

Who We Are

The Office of the Inspector General (OIG) is responsible for meeting the statutory mission of promoting economy, efficiency, and effectiveness in the administration of Social Security Administration (SSA) programs and operations; and preventing and detecting fraud, waste, abuse, and mismanagement in such programs and operations. To accomplish this mission, we conduct and supervise a comprehensive program of audits, evaluations, and investigations. We also search for and report systemic weaknesses in SSA programs and operations, and make recommendations for needed improvements and corrective actions.

What We Do

We strive for continual improvement in SSA's programs, operations, and management by proactively seeking new ways to prevent and detect fraud, waste, and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention, and fostering diversity and innovation.

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<http://oig.ssa.gov>

Report Fraud

Reporting is easy, safe, and secure. You can reach us by internet, mail, phone, or fax.

Internet: <http://oig.ssa.gov/report>

U.S. Mail: Social Security Fraud Hotline
P.O. Box 17785
Baltimore, Maryland 21235

FAX: (410) 597-0118

Telephone: (800) 269-0271 from 10:00 a.m. to 4:00 p.m. Eastern Standard Time
TTY: (866) 501-2101 for the deaf or hard of hearing

Feedback

After reading our *Semiannual Report to Congress*, we encourage you to take a brief, anonymous survey to let us know how we're doing. The survey is available on our website listed above. We appreciate any feedback that can help us improve our publication.

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A MESSAGE FROM THE INSPECTOR GENERAL

In the early hours on August 21, 2013, OIG special agents, working with the FBI and local police, arrested 75 people in Puerto Rico as part of a far-reaching investigation into an alleged disability fraud conspiracy involving a former Social Security employee and medical providers, including physicians. This arrest operation was the culmination of some the most difficult, and best, investigative work ever conducted by this office—and its unqualified success has served as a timely reminder to me of not only how critical our mission is, but also how committed our employees are to achieving that mission.

In the current fiscal climate, we remain as dedicated as ever to improving the integrity of Social Security's programs by eliminating fraud and waste wherever we find it. However, we also recognize that we can—in fact, we must—do more with less.

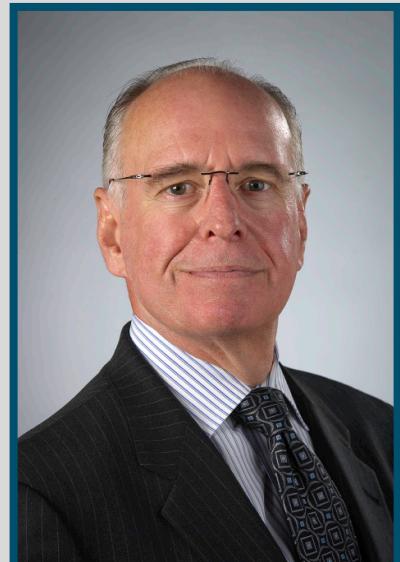
I believe the audit, investigative and legal achievements highlighted in this *Semiannual Report to Congress*, for the period April 1, 2013 – September 30, 2013, represent the best efforts of our employees to find ways to work more efficiently and innovatively and to provide an exceptional return on the taxpayer funds invested in our operations. For example:

- In “Payments to Individuals Whose Numident Record Contained a Death Entry,” our auditors found Social Security paid \$31 million to more than 1,500 people believed to be deceased.
- An OIG investigation revealed a former SSA employee identified recently-deceased beneficiaries and stole more than \$325,000 from their bank accounts. He was recently sentenced to five years and 10 months in prison.
- And the Puerto Rico operation and other cases prompted the establishment of a disability fraud initiative that will focus exclusively on “third-party facilitators.”

I am very proud of these and numerous other accomplishments of this OIG during the past six months. Nevertheless, it is clear that sequestration has had a significant effect, as we have experienced a period of adjustment to our operations and our strategic planning. For example, we issued 94 audits in FY2013, compared to 110 in FY2012. Still, during this reporting period, we have demonstrated through high-profile investigations and audits that our work is of critical importance and highly valued by decision-makers in Congress and SSA. To meet the challenges ahead, we are planning and innovating to streamline operations, identify and reduce inefficiencies, and reassess our priorities in every aspect of our work.

I invite you to read more about how we are doing that in the pages that follow; and I encourage you to comment on this report and our work by participating in our *Semiannual Report to Congress* feedback survey located online.

Patrick P. O'Carroll, Jr.
Inspector General



EXECUTIVE SUMMARY

Key Accomplishments

April 1, 2013-September 30, 2013

Total Audit Reports Issued	39
Questioned Costs	\$146 Million
Funds Put to Better Use	\$605 Million
Total Allegations Received	81,343
Investigations Opened	4,119
Investigations Closed	3,904
Arrests	254
Indictments/Informations	590
Criminal Convictions	612
Civil/Civil Monetary Penalties	193
Cooperative Disability Investigations	
Program Results (4/1/2013-9/30/2013)	
Confirmed Fraud Cases	2,068
SSA Savings	\$170,417,122
Non-SSA Savings	\$123,925,392

This report presents the significant activities of the SSA OIG from April 1, 2013 through September 30, 2013. The report details the achievements of the OIG's offices of Audit, Investigations, Counsel, and OIG's support components.

Audit

During this reporting period, OIG auditors issued 39 reports and made recommendations on a variety of challenges facing SSA. Auditors also identified more than \$146 million in questioned costs and more than \$605 million in Federal funds that could be put to better use.

Among their noteworthy reports completed during the reporting period, OIG auditors issued two more reviews of the accuracy of death information in SSA's Numident, the Agency's database of Social Security number (SSN) holders. Auditors found controls over the recording of death information on the Numident and in SSA's payment records needed improvement. Specifically, thousands of deceased recipients' deaths were not on the Numident, and therefore not included in the Death Master File. Auditors also found beneficiaries paid for months or even years after SSA received notification they were deceased because death information was recorded on the Numident, but not the beneficiary's payment record.

Investigative

During this reporting period, we received more than 81,000 allegations from SSA employees, the Congress, the public, law enforcement agencies, and other sources. OIG agents closed more than 3,900 criminal investigations, resulting in over 250 arrests, 590 indictments and informations, over 610 criminal convictions (including pretrial diversions), and over 190 civil judgments or civil monetary penalty (CMP) assessments.

In one notable case, we investigated a Baltimore man who concealed his work and earnings from 1996 to 2009 while receiving disability benefits. From 2007 to 2010, he even worked for SSA as a benefit authorizer. During the reporting period, a jury found the man guilty of Social Security fraud. He was sentenced to two years in prison and ordered to pay more than \$121,000 to SSA. The Agency terminated his employment in 2010.

We are reporting over \$257 million in investigative accomplishments, including over \$54 million in SSA recoveries, restitution, fines, settlements, and judgments; and over \$202 million in projected savings from investigations resulting in the suspension or termination of benefits. In addition, we participated in multi-agency investigations that resulted in over \$38 million in savings, restitution, and recoveries for other agencies.

The Cooperative Disability Investigations (CDI) program continues to be one of SSA and OIG's most successful initiatives, ensuring the integrity of SSA's disability programs. CDI efforts during this reporting period resulted in more than \$170 million in projected savings to SSA programs.

Legal

During the reporting period, our attorneys initiated 247 CMP actions against individuals who made false statements, representations, or omissions to obtain or retain Social Security benefits (violations of Section 1129 of the *Social Security Act*). OIG attorneys imposed almost 10 million in penalties and assessments through the CMP program. We also pursued actions to protect the public from fraudulent schemes that make use of the SSA's well-known name and good reputation (violations of Section 1140). During this reporting period, we achieved voluntary compliance in 38 Section 1140 cases and deterred future violations through aggressive outreach and enforcement efforts.

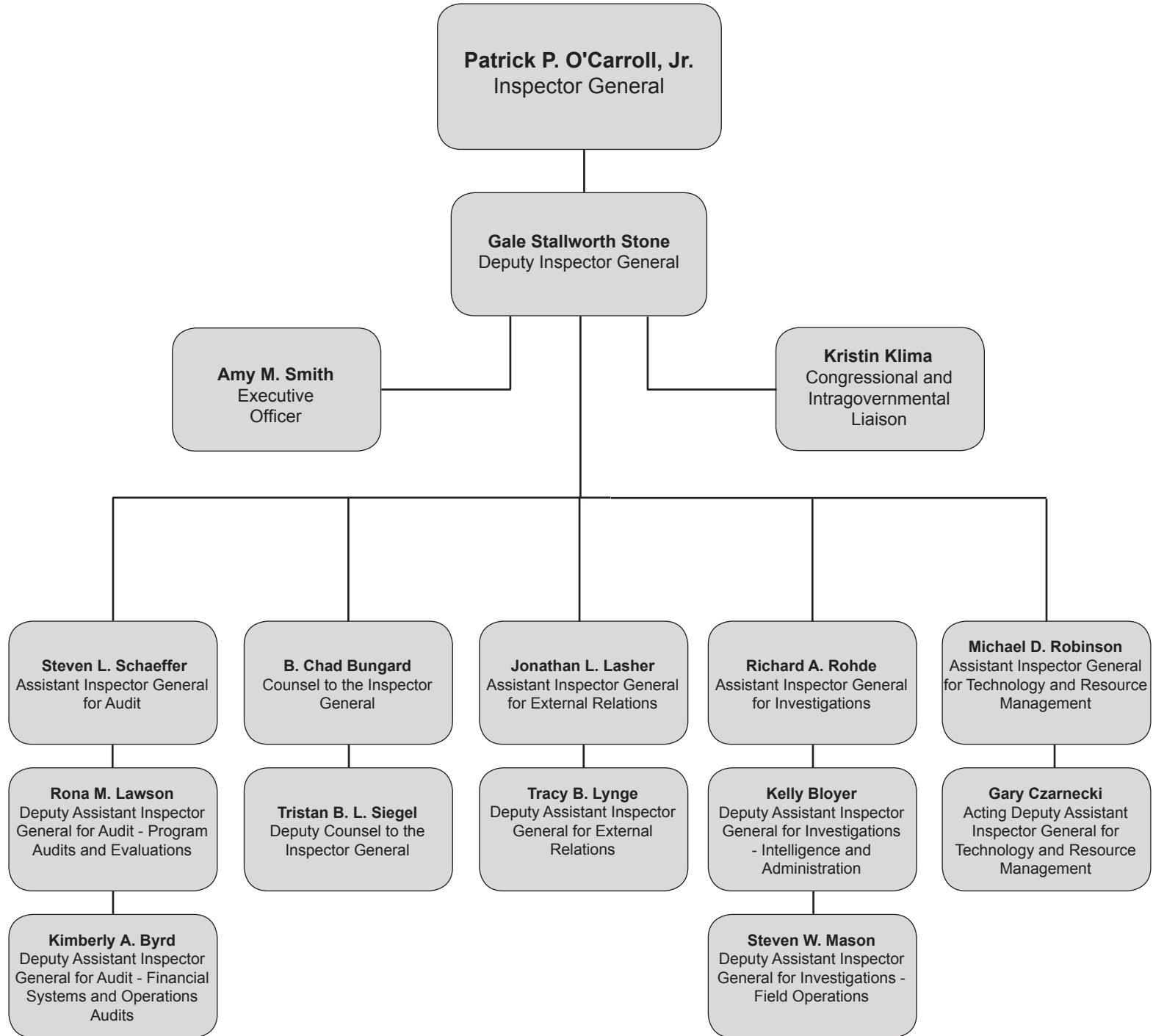
Outreach

During the reporting period, Inspector General O'Carroll testified before the House Subcommittee on Social Security on challenges facing the next Commissioner of Social Security and the disability fraud conspiracy in Puerto Rico; before the House Subcommittee on National Security and the House Subcommittee on Economic Growth, Job Creation and Regulatory Affairs on ammunition procurement; before the Senate Committee on Homeland Security and Governmental Affairs on federal payment accuracy; and before the Senate Special Committee on Aging on the direct deposit of Social Security payments.

The Inspector General also spoke at the National Association of Disability Examiners (NADE) National Training Conference in Oklahoma City, Oklahoma.

INTRODUCTION TO OUR ORGANIZATION

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



Immediate Office of the Inspector General

The Immediate Office of the Inspector General (IO) assists the Inspector General with the full range of his responsibilities. IO staff also coordinates with SSA, congressional committees, the Social Security Advisory Board, and the Council of Inspectors General on Integrity and Efficiency (CIGIE). IO also includes the Office of Quality Assurance and Professional Responsibility (OQAPR), which reviews OIG component offices to ensure compliance with Federal laws and regulations, Agency policies, and relevant professional standards; and conducts investigations into allegations of misconduct by OIG employees.

Office of Investigations

The Office of Investigations (OI) conducts investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, and third parties, as well as by SSA employees. This office 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 (FPS) for investigating threats or violence against SSA employees and facilities.

Office of Audit

The Office of Audit (OA) conducts financial and performance audits of SSA programs and operations, and makes recommendations to ensure that program goals are achieved effectively and efficiently. Financial audits determine whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management and program evaluations on issues of concern to SSA, the Congress, and the general public.

Office of External Relations

The Office of External Relations (OER) disseminates information about the OIG's work to Congress, the media, and the public. OER prepares presentations for OIG executives, publishes informational materials, prepares *the Semiannual Report to Congress*, and represents the OIG in the news media. OER also maintains the OIG presence on the Internet, and supports OIG components with respect to external communications.

Office of the Counsel to the Inspector General

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

Office of Technology and Resource Management

The Office of Technology and Resource Management (OTRM) provides administrative support to the Inspector General and OIG components. OTRM formulates and executes the OIG budget, and is responsible for strategic planning, performance reporting, and facility and property management. OTRM manages OIG human resources and develops administrative policies and procedures. OTRM also maintains hardware, software, and telecommunications networks to support the OIG's mission. Finally, OTRM manages the OIG's Allegation Management and Fugitive Enforcement Division.

MANAGEMENT CHALLENGES

OIG annually identifies the most significant management issues facing SSA based on legislative mandates and its audit and investigative work. A summary of each issue is below:

Strengthen Strategic and Tactical Planning

While near-term planning is important, SSA needs plans that address long-term challenges, including a rising workload, a decrease in experienced staff, overly complex program policies, and a rising need to provide more services electronically. As workloads rise, a greater proportion of SSA's workforce will also become eligible to retire. At a time when SSA needs to plan to do more with less, SSA lacks long-term plans in a number of critical areas. In its report, *The Social Security Administration: A Vision of the Future*, the Social Security Advisory Board recommended that SSA take multiple steps to ensure success in 2020, including rethinking its service delivery strategy, performing a comprehensive review of program policy to reduce complexity, establishing a Systems Modernization Plan, and developing a Human Capital Plan.

Improve Customer Service

Many factors challenge SSA's ability to provide quality customer service to the public, including budget constraints, growing workloads, changing customer expectations, an aging, retirement-eligible agency workforce, and shifting demographics. Each day, almost 182,000 people visit SSA field offices. SSA serves over 60 million people per year over the national 800 telephone number and an additional 53 million phone calls that are handled by the field offices , but in FY 2012, SSA lost over 1,600 employees. Consequently, the Agency projected its national 800 number customer service would deteriorate significantly. The projected retirement of its employees continues to present a challenge to SSA's customer service capability. In addition, technology is rapidly changing and the public expects to complete more business online.

