



## GUARDING THE TRUST

SOCIAL SECURITY ADMINISTRATION  
OFFICE OF THE INSPECTOR GENERAL  
SEMIANNUAL REPORT TO CONGRESS

OCTOBER 1, 2001 THRU MARCH 31, 2002



# MISSION STATEMENT

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



# VISION AND VALUES

We are agents of positive change striving for continuous improvement in SSA's programs, operations, and management by proactively seeking new ways to prevent and deter fraud, waste, and abuse. We are committed to integrity and to achieving excellence by supporting an environment that encourages employee development and retention, and fosters diversity and innovation, while providing a valuable public service.



## Message from the Inspector General

I am pleased to present the Social Security Administration's (SSA) Office of the Inspector General Semiannual Report to Congress for the period of October 1, 2001 through March 31, 2002. This report meets the requirements of the *Inspector General Act of 1978*, as amended, and includes information that is mandated by Congress. This report outlines our mission, significant activities, and provides our assessment of SSA's top management issues for Fiscal Year 2002. It also includes highlights of our accomplishments for each of these challenges, including several major cases and other organizational achievements.

In the aftermath of the September 11, 2001 terrorist attacks, I cannot overstate the importance of protecting the integrity of the Social Security number (SSN). Because the SSN has become such a vital aspect of American life, we must face challenges of homeland security and the realization that the integrity of the SSN is a key element, not only in protecting against fraud, but also in protecting lives. Twice during this reporting period, I testified before Congress concerning SSN misuse and I continue to support efforts to further protect the SSN. Our auditors and investigators are working closely with SSA on implementing our prior recommendations to improve the enumeration process and to protect the integrity of the SSN. We remain dedicated to our commitment to protecting the American people by limiting the spread of identity fraud through SSN misuse.

The accomplishments that are highlighted in this report result from the dedicated efforts of each member of our staff. Due to this commitment, we continue to make significant progress in each and every area of our organization. Our investigators reported over \$202.8 million in investigative accomplishments with over \$26.3 million in SSA recoveries, restitution, fines, settlements, and judgments and \$136,014,124 in SSA savings. Our attorneys reported \$392,385 in penalties and assessments imposed for persons making false statements. In the area of misleading advertising, our attorneys also settled 5 cases that resulted in the imposition of over \$115,000 in penalties. And finally, our auditors issued 35 reports with recommendations that \$105,995 in Federal funds could be put to better use and identified over \$9.2 million in questioned costs.

As we continue to work with SSA to achieve measurable results, we try to anticipate future challenges for ongoing and planned work to achieve our desired goals.

Sincerely,

James G. Huse, Jr.

Inspector General



Inspector General  
James G. Huse, Jr.





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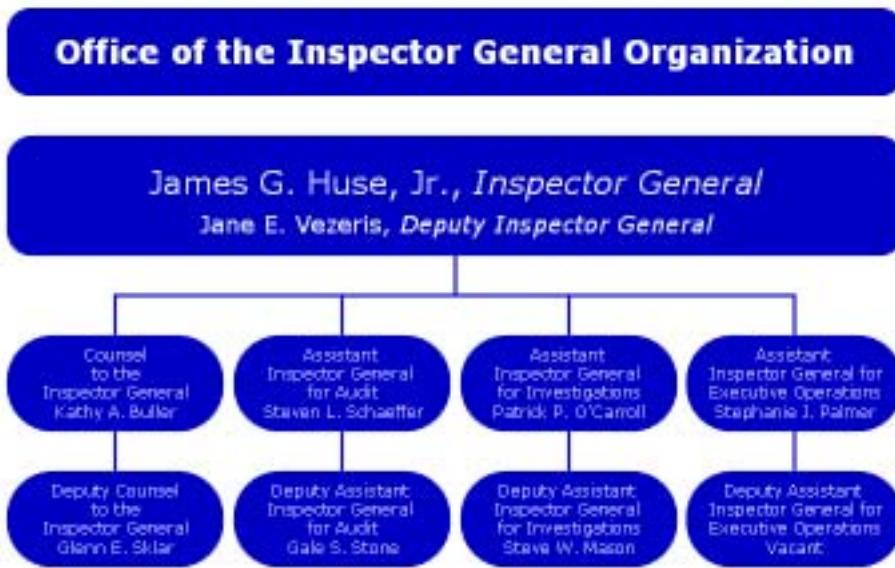
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## Introduction to Our Organization

The Office of the Inspector General (OIG) is comprised of four components: Office of the Counsel to the Inspector General (OCIG), Office of the Audit (OA), Office of Investigations (OI), and Office of Executive Operations (OEO).



