend of April 16, 2016. In addition, the Agency released training materials in April 2016. The training provided additional guidance on the new eRPS release.

### IDENTIFYING AND MONITORING RISK FACTORS AT HEARING OFFICES (A-12-12-11289, 1/24/2013)

**Results of Review:** We found that ODAR created 19 ranking reports that measured hearing office performance using a single risk factor, such as average processing time or pending cases per ALJ. However, ODAR had not established a process to rank hearing office performance using a combination of risk factors. In FY 2011, ODAR began developing an early monitoring system to measure ALJ performance based on a combination of risk factors, such as number of dispositions, number of on-the-record decisions, and frequency of hearings with the same claimant representative. A quality division then reviewed potential issues identified in the ALJ monitoring system to ensure compliance with established policies and procedures. We reviewed hearing office risk factors particular to ALJs to determine whether such information, when alone or combined with ODAR's ALJ monitoring system outcomes, would provide ODAR management with additional information to assess hearing office management controls. We found large variances in ALJ outcomes within and between hearing offices, indicating that further review of ALJ performance variances in hearing offices, and a new hearing office monitoring system using a combination of risk factors, would provide ODAR with additional tools to assess hearing office management controls. Moreover, greater analysis of hearing office variance can put issues identified as part of ODAR's ALJ monitoring system and quality reviews into a broader context.

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**Recommendation:** Create new management information reports combining ALJ-related hearing office risk factors, which could include variances within those factors, and use this information to identify potential processing and management problems at hearing offices.

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

**Corrective Action:** ODAR developed an inclusive report called the Early Monitoring System (EMS), which considers various factors such as ALJ interaction with representatives, medical experts, and vocational experts to determine whether there is risk of fraud or inappropriate action. SSA has refined this report over the last two years and believes that it has an excellent tool for identifying risk factors at the hearing offices. The tool helps the Agency identify problems with individual judges and, problems with an entire hearing office. SSA has taken appropriate action on problems already identified in the report. The report is highly sensitive, so SSA does not share it. Previously, ODAR planned to use the results of an Office of Quality Information study, but to date, have not received their information. As a result, SSA is only using the EMS.

#### **PAYMENTS DEPOSITED INTO BANK ACCOUNTS AFTER BENEFICIARIES ARE DECEASED (A-02-13-13052, 3/11/15)**

**Results of Review:** SSA did not effectively recover direct deposit payments to bank accounts after beneficiaries' deaths because the Agency did not always determine when suspended beneficiaries died. We concluded that 58 of the 59 beneficiaries we reviewed died or were likely deceased. SSA terminated benefits for six of these beneficiaries but left the remaining 52 in a suspended payment status. When benefits are suspended instead of terminated, SSA cannot reclaim payments through the reclamation process.

Multiple sources reported dates of death or had information on the likely deaths for the 52 beneficiaries who remained suspended:

- 15 beneficiaries had dates of death recorded on SSA's Numident;
- 16 beneficiaries had death information on a third-party database;
- 2 beneficiaries' dates of death were provided by a financial institution;
- we obtained death certificates for 11 beneficiaries; and
- bank records for the remaining 8 beneficiaries had information that indicated they were likely deceased.

We estimate that SSA improperly paid about \$1,111,000 to the 58 deceased or likely deceased beneficiaries. While SSA recovered about \$35,000 paid after the deaths of the six beneficiaries it terminated, the Agency did not attempt to recover payments from the other beneficiaries. Most these funds have since been withdrawn or escheated to a State treasury's division of unclaimed property.

**Recommendation:** Determine the cost-effectiveness of using third-party databases for dates of death and contact information for beneficiaries whose benefits were suspended for reasons that may indicate that they died, when it is determined the information available in third-party databases cannot be found in SSA records.

**Agency Response:** The Agency agreed with our recommendation.

**Corrective Action:** SSA agrees. In FY 2015, the Office of Quality Review conducted an analysis to determine the cost-effectiveness of determining the cost-effectiveness of using third-party databases for dates of death and contact information for beneficiaries who may have died, when that information is not in agency records. In August 2016, SSA published a final report.