Improve the Timeliness and Quality of the Disability Process

SSA needs to address millions of initial disability and reconsideration claims, and it also continues to have a backlog of continuing disability reviews (CDR). Over the past 2 years, SSA has received a large influx of initial and reconsideration claims. We have an ongoing audit to look at SSA's progress in reducing the initial claims backlog. SSA also has a backlog of 1.2 million medical CDRs. Medical CDRs are effective in reducing overpayments in the DI program, and therefore, are a critical workload. We have continued working with SSA to address the integrity of the disability programs through CDI that obtain evidence to resolve questions of fraud in SSA's disability claims.

Improve Transparency and Accountability

SSA faces a number of challenges in ensuring accountability, including concerns over its internal controls, systems security, and administrative cost allocations. SSA continues to lack a full set of performance indicators that measure whether the Agency is meeting all its strategic goals. Moreover, we believe SSA can bring greater accountability to its administrative cost allocation. Finally, in the FY 2012 Independent Auditor's Report, the auditors cited a material weakness in controls over information security and a significant deficiency related to monitoring activities and the overall control environment.

Invest in Information Technology Infrastructure to Support Current and Future Workloads

SSA will not be able to manage current and future workloads without the proper IT infrastructure. The Agency uses a variety of technologies, including telephone service, Internet services and tools, and videoconferencing, to deliver service to its customers. However, SSA must find ways to expand easy-to-use and secure electronic services for its customers. We have concerns regarding the Agency's IT physical infrastructure; logical access controls and security of sensitive information; development of electronic services; and strategic IT planning. Our prior audit work in this area found that SSA's IT planning process only spans 2 years.

Reduce Improper Payments and Increase Overpayment Recoveries

SSA must be a responsible steward of the funds entrusted to its care and minimize the risk of making improper payments. SSA strives to balance its service commitments to the public with its stewardship responsibilities. Given the size and complexity of the programs, some payment errors will occur, but due to the large overall dollars involved in SSA's payments, even the slightest error can result in millions of dollars in over- or underpayments. Once SSA determines an individual has been overpaid, it must recover any overpayment. SSA uses a variety of methods to collect the debt related to overpayments, but SSA reported that the percent of debt collected decreased from FY 2011 to FY 2012.

Reduce the Hearings Backlog and Prevent its Recurrence

SSA has directed increased resources to improve hearing timeliness and process more hearings. While timeliness and ALJ productivity have improved, an increased number of applicants has led to an increase in the hearings backlog. Expanded use of video teleconferencing, the relocation of unused equipment and expanded use of desktop video units could increase the available capacity of video hearings. Also, various obstacles impact the hearing office staff's ability to timely schedule hearings. Finally, Congress continues to express concerns about ALJ adherence to the Agency's policies and procedures while demonstrating good stewardship of taxpayer dollars.

Strengthen the Integrity and Protection of the Social Security Number

Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring that SSN integrity and eligible individuals receive the full benefits due to them. We remain concerned about SSN misuse by noncitizens who are not authorized to work in the United States, as well as the misuse of children's SSNs for work and identity theft purposes. Accuracy in recording workers' earnings is critical because future benefit payments are calculated based on the earnings an individual accumulates over his/her lifetime. While SSA cannot control all the factors associated with erroneous wage reports, we believe there are ways it could improve wage reporting.

AUDIT

Significant Audit Activities

Using Bank Data to Identify SSI Recipients with Potential Overpayments

We analyzed bank statements from the same random sample of 250 foreign-born SSI recipients selected for a prior audit, *Supplemental Security Income Recipients with Automated Teller Machine Withdrawals Outside the United States*. Although place of birth was not relevant to the current audit, using the same records represented a considerable cost savings. Because we had to subpoena records, we only obtained information from one bank for this review. We chose the most commonly used bank for SSI recipients with direct deposit.

Our audit estimated that SSA overpaid approximately \$55 million to 18,541 SSI recipients because it was not informed of changes to these individuals' financial situations. If our results using sample data associated with one bank represent all banks, SSA potentially would have overpaid about \$225 million to 76,168 SSI recipients.

Our report recommended that SSA continue developing additional methods to identify unreported income (earned and unearned) instead of relying primarily on SSI recipients to self-report their personal financial situations.

Payments to Individuals Whose Numident Record Contained a Death Entry

SSA records death information on the Numident, the Agency's master database of SSN holders. It creates this by matching death information from Federal, State, and local agencies against its own electronic payment records. During Calendar Year 2011, SSA terminated benefit payments to more than 2.1 million deceased individuals. Prior audit work has indicated the possibility that some death entries on the Numident were erroneous, and beneficiaries were actually alive.

Our review determined that although 1,546 of 2,475 beneficiaries had death certificate information on the Numident, they still received monthly SSA payments. We discovered that system interfaces designed to prevent or detect payments to deceased beneficiaries failed in these instances. Our report estimated that SSA improperly paid the 1,546 beneficiaries about \$31 million and will make about \$15 million in additional improper payments over the next 12 months if the discrepancies are not corrected.

Our report recommended that SSA: (1) verify the beneficiaries' current status and take appropriate action to remove erroneous death entries or terminate benefits; (2) evaluate the feasibility of a systems enhancement that would ensure death information on beneficiaries' primary payment records are propagated onto their auxiliary payment records; and (3) implement a compensating control, until an effective systems enhancement is implemented, to periodically identify and review instances where individuals with a death entry on the Numident continue to receive payments. SSA agreed with our recommendations.

Effects of the Senior Attorney Adjudicator Program on Hearing Workloads

SSA implemented the Senior Attorney Adjudicator (SAA) Program in November 2007 to issue high quality, fully favorable on-the-record (OTR) decisions while maintaining the current level of administrative law judge (ALJ) decision writing support.

Our audit found that the SAA Program has contributed to both an increase in adjudicative capacity and improved average processing time of hearings. However, the number of SAA OTRs peaked in FY 2010, and the decline continued through the first 5 months of FY 2013. Overall, SAA and ALJ OTRs have been decreasing since FY 2008, consistent with the Office of Disability Adjudication and Review management's predictions. In addition, in an FY 2012 quality review, the Office of Quality Performance noticed a significant drop in its decisional agreement rate on SAA OTRs, though the Agency did not have sufficient data to determine whether the issue was specific to SAAs or more broadly related to OTRs. Also, hearing office managers were interested in additional training and greater duties for their SAAs.

Our report recommended that SSA: (1) evaluate the benefits of conducting focused quality reviews on ALJ and SAA OTR decisions using a consistent set of criteria so results are comparable; (2) ensure additional training is available to SAAs in those areas identified in our report; (3) consider expanding SAAs' duties to assist hearing offices with case processing, such as adjudicating non-disability cases and dismissals; and (4) align existing SAA positions with predicted workloads and related duties before expanding the SAA corps. SSA agreed with the recommendations.

Employers Who Report Wages with Significant Errors in the Employee Name and Social Security Number

Because SSA calculates future benefit payments based on the earnings an individual has accumulated over his/her lifetime, it is critical that they accurately record those earnings. Although SSA continues working with the Internal Revenue Service (IRS) and Department of Homeland Security (DHS) and educates employers about the importance of accurate wage reporting, obstacles remain.

Our audit identified various types of reporting irregularities, such as invalid and unassigned SSNs and SSNs that belonged to young children and deceased individuals. While we recognize there were legitimate reasons why a worker's name and SSN may not match SSA's files, we believe the magnitude of incorrect wage reporting may indicate SSN misuse. Our review found that for FYs 2007 through 2009, the 100 employers who had the most suspended wage items had submitted over 2.3 million wage items, representing \$15.7 billion in suspended earnings. The 100 employers who had the highest percentage of suspended wage items submitted over 111,000 wage items, representing \$409 million in suspended earnings over the 3-year period.

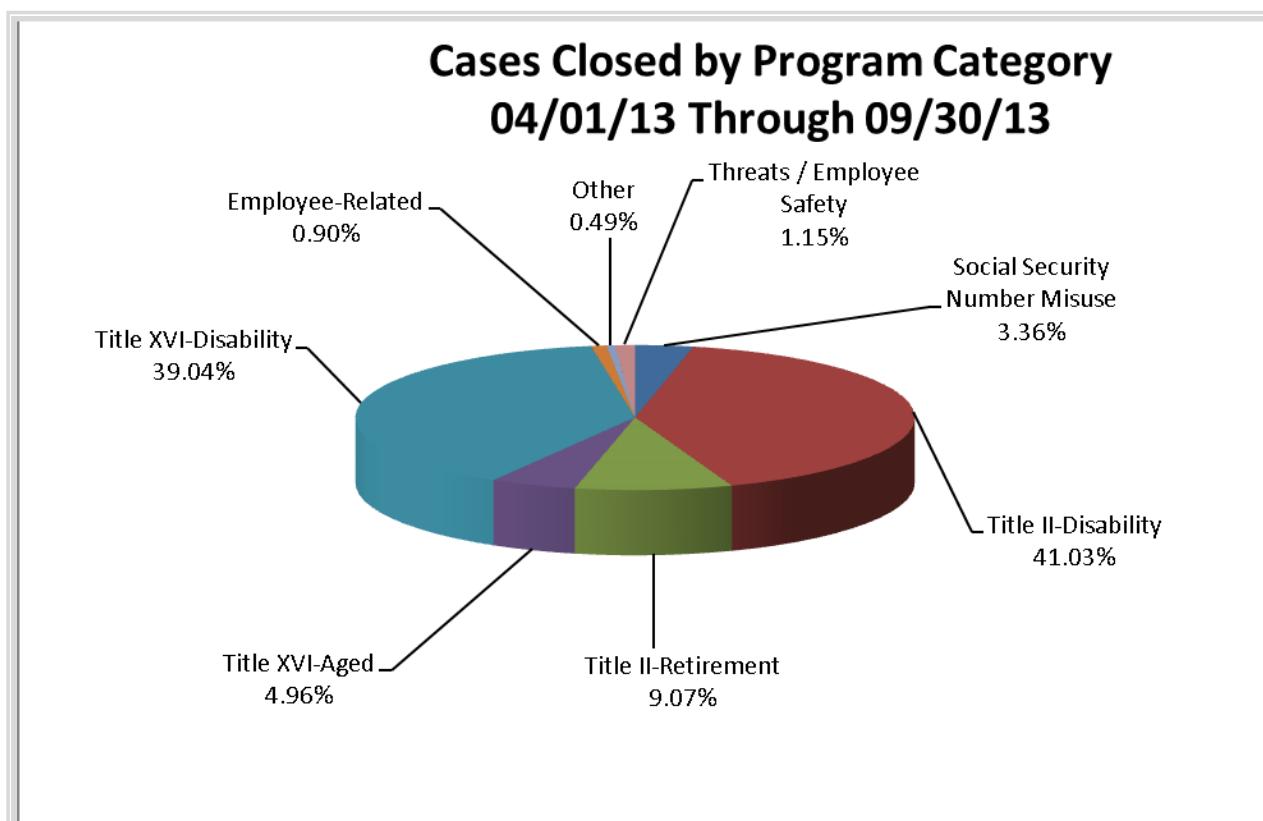
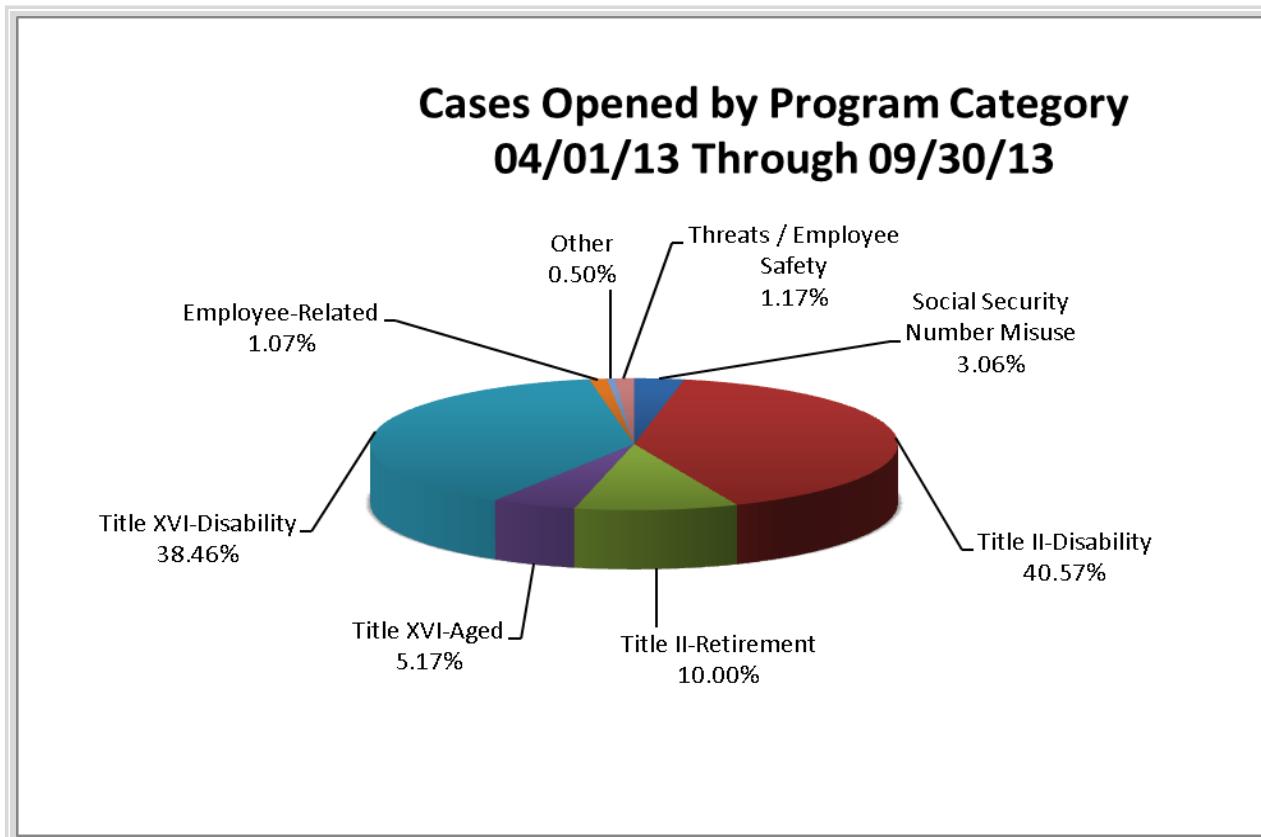
Our report recommended that SSA continue working with the IRS and DHS to develop a coordinated strategy to reduce growth of the Earnings Suspense File (ESF). SSA agreed with our recommendation.

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

	10/1/12-3/31/13	4/1/13-9/30/13	TOTAL
Allegations Received	59,745	81,343	141,088
Cases Opened	3,963	4,119	8,082
Cases Closed	4,077	3,904	7,981
Arrests	275	254	529
Indictments/Informations	582	590	1,172
Criminal Convictions	711	612	1,323
Civil/CMPs	134	193	327



Allegations Received by Source			
	10/1/12-3/31/13	4/1/13-9/30/13	TOTAL
SSA Employees	28,150	47,506	75,656
Private Citizens	16,812	17,801	34,613
Anonymous	10,150	10,948	21,098
Law Enforcement	1,513	1,869	3,382
Beneficiaries	1,330	1,583	2,913
Public Agencies	1,779	1,626	3,405
Other	11	10	21
TOTAL	59,745	81,343	141,088

Allegations Received by Category			
	10/1/12-3/31/13	4/1/13-9/30/13	TOTAL
Disability Insurance	21,931	24,068	45,999
SSI Disability	12,348	13,027	25,375
SSN Misuse	5,142	15,687	20,829
Old-Age and Survivors Insurance	14,553	22,431	36,984
Other	3,018	3,470	6,488
Threats/Employee Safety	837	747	1,584
Employee-Related	580	849	1,429
SSI Aged	1,336	1,064	2,400
TOTAL	59,745	81,343	141,088

Significant Investigative Activities

Disability Program Fraud

75 People Charged in Disability Fraud Conspiracy Investigation in Puerto Rico

Acting on a referral from SSA's New York Regional Office, our Puerto Rico office investigated an alleged disability fraud conspiracy in Puerto Rico. We identified numerous individuals as allegedly participating in this scheme, including physicians, other medical service providers, Title II disability claimants and beneficiaries, and a non-attorney representative who formerly worked for SSA. The scheme involved individuals submitting false medical records in support of disability benefit claims.