### Office of the Counsel to the Inspector General

OCIG reviews and evaluates legislation, regulations, and standard operating procedures in terms of their impact on program economy and efficiency or their prevention of fraud and abuse. It also provides legal advice and counsel to the Inspector General on various matters, including: (1) statutes, regulations, legislation, and policy directives governing the administration of Social Security Administration's (SSA) programs; (2) investigative procedures and techniques; and (3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. OCIG also administers the Civil Monetary Penalty (CMP) program, which the Commissioner of Social Security delegated to OIG.

### Office of Audit

OA conducts comprehensive financial, performance, and systems audits and evaluations of SSA programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the *Chief Financial Officers (CFO) Act of 1990*, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs.



OA also conducts short-term management and program evaluations and projects focused on issues of concern to SSA, Congress, and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency.

## Office of Investigations

OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations, in accordance with the Quality Standards for Investigations published by the President's Council on Integrity and Efficiency; the SSA OIG Special Agent Handbook; and other applicable laws, policies, and regulations. These activities include wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and SSA employees. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

## Office of Executive Operations



**The IG and the Deputy IG lead SSA's fight against fraud and abuse.**

OEO supports OIG by providing information resource management; systems security and development; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this office is the focal point for the OIG's strategic planning function and the development and implementation of performance measures required by the *Government Performance and Results Act of 1993*. OEO oversees the Ombudsman Program and is also responsible for performing internal reviews to ensure OIG offices nationwide hold themselves to the same rigorous standards that we expect from SSA, as well as conducting investigations of OIG employees, when necessary. Finally, OEO administers OIG's public affairs, media and inter-agency activities and coordinates responses to congressional requests for information.



## Significant Activities

Since we are facing some of the same challenges as SSA, we also need to work faster and smarter to get the job done and maximize technological benefits to ensure our success. We continue to make steady progress, and our effectiveness is evidenced by the sustained accomplishments highlighted throughout this report.

This section details several of our most significant activities, including our:

- z Homeland Security Efforts
- z Fugitive Felon Program
- z Cooperative Disability Investigations Program
- z Battle Against False Statements and Senior Citizen Scams
- z Partnerships with U.S. Attorneys
- z Investigative Accomplishments

### Homeland Security Efforts

Identity theft and Social Security number (SSN) misuse were already an issue facing law enforcement, the financial industry, and the American public before September 11th. In the months since that terrible day, it has become increasingly apparent that identity theft was a factor in the terrorists' ability to assimilate themselves into our society while planning their attacks. This has heightened the urgency of the need for Congress, SSA, and OIG to take additional steps to protect the integrity of the SSN.

Our involvement in the ongoing national investigation of the events of September 11th is necessitated by

the role the SSN plays in establishing false identities and facilitating the commission of financial crimes, the fruits of which may be used to finance terrorism.

We have been instrumental in providing information and recommendations used by Congress to craft anti-terrorism legislation. Since September 11th, in addition to providing investigative support to the national investigations, our auditors have produced in-depth responses to several congressional inquiries in related matters.

In early October 2001, we provided Congress with an assessment of SSA's business processes for issuing and protecting SSNs. This assessment covered areas such as:

- z Securing documentary evidence presented with SSN applications.
- z Computerized controls.
- z SSA's accounting for SSN cards.
- z Training for SSA employees.
- z Public awareness on the proper use and dissemination of the SSN.
- z SSA's coordination efforts with other Federal agencies.