The Agency's sample consisted of 200 cases involving Title II beneficiaries who had been in a death development, address development, whereabouts unknown, or miscellaneous suspense status for at least 2 years. SSA excluded 30 cases because during the review, agency records showed the beneficiary was now in current pay or incarcerated. In 60 percent of the 170 cases reviewed (102 cases), SSA was unable to obtain any information that led it to determining the beneficiary's whereabouts or death. For the remaining 68 cases (40 percent), the Agency was able to obtain information that led to a death or whereabouts determined for the sampled beneficiary. Of the 68 cases, the largest percentage (21.2 percent or 36 cases) involved cases where SSA found the contact or death information within Agency records. For the remaining 32 cases, SSA found information in third-party websites, which led to a determination of the beneficiary's death. However, searching third-party websites and verifying the death information found within was the most resource-intensive method, averaging approximately 224 hours per case.

Overall, Agency records were the best source of information regarding the beneficiary's whereabouts or possible death. In searching for additional contact information, Accurint.com does serve as a potential source; however, the death information SSA found was very limited. In the five cases where the Agency found death information, Accurint.com provided only a date of death and no other information as to the location of death. This would require technicians to do additional searches and development to attempt to locate the record source in order to verify the date of death information. In addition, while the third-party death information website records often provided the city or state of death, and the date of death, Agency policy still requires the technician to obtain verification or preferred evidence of the death. This verification is necessary to ensure the accuracy of the information found in the third-party websites. Therefore, the information in these websites would serve only as a lead for additional development.

In summary, based the Agency's analysis, it did not find third-party databases to be an effective means to determine death in cases where the beneficiary is in suspense.

#### **BOND AND FINANCIAL CREDIT RISK REQUIREMENTS FOR NON-GOVERNMENTAL FEE-FOR-SERVICE REPRESENTATIVE PAYEES (A-05-12-11225, 3/28/2014)**

**Results of Review:** SSA established sufficient procedures to ensure non-governmental fee-for-service (FFS) representative payees maintained bond or insurance coverage and had financial credit risk reviews. However, Agency staff did not always follow, or appropriately document, procedures to mitigate potential risks. In addition, we found that greater collaboration between the field offices (FO), regions, and Regional Chief Counsels could enhance the oversight process.

We sampled bond and insurance documents and related SSA controls associated with 25 FFS representative payees and found issues related to (1) insufficient policy coverage, (2) problems with policy titling, (3) undocumented annual policy re-certifications, and (4) incomplete triennial site review questionnaires. For instance, we found that 10 representative payees did not name SSA on the bond, though they had sufficient coverage amounts.

In our review of 22 Headquarters-prepared credit report summaries, we found FO staff certified a representative payee to collect fees before reviewing the payee's credit report summary. We also found the summaries provided limited guidance for handling organizations rated as high risk. In addition, some of the contractor-prepared credit reports provided insufficient financial information. The Agency's nationwide implementation of

a more stringent selection process for individual representative payees offers an opportunity to explore more approaches to alleviate business risks associated with FFS representative payees.

**Recommendation:** Determine whether the Agency needs to standardize and streamline its bond and insurance coverage methodology to ensure the type and amount of bond or insurance coverage is appropriate for the underlying risk.

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

**Corrective Action:** SSA completed a study on the strengths and weaknesses of the Fee for Service (FFS) model. This study examined whether or not there is a standard bond coverage for non-governmental FFS payees. The study found that there is no standard bond amount. Based on the study findings and the agency's longstanding experience with the complexities of state variances in bond/licensing requirements, SSA decided that it would not be prudent to change its bond and insurance methodology.

## APPENDIX H: PEER REVIEWS

### OFFICE OF AUDIT

Our Office of Audit is required to undergo a peer review every three years, in accordance with generally accepted government auditing standards.

- The final System Review Report related to our last peer review, conducted by the General Services Administration (GSA), was issued in September 2015. We received a rating of "pass," which means that the review team concluded that the system of quality control for the audit organization had been suitably designed and complied with, to provide us with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The GSA Office of Inspector General identified no deficiencies that affected the nature of the report. Further, there were no findings or recommendations as a result of this peer review.
- During Fiscal Year 2015, we conducted a peer review of the Environmental Protection Agency Office of Inspector General Audit Organization. We issued our report on June 12, 2015 and made no recommendations as a result of this peer review.
- There are no outstanding recommendations from prior audit peer reviews completed by us, or from prior reviews of our organization.