On August 21, 2013, our agents, along with the FBI and the Puerto Rico Police Department, conducted an extensive operation resulting in the arrest of 75 individuals on Federal charges of Social Security fraud and other crimes. Further judicial actions against these individuals are pending, and the investigation is ongoing.

Woman Uses Stolen Identities to Collect Unemployment Benefits

Based on a referral from the U.S. Department of Labor (DOL) OIG, our Cincinnati, Ohio office investigated a 45-year-old SSI recipient who failed to report that she was also collecting unemployment benefits. We found evidence that she had collected unemployment benefits in 8 states for over 3 years using 50 stolen identities.

As a result of our investigation, the woman pled guilty to theft of Government property and aggravated identity theft. In August 2013, she was sentenced to 4 years in prison and 3 years' supervised release. She was also ordered to pay \$78,674 to the States involved. SSA will administratively recover an SSI overpayment of \$7,906.

Man Blames Twin for Posted Earnings

Based on a referral from the Grand Junction, Colorado SSA office, our Denver office investigated a 48-year-old man receiving Title II disability benefits after several of his fingers were amputated. We found evidence that from March 2007 through September 2011, he was also employed at several companies performing manual labor. When asked about his earnings, the man blamed his twin brother for working under his SSN. In fact, we found that the man did have a twin brother, but the twin had not performed the work in question.

Based on our investigation, the man pled guilty to theft of Government funds. In July 2013, he was sentenced to 10 months in prison and 3 years' probation. He was also ordered to pay restitution of \$108,790 to SSA.

Representative Payee Fraud

Former Public Administrator Misuses Beneficiary Funds

Based on a referral from the U.S. Department of Health and Human Services (HHS) OIG, our Kansas City office investigated a 61-year-old former public administrator for Jasper County, Missouri. We found evidence that the woman, who served as a representative payee for multiple SSI recipients, submitted false Medicaid claims and misused funds intended for the recipients' care.

She pled guilty to document fraud, and was sentenced in June 2013 to 1 year in prison and 3 years' supervised release. She was also ordered to pay \$45,888 to the Missouri Attorney General's Office/Medicaid Fraud Control Unit and \$76,112 to the HHS Centers for Medicare and Medicaid.

Woman Conceals Father's Double Identity

Based on a referral from the Huntington Park, California SSA office, our Los Angeles office investigated a 54-year-old woman who served as representative payee for her father. She concealed the fact that her father, a Social Security retirement beneficiary, had a second identity under which he received SSI. The woman also collected State payments to care for her father while he was living in a full-time care facility.

Based on our investigation, the woman pled guilty to grand theft. In May 2013, a California Superior Court judge sentenced her to 5 years' probation and 1,000 hours of community service. She was also ordered to pay \$43,560 to SSA, \$37,523 to the California Department of Health Care Services, and \$82,241 to the California Medi-Cal Program.

SSA Fraud

Jamaican National Pleads Guilty to Defrauding Seniors in Lottery Scheme

During the reporting period, O'Brain J. Lynch, 28, of Jamaica, pled guilty in Wisconsin to defrauding hundreds of thousands of dollars from seniors across the country.

Lynch and co-conspirators allegedly developed a lottery scheme to obtain victims' personal information and use that information to redirect their Social Security benefits to a third party, who wired the stolen money to Jamaica. We worked closely with the U.S. Postal Inspection Service and U.S. Department of Homeland Security/Immigration and Customs Enforcement Homeland Security Investigations to identify Lynch and arrest him in North Carolina in February 2013. Lynch's arrest and subsequent plea represents a significant breakthrough in our ongoing investigation of identity theft and fraud schemes targeting Social Security beneficiaries.

In June 2013, Lynch pled guilty to wire fraud. He faces a maximum of 20 years in prison. As part of his plea agreement, he agreed to pay at least \$100,000 in restitution to the victims.

Son Cashes Deceased Mother's Social Security Checks for 13 Years

Our Washington, D.C. office initiated this case based on a fraud allegation referred from an SSA employee as part of the Centenarian Project, through which SSA verifies that very elderly beneficiaries are alive. We found evidence that from March 1999 through June 2012, a 61-year-old man failed to report his mother's death; and continued to receive her Social Security retirement benefits and Federal civil service pension payments, which she received as the widow of a Federal employee.

As a result of our investigation, the man pled guilty to theft of Government funds. In August 2013, he was sentenced to 14 months in prison and 3 years' supervised release. He was also ordered to pay \$255,038 to SSA and \$91,484 to the U.S. Office of Personnel Management.

Fake Psychologist Performs SSA Consultative Examinations

Based on a referral from the Nebraska Department of Health and Human Services OIG, our Omaha office investigated a former consultative examiner with the Nebraska DDS. We found evidence that she provided false information to obtain a license to practice as a psychologist in Nebraska; and that she evaluated SSA claimants for the DDS although she knew she was unqualified to do so.

The woman pled guilty to health care fraud and making false claims. In July 2013, she was sentenced to 4 years in prison and 3 years' probation. She was also ordered to pay restitution of \$46,667 to SSA and \$5,648 to the State of Nebraska.

Deceased Payee

California Man Conceals Father's Death and Cashes Benefit Checks

After the Santa Ana, California Police Department requested our assistance, our Santa Ana office investigated a 46-year-old man whose father's remains were found at a former residence. The man admitted that he had buried his father in his backyard after his death in 2005, and since then had been forging and cashing his monthly Social Security retirement checks. We also found evidence that he had accessed his father's pension fund and opened numerous credit card accounts using his father's identity.

Based on our investigation, the man pled guilty to grand theft by embezzlement, forgery, identity theft, and forging an access cardholder's signature. In July 2013, a California Superior Court judge sentenced him to 6 years in prison; and ordered him to pay restitution of \$92,957 to SSA and \$4,446 to the Washington Mutual Bank.

New Hampshire Man Steals Over \$151,000 in Benefits Over 13 Years

Based on a referral from the Burlington, Vermont SSA office, our Manchester, New Hampshire office investigated a 55-year-old New Hampshire man. We found evidence that after his life partner's grandmother died in December 1998, the man failed to report her death to SSA, added his own name to her bank account, and removed her grandson's name. The grandmother had resided with the two men, and they both shared power of attorney over her financial assets.

As a result of our investigation, the man pled guilty to theft of Government funds. In August 2013, he was sentenced to 3 years' probation and 300 hours' community service; and was ordered to pay restitution of \$151,751 to SSA.

Employee Fraud

Former Employee Convicted of Receipt of Child Pornography

In response to a referral from the SSA Systems Security Operations Center, our Seattle office investigated an Office of Disability Adjudication and Review senior case technician. We found evidence that he used his SSA workstation to visit websites containing malware and child pornography; and downloaded thousands of images of child pornography onto his SSA workstation and personal computer.

As a result of our investigation, the man pled guilty to receipt of child pornography. In July 2013, he was sentenced to 60 months in prison and 10 years' supervised release. SSA terminated his employment in June 2013.

Employee Pays His Bills Using Beneficiaries' Bank Accounts

Based on a referral from the Fort Lauderdale SSA office, our Birmingham, Alabama office investigated an SSA service representative. We found evidence that he used the bank accounts of recently deceased Social Security beneficiaries to make online payments for his own bills. The fraud loss was \$331,010.

As a result of our investigation, the man pled guilty to aggravated identity theft and access device fraud. In April 2013, he was sentenced to 5 years and 10 months in prison and 3 years' supervised release; and was ordered to pay \$40,857 to SSA. A forfeiture money judgment of \$175,559 was also entered against the man. (Although the fraud loss was \$331,010, many online payments were reversed by the financial institutions.) The employee resigned from SSA in March 2011.

SSN Misuse

Undocumented Immigrant Steals Identity and Obtains Second SSN to Receive SSI

Based on a referral from the Tucson, Arizona SSA office, our Seattle office investigated a 69-year-old Bellevue, Washington woman for identity theft. We found evidence that the woman had assumed the identity of a woman living in Arizona, then established a second SSN using her identity. The woman, an undocumented immigrant, then worked under the second SSN, and eventually filed for and received SSI and State medical benefits. As a result of our investigation, she pled guilty to SSN misuse. In April 2013, she was sentenced to 30 days' home confinement and 1 year of supervised probation; and was ordered to pay \$98,006 to SSA and \$31,485 to the State of Washington.

This investigation stemmed from an OIG audit, *Individuals Receiving Benefits Under Multiple SSNs at Different Addresses*. As part of that audit, we referred over 110 cases to SSA for further administrative development, and SSA referred many of those cases to our Office of Investigations when that development revealed evidence of potential fraud.

SSN Misuse Investigation Leads to Stolen Property

Based on a referral from the Monroe, Louisiana SSA office, our Baton Rouge office investigated a 55-year-old Colorado man, jointly with the Cripple Creek, Colorado Police Department, U.S. Department of State, FBI, and the Bureau of Alcohol, Tobacco, Firearms, and Explosives. Our investigation found evidence that the man stole \$280,000 in firearms, ammunition, gold, antique coins, jewelry, and antique military paraphernalia, including a 22-karat gold medal given by George Washington to a Revolutionary War general.

The man later fled to Louisiana, and obtained seven false identities: four were stolen identities of living persons, two were deceased, one was an acquaintance, and one was his son. He used the identities to obtain Louisiana driver's licenses and a U.S. Passport, and to rent mini-warehouses to store the stolen property. Federal agents recovered 42 firearms, 36,000 rounds of ammunition, and most of the jewelry and medals.

The man pled guilty to multiple charges, including SSN misuse, making a false statement to a Federal agent, and aggravated identity theft. In June 2013, he was sentenced to 4 years and 3 months in Federal prison and 3 years' supervised release; and was ordered to pay \$45,000 to the Colorado theft victim. Colorado state charges of grand theft are still pending.

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 force or use of force against Agency employees with the Department of Homeland Security's Federal Protective Service, which has jurisdiction over physical property owned or leased by the Federal government, and with local law enforcement if the activity occurs off federally owned or leased property.

During the reporting period, OIG received more than 1,500 allegations nationwide related to employee safety issues, of which almost 400 involved assault or harassment, and over 1,100 were associated with threats against SSA employees or buildings. OI opened and closed over 80 cases nationwide related to employee safety.

The following case summaries highlight significant investigations we conducted during this reporting period in which SSA employees were threatened by members of the public.

Beneficiary Disrupts Local SSA Office

Our Los Angeles office responded to an incident report from the Long Beach, California SSA office about an assault on an employee. We investigated and found that a 51-year-old SSI recipient had become disruptive when an SSA service representative declined to make changes to her payment status without her representative payee present in the office. The woman then claimed to have HIV and spat at a supervisor. She was arrested and charged with assault, and she later pled guilty. In April 2013, a Los Angeles County Superior Court judge sentenced her to 30 days in prison and 3 years' probation.

Incarcerated Man Threatens Government Officials

Based on a referral from the Federal Protective Service, our Manchester, New Hampshire office investigated a 23-year-old man who, while serving a State prison sentence, mailed a threatening letter to the Rutland, Vermont SSA office. The letter included threats against the President of the United States, the Governor of Vermont, and an SSA employee. The man pled guilty to mailing threatening communications. In July 2013, he was sentenced to 51 months in Federal prison and 3 years' supervised release.

Cooperative Disability Investigations Program

The CDI program continues to be one of our most successful joint initiatives, contributing to the integrity of SSA's State disability programs. CDI is a joint effort of the OIG, SSA, State Disability Determination Services (DDS), and State/local law enforcement personnel. Established in 1998 with units in just five states, the CDI program now has 25 units in 21 states and the Commonwealth of Puerto Rico. The units work to obtain sufficient evidence to identify and resolve issues of fraud and abuse related to initial and continuing disability claims.

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

Disability Beneficiary Conceals Tree-Removal Business

The St. Louis CDI Unit investigated a 58-year-old man who was receiving DI benefits for mood disorders and mental retardation. The man's ex-wife reported to SSA that he was the owner and operator of a tree stump-removal business, and was concealing this income from SSA.

We conducted surveillance on several occasions and observed the man carrying tools, driving vehicles, supervising workers at job sites, and conversing with customers. During an interview with CDI investigators, the man indicated that he had been in the tree-removal business for the last 12 to 15 years. The man claimed it was a full-time business operating 365 days a year, depending on availability of work and weather conditions.

SSA terminated the man's disability benefits. In April 2013, after the man pled guilty to theft of Government funds and false statements, a U.S. District Court judge sentenced him to 5 years' probation and ordered him to pay restitution of \$274,143 to SSA.

Actor Denied Disability Benefits

The Columbia, South Carolina CDI Unit investigated a 38-year-old man who applied for DI benefits due to HIV, right knee pain, depression, and post-traumatic stress disorder. The man claimed that he was bothered by loud noises, was nervous around others, and preferred being alone. He further claimed that he only left the house once or twice a day to get his mail. The DDS referred this case because an anonymous source reported that the man was working as a model and actor.

Our investigation found evidence, via the man's social media accounts and other means, that he worked as a model in Atlanta and acted in amateur and professional productions. He posted that he was a "regular" on the television series "Army Wives," filmed in Charleston, South Carolina. CDI investigators contacted the casting director of "Army Wives" and verified that the man was a paid extra on the series. The casting director said the man had been associated with the series for three years, was known for being sociable, and was always happy and upbeat. He added that the man participated in battle scenes with special effects including explosions and gunfire.

The South Carolina DDS denied the man's benefit claim.

The following table highlights the successes of the CDI program, which yielded more than \$170 million in SSA program savings during this reporting period:

Cooperative Disability Investigations Program Results				
April 1, 2013 - September 30, 2013				
State	Allegations Received	Cases Denied/ Ceased	SSA Savings¹	Non-SSA Savings²
Arizona	159	80	\$7,031,602	\$5,286,848
California³	466	198	\$13,454,188	\$12,786,645
Colorado	100	62	\$5,445,008	\$3,863,392
Florida	132	68	\$5,450,687	\$4,041,643
Georgia	110	78	\$6,580,733	\$4,114,387
Illinois	105	91	\$6,640,586	\$4,280,173
Kentucky	104	41	\$3,665,080	\$2,155,966
Louisiana	115	67	\$6,011,412	\$4,011,474
Massachusetts	129	71	\$6,398,875	\$5,427,403
Mississippi	63	34	\$2,480,426	\$1,599,703
Missouri⁴	332	194	\$15,394,563	\$10,953,783
New Jersey⁵	2	0	\$0	\$0
New York	50	28	\$2,509,919	\$1,876,839
Ohio	335	144	\$11,181,911	\$10,157,720
Oklahoma	139	89	\$7,777,045	\$4,524,046
Oregon	242	180	\$15,695,055	\$11,683,391
Puerto Rico⁶	37	0	\$90,125	\$32,369
South Carolina	198	147	\$12,764,442	\$8,052,798
Tennessee	47	17	\$1,483,428	\$970,340
Texas⁷	235	148	\$12,462,698	\$9,465,998
Utah	168	93	\$8,189,296	\$5,420,667
Virginia	100	89	\$7,986,126	\$6,000,860
Washington	220	147	\$11,723,917	\$7,218,947
Total (10/1/12 – 3/31/13)	3,446	2,068	169,810,725	122,523,007
Total (4/1/13 – 9/30/13)	3,588	2,066	170,417,122	123,925,392
Grand Total FY 2013	7,042	4,134	340,227,847	246,448,399

¹ SSA program savings are reported at a flat rate of \$90,125 for initial claims that are denied as a result of CDI investigations. When a CDI Investigation supports the cessation / termination of an in-pay case, SSA program savings are calculated using a formula that takes into account the average number of years that SSA has determined that a person remains on its rolls, as well as the total percentage of CDRs that resulted in a suspension, termination, or reduction in benefits due to CDI investigations.