Later in October, we provided an assessment to Congress on SSA's programs and operations to identify fake and stolen SSN cards and described SSA's coordination efforts with other Federal agencies to identify suspected terrorists. In November, we again provided Congress with our opinion on new techniques to improve SSN verification and decrease incidents of identity theft with new categories of SSNs, sugges-



**Commissioner Barnhart, James G. Huse, Jr. and other executive staff at Ground Zero.**



tions on photo-identifications, and additional automated controls.

Throughout our responses to Congress, we have relayed the importance of limiting the role of the SSN by restricting the commercial use of SSNs by institutions such as schools and hospitals. Also, we reiterated our position that SSA needs to strengthen its business processes to prevent future fraudulent activities that may aid terrorists. Our recommendations included interagency data verification, and data matching agreements between Federal and State agencies. In particular, we are strongly encouraging SSA to pursue matching agreements with States who use biometric technology.



**Our special agents assisted in search, rescue, and recovery efforts at Ground Zero.**

We know that stolen and counterfeit SSNs can be used by terrorists to hide their identity to commit heinous acts and crimes against innocent people. Therefore, we must all act together to afford the SSN the protections appropriate to the stature of its empowerment.

Under the direction of the Department of Justice, our involvement in Homeland Security continues with our participation in Operation Tar-mac, Operation Safe Travel, and other airport security operations at 29 major airports around the country. The most recent of these was in the Washington, DC area, where together with other Federal authorities, we arrested some 105 individuals suspected of providing false information—including SSNs—to obtain access to secure areas of Reagan National Airport, Dulles International Airport, and Baltimore-Washington International Airport.

Considering that we are working within the limitations of existing laws—laws which were written before identity theft and Homeland Security became the issues they are today—we have taken significant steps.

## Fugitive Felon Program

The Fugitive Felon Program was established as a result of the enactment of the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996*, Public Law 104-193, commonly known as the *Welfare Reform Act*, on August 22, 1996. Generally, this law makes a person ineligible to receive Supplemental Security Income (SSI) payments during any month in which the recipient is:

- z Fleeing to avoid prosecution for a crime that is a felony.
- z Fleeing to avoid custody or confinement after conviction, under the laws of the place from which the person flees, for a crime or an attempt to commit a crime, which is a felony under the laws of the place from which the person flees, or which, in the case of the State of New Jersey, is a crime of the first through fourth degree.
- z Violating a condition of probation or parole imposed under Federal or State law.

The *Welfare Reform Act* enables SSA to suspend SSI payments to fugitives and parole and probation violators, and allows us to provide vital information to law enforcement agencies. Investigators in our offices often work hand-in-hand with local law enforcement officers in locating and apprehending fugitive felons, and in developing fugitive cases from a variety of referral sources, such as fugitive task forces and SSA staff.

Although the Program has been successful using manual data searches and direct referrals, our continued success is reliant upon using automated data matches to compare warrant information at the Federal and



State levels with SSA's SSI rolls. To date, we have secured Memoranda of Understanding with the National Crime Information Center (NCIC), the FBI, and U.S. Marshals Service.

SSA has also entered into computer matching agreements with the States of California, New Jersey, South Carolina, Kentucky, Nebraska, Ohio, Tennessee, Massachusetts, Colorado, Rhode Island, Washington, Delaware, Illinois, Montana, Connecticut, New York, Pennsylvania, Indiana, Wisconsin, South Dakota, Michigan, Alaska, and Hawaii. In addition to the listed States, SSA has also entered into agreement with the New York City Police Department (PD), Baltimore City PD, Baltimore County PD, and City of Philadelphia PD, and the Montgomery County, Pennsylvania Sheriff's Office. SSA continues to pursue matching agreements with the balance of the States that do not enter all of their felony warrant data into NCIC and we continue to work with SSA to further refine and enhance the automated process.

The computer matching process has been very effective in identifying fugitives throughout the country. The initial match with the Massachusetts State Police, for example, resulted in the identification of 2,008 fugitive felons. This match alone identified an estimated \$8.4 million in fraud losses and a projected savings of \$9.2 million.

In addition, the following cases highlight several of our efforts in this area.