### OFFICE OF INVESTIGATIONS

Our Office of Investigations is required to undergo a peer review every three years to ensure general and qualitative standards comply with the requirements of the Quality Standards for Investigations adopted by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). The peer review also ascertains whether adequate internal safeguards and management procedures exist to ensure that the law enforcement powers conferred by the 2002 amendments to the *Inspector General Act* are properly exercised pursuant to Section 6(e) of the *Inspector General Act* (as amended) and the U.S. Attorney General Guidelines for Offices of Inspector General with Statutory Law Enforcement Authority.

- During the reporting period, the Office of Investigations underwent a peer review conducted by the Department of Justice OIG. The review was conducted at OIG headquarters in Baltimore, Maryland and three field division office locations; Atlanta, Georgia (Atlanta Field Division), Dallas, Texas (Dallas Field Division), and San Francisco, California (San Francisco Field Division). The peer review found SSA OIG complies with the quality standards established by CIGIE and the Attorney General guidelines.
- During the reporting period, the Office of Investigations conducted a peer review of the Department of Labor OIG.
- There are no outstanding recommendations from prior investigative peer reviews completed by us or from prior reviews of our organization.

## APPENDIX I: REVIEW OF LEGISLATION & REGULATIONS

Section 4(a)(2) of the *Inspector General Act of 1978*, as amended, requires the SSA OIG to review existing and proposed legislation as well as regulations relating to SSA's programs and operations, and to make recommendations concerning impact on such programs or on the prevention of fraud and abuse. We accomplish this in several ways:

- Our audits and other reports evaluate SSA's compliance with existing laws and regulations.
- We recommend, when appropriate, issuing regulations or seeking appropriate legislative authority, and we provide a status of those recommendations in our *Semiannual Report to Congress*.
- We provide *Congressional Response Reports* in response to direct requests.
- We describe planned reviews in our annual Audit Work Plan that will address issues related to laws and regulations.
- We provide comments on pending or proposed legislation to SSA's Office of Legislation and Congressional Affairs, for inclusion in its agency response to the Office of Management and Budget.

In addition, SSA OIG is an active member of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Legislation Committee. In this role, we provide input to responses prepared by the committee to congressional staff on the impact of proposed legislation. We also communicate directly with congressional staff as needed to discuss legislative issues.

As reported in our last *Semiannual Report to Congress*, SSA OIG was successful in encouraging Congress, through legislative proposals, to include significant provisions combatting fraud in SSA into the *Bipartisan Budget Act of 2015*, Pub. L. 114- 74. The *Bipartisan Budget Act*, which was signed into law November 2, 2015, combats fraud in SSA by:

- (1) expanding the CDI program to cover each of the 50 States, the District of Columbia, Puerto Rico, Guam, the Northern Mariana Islands, the Virgin Islands, and American Samoa;
- (2) amending the *Federal Civil Penalties Inflation Adjustment Act of 1990* to allow for CMPs imposed under sections 1129 and 1140 of the *Social Security Act* to be adjusted for inflation pursuant to guidelines provided by OMB;
- (3) increasing the maximum CMP for persons in a position of trust that defraud SSA from \$5,000 to \$7,500 for each violation;
- (4) amending 42 U.S.C. §§ 408(a), 811(a), and 1632(a) to provide for a specific charge of conspiracy for a violation of the statute and to increase criminal penalties for individuals in a position of trust who defraud the SSA from 5 years to 10 years imprisonment; and
- (5) clarifying that Section 1140 of the Act applies to the Internet or other electronic communication.

During this reporting period, we further reviewed and made recommendations on the interim final rule implementing the *Bipartisan Budget Act of 2015*'s allowance for CMP inflation adjustments. Pursuant to OMB guidelines, the interim final rule adjusts the level of CMPs with an initial "catch-up" adjustment (published in the Federal Register on June 27, 2016). The initial penalty adjustment amounts took effect on August 1, 2016, and will be adjusted annually for inflation through notices published in the Federal Register, which we will continue to review. We have also been applying these new CMP rates against those who commit SSA fraud, as appropriate.