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

³ California has two units, one in Los Angeles, and the other in Oakland.

⁴ Missouri has two units, one in Kansas City and the other in St. Louis.

⁵ The Iselin, New Jersey CDI Unit became non-operational during the last reporting period; however, cases continued to come to resolution during this reporting period. Therefore, statistical accomplishments are reported.

⁶ The Iselin, NJ CDI Unit ceased operations during the last reporting period; however, cases continued to come to resolution during this reporting period. Therefore, statistical accomplishments are recorded.

⁷ Texas has two units, one in Dallas, and the other in Houston.

LEGAL

Section 1140 Enforcement and Case Highlights

Using authority delegated by the Commissioner of Social Security, we aggressively enforce Section 1140 of the Social Security Act, which prohibits the misuse of SSA words and symbols in misleading advertisements, solicitations, or other communications. It also prohibits the reproduction and sale of SSA forms without authorization.

Misleading communications take many forms, such as deceptive mailers, misleading attorney advertising, and more recently (and at an alarming rate), misleading Internet solicitations, including the online sale of otherwise free Social Security forms. In the pursuit of financial gain or the accumulation of personal information, scammers utilize misleading domain names, develop misleading websites, and place deceptive advertisements with search engines to create a false sense that they are associated with SSA. Section 1140 provides for up to \$5,000 in CMPs for each violation, and \$25,000 for a broadcast/telecast. Penalties collected are deposited into SSA's Old Age and Survivors Trust Fund.

SECTION 1140			
	10/1/12– 3/31/13	4/1/13-9/30/13	Total
Cases Reviewed	63	62	125
Cases Closed - No Violation of Section 1140	22	24	46
Cases Successfully Resolved (Voluntary Compliance and Settlement Agreement)	41	38	79
Penalties Imposed	\$52,000	\$112,500	\$164,500

We also conduct Section 1140 outreach with companies such as search engine operators, domain registrars, and financial institutions. Credit card companies now help us locate fraudulent websites and identify the perpetrators; and they combat fraud by ceasing to accept funds or process payment transactions from Section 1140 violators. Google and Microsoft (which operate Yahoo! and Bing search engines) have also taken steps in the fight against advertising violations of Section 1140. Both companies have modified their advertising policies to broadly reflect the Section 1140 prohibitions against creating the false impression of a connection to a governmental agency, and prohibiting advertising the sale of free government forms. More about our outreach efforts can be found [here](#).

Recently, we have focused our outreach efforts to combat a recent trend of Section 1140 violations via social networking and App marketing sites. Most recently, we requested Twitter shut down an account using the name @SociSecurity, which used SSA's official emblem to mimic SSA's Twitter account. Apps being marketed using SSA's official emblem, images of Social Security cards, and other misleading elements are causing consumer confusion regarding the possible appearance of a connection with SSA. We have also met with social networking platform operators and App marketers, including Google Inc., Microsoft Corp., Apple Inc., LinkedIn, MyLife, and Pinterest, to ensure that these venues do not become a vehicle for Social Security-related fraud. In September 2013, we met with Microsoft's General Counsel's office, which agreed to review its policy to help prevent such fraudulent apps from being made available through the Microsoft store, and assess the feasibility of a filtering system to identify attempts to post such apps. We also agreed on a process to shut down violative apps as soon as possible.

Company Pays CMP to Settle Insurance-Related Lead Card Mailing Claim

Kramer Direct, LLC (Kramer) agreed to pay a CMP of \$65,000 to settle our claim that the company violated Section 1140 by printing and mailing solicitations containing references to Social Security on the outside of the solicitations in a manner that conveyed a false impression of a connection with SSA. Without admitting that it violated Section 1140, Kramer fully cooperated with our Section 1140 inquiry.

Online Marketer Pays CMP to Settle Facebook Advertisement Claim

League Nation, LLC (doing business as AutoQuoteTips.com), agreed to pay a CMP of \$20,000 to settle our claim that the company violated Section 1140 by disseminating Facebook solicitations displaying an image of a Social Security card in a manner that conveyed the false impression that the solicitations were endorsed or authorized by SSA, or that its owners have some connection with or authorization from SSA. League Nation fully cooperated with the OIG's inquiry into this matter. While the Company denies the allegations, the settlement agreement assures voluntary compliance with Section 1140.

Company Pays CMP to Settle URL and Website Claim

Accucom Corporation (Accucom) (doing business as CIS Nationwide) agreed to pay a CMP of \$7,500 to settle our claim that the company violated Section 1140. OIG asserted that Accucom violated the Act through the use of the URL SSNRecords.org and the website's use of an emblem containing the words "Social Security Records," an image of government-columned building, and the U.S. Flag in a manner that conveyed a false impression of a connection with SSA. Accucom fully cooperated with OCIG. Without admitting that it violated Section 1140, the company discontinued its use of the domain name SSNRecords.org, voluntarily shut down the related website, and agreed to comply with Section 1140 for any future website operations.



Six Companies Discontinue Distribution of Social Security-Related Apps

At the request of OCIG, six separate App marketers agreed to pull Apps that OIG asserted were marketed in a manner that conveyed a false impression of a connection with SSA, in violation of Section 1140, due to the use of images of SSA's official emblem, Social Security cards, SSA publications, and SSA-protected words. Four of the Apps were offered on Google, Inc.'s Google Play store, while the remaining two were offered on Apple, Inc.'s Apple Store.

Section 1129 Enforcement and Case Highlights

The OIG's CMP program, targeting violations of Section 1129 of the Act, maximizes available resources and creates a positive return on investment. Section 1129 authorizes a CMP against anyone who make any false statements or representations in connection with obtaining or retaining benefits or payments under Titles II, VIII, or XVI of the Act. In addition, CMPs may be imposed against representative payees for wrongful conversion of payments, or against individuals who knowingly withhold a material fact from SSA. After consultation with DOJ, we are authorized to impose penalties of up to \$5,000 for each false statement, representation, conversion, or omission. A person may also be subject to an assessment, in lieu of damages, of up to twice the amount of any resulting overpayment.

We are committed to increasing the number of cases successfully resolved each year to ensure Section 1129 serves to punish wrongdoing in cases where criminal prosecution has been declined. In FY 2013, we successfully resolved 280 cases and imposed over \$15 million in CMPs.

SECTION 1129

	10/1/12– 3/31/13	4/1/13 - 9/30/13	TOTAL
Cases Received	1,152	1,155	2,307
Cases Initiated	240	247	487
Cases Closed	533	807	1,340
Penalties and Assessments Imposed	\$5,315,903	\$9,994,227	\$15,310,130
Number of Hearings Requested	24	30	54
Cases Successfully Resolved (settled case, favorable judgment, or penalty imposed)	106	174	280

California Woman Fails to Report Death of SSI Recipient

A woman failed to report the death of a friend in El Salvador in August 2004 to facilitate the improper receipt of SSI. The subject opened a joint account with the friend to receive SSI, then failed to report that her friend had died, so that she could continue using the funds. During an interview with an OIG agent, she admitted that she knew she was not eligible to receive or withdraw these funds. We imposed an \$80,000 penalty and a \$56,809 assessment, for a total CMP of \$136,809.

Michigan Man Made False Statements to Receive SSI

On multiple occasions, a man reported that he did not live with his wife, so he could continue to receive SSI. He notified SSA that he was separated from his wife, and used a relative's address. The man admitted that he failed to notify SSA that he lived with his wife because he knew her income would affect his eligibility for SSI. We imposed a \$120,000 penalty and a \$40,023 assessment, for a total CMP of \$160,023.

Florida Auto Shop Owner Worked While Collecting Benefits

An auto shop owner/operator applied for DI in June 2006 based on chronic renal failure. An OIG investigation found evidence that he concealed his work activity while collecting DI for himself, his wife, and his three minor children. After a Departmental Appeals Board hearing, an ALJ upheld a \$43,000 penalty and \$89,262 assessment, for a total CMP of \$132,262. A copy of the decision can be found at <http://www.hhs.gov/dab/decisions/civildecisions/cr2814.pdf>

California Mother and Grandmother Conspired to Defraud SSA

A mother, who was the representative payee for her disabled daughter, conspired with her own mother to fraudulently obtain SSI benefits. When the mother started a lucrative job that would have rendered her daughter ineligible for SSI, the child's grandmother told SSA that the disabled girl had moved in with her, when in fact, the girl resided with her mother. The grandmother and mother then shared the \$21,990 in SSI that they wrongfully received. OCIG imposed a penalty of \$35,000 and an assessment of \$43,980 against the grandmother for a total CMP of \$78,980. OCIG imposed a penalty only of \$81,000 (since the overpayment is being recovered from the grandmother) against the mother, who masterminded the scheme. Thus, the total CMP imposed against the co-conspirators was approximately \$160,000.

Mississippi Man Caught after 20 Years of Failing to Report Deaths

An elderly man failed to notify SSA when his sister died in 1985 and, later, when his aunt died in 1999. As the representative payee for both, he continued to receive checks SSA issued to them for more than 20 years, falsely representing to SSA that the sister and aunt were still alive and receiving benefits. When the man's wife discovered his wrongdoing, after coming across some paperwork, she notified SSA. He agreed to repay the more than \$300,000 in benefits he wrongly received, plus a significant penalty for a total CMP of \$323,600.

SUPPORT

Budget

For FY 2013, under sequestration, our annual appropriation was \$96.9 million, supplemented by \$3 million of transfer authority received from the agency, increasing our authorized funding to \$99.9 million. This supported an estimated end-of fiscal year staffing level of 550. Salaries and benefits of our employees account for 90 percent of overall spending. The remaining 10 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. We expend our appropriation each year supporting our responsibility to achieve the goals set forth in the *OIG Strategic Plan for Fiscal Years 2011 – 2015*. The goals and accomplishments measured in the Strategic Plan are also published in SSA's Annual Congressional Budget Justification. Sequestration presents additional challenges for us to provide sustained levels of agency and citizen based service, given the reality of declining funding for our operations. As of the publication of this report, we were still assessing the impact of sequestration on our operations going forward. We plan to include information and discussion on the impact of sequestration in future Semiannual Reports to Congress.

Human Resource Planning and Management

We actively pursue and work to retain the best possible employees. Our succession planning and knowledge-transfer strategies focus on creating a culture to ensure smart recruitment, tailored internal training, effective leadership transition efforts, and reciprocal developmental programs. In addition to participating with agency developmental programs, OIG offers developmental programs to utilize knowledge transfer practices, bridge knowledge gaps, and drive innovation for organizational performance improvement. With sequestration, we are strategizing to find effective, low-cost ways to develop our employees and facilitate knowledge-transfer sessions.

Information Technology

During this reporting period, OIG Information Technology (IT) specialists continued working to update and improve the OIG systems environment. This includes 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.

We also continued the effort to implement business intelligence software to provide enhanced management information to OIG executives and managers. Once these upgrades have been completed, we will continue to automate our existing business processes in an effort to decrease costs and increase efficiency.

During this reporting period, we continued to expand our telework program with plans for additional expansion in FY 2014. We continue to make improvements to our telework infrastructure for increased capacity and improved performance. The technologies we implemented allow for a productive remote workforce without sacrificing the security of sensitive information. These steps align the OIG with the goals and requirements of the *Telework Enhancement Act of 2010*.

Finally, our IT staff analyzes industry trends to find new technologies that may enhance our business processes. During this period, we have continued to expand the use of virtual technologies and have begun to pilot virtual desktop infrastructure for both internal and remote use, to reduce hardware and deployment costs, and enhance data security. We have also utilized virtualization to decrease the number of physical servers in use, which has reduced power consumption and increased system uptime.

OIG IT specialists continue to meet the challenge of providing a variety of IT support services for more than 70 OIG offices throughout the country.

Allegation Management and Fugitive Enforcement Division

The OIG's Fugitive Felon Enforcement Program identifies individuals reported to have outstanding felony arrest warrants and outstanding warrants for parole and probation violations. SSA shares its location information for wanted felons with local law enforcement agencies to assist in their apprehension efforts. In turn, these agencies advise SSA on the disposition of the warrant so SSA can take appropriate administrative action on the benefits.

Our data-sharing efforts with law enforcement agencies contributed to the arrest of 182 subjects during the reporting period, and more than 95,990 arrests since the program's inception in 1996. The following are some examples of fugitive felon activities during the past six months:

Case Highlights

- OIG agents and deputies of the U.S. Marshals Service North Texas Fugitive Task Force in Tyler, Texas arrested an SSA beneficiary wanted on a warrant dated July 2013 for Indecency with a Child (by contact) and Sexual Exploitation of Children. This felony warrant was issued by the Dallas County Sheriff's Office and the Federal Bureau of Investigation.
- OIG agents along with the U.S. Marshals Service, Capital Area Regional Fugitive Task Force in Richmond, Virginia arrested an SSA beneficiary wanted on warrants dated September 2013 for Use of a Firearm in the Commission of a Felony and Attempted 1st Degree. The felony warrant was issued by the Richmond City Police Department.

Outreach

During the reporting period, the Inspector General testified before the following Congressional entities on various issues affecting SSA, the OIG and SSA beneficiaries, including:

- challenges facing the next Commissioner of Social Security, and the disability fraud conspiracy in Puerto Rico before the House Subcommittee on Social Security;
- the Federal government's procurement of ammunition, before the House Subcommittee on National Security and the House Subcommittee on Economic Growth, Job Creation and Regulatory Affairs;
- improving Federal payment accuracy, before the Senate Committee on Homeland Security and Governmental Affairs; and
- the direct deposit of Social Security payments, before the Senate Special Committee on Aging.

The Inspector General also presented at the Association of Government Accountants (AGA) Professional Development Conference in Dallas, Texas and at the National Association of Disability Examiners (NADE) National Training Conference in Oklahoma City, Oklahoma. The Deputy Inspector General spoke at the Joint Financial Management Improvement Conference in Washington, D.C., and the Assistant Inspector General for Investigations presented at the Association of Certified Fraud Examiners Conference in Baltimore, Maryland.

**REPORTING REQUIREMENTS
AND
APPENDICES**

REPORTING REQUIREMENTS

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

Section	Requirement	Page(s)
Section 4(a)(2)	Review of legislation and regulations	Appendix I
Section 5(a)(1)	Significant problems, abuses, and deficiencies	P. 15
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	P. 15
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. 15
Section 5(a)(5) & Section 6(b)(2)	Summary of instances where information was refused	N/A
Section 5(a)(6)	List of audits	Appendix B
Section 5(a)(7)	Summary of particularly significant reports	P. 10
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 P.L. 96-304 (the Supplemental Appropriations and Recession Act of 1980) and the Inspector General Act of 1978, as amended.