Our New York Field Division routinely checks lists of wanted persons displayed in the *Crime Stoppers* publication, which is managed by local law enforcement agencies and is nationally known for its distribution of fugitive information. Our investigators discovered that an individual identified in this publication was receiving SSI payments. We coordinated the arrest of the fugitive with the New York State Police and arrested him at his home without incident.



The U.S. Marshals Service and the U.S. Attorney's Office requested assistance from our Philadelphia Field Division in identifying a career criminal and one of the most wanted Federal fugitives in Pennsylvania. We determined that the fugitive was receiving SSI payments. Based on the information that we provided, the fugitive was apprehended and sentenced to serve 30 years incarceration with an additional 5 years added for the flight to avoid prosecution in this matter.

**The computer matching process has proven to be very effective in identifying fugitives throughout the country.**

The table below demonstrates the success of this Program for this reporting period and since its inception on August 1, 1996.

<b>Fugitive Felon Program Statistics<sup>a</sup></b>		
	<b>October 1, 2001 – March 31, 2002</b>	<b>Since inception in August 1996</b>
Fugitives Identified	20,762	65,857
Fugitives Arrested	1,972	6,984
Fraud Loss/Overpayments	\$55,764,323	\$137,414,781
Projected Savings	<b>\$80,094,308</b>	<b>\$213,040,439</b>

a.) Adjustments made to FY 2001 figures resulted in an increase of 24 fugitives from the previously reported total.



## Cooperative Disability Investigations Program

SSA's Office of Operations and Office of Disability, in conjunction with our Office of Investigations, manage the Cooperative Disability Investigations (CDI) Program. To combat disability fraud, these units rely on the combined skills and specialized knowledge of our investigators, State and local law enforcement officials, as well as SSA and State Disability Determination Services (DDS) personnel. The success of the CDI Program is directly attributable to this close collaboration.

Since Fiscal Year (FY) 1998, we opened 13 investigative units in Atlanta, Baton Rouge, Boston, Chicago, Houston, Nashville, New York City, Trenton, Oakland (California), Roanoke (Virginia), Salem (Oregon), St. Louis, and Tampa. We are scheduled to open 4 units during FY 2002 in Phoenix (Arizona), Cleveland (Ohio), Dallas (Texas), and Seattle (Washington), with 3 additional units planned for FY 2003.

The table below outlines our CDI Program statistical accomplishments for this reporting period and other case highlights follow.

**Cooperative Disability Investigations Program Statistics  
October 1, 2001 through March 31, 2002**

	Allegations Received	Confirmed Fraud Cases	SSA Recoveries & Restitution	SSA Savings*	Non-SSA Savings*
Atlanta	116	109	164,566	6,628,708	2,189,389
Baton Rouge	70	15	-	951,000	255,590
Boston	47	16	-	817,152	457,014
Chicago	20	12	161,440	610,570	266,917
Houston	63	47	-	2,716,865	1,263,354
Nashville	52	10	22,318	613,443	314,917
New York City	76	21	480,768	1,759,268	2,911,210
Oakland	179	98	-	5,686,726	4,227,996
Roanoke	62	1	-	66,500	-
Salem	116	65	8,160	3,493,960	3,109,910
St. Louis	62	53	-	3,165,060	1,130,950
Tampa	60	15	37,149	858,520	367,407
<b>Totals</b>	<b>923</b>	<b>462</b>	<b>874,401</b>	<b>27,367,772</b>	<b>16,494,654</b>

\* SSA program savings are projected at a flat rate of \$66,500 for initial claims that are denied as a result of CDI investigations, using a formula developed by the Office of Disability. When a CDI investigation supports the cessation of an in-pay case, multiplying the actual monthly benefit times 60 months projects the SSA program savings. Non-SSA savings are also projected over 60 months whenever another governmental program (e.g., Medicaid, State supplements to SSI, local public assistance) ceases to pay benefits as a result of CDI investigative reports.



### CDI Case Highlights

The following cases highlight the success of the CDI program in the quest to reduce and deter disability fraud. And the cases themselves only begin to tell the story of inter-component cooperation and teamwork. This cooperative venture has grown over time, and its successes garner significant support for continued expansion.