In addition, this period we worked with the Department of Justice, SSA and the U.S. Sentencing Commission on amendments to the federal sentencing guidelines that would give effect to Congressional intent to provide for a specific charge of conspiracy for a violation of the statute and to increase criminal penalties for individuals in a position of trust who defraud the SSA (BBA amendment of 42 U.S.C. §§ 408(a), 811(a), and 1632(a)).

During this reporting period, we also provided technical input and support to the CIGIE Legislation Committee on regulatory proposals from the Office of Government Ethics, which purported to exercise authority over or otherwise interfere with, functions of the inspectors general. Specifically, we drafted a letter on behalf of the CIGIE Legislation Committee, to the Director of the Office of Government Ethics stating how the proposed regulations impacted inspector general independence and recommended proposed solutions. As a result of raising the issues, without finalizing the letter, the Director of the Office of Government Ethics evaluated our concerns and modified the proposed regulations to address CIGIE concerns.

## GLOSSARY OF ACRONYMS

AAJ	administrative appeals judges
AC	Appeals Council
ALJ	administrative law judge
AO	appeals officers
APT	average processing time
CARES	Compassionate And REsponsive Service
CAS	Cost Analysis System
CDI	Cooperative Disability Investigations
CDR	Continuing Disability Reviews
CIGIE	Counsel of Inspector Generals for Integrity and Efficiency
CMP	civil monetary penalty
CR	cost reimbursement
DCRDP	Deputy Commissioner, Retirement and Disability Policy
DCS	Deputy Commissioner for Systems
DDS	Disability Determination Services
DFPS/CPS	Department of Family and Protective Services, Child Protective Services
DFT	Digital Forensics Team
DHS	Department of Homeland Security
DI	Disability Insurance
DITI	Division of Information Technology Integration
DMF	Death Master File
DOJ	Department of Justice
DQ	Division of Quality
DSHS	Department of Social and Health Services
EEO	Earnings Enforcement Operation
eIRD	electronic inter-component review
EMS	Early Monitoring System
EN	Employment Networks
eRPS	electronic Representative Payee System
FECA	Federal Employees' Compensation Act
FFS	fee-for-service
FO	field office
FY	fiscal year
GPO	Government Pension Offset
GSA	General Services Administration
HSPD	Homeland Security Presidential Directive
IO	Immediate Office

IRS	Internal Revenue Service
IT	Information Technology
MBR	Master Beneficiary Record
MEF	Master Earnings File
MI	Management Information
MNUP	Medical Non-Utilization Project
NPRM	Notice of Proposed Rulemaking
OA	Office of Audit
OASDI	Old-Age, Survivors and Disability Insurance
OCALJ	Office of the Chief Administrative Law Judge
OCIG	Office of Counsel to the Inspector General
OCRM	Office of Communications and Resource Management
ODAR	Office of Disability Adjudication and Review
OESSI	Office of Electronic Services and Strategic Information
OI	Office of Investigations
OIG	Office of the Inspector General
OPM	Office of Personnel Management
OQI	Office of Quality Improvement
OTR	on-the-record
PC	Program Center
PE	Potential Entitlement
PII	personally identifiable information
POMS	Program Operations Manual System
PSC	Program Service Center
RI	Retirement Insurance
RPS	Representative Payee System
RSI	Retirement and Survivors Insurance
SITAR	Strategic Information Technology Assessment and Review
SPA	special payment amount
SSA	Social Security Administration
SSI	Supplemental Security Income
SSIMWR	Supplemental Security Income Mobile Wage Reporting
SSITWR	Supplemental Security Income Telephone Wage Reporting
SSN	Social Security number
SSR	Supplemental Security Record
SVRA	State Vocational Rehabilitation Agency
THHSC	Texas Health and Human Services Commission
Ticket Program	Ticket to Work and Self-Sufficiency Program

TOP	Treasury Offset Program
Treasury	Department of the Treasury
VRM	Vocational Regulations Modernization
WEP	Windfall Elimination Provision