Reports with Questioned Costs for the Reporting Period April 1, 2013 - September 30, 2013			
	Number	Value Questioned	Value Unsupported
A. For which no management decision had been made by the commencement of the reporting period	16	\$481,813,954	\$6,778,422
B. Which were issued during the reporting period.	7 ^{a,b}	\$91,507,579	\$54,862,015
Subtotal (A + B)	23	\$573,321,533	\$61,640,437
Less:			
C. For which a management decision was made during the reporting period.	12	\$62,135,624	\$0
i. Dollar value of disallowed costs.	9	\$15,557,084	\$0
ii. Dollar value of costs not disallowed.	3	\$46,578,540	\$0
D. For which no management decision had been made by the end of the reporting period.	13	\$511,185,909	\$61,640,437

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

^b. Two reports each have two monetary recommendations; two recommendations are reflected in

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

Reports with Recommendations that Funds Be Put to Better Use Reporting Period April 1, 2013 - September 30, 2013		
	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	6	\$551,123,130
B. Which were issued during the reporting period.	8 ^a	\$605,731,249
Subtotal (A + B)	14	\$1,156,854,379
Less:		
C. For which a management decision was made during the reporting period.		
i. Dollar value of recommendations that were agreed to by management.	4	\$4,833,069
(a) Based on proposed management action.	4	\$4,833,069
(b) Based on proposed legislative action.	0	\$0
ii. Dollar value of costs not agreed to by management.	2	\$63,941,736
Subtotal (i + ii)	6	\$68,774,805
D. For which no management decision had been made by the end of the reporting period.	8	\$1,088,079,574

^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, 2012 - September 30, 2013		
Audit Number	Report	Issue Date
A-08-12-11280	Accuracy of the Social Security Administration's Numident	10/3/2012
A-01-12-12104	Administrative Costs Claimed by the Connecticut Disability Determination Services	10/18/2012
A-03-12-11201	Monitoring Controls for the Consent Based Social Security Number Verification Program	10/25/2012
A-02-13-13041	Fiscal Year 2012 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges	11/8/2012
A-15-12-11286	The Social Security Administration's Financial Report for Fiscal Year 2012	11/8/2012
A-14-12-12120	The Social Security Administration's Compliance with the Federal Information Security Management Act of 2002 for Fiscal Year 2012	11/15/2012
A-05-12-11239	Controls over Payments Made to Claimant Representatives at the Hearings Level	12/4/2012
A-13-12-11245	Benefit Payments Managed by Representative Payees of Children in Pennsylvania's State Foster Care Programs	12/4/2012
A-06-10-20155	Noncitizens Issued Multiple Social Security Numbers	12/10/2012
A-12-12-11240	Training and Development of Hearing Office Group Supervisors	12/10/2012
A-13-12-22143	Congressional Response Report: The Social Security Administration's Compliance with Equal Employment Opportunity Commission Decisions	12/11/2012
A-14-12-21271	Direct Deposit Changes Initiated Through Financial Institutions and the Social Security Administration's Internet and Automated 800-Number Applications (Limited Distribution)	12/20/2012
A-15-12-21273	Controls over the Enrollment Process with the Direct Express® Debit Card Program (Limited Distribution)	12/21/2012

Reports with Non-Monetary Findings October 1, 2012 - September 30, 2013		
Audit Number	Report	Issue Date
A-15-13-13068	The Social Security Administration's Reporting of High-dollar Overpayments Under Executive Order 13520 in Fiscal Year 2012	12/28/2012
A-15-13-23043	Congressional Response Report: Memorandum of Understanding between General Services Administration and Social Security Administration for Space and Service	12/28/2012
A-07-12-11268	Individuals Hiding Self-Employment Income to Receive Disability Insurance Benefits	1/11/2013
A-06-12-22101	Controls over Direct Deposit Changes Initiated in Field Offices (Limited Distribution)	1/23/2013
A-12-12-11289	Identifying and Monitoring Risk Factors at Hearing Offices	1/24/2013
A-77-13-00001	Single Audit of the Hawaii Department of Human Services for the Fiscal Year Ended June 30, 2011	1/25/2013
A-15-11-01127	Access to Social Security Administration Data at the Disability Determination Services	1/29/2013
A-01-13-23051	Congressional Response Report: The Social Security Administration's Disability Research Consortium	2/1/2013
A-06-12-11283	Administrative Costs Claimed by the Texas Disability Determination Services	2/4/2013
A-77-13-00002	Single Audit of the State of Oklahoma for the Fiscal Year Ended June 30, 2011	2/7/2013
A-01-13-23064	Sanctioned Medical Providers and Medical Evidence of Record	2/8/2013
A-04-12-11230	Overall Processing Times for 2010 Childhood Supplemental Security Income Claims	2/8/2013
A-05-12-22144	Congressional Response Report: Interagency Agreements with the Office of Personnel Management for Administrative Law Judge Services	2/14/2013
A-77-13-00003	Single Audit of the State of North Carolina for the Fiscal Year Ended June 30, 2011	2/26/2013
A-77-13-00004	Single Audit of the State of Nebraska for the Fiscal Year Ended June 30, 2011	2/26/2013

<p style="text-align: center;">Reports with Non-Monetary Findings</p> <p style="text-align: center;">October 1, 2012 - September 30, 2013</p>		
Audit Number	Report	Issue Date
A-15-12-12115	Performance Indicator Audit: Hearing Requests	2/27/2013
A-77-13-00005	Single Audit of the State of Wisconsin for the Fiscal Year Ended June 30, 2011	2/27/2013
A-01-13-23031	Summary of Inspectors General Compliance with the Improper Payments Elimination and Recovery Act of 2010	3/1/2013
A-03-12-11213	Accuracy of Quarterly Wage Data and Their Impact on Social Security Benefits	3/12/2013
A-77-13-00006	Single Audit of the State of Iowa for the Fiscal Year Ended June 30, 2011	3/13/2013
A-12-12-11274	Hearing Office Case Rotation Among Administrative Law Judges	3/14/2013
A-13-13-23012	Department of Labor Office of Inspector General Peer Review	3/15/2013
A-15-13-13067	The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Act of 2010 in the Fiscal Year 2012 Performance and Accountability Report	3/15/2013
A-77-13-00007	Single Audit of the State of New Jersey for the Fiscal Year Ended June 30, 2011	3/21/2013
A-14-12-12107	National Support Center Cost Savings (Limited Distribution)	3/29/2013
A-77-13-00008	Single Audit of the State of Colorado for the Fiscal Year Ended June 30, 2011	4/2/2013
A-15-12-12116	Performance Indicator Audit: Disability Claims	4/3/2013
A-03-12-11204	Access Controls for the Social Security Number Verification Service	4/18/2013
A-15-11-11178	The Social Security Administration's Internal Controls over Issuing and Monitoring Contractors' Homeland Security Presidential Directive-12 Credentials	4/18/2013
A-15-13-32104	Congressional Response Report: The Social Security Administration's Implementation and Compliance with Energy Conservation Policies	4/30/2013

Reports with Non-Monetary Findings October 1, 2012 - September 30, 2013		
Audit Number	Report	Issue Date
A-09-12-22132	Title XVI Deceased Recipients Who Do Not Have Death Information on the Numident	5/3/2013
A-77-13-00009	Single Audit of the State of Ohio for the Fiscal Year Ended June 30, 2011	5/3/2013
A-77-13-00010	Single Audit of the State of Tennessee for the Fiscal Year Ended June 30, 2011	5/7/2013
A-06-12-12102	Administrative Costs Claimed by the Arkansas Disability Determination Services	5/8/2013
A-06-12-21221	Timeliness and Accuracy of Death Reporting for Individuals Killed During the September 11, 2001 Terrorist Attacks	5/21/2013
A-77-13-00011	Single Audit of the Commonwealth of Pennsylvania for the Fiscal Year Ended June 30, 2011	5/24/2013
A-07-13-23007	Mosaic, An Organizational Representative Payee for the Social Security Administration	6/7/2013
A-77-13-00012	Single Audit of the State of Arizona for the Fiscal Year Ended June 30, 2011	6/10/2013
A-15-12-22118	Westat Contract Close Out on Contract Number SS00-05-60072	6/13/2013
A-13-12-11297	The Social Security Administration's Contract with Compuware Corporation	6/14/2013
A-12-13-23002	Effects of the Senior Attorney Adjudicator Program on Hearing Workloads	6/28/2013
A-05-11-01131	Administrative Law Judge/Public Alleged Misconduct Complaints System	7/9/2013
A-07-12-11209	Impact of Increases in State Unemployment Rates on the Social Security Administration's Disability Programs	7/16/2013
A-77-13-00013	Single Audit of the New Mexico Public Education Department for the Fiscal Year Ended June 30, 2011	8/7/2013
A-01-12-11218	Single Decision Maker Model -- Authority to Make Certain Disability Determinations Without a Medical Consultant Signature	8/8/2013

Reports with Non-Monetary Findings October 1, 2012 - September 30, 2013		
Audit Number	Report	Issue Date
A-08-12-13036	Employers Who Report Wages with Significant Errors in the Employee Name and Social Security Number	8/9/2013
A-04-13-13046	The Social Security Administration's Contract with Four, LLC	8/27/2013
A-08-13-23094	Congressional Response Report: The Social Security Administration's Policy on Symptom Validity Tests in Determining Disability Claims	9/17/2013
A-01-13-13083	Social Security Administration Employees in the Military	9/23/2013
A-08-12-11253	Potential Misuse of Foster Children's Social Security Numbers	9/25/2013
A-02-13-13040	Social Security Numbers on Notices Maintained in the Online Retrieval System	9/27/2013
A-15-13-23096	Security Fence Around Social Security Administration Headquarters (Limited Distribution)	9/27/2013
A-15-13-13105	The Social Security Administration's Plan to Reduce Improper Payments Under Executive Order 13520, as Reported in March 2013	9/30/2013

Reports with Questioned Costs
October 1, 2012 - September 30, 2013

Audit Number	Issue Date	Report	Dollar Amount
A-01-11-01120	10/3/2012	Beneficiaries Incorrectly Identified as Prisoners	\$59,706
A-04-11-11102	10/5/2012	Claimant Representative Fees Paid but Not Withheld from Title II Past-Due Benefits	\$21,005,047
A-01-11-01135	10/12/2012	Supplemental Security Income Recipients Whose Medicare Benefits Were Terminated Due to Death	\$405,357
A-02-10-20128	10/26/2012	Supplemental Security Income Applicants with Earnings Received After Their Disability Onset Dates and Before Favorable Hearing Decisions	\$5,597,500
A-07-12-11211	11/1/2012	Termination of Disability Benefits Following a Continuing Disability Review Cessation Determination	\$83,583,935
A-01-12-21238	12/10/2012	Supplemental Security Income Recipients Eligible for, or Receiving, Russian Pensions	\$44,553,360
A-09-12-11220	12/10/2012	Deceased Beneficiaries Who Had Different Dates of Death on the Social Security Administration's Numident and Payment Records	\$6,707,811
A-09-12-21236	12/11/2012	Accumulated Funds Payable to Beneficiaries or Their Representative Payees	\$29,935,853
A-02-11-11185	12/20/2012	The Social Security Administration's Development of Earnings Alerts for Supplemental Security Income Recipients	\$110,142,700
A-04-12-22135	12/20/2012	Personnel Costs and Hiring Practices of the Georgia Disability Adjudication Services	\$7,097
A-09-11-21158	12/20/2012	Childhood Disability Beneficiaries with an Incorrect Waiting Period	\$7,333,126
A-09-12-11210	1/31/2013	Dually Entitled Beneficiaries Who Are Subject to the Windfall Elimination Provision and Government Pension Offset	\$215,457,523
A-01-11-01142	2/1/2013	Usefulness of Department of Homeland Security Travel Data to Identify Supplemental Security Income Recipients Who Are Outside the United States	\$152,200,827
A-09-11-21194	3/21/2013	Controls over the Issuance of Supplemental Security Income Installment Payments	\$55,342,288
A-01-12-11299	3/22/2013	Adjustments to Widow's Benefits at Full Retirement Age	\$7,661,824

Reports with Questioned Costs

October 1, 2012 - September 30, 2013

Audit Number	Issue Date	Report	Dollar Amount
A-06-12-11261	3/27/2013	Payee Assistance Management, Inc., an Organizational Representative Payee for the Social Security Administration	\$20,844
A-09-12-11264	5/17/2013	Adjustment of Disabled Wage Earners' Benefits at Full Retirement Age	\$2,209,420
A-04-12-11298	5/22/2013	Administrative Costs Claimed by the Tennessee Disability Determination Services	\$1,307,757
A-06-12-11291	6/21/2013	Payments to Individuals Whose Numident Record Contained a Death Entry	\$30,956,695
A-04-11-01114	6/28/2013	Payments Resulting from Disability Insurance Actions Processed Via Manual Adjustment, Credit and Award Processes	\$56,740,267
A-13-12-12119	8/22/2013	Protection and Advocacy Agencies' Reviews of Organizational Representative Payees	\$618
A-01-12-11223	9/5/2013	Using Bank Data to Identify Supplemental Security Income Recipients with Potential Overpayments	\$54,862,015
A-09-12-21248	9/11/2013	Bonus Payments to California Disability Determination Services' Employees	\$292,822
Total			\$886,384,392

Reports with Funds Put to Better Use October 1, 2012 - September 30, 2013			
Audit Number	Issue Date	Report	Dollar Amount
A-01-11-01135	10/12/2012	Supplemental Security Income Recipients Whose Medicare Benefits Were Terminated Due to Death	\$214,303
A-01-12-21238	12/10/2012	Supplemental Security Income Recipients Eligible for, or Receiving, Russian Pensions	\$5,134,041
A-13-12-11267	12/10/2012	Genesis Eldercare Catonsville Commons, an Organizational Representative Payee for the Social Security Administration	\$5,863
A-09-12-21236		Accumulated Funds Payable to Beneficiaries or Their Representative Payees	\$4,031,088
A-09-12-11210	1/31/2013	Dually Entitled Beneficiaries Who Are Subject to the Windfall Elimination Provision and Government Pension Offset	\$12,652,302
A-01-12-11299	3/22/2013	Adjustments to Widow's Benefits at Full Retirement Age	\$30,461,596
A-09-12-11264	5/17/2013	Adjustment of Disabled Wage Earners' Benefits at Full Retirement Age	\$1,377,987
A-04-12-11298	5/22/2013	Administrative Costs Claimed by the Tennessee Disability Determination Services	\$538,789
A-06-12-11291	6/21/2013	Payments to Individuals Whose Numident Record Contained a Death Entry	\$14,985,852
A-04-11-01114	6/28/2013	Payments Resulting from Disability Insurance Actions Processed Via Manual Adjustment, Credit and Award Processes	\$56,740,267
A-01-12-11219	7/25/2013	Child Support and the Supplemental Security Income Program	\$302,400,000
A-13-13-13013	8/22/2013	KDC Income Management, a Fee-for-Service Representative Payee for the Social Security Administration	\$6,500
A-07-12-21265	9/23/2013	Disabled Individuals with Mental Impairments Acting as a Representative Payee	\$1,117,968
A-07-12-11263	9/30/2013	Supplemental Security Income High-error Profile Redeterminations	\$228,563,886
Total			\$658,230,442

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

To meet the requirements of the Omnibus Consolidated Appropriations Act of 1997, P.L. 104-208, we are providing requisite data for the second half of FY 2013 from the Offices of Investigations and Audit in this report.

OFFICE OF INVESTIGATIONS

We are reporting over \$54 million in SSA funds as a result of our investigative activities in this reporting period (4/1/13-9/30/13). These funds are broken down in the table below.