Our Boston CDI Unit investigated a 34-year old man applying for Social Security disability benefits who alleged

to have severe back pain and depression. He claimed that he was unable to cook, clean, shop, or drive for himself. The DDS referred the case for investigation after a local SSA employee observed him exercising at a local gym. Our investigation revealed that he regularly exercised at a gym. The man's claim was denied.



Based on a DDS referral, our Tampa CDI Unit investigated a 33-year old woman applying for Social Security disability benefits, who alleged that she could not work due to severe functional limitations. Our investigators observed the woman mowing the lawn and doing extensive yard work. Our investigators also interviewed neighbors, who stated that the woman asked them not to disclose information concerning her yard work to anyone who might question her activities. The woman's claim was denied.



Our Salem CDI Unit investigated a woman who faked over 19 disabilities. After receiving a tip from the local Housing Authority, the SSA Office referred the matter for investigation. Our investigators observed the woman walking for twelve city blocks and going up and down stairs repeatedly without any apparent problems. Our investigators interviewed witnesses who provided statements contradicting the woman's allegations of poor health and her claim was denied.



Based on an anonymous tip, our St. Louis CDI Unit investigated a man applying for Social Security disability benefits who alleged that he could not work because of a skin disorder and severe pain in his right leg. Our investigators discovered that he worked 7 days a week as a cab driver and his claim was denied.



Based on a DDS referral, our Atlanta CDI Unit investigated a man who faked mental impairments in order to receive Social Security disability benefits. The man alleged that he could not work due to schizophrenia and severe social and functional limitations. Our investigation revealed that the man worked as a used car salesman and he and his wife misrepresented his functional abilities and daily activities. Both were incarcerated and ordered to pay a total of \$125,000 restitution to SSA, in addition to over \$54,000 in other fines, penalties, and restitution.



**Our special agents work full-time on investigations and responding to allegations.**



## Battle Against False Statements and Senior Citizen Scams

Pursuant to a delegation from the Commissioner of Social Security, OCIG administers the CMP enforcement statutes. This authority allows OIG to impose CMPs against violators of sections 1129 and 1140 of the *Social Security Act*. Based on this delegation, we drafted and published regulations, trained legal and investigative staff, and built an infrastructure that included placing attorneys in several OI Field Divisions to guarantee the success of this enforcement program.

### False Statements Section 1129

Section 1129 prohibits persons from making false statements or representations of material facts in connection with obtaining or retaining benefits or payments under titles II or XVI of the Act. After consultation with DoJ, we are authorized to impose penalties of up to \$5,000 for each false statement or representation, as well as an assessment of up to twice the amount of any resulting overpayment.

The following chart and cases highlight our accomplishments for this reporting period.

### False Statements Case Highlights



We recently settled a case against a man who has an extensive criminal record for theft and fraud. He falsely testified that he was unable to perform even light, seasonal work when an Administrative Law Judge questioned him regarding his ability to work on the day of his hearing. Nevertheless, the man's employer verified that he worked full-time during the time of the hearing and continued to work until he received his SSI benefits. Subsequently, the man provided additional false statements to an SSA employee and to one of our investigators regarding his prior work history. We imposed a \$20,000 CMP against him.



A representative payee falsely stated that an SSI recipient was on a "2-week vacation" when she actually resided in Panama and Puerto Rico for a 6-month period. The payee continued to collect and cash numerous SSI checks and forward the money to the SSI recipient who was living outside the country. We imposed a total CMP of \$10,000 against the SSI recipient and her representative payee.



We settled a case against a religious official who fraudulently received \$58,000 in Social Security benefits and made a total of four false statements to SSA. We imposed \$66,000 in CMP against him.

October 1, 2001 through March 31, 2002	
Cases Referred to OI	56
Cases Initiated	36
Cases Closed	77
Penalties and Assessments	\$392,385
Number of Hearings Requested	1



## Misleading Advertising Section 1140 Statistics

Section 1140 prohibits the use of SSA's program words, letters, symbols, or emblems in advertisements or other communications in a manner that falsely conveys SSA's approval, endorsement, or authorization. Each misleading communication is subject to a maximum \$5,000 penalty.