Investigative Activities					
	1st Quarter 10/1/012- 12/31/12	2nd Quarter 1/1/013- 3/31/13	3rd Quarter 4/1/013- 6/30/13	4th Quarter 7/1/013- 9/30/13	Total
Court Ordered Restitution	\$9,326,659	\$9,801,728	\$12,108,615	\$10,468,115	\$41,705,117
Recoveries	\$13,445,935	\$15,576,329	\$12,663,792	\$13,217,545	\$54,903,601
Fines	\$1,457,075	\$1,551,113	\$2,456,133	\$2,955,477	\$8,419,798
Settlements/Judgments	\$827,647	\$565,411	\$563,621	\$439,025	\$2,395,704
TOTAL	\$25,057,316	\$27,494,581	\$27,792,161	\$27,080,162	\$107,424,220

OFFICE OF AUDIT

SSA management informed us that the Agency has completed implementing recommendations from 7 audit reports during this period valued at over \$109 million.

KDC INCOME MANAGEMENT, A FEE-FOR-SERVICE REPRESENTATIVE PAYEE FOR THE SOCIAL SECURITY ADMINISTRATION (A-13-13-13013, 8/22/2013)

We recommended that SSA instruct KDC Income Management on how to distribute approximately \$6,500 in Social Security payments to specific beneficiaries. The implemented value of this recommendation is \$6,500.

**PAYMENTS TO INDIVIDUALS WHOSE NUMIDENT RECORD CONTAINED A DEATH ENTRY
(A-06-12-11291, 6/21/2013)**

We recommended that SSA verify the beneficiaries' current status and take appropriate action to remove erroneous death entries or terminate benefits. If applicable, SSA should also recover improper payments and refer potential instances of fraud to our Office of Investigations. The implemented value of this recommendation is \$14,985,852.

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

We recommended that SSA remind employees to review the ability of certain representative payees to manage accumulated funds over \$4,000 and document the results of SSA's review in its records. The implemented value of this recommendation is \$4,031,088.

NEW YORK STATE DISABILITY DETERMINATION PROGRAM INDIRECT COSTS (A-02-11-11135, 5/21/2012)

We recommended that SSA instruct the New York State Office of Temporary and Disability Assistance to refund the \$201,391 in unallowable, not properly allocated, or inaccurate costs we identified. The implemented value of this recommendation is \$120,683.

**ADMINISTRATIVE COSTS CLAIMED BY THE NORTH CAROLINA DISABILITY DETERMINATION SERVICES
(A-04-11-01115, 5/14/2012)**

We recommended that SSA instruct the North Carolina Disability Determination Services (DDS) to revise costs claimed on the Forms SSA-4513 to account for the State credits; \$5,350 in FY 2009 and \$2,342 in FY 2010. The implemented value of this recommendation is \$7,692.

INDIVIDUALS RECEIVING SOCIAL SECURITY CARDS AFTER BENEFITS HAVE BEEN SUSPENDED (A-09-09-29004, 3/26/2010)

We recommended that SSA take corrective action to resolve the beneficiary suspensions and pay any benefits due the 147 beneficiaries identified by our audit. The implemented value of this recommendation is \$700,052.

IMPROPER PAYMENTS RESULTING FROM UNRESOLVED DELAYED CLAIMANTS (A-09-08-18006, 9/25/2009)

We recommended that SSA improve controls to ensure that delayed claims are resolved within appropriate time frames. The implemented value of this recommendation is \$67,685,300.

We recommended that SSA identify and take corrective action on the population of delayed claims that have been pending more than 90 days. The implemented value of this recommendation is \$21,968,171.

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

DISABLED INDIVIDUALS WITH MENTAL IMPAIRMENTS ACTING AS A REPRESENTATIVE PAYEE (A-07-12-21265, 9/23/2013)

Results of Review: Our review of 105 representative payees receiving Disability Insurance (DI) or Supplemental Security Income (SSI) because of a mental impairment identified 22 who may have been incapable of managing or directing the management of their benefits and those of the beneficiaries for whom they served as representative payees. Further, of the 105 representative payees, we were unable to interview 17. Based on these results, we question the suitability of 39 (37 percent) of the 105 representative payees and estimate that benefits totaling approximately \$866,000 may be at risk of misuse or improper use during a 1-year period.

In addition, 23 representative payees may no longer have been medically eligible for disability benefits. If these 23 representative payees have medically improved and are no longer eligible to receive benefits, we estimate that benefits totaling over \$252,000 will be improperly paid during a 1-year period.

Recommendation: Contact the 17 representative payees we could not interview to determine whether they are capable of managing their own benefits and those for the beneficiaries they serve.

Agency Response: SSA disagreed with the recommendation and stated that the Agency plans to contact the one payee mentioned in our report who stated she no longer managed the beneficiary's money, and the Agency will appoint a new payee if appropriate. SSA also plans to contact the 12 beneficiaries who did respond to the OIG's request to verify they are still functioning as payees. However, SSA stated there is no reason to question the remaining four representative payees on their ability to manage their own benefits or those of the beneficiaries they serve simply because they declined to participate in OIG's review.

OIG Response: We continue to believe SSA should contact the four individuals who declined to participate in our review. Based on prior OIG audits and investigations, we do not believe it is prudent for SSA to assume these individuals are capable of managing or directing the management of their benefits and those of the beneficiaries for whom they serve as representative payee. Given the limited resources it would take for SSA to contact these four individuals, we would encourage SSA to take advantage of the opportunity to ensure these individuals are capable.

APPENDIX E: COLLECTIONS FROM INVESTIGATIONS AND AUDITS

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

OFFICE OF INVESTIGATIONS

Total Restitution Reported by DOJ as Collected for SSA			
FY	Total Number of Individuals Assigned Court Ordered Restitution	Court Ordered Restitution for This Period	Total Restitution Collected by DOJ
2011	550	\$26,408,142	See Footnote ¹
2012	580	\$35,388,290	See Footnote ¹
2013	532	\$35,549,341	See Footnote ¹
TOTAL	1,662	\$97,345,773	See Footnote ¹

¹DOJ migrated collection data to a new computer system and is working to generate points that will provide us with this information

Recovery Actions Based on OI Investigations		
FY	Total Number of Recovery Actions Initiated	Amount for Recovery
2011	1,310	\$45,989,019
2012	1,382	\$53,354,863
2013	1,622	\$54,903,601
TOTAL	4,314	\$154,247,483

OFFICE OF AUDIT

The following chart summarizes SSA's responses to our recommendations for the recovery or redirection of questioned and unsupported costs. This information is prepared in coordination with SSA's management officials and was current as of September 30, 2013.

SSA's Responses to OIG's Recommendations						
Recovery or Redirection of Questioned and Unsupported Costs ¹						
FY	Reports with Questioned Costs	Questioned/Unsupported Costs	Management Concurrence	Amount Collected or to be Recovered	Amount Written-Off/Adjustments	Balance ²
2011	28	\$1,587,604,454	\$1,572,008,116	\$55,685,906	\$79,008,858	\$1,452,909,690
2012	29	\$1,170,466,288	\$863,192,986	\$136,808,843	\$292,413,282	\$741,244,163
2013	23	\$886,384,392	\$333,708,163	\$952,554	\$67,583,587	\$817,848,251
TOTAL	80	\$3,644,455,134	\$2,768,909,265	\$193,447,303	\$439,005,727	\$3,012,002,104

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

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

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

DISABLED INDIVIDUALS WITH MENTAL IMPAIRMENTS IN NEED OF A REPRESENTATIVE PAYEE (A-07-11-11110, 9/27/2012)

Results of Review: We estimated that over 208,000 of the 895,151 mentally impaired beneficiaries in our population received over \$200 million in monthly benefits and may have been incapable of managing or directing the management of their benefits. If these beneficiaries are, in fact, in need of a representative payee, we further estimate over \$2.4 billion in benefits will be at risk of inappropriate use, annually.

SSA policy states that it must remain alert to indications of a change in a beneficiary's condition or circumstances that might indicate a need for a new capability determination. However, over \$2.4 billion in benefits may be at risk of inappropriate use because SSA does not have a process to identify mentally impaired beneficiaries who become incapable of managing or directing the management of their benefits after their initial entitlement.

In addition, we estimated that approximately \$2 million in monthly benefits are at risk because 6,076 beneficiaries received benefits under both the DI and SSI programs, but only have a representative payee assigned for 1 of the programs. If these beneficiaries are, in fact, in need of a representative payee, we further estimate approximately \$24 million in benefits will be at risk of inappropriate use, annually.

Recommendation: Determine whether the 6,076 concurrent beneficiaries should have their benefits paid directly or through a representative payee.

Agency Response: SSA agreed with the recommendation.

Valued at: \$23,717,592 in funds put to better use.

Corrective Action: SSA expects to determine whether the 6,076 beneficiaries should have their benefits paid directly or through a representative payee in Calendar Year 2013.

Recommendation: Perform a capability determination for the 64 beneficiaries we identified as possibly incapable of managing or directing the management of their benefits.

Agency Response: SSA agreed with the recommendation.

Valued at: \$2,404,112,052 in funds put to better use.

Corrective Action: SSA expected to complete capability determinations for the 64 beneficiaries in FY 2013, however, the Agency has not confirmed that they were completed.

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: As resources allow, SSA will review the 14,434 cases. The review will involve SSA field offices and processing centers analyzing and developing each case. SSA expects processing these cases will take some time, due to the volume and complexity of these cases. The Agency expects to complete its determinations, and pay any OASDI underpayments by the end of FY 2013, or early FY 2014.

INDIVIDUAL REPRESENTATIVE PAYEES WHO MISUSE BENEFITS (A-13-10-10182, 5/4/2012)

Results of Review: SSA did not always take appropriate actions concerning individual representative payees who were serving 14 or fewer beneficiaries and who misused benefit payments. Specifically, the Agency did not always obtain restitution from payees when it could use benefit adjustment to do so; pay beneficiaries when Agency negligence was determined; document negligence decisions; refer instances of misuse to the Office of the Inspector General; make restitution to beneficiaries when misused funds were collected in installments from payees; follow policy regarding retention of payees who commit misuse; and record misuse-related data accurately in the Representative Payee System.

SSA had taken actions intended to improve its oversight and management of these payees. In October 2011 and January 2012, SSA released versions of its Electronic Representative Payee System Misuse System and revised its policies. However, SSA needs to take additional actions to improve its oversight and management of individual representative payees serving 14 or fewer beneficiaries who misused benefit payments.

Recommendation: Use, when appropriate, benefit adjustment to obtain restitution from the 408 payees we identified to recover about \$2.1 million in misused funds.

Agency Response: SSA agreed with the recommendation.

Valued at: \$2,112,581

Corrective Action: SSA stated that the field offices and processing centers require additional time to take action on the 408 cases OIG identified. The Agency expected to complete needed actions by the end of FY 2013; however, SSA has not confirmed that they were completed.

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

Results of Review: SSA improperly paid beneficiaries whose Master Beneficiary Record (MBR) annual report data exceeded their earnings on the Master Earnings 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 earnings 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: While SSA's Office of Systems completed the migration of Automated Job Stream 3 to Title II Redesign in August 2012, there was a release to correct issues with the month of entitlement and rates in February 2013. The first enforcement pass after this release took place in May 2013. SSA

policy staff is revising all of the month of entitlement POMS, which should be completed by the end of the calendar year. After this revision is released, the Agency will evaluate the outcome of this first pass to the Master Earnings File and the available resources, and SSA will determine if it will conduct a study.

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 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 correction 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 is working to review and terminate the identified cases as appropriate.

Recommendation: Take appropriate action to terminate benefits or remove erroneous death information from the Numident for the 180 beneficiaries identified by our audit.

Agency Response: SSA agreed with the recommendation.

Valued at: \$910,282 in questioned costs.

Corrective Action: SSA is working with its Office of Budget, Finance, Quality, and Management (OBFQM) on an automated solution for taking corrective action on these records. No date has been provided by OBFQM since the Agency is still in the process of addressing systems issues, notice suppression issues, etc.

BENEFITS PAYABLE TO CHILD BENEFICIARIES WHO NO LONGER NEED REPRESENTATIVE PAYEES (A-09-09-29116, 8/20/2010)

Results of Review: SSA needed to improve controls to ensure child beneficiaries who attained age 18 were paid benefits that had been previously withheld pending the selection of a representative payee. Based on a random sample of beneficiaries, we found that SSA did not pay an estimated 13,464 beneficiaries approximately \$31.2 million in withheld benefits.

Generally, these errors occurred because SSA did not generate a systems alert to identify beneficiaries who should have been paid withheld benefits when they attained age 18 or SSA employees did not take corrective actions to pay withheld benefits when processing student awards when a child attained age 18.

Recommendation: Identify and take corrective action on the population of child beneficiaries over age 18 whose benefits were withheld pending the selection of a representative payee.

Agency Response: SSA agreed with the recommendation.

Valued at: \$31,052,839 in questioned costs.

Corrective Action: The processing centers (PC) have reviewed 13,679 of the 13,739 records. Once the PCs complete their case reviews, SSA plans to send come-in notices as part of a mass Central Office mailing to the individuals for whom 1) underpayments are due and 2) SSA has addresses from an Office of the Chief Actuary/OBFQM automated search.

FOLLOW-UP: THE SOCIAL SECURITY ADMINISTRATION'S CONTROLS OVER SUSPENDING COLLECTION EFFORTS ON TITLE XVI OVERPAYMENTS (A-04-09-19039, 9/2/2009)

Results of Review: SSA took action on three of the recommendations in our prior report. However, funding limitations delayed development of an automated system that would address the two remaining recommendations. SSA's corrective actions resulted in some improvements in the error rates we previously reported. However, we still found similar conditions to those identified in the prior report.

We also found that SSA did not always (1) document the justification for the decisions to suspend overpayment collection efforts and (2) obtain the required management approval before suspending an overpayment. On occasion, SSA personnel suspended collection efforts when debtors or the debtors' representative payees had reported earnings that may have enabled some repayment. Also, SSA personnel suspended collections of some debts and classified the debtors as unable to locate or out of the country even though we did not find evidence that SSA attempted to contact the debtors or the debtors' representative payees through their current employer. Overall, we estimated for 6,500 cases, totaling \$52.2 million, SSA personnel did not follow policies and procedures when it suspended overpayment collection efforts.

Recommendation: Consider revising the May 2009 policy to require the 2-PIN process management approval for suspension decisions controlled by the Recovery and Collection of Overpayment Process.

Valued at: \$22,639,420 in funds put to better use.

Agency Response: SSA agreed with the recommendation.

Corrective Action: The Office of Systems (OS) is currently working on changing screens to be 508 compliant when time and resources permit but have not gotten to this system yet. During the 508 changes, it may be possible to include other changes to the screen, which include a management approval process. FOLLOW-UP ON DISABLED TITLE II BENEFICIARIES WITH EARNINGS REPORTED ON THE MASTER EARNINGS FILE (A-01-08-28075, 4/15/2009)

Results of Review: Our audit found that the Agency made efforts to reduce overpayments resulting from work activity. However, we found that SSA did not evaluate all earnings, and as a result, overpayments resulted from work activity.

Based on our review, we estimate that approximately \$3.1 billion was overpaid to about 173,000 disabled beneficiaries because of work activity. Although SSA identified about 58 percent of these overpayments, we estimate the remaining 42 percent—approximately \$1.3 billion—went undetected by the Agency to about 49,000 disabled beneficiaries. In addition, we estimate SSA will continue to incorrectly pay about \$382 million over the next 12 months to individuals who are no longer entitled to disability benefits if action is not taken by the Agency.