We report our accomplishments of this reporting period and briefly describe one of our many successful cases below.



### Misleading Advertising Case Highlights

After receiving several consumer complaints, OCIG determined that a Mississippi corporation appeared to be disseminating direct mail solicitations that violated Section 1140 of the *Social Security Act* (Act). These solicitations were designed to glean valuable personal information from the nation's senior citizens. Many seniors provided the company with

their personal information under the mistaken belief that they were providing this information to SSA or an SSA-approved organization. Once the senior provided the information, it was sold to insurance companies and agents.

In response, we issued two violation notices to the company. Due to the company's failure to voluntarily comply with the Act, OCIG began an administrative action under Section 1140 of the Act against the company. In December 2001, after a lengthy investigation in which our Atlanta Field Division participated in substantial negotiation, the company entered into a Settlement Agreement.

The agreement requires the company to pay a \$115,000 CMP to the trust fund for past violations of the Act. More important, the company is prohibited from engaging in these deceptive practices in the future. If the company violates the Settlement Agreement, it will have to pay SSA \$286,372 without further litigation, as well as face additional penalties for the new violation.

October 1, 2001 through March 31, 2002	
Complaints Received	32
New Cases Opened	14
Cases Closed	5
No Violation	4
Voluntary Compliance	0
Settlement Agreement	1/\$115,000
Penalty/Court Action	0
<b>Hearings Requested</b>	<b>1</b>



## Partnerships with U.S. Attorneys

OCIG continues to expand its partnership efforts with Offices of U. S. Attorneys in support of our investigative efforts. During this reporting period, an OCIG attorney working as a Special Assistant United States Attorney in both the District of Arizona and the Central District of California was able to bring felony charges against 22 individuals who had committed fraud against SSA.

In addition, this attorney has been an active participant in both Districts' Joint Terrorism Task Forces, educating prosecutors in those offices and nationwide on the use of SSN misuse charges as part of the multi-agency Homeland Security effort, and participating in the trials of three defendants charged with SSN misuse in the Homeland Security context.

The results of our efforts in Arizona and California have been so favorable that we began exploring the possibility of assigning SSA attorneys to U.S. Attorney's Offices in other parts of the country. Discussions are underway with the Western District of Tennessee and the District of Connecticut to place OCIG attorneys in those offices to prosecute Social Security felony cases.

**We responded to over 56,000 allegations during this reporting period.**

We will continue to explore the feasibility of these partnerships in other areas of the country in support of OI's investigative efforts and in furtherance of the IG's statutory mission.



## Investigative Accomplishments

The following tables represent the collective efforts of our OI headquarters and Field Divisions, including the SSA OIG Fraud Hotline.

Overall for this reporting period, OI responded to 56,146 allegations received via telephone, correspondence, fax, or email. Our Hotline, as well as our OI Field Divisions, receive allegations from a variety of sources that cut across SSA programs.

During this reporting period, our Fraud Hotline referrals to SSA offices resulted in the identification of over \$1,335,000 in overpayments that were posted to SSA records. These referrals frequently resulted in the suspension of benefits to individuals who were no longer entitled or eligible to receive these benefits.

Funds Reported		
October 1, 2001 through March 31, 2002	SSA Funds	Non-SSA Funds
Scheduled Recoveries	\$15,225,457	\$597,295
Fines	\$366,101	\$522,034
Settlements/Judgments	\$475,304	\$1,100
Restitution	\$10,299,282	\$19,457,103
Estimated Savings	\$136,014,124	\$19,884,597
<b>TOTALS</b>	<b>\$162,380,268</b>	<b>\$40,462,129</b>
<b>GRAND TOTAL</b>		<b>\$202,842,397</b>



### INVESTIGATIVE STATISTICS

	<b>October 1, 2001 through March 31, 2002</b>
Allegations Received	56,146
Cases Opened	7,151
Cases Closed	4,950
Arrests/Indictments	1,837
<b>Total Judicial Actions</b>	<b>2,847</b>
Criminal Convictions	739
Civil/CMP	33
Illegal Alien Apprehensions	103
<b>Fugitive Felon Apprehensions</b>	<b>1,972</b>