SSA performed 170,664 work-related continuing disability reviews (CDR) in 2008 at a unit cost of \$397.45. Based on our review, we estimate about \$3.1 billion was overpaid to approximately 173,000 disabled beneficiaries (out of 518,080 in the estimated universe) because of work activity. To perform work-related CDRs for all 518,080 disabled beneficiaries, it would cost SSA about \$206 million (assuming the \$397.45 unit cost remains the same). This results in a potential benefit-cost ratio of \$15.0 to \$1.0.

We recognize SSA's efforts to improve the work-related CDR process. In addition, we acknowledge the Agency's limited resources with which to perform this workload. However, we believe SSA may achieve greater savings in the long-term if the Agency could provide the resources to perform work-related CDRs for all disabled beneficiaries with substantial earnings reported on the Master Earnings File.

Recommendation: Develop and implement a plan to allocate more resources to timely perform work-related continuing disability reviews—and assess overpayments resulting from work activity—for cases identified by the Agency's earnings enforcement process.

Valued at: \$1,335,815,580 in questioned costs and \$381,563,100 in funds put to better use.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA made the following improvements to the Agency's work-related CDR processes and management information.

- SSA established a dedicated staff, which targets the oldest cases.
- SSA now prioritizes enforcement alerts (for cases with unreported earnings) by the amount of earnings. SSA works the cases with highest earnings first to minimize overpayments.
- SSA improved communications between its field offices and processing centers for priority cases that must be transferred between components.
- SSA established an Agency standard report for work CDR management information and overpayments. It is currently in the final stages of validation.
- SSA is establishing streamlined earnings reporting processes via telephone and Internet.

In addition, as recommended by the Government Accountability Office, SSA is evaluating the feasibility of:

- Periodically matching disability beneficiaries and recipients to Federal payroll data.
- Using the Automated Earnings Reappraisal Operation to identify individuals who have returned to work.

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

DISABILITY INSURANCE AND SUPPLEMENTAL SECURITY INCOME CLAIMS ALLOWED BUT NOT PAID (A-01-10-10177, 6/20/2011)

Results of Review: Based on SSA's review of the cases we identified and referred to the Agency, SSA staff determined that some claimants were eligible for benefits but not paid.

Recommendation: Complete its work on the remaining cases of the 1,847 unpaid claimants we identified and ensure all past due benefits are paid to beneficiaries as appropriate.

Agency Response: SSA agreed with the recommendation.

Valued at: \$8,921,121 in questioned costs.

Corrective Action: SSA completed work on 1,837 of 1,847 cases (99.5 percent) and paid \$18,058,838 in underpayments.

RETROACTIVE TITLE II PAYMENTS TO RELEASED PRISONERS (A-06-08-38081, 7/14/2010)

Results of Review: SSA issued improper or questionable retroactive payments to beneficiaries after their release from prison. About half the retroactive payment transactions of \$10,000 or more we reviewed were either improper or issued without any explanation or justification documented. SSA did not establish sufficient controls to ensure large retroactive payments to released prisoners were valid. Specifically, SSA payment systems allowed SSA personnel to compute and issue large retroactive payments without explanation or justification and without supervisory review. The lack of sufficient controls over these payments increased the potential for fraud, waste, or abuse.

Based on our sample results, we estimate that SSA issued approximately \$10.3 million in retroactive payments to prisoners that were either incorrect or could not be explained based on available documentation.

Recommendation: Establish controls to ensure employees explain and justify large retroactive payments issued to released prisoners.

Agency Response: SSA agreed with the recommendation.

Valued at: \$6,468,914 in questioned costs.

Corrective Action: Effective May 18, 2013, the Prisoner Update Processing System system will bring the Prisoner Remark screen into the path when inputting either:

- Reinstatements
- Clear Control – no suspension necessary
- Clear Control – erroneous person, through the Title II Post-Entitlement System

RECOVERY OF TITLE II PAYMENTS ISSUED AFTER BENEFICIARIES' DEATHS (A-09-10-11037, 1/4/2011)

Results of Review: SSA needs to improve its controls and procedures to ensure that appropriate and timely actions are taken to recover payments issued after beneficiaries' deaths. Based on a random sample of 200 beneficiaries, we estimate about

- \$18.8 million in payments after death was not recovered or properly resolved for approximately 25,940 deceased beneficiaries, and
- \$34.8 million in payments after death that had been recovered or properly resolved needed to be removed as overpayments from SSA's records for approximately 17,520 deceased beneficiaries.

Recommendation: Evaluate the results of its corrective actions for the 68 errors and determine whether the Agency should review the population of 6,486 deceased beneficiaries with payments after death.

Agency Response: SSA agreed with the recommendation.

Valued at: \$18,787,948 in questioned costs.

Corrective Action: Based on the results of the review of the 68 errors, SSA determined that action on the population of 6,486 deceased beneficiaries is not necessary. SSA has a 3-year period to request a debit of an account for payments disbursed after death. If the Agency does not request the debit within 3 years, the request is rejected and not processed. This time has elapsed for many of these cases. It would not be cost effective to review over 6,000 cases when SSA would only be able to recover limited money.

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

DISABLED INDIVIDUALS WITH MENTAL IMPAIRMENTS IN NEED OF A REPRESENTATIVE PAYEE (A-07-11-11110, 9/27/2012)

Results of Review: We estimate that over 208,000 of the 895,151 mentally impaired beneficiaries in our population received over \$200 million in monthly benefits and may have been incapable of managing or directing the management of their benefits. If these beneficiaries are, in fact, in need of a representative payee, we further estimate over \$2.4 billion in benefits will be at risk of inappropriate use, annually.

SSA policy states that it must remain alert to indications of a change in a beneficiary's condition or circumstances that might indicate a need for a new capability determination. However, over \$2.4 billion in benefits may be at risk of inappropriate use because SSA does not have a process to identify mentally impaired beneficiaries who become incapable of managing or directing the management of their benefits after their initial entitlement.

In addition, we estimate that approximately \$2 million in monthly benefits are at risk because 6,076 beneficiaries received benefits under both the DI and SSI programs, but only have a representative payee assigned for 1 of the programs. If these beneficiaries are, in fact, in need of a representative payee, we further estimate approximately \$24 million in benefits will be at risk of inappropriate use, annually.

Recommendation: Contact the 72 beneficiaries whom we could not locate or refused to participate in our review to verify their continued benefit eligibility and, if eligible, determine whether they are capable of managing their benefits.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA expects to complete corrective action on this recommendation in Calendar Year 2013.

USING MEDICARE CLAIM DATA TO IDENTIFY DECEASED BENEFICIARIES (A-08-09-19105, 8/2/2012)

Results of Review: We believe SSA can use enhanced Medicare claim data to better identify deceased beneficiaries using less time and fewer resources. For example, SSA either terminated or suspended benefits of 44 (35 percent) of our 125 sample beneficiaries, which is significantly higher than the 5 percent SSA found in its 2002 Medicare Non-Usage Project.

Based on our findings, we estimate that SSA overpaid 890 deceased beneficiaries about \$99 million. Further, we estimate that over the next 12 months, SSA will pay about \$9 million in additional overpayments to these deceased beneficiaries. In addition, we estimate that about 1,160 beneficiaries were living outside the United States and did not report their address change to SSA, and about 190 beneficiaries' whereabouts were unknown. These are conservative estimates because they exclude beneficiaries who did not live near an OA field office. Furthermore, we believe it is likely that many of the beneficiaries with suspended benefits are deceased. We reached this conclusion because they did not contact SSA to reinstate their benefits.

Recommendation: Work the remaining 1,067 cases in our universe (who are in current payment status and not part of the Centenarian Project) to determine whether these beneficiaries are alive.

Agency Response: SSA agreed with the recommendation.

Corrective Action: The Agency provided manager approval of the Project Scope Agreement, and will address pending recommendations upon the first file exchange.

SIGNIFICANCE OF ADMINISTRATIVE FINALITY IN THE SOCIAL SECURITY ADMINISTRATION'S PROGRAMS (A-08-11-21107, 7/26/2012)

Results of Review: As determined in our prior and current reviews, SSA cannot correct beneficiary and recipients' payment amounts when administrative finality applies. For example, we identified a beneficiary receiving a full retirement benefit under her own Social Security number and another full benefit under

her deceased spouse's Social Security number that resulted in an \$870 monthly overpayment. The overpayments started in July 1982 and created a total overpayment of approximately \$215,000. Since our 2007 recommendation to revise its administrative finality rules—which SSA disagreed with—the Agency has paid this beneficiary approximately an additional \$40,000. Because of SSA's administrative finality rules, it will not reopen this case and this overpayment will continue increasing throughout the beneficiary's lifetime.

Given the recent Government initiative to reduce improper spending and waste of Federal funds and the current economic environment, we do not believe SSA's administrative finality rules comply with the initiative. SSA should revise its administrative finality rules and allow for revisions to payments to ensure the beneficiary or recipient receives only the amount they are due. We believe it is the appropriate business process to ensure the integrity of program funds as these payments affect the trust funds.

Recommendation: Evaluate its administrative finality policies and regulations and consider revising the rules to allow for the collection of more debt.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA is still considering four proposals for changing the rules of administrative finality. In July 2013, the Agency published a Federal Register Notice to solicit comments from the public on these proposals. The comment period ended on September 30, 2013.

THE SOCIAL SECURITY ADMINISTRATION'S SOFTWARE MODERNIZATION AND USE OF COMMON BUSINESS ORIENTED LANGUAGE (A-14-11-11132, 5/17/2012)

Results of Review: SSA does not have a strategic plan to convert its legacy COBOL application programs to a more modernized programming language. Nonetheless, the Agency has developed an approach to gradually reduce its reliance on COBOL for its core processing of program transactions, such as retirement and disability claims.

While the Agency has moved forward in modernizing its information technology environment, several factors limit the Agency's ability to operate efficiently and improve service delivery. At a minimum, SSA should address the following factors in its modernization roadmap: (1) projected future service delivery demands; (2) growth of information technology and maintenance costs; (3) loss of institutional legacy programming knowledge; (4) lack of integrated business processes; and (5) outdated user interfaces. Although these factors are not unique to COBOL, SSA relies on COBOL applications to deliver its core services. Therefore, the Agency's use of COBOL impacts its current system environment and its system modernization path.

Recommendation: Develop a comprehensive, long-term strategic plan to modernize SSA's legacy applications. This plan should:

- include a target timeframe and estimated resources to modernize SSA's existing environment;
- include an in-depth analysis of projected service delivery demands and how new approaches and technology can promote greater productivity while meeting customer expectations for service;
- position the Agency to maximize the effectiveness and cost-efficiency of its systems over the long-term; and
- be reevaluated over time and revised as necessary.

Agency Response: SSA agreed with the recommendation.

Corrective Action: This recommendation is consistent with current guidance from the Office of Management and Budget regarding the Federal Enterprise Architecture framework. While SSA expected to issue its current Information Resource Management Strategic Plan during the second quarter of FY 2013, the Agency has not confirmed that it was completed.

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 a number of vulnerable areas in the policy that could pose a risk to SSA data and systems. State policy regarding suitability determinations for employees, contractors, and other DDS staff varied widely from State to State. Some States had yet to implement a policy requiring statewide criminal background checks. Additionally, 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: SSA's Office of Disability Determinations expanded the implementation plan to roll out HSPD 12 credentialing to 10 additional volunteer States. SSA began the process for the first 2 of these states, and plans to have implemented in all 10 by the end of July 2014.

FOLLOW-UP: SURVIVOR BENEFITS PAID IN INSTANCES WHEN THE SOCIAL SECURITY ADMINISTRATION REMOVED THE DEATH ENTRY FROM A PRIMARY WAGE EARNER'S RECORD (A-06-10-20135, 9/1/2011)

Result of Review: SSA has made progress in completing corrective actions to address the recommendations in our September 2006 report. SSA determined that 286 of the 307 wage earners identified during the prior review were actually deceased. SSA confirmed that 14 wage earners were alive and took action to terminate survivor benefit payments. SSA erroneously issued approximately \$579,000 in survivor benefits to family members of these wage earners. SSA could provide no documentation to indicate completion of death verifications for the remaining seven individuals.

As part of our follow-up review, we identified an additional 642 wage earners whose family members received survivor benefits even though SSA had deleted the wage earners' death entries from the Death Master File, and SSA's Numident file indicated the wage earners were alive. At the time of our review, SSA paid approximately \$644,000 in monthly survivor benefits to family members of the 642 wage earners. Our review of sampled records indicated that, similar to our 2006 findings, SSA employees who deleted these death entries did not document pertinent facts to support or explain these transactions. The resurrection transactions indicated the wage earners were alive, and survivor benefits were improper. If the wage earners were actually deceased, SSA erroneously deleted their information from the Death Master File.

Recommendation: Perform death verifications for each of the 642 records with survivor benefit payments identified in this review and the 7 pending from our prior review and take appropriate action (for example, terminate benefits and establish overpayments, refer potentially fraudulent cases to OIG, and/or reinstate death entries).

Agency Response: SSA agreed with the recommendation.

Corrective Action: As of September 19, 2013, SSA had one case pending, which happens to be very complicated. The Agency expects to resolve this soon.

AGED BENEFICIARIES WHOSE BENEFITS HAVE BEEN SUSPENDED FOR ADDRESS OR WHEREABOUTS UNKNOWN (A-09-09-29117, 6/17/2011)

Result of Review: SSA had not taken appropriate actions for Title II beneficiaries over age 70 whose benefits were suspended for address, whereabouts unknown, or miscellaneous reasons. We estimate that

- 29,196 beneficiaries whose whereabouts were unknown for longer than 7 years had not been terminated based on a presumption of death;
- 5,981 beneficiaries had been suspended between 2 and 7 years because their whereabouts were unknown; and
- 2,964 foreign beneficiaries were suspended because they did not return the foreign enforcement questionnaire (FEQ), and there was no evidence that SSA conducted the required follow-up actions to determine their whereabouts or whether they were deceased.

Recommendation: Identify and terminate in accordance with the Social Security Administration's presumption of death policy, the entitlement of the estimated 29,196 beneficiaries whose whereabouts were unknown and have been in suspended pay status for 7 or more years.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA developed a unique reason for suspension and termination code (RFST) of AGETRM for use with ledger account file T9 (miscellaneous termination) to terminate certain title II beneficiaries in suspense for whereabouts unknown for 7 or more years. As of September 2013, the Office of Quality Performance used the code to manually terminate approximately 931 title II beneficiaries and expects to terminate approximately 16,000 records by the end of December 2013. In FY 2014, SSA's goal is to automate the process and schedule periodic runs.

Recommendation: Take appropriate action (including termination of benefits) for the estimated 2,964 suspended beneficiaries living outside the United States who did not return the FEQ.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA's Office of General Council agreed to a policy change to the FEQ procedure to allow beneficiaries to move from the S9/Foren suspension to S9/Whereu. The Office of International Programs has completed the POMS rewrite for the policy change. The POMS is currently undergoing internal review. SSA expected to submit this POMS section before the end of September 2013.

THE SOCIAL SECURITY ADMINISTRATION'S TIME ALLOCATION SYSTEM (A-14-10-20122, 4/18/2011)

Result of Review: Several events led to SSA's decision to terminate the Time Allocation System (TAS). Some of these events raised questions about SSA's management of the TAS project, given that the project was terminated without proper analysis to determine which Workload Management System (DOWS or TAS) more accurately accounted for workload time measurements. We believe if SSA had conducted sufficient project planning before initiating the TAS project, most, if not all, of the events we identified could have been resolved before expending approximately \$36 million of Agency resources. We have organized our findings based on the Systems Development Life Cycle used by SSA.

- Planning and Analysis Phase
 - Insufficient Planning and Analysis Leading to the Termination of TAS
 - TAS Benefits and Costs Were Not Identified Timely
- Construction Phase
 - Insufficient Testing Due to Storage Constraints
- Post Release Phase
 - No Post Implementation Review (PIR) after a system was in operation for 6 months, or after TAS was terminated, to determine reasons for the project's failure.
- Maintenance Phase

- Inability to maintain TAS cost-effectively.

Recommendation: Take the necessary steps to validate the accuracy of the current work measurement system or future replacements.

Agency Response: SSA agreed with the recommendation.

Corrective Action: The Agency simplified work sampling by eliminating obsolete categories and consolidating categories with significant overlap. These changes went into effect at the beginning of FY 2012. SSA updated the Management Information Manual chapters on work sampling to reflect the category changes and rewrote sections that previously contained language that was vague, inconsistent, and potentially confusing. SSA issued an Administrative Message, published on PolicyNet, to announce and document the changes to work sampling. Separately, SSA also created a Work Sampling Guidance document, published in the Management Resource Kit section of PolicyNet, to provide general instructions, best practices, reminders, and other helpful information about the work sampling process.

In addition, SSA wrote a Video On Demand script for work sampling training, which the Agency is planning to produce in the coming year. SSA is also in preliminary discussions with the Office of Systems, the Office of Automation Support, and other Operations stakeholders about automating a portion of work sampling by using a pop-up application that employees would use to report work activity instead of the manual sampling process the Agency uses now.

The project to automate a portion of work sampling is moving forward, but the Agency is still in the early planning stages. SSA expected to begin development in FY 2013, but a timeline for implementation has not been confirmed.

Recommendation: Perform a PIR after a system has been in operation for 6 months and for all terminated projects to determine reasons for the project's termination.

Agency Response: SSA agreed with the recommendation.

Corrective Action: In support of conducting PIRs in FY 2013, SSA's Office of Systems is in the process of refining the policy and framework that was developed. SSA is comparing the PIR data requirements against the Project Success Verification (PSV) process in order to identify the areas to enhance as outlined in the OMB guidance. SSA continues to perform PSVs on the Agency's completed projects.

IMPACT OF ALIEN NONPAYMENT PROVISIONS ON FIELD OFFICES ALONG THE MEXICAN BORDER (A-08-10-20140, 2/15/11)

Results of Review: While we recognize current law requires that alien nonpayment provision (ANP) beneficiaries routinely visit the United States to maintain their benefits, we believe this practice has a significant impact on some field offices along the Mexican border. For example, we found that over 1,000 ANP beneficiaries visit some field offices monthly to establish presence in the United States. Providing services to such a large volume of beneficiaries increases workload; adds to wait times; and, during high traffic days, results in some office space issues. Furthermore, field office personnel at each office we visited told us the number of ANP beneficiaries is increasing. For these reasons, some field office personnel we interviewed questioned the need for ANP beneficiaries to routinely visit field offices.

Recommendation: Continue to work with the Department of Homeland Security (DHS) to verify the identities of ANP beneficiaries at the border. To ensure consistency, we believe SSA should consider developing model language for field offices to use when establishing agreements with DHS. Once implemented, field office personnel should monitor the identity verification process to ensure that DHS personnel are complying with SSA policies and procedures.

Agency Response: SSA agreed with the recommendation.

Corrective Action: After working with DHS through the Biometric Identity Proofing Workgroup, it was determined there were disclosure and data exchange issues that could not be resolved. The lead for the Bio-Metrics Workgroup was the Office of Chief Information Officer, which was dismantled in 2011.

DISABILITY IMPAIRMENTS ON CASES MOST FREQUENTLY DENIED BY DISABILITY DETERMINATION SERVICES AND SUBSEQUENTLY ALLOWED BY ADMINISTRATIVE LAW JUDGES (A-07-09-19083, 8/20/2010)

Results of Review: We identified the four impairments that were most often denied by DDSs in Calendar Years 2004 through 2006, appealed to the hearing level, and subsequently allowed. These impairments were Disorders of Back; Osteoarthritis and Allied Disorders; Diabetes Mellitus; and Disorders of Muscle, Ligament, and Fascia. Our analysis of cases with these four impairments disclosed:

- Claimant age impacted disability determinations.
- Determinations of claimants' ability to work resulted in differences at the DDS and hearing levels.
- Claimant representation was more prevalent in cases allowed at the hearing level than in cases decided at the DDS level.
- Cases were allowed at the hearing level based on a different impairment than that on which the DDS made its determination.
- States had both DDS denial rates and hearing level allowance rates above the national averages.
- ODAR regions, hearing offices, and administrative law judges (ALJ) had wide variations in allowance rates.

Recommendation: SSA should consider analyzing variances between the hearing offices and administrative law judges with high and low allowance rates for the four impairments we analyzed to determine whether factors are present that support the variances.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA's Office of Appellate Operations continues to develop a program that will pull data to track the allowance and denial rates based on specific impairments. The Agency expects to complete the program by the end of Calendar Year 2013.

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

CONTROLS FOR ISSUING SOCIAL SECURITY NUMBER PRINTOUTS (A-04-11-11105, 12/13/2011)

Results of Review: Despite some corrective actions SSA took in response to our previous report, we continue to believe the Agency should strengthen its controls for issuing Social Security number (SSN) Printouts. In fact, since our December 2007 report, we found an increase in the (1) number of SSN Printouts SSA issued, (2) volume of numberholders obtaining more than 10 SSN Printouts in a day and a year, and (3) occurrences of fraud involving SSN Printouts. Additionally, SSA managers still had little information to monitor the number of SSN Printouts issued and related anomalies.

SSA stated its procedures for issuing SSN Printouts must comply with the intent of the Privacy Act and Office of Management and Budget (OMB) guidelines—to provide individuals appropriate and timely access to their SSN information. We acknowledge the importance of SSA's compliance with Privacy Act and OMB guidelines. Nevertheless, we are concerned SSA continues to issue a high number of SSN Printouts with less stringent identity requirements and fewer controls than those for SSN cards.

Finally, SSA field offices located near the United States-Mexico border did not issue a higher number of SSN Printouts than other field offices.

Recommendation: Establish a limit on the number of SSN Printouts an individual may obtain in a day, year, and lifetime and require specific management approval for requests that exceed that limit.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA revised its policies for issuance of SSN Printouts. As of June 25, 2013, the Agency implemented the new policy, see POMS RM 10225. By implementing this policy change, the applicants for SSN Printouts will be required to submit the same evidence that is needed for a replacement SSN card. In addition, only one SSN Printout can be issued per day, and SSN Printouts will be subject to the same yearly and lifetime limits as applicants for replacement SSN cards. Printouts do not count against the card limits, but once the card limits are met, the applicant must provide evidence of an acceptable exception reason before he or she can receive an SSN Printout. Requests to exceed card limits must be approved by a manager. In addition, like applications for replacement cards, SSN Printouts will be processed through the Social Security Number Application Process.

SUPPLEMENTAL SECURITY INCOME RECIPIENTS WITH UNREPORTED REAL PROPERTY (A-02-09-29025, 6/1/2011)

Results of Review: SSA's records on real property ownership matched with public property records in LexisNexis for 298 of the 350 recipients we reviewed. SSA determined that 25 recipients did not own what appeared to be unreported properties listed in LexisNexis. For the remaining 27 recipients, SSA determined LexisNexis was accurate and the recipients owned unreported real property. Sixteen of these 27 recipients were improperly paid about \$112,000 when the value of their unreported real property was taken into account. The Agency could not recover approximately half of this because of its rules of administrative finality. Based on our sample results, we estimated that about 541,580 recipients misreported real property ownership, and SSA improperly paid 320,940 of these recipients over \$2.2 billion. Comparing the costs of using LexisNexis to the benefits gained, we concluded that the use of LexisNexis was cost effective and would save about \$350 million annually.

Recommendation: Expand the use of LexisNexis if the pilot study demonstrates it is cost-beneficial to do so.

Agency Response: SSA agreed with the recommendation.

Corrective Action: Users were transitioned from LexisNexis Risk Management to Accurint in June 2013. Field offices selected for the Non-home Real Property study have been collecting data on initial claims since July 2013. Data will be collected through September 2013, with redeterminations to follow for about 6 months from November through April 2014. At the conclusion of the study, we will determine the benefit of using LexisNexis Accurint to identify undisclosed real property in SSI initial claims and redeterminations.

OFFICE OF DISABILITY ADJUDICATION AND REVIEW HEARING REQUESTS DISMISSALS (A-07-10-20171, 12/14/10)

Results of Review: We found that there were areas where improvements could be made for dismissing hearing requests.

- For untimely hearing requests, our review disclosed cases where dismissals were not (1) appropriate, (2) supported by ODAR requests for claimants' explanations for untimely filing, (3) supported by an ALJ rationale, or (4) processed timely.
- For abandonment dismissals, we found cases where the dismissals were issued without the necessary attempts to contact claimants documented in the case folders.
- For withdrawal dismissals, we found one case where the claimant's case folder did not contain evidence the claimant or the claimant's representative requested the hearing request be withdrawn.

In addition, our analysis of dismissal rates identified wide variances among ODAR regions, hearing offices, and ALJs.

Recommendation: Determine whether factors are present that explain variances in dismissal rates among ODAR's regions, hearing offices, and ALJs.

Agency Response: SSA agreed with the recommendation.

Corrective Action: In an effort to address variances in dismissals, SSA conducted ODAR Continuing Education Program Quarterly Interactive Video Teletraining on dismissals in January 2013. The Office of Appellate Operations (OAO) continues to evaluate case processing options that would help improve consistency in adjudicating requests for review on ALJ dismissals. In addition, OAO conducted a study/survey on dismissals in April 2013, which focused on cases dismissed for abandonment in February and March of 2012. The study was based on a national sample of 400 cases, and national variances were considered. SSA is using the study/survey information to help ensure policy compliance in abandonment dismissal decisions.

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 Department of Veterans Affairs, was issued in August 2012. 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 Department of Veterans Affairs OIG 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 FY 2013, we conducted a peer review of the DOL OIG's Office of Audit. We issued our report on March 15, 2013 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 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 United States Attorney General Guidelines for Offices of Inspector General with Statutory Law Enforcement Authority.
- During this fiscal year, the Office of Investigations neither underwent nor conducted a peer review.
- 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 AND REGULATIONS

Section 4(a)(2) of the *Inspector General Act of 1978*, as amended, requires the SSA OIG to review existing and proposed legislation and regulations relating to SSA's programs and operations and to make recommendations concerning their impact on those programs or on the prevention of fraud and abuse. We accomplish this mission several ways. First, many of our audits and other reports evaluate SSA's compliance with existing laws and regulations. When appropriate, we recommend issuing relevant regulations or seeking appropriate legislative authority, and we provide the status of those recommendations in our Semiannual Report to Congress. Additionally, we describe in our annual Audit Work Plan the planned reviews that will address issues related to laws and regulations.

With regard to proposed legislation and regulations, we provide comments on pending or proposed legislation to SSA's Office of Legislation and Congressional Affairs, which includes those comments in its agency response to OMB. In addition, we participate on an SSA working group that reviews legislative proposals throughout the year. This working group provides feedback on proposals submitted from all SSA components. The Inspector General is also an active member of the CIGIE Legislation Committee. In this role, OIG provides input to responses prepared by the Committee to congressional staff on the impact of proposed legislation, and we meet with congressional staff as needed to discuss legislative issues.

During this reporting period, we reviewed several legislative proposals to ensure that they adequately addressed the potential for fraud and abuse in SSA's programs and operations. In particular, we provided technical input on H.R. 2720, the *Alexis Agin Identity Theft Protection Act of 2013*. This legislation is designed to help prevent identity theft and tax fraud by protecting SSA's information related to deceased individuals. It ends the required publication of SSA's Death Master File. We also provided technical input to congressional staff on S. 1360, the Improper Payments Agency Cooperation Enhancement Act of 2013. This legislation amends the *Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012*, to improve the detection, prevention, and recovery of improper payments to deceased individuals by the establishment of a National Deaths Registry. Access to the Registry is through cooperative agreements between the Commissioner of Social Security and Federal agencies as well as State, local, and tribal governments. We also coordinated a review of legislation proposed by CIGIE members, providing CIGIE member comments to congressional staff.

In addition, we provided technical input to congressional staff on the proposed language of H.R. 2418, the *Control Unlawful Fugitive Felons Act of 2013*. This legislation is designed to address the limitations on SSA's Fugitive Felon Program as a result of two class action settlements.

Throughout the Federal Government, improper payments remain a major concern. On May 8, 2013, the IG testified at a hearing on the *New Steps to Strengthen the Integrity of Federal Payments*. As Chairman of the CIGIE Improper Payments Information Act/Guidance Committee, the IG testified from both the CIGIE and SSA OIG perspective. He testified that Federal agencies and their IGs have worked closely with OMB and the Treasury to identify and reduce improper payments in recent years. For SSA, this means it collects and maintains accurate death records included in its Death Master File. SSA OIG and other OIGs continue to support legislation to establish an agency revolving fund for integrity activities to help ensure payment accuracy or an expansion of recovery auditing provisions of IPERIA to all Government funds, not just discretionary funds. We continue to support the CIGIE legislative proposal to exempt all Federal OIGs from complying with the provisions of the *Computer Matching and Privacy Protection Act* for projects relating to fraud, waste, and abuse, and we have met with various congressional staff to provide input on this issue.

We also reviewed and provided comments to OMB on its proposed guidance, *Protecting Privacy While Reducing Improper Payments with the Do Not Pay Initiative*, implementing the Do Not Pay Initiative of Pub. L. 112 – 248, the *Improper Payments Elimination and Recovery Act of 2012*.

GLOSSARY OF ACRONYMS

AGA	Association of Government Accountants
ALJ	Administrative Law Judge
AMFED	Allegation Management and Fugitive Enforcement Division
ANP	Alien Nonpayment Provision
CAS	Cost Allocation System
CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
CIGIE	Council of Inspectors General on Integrity and Efficiency
CMP	Civil Monetary Penalty
DDS	Disability Determination Services
DHHS	Department of Health and Human Services
DHS	Department of Homeland Security
DI	Disability Insurance
DOJ	Department of Justice
DOL	Department of Labor
EEO	Earnings Enforcement Operation
ESF	Earnings Suspense File
FEQ	Foreign Enforcement Questionnaire
FPS	Federal Protective Service
FY	Fiscal Year
IO	Immediate Office
IRS	Internal Revenue Service
IT	Information Technology
NADE	National Association of Disability Examiners
MBR	Master Beneficiary Record
MEF	Master Earnings File
OA	Office of Audit
OAO	Office of Appellate Operations
OASDI	Old-Age, Disability and Survivors Insurance
OBFQM	Office of Budget, Finance, Quality, and Management
ODAR	Office of Disability Adjudication and Review
OER	Office of External Relations
OGC	Office of General Counsel

GLOSSARY OF ACRONYMS (CONTINUED)

OI	Office of Investigations
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OQAPR	Office of Quality Assurance and Professional Responsibility
OS	Office of Systems
OTR	On-the-Record
OTRM	Office of Technology and Resource Management
PC	Processing Center
PIR	Post Implementation Review
POMS	Program Operations Manual System
SAA	Senior Attorney Advisor
SSA	Social Security Administration
SSI	Supplemental Security Insurance
SSN	Social Security Number
TAS	Time Allocation System
VE	Vocational Expert
WC	Workers' Compensation