### Allegations Received by Category

	<b>October 1, 2001 through March 31, 2002</b>
SSN	33,485
SSI Disability	7,165
Disability Insurance	10,992
Old-Age and Survivors Insurance	2,623
Other	1,432
SSI Aged	203
Employee	246
<b>TOTAL</b>	<b>56,146</b>

### Allegations Received by Source

	<b>October 1, 2001 through March 31, 2002</b>
Private Citizens	32,313
Anonymous	9,338
SSA Employees	5,318
Law Enforcement	6,909
Public Agencies	1,240
Beneficiaries	1,003
Other	25
<b>TOTAL</b>	<b>56,146</b>



## Significant Management Issues Facing SSA

**OIG is tasked with preventing and detecting fraud and abuse in SSA programs and operations.**

Each year we assess the most significant management issues facing SSA. This process is valuable in focusing congressional attention on mission-critical management problems and serves as a catalyst for action in resolving significant issues across the Agency. These management issues are based upon discussions that we had with SSA, Congress and other key decisionmakers, and acknowledge the progress SSA has made in each of the areas.

Based on our audit and investigative work and legislative mandates, we have determined that the 10 most significant management issues facing SSA in FY 2002 are:

1. Fraud Risk
2. Improper Payments
3. Systems Security and Controls
4. Service Delivery
5. Human Capital
6. Performance, Management, and Data Reliability
7. Management of the Disability Process
8. Integrity of the Earnings Reporting Process
9. SSN Misuse and Privacy Concerns (Identity Theft)
10. Integrity of the Representative Payee Process

Below we discuss each of these critical management issues and our related audit and investigative work for this reporting period.

### Issue 1: Fraud Risk

As SSA's payments to beneficiaries approach half a trillion dollars annu-

ally, its exposure to fraud increases proportionately. Quite simply, many unscrupulous individuals target SSA's programs to secure funds for their own personal gain. OIG employees actively fight fraud in the SSI program, Old-Age, Survivors and Disability Insurance (OASDI) programs, SSN integrity area, and SSA employee fraud area through a wide range of activities.

Fraud is an inherent risk within all of SSA's core business processes—enumeration, earnings, claims and post-entitlement, as they each contain vulnerabilities that provide individuals with the opportunity to defraud third parties, SSA and/or its beneficiaries and recipients. Other key risk factors include the detection of beneficiary deaths and the monitoring of medical improvements for disabled beneficiaries.

For SSA to fulfill its role as a steward of public dollars, it is imperative that the universe or magnitude of fraud be identified by establishing a baseline from which to estimate potential dollars lost to fraud. This issue area focuses on a subset of the overall fraud universe, specifically, on payments made to deceased individuals, SSA employee fraud, and related audit work. For information on identity theft and related SSN misuse fraud, please see Issue 9. Other OIG fraud prevention efforts are discussed in our Significant Activities section of this report.

#### **Payments Made to Deceased Individuals**

Our office, in conjunction with SSA, has taken aggressive action to stop erroneous payments to deceased individuals. This includes front-end detection of these improper pay-



ments, controls to prevent such payments, and detailed investigations to locate wrongdoers when the system breaks down. We believe that paying the right person the right amount of benefits is paramount. Payments made to deceased individuals undermine public trust and confidence in SSA's programs. In this area we currently have an ongoing national operation, as well as other investigative and audit activities as described below.

#### BIC "D" Project

Our BIC "D" Project is a national operation that focuses on deceased auxiliary Social Security beneficiaries who are in current payment status, even though the date of death is posted in SSA's records. The project name signifies Beneficiary Identification Code "D" for widows and widowers.

The project originated when one of our investigators identified a potential problem in SSA death records. Based on this information, our investigators and auditors conducted a pilot project during which they identified all current BIC "D" beneficiaries residing in the New England Region with a date of death posted to the Agency's Numident records. The Numident is a history file that contains information on all valid SSN applications since 1936. Deaths are typically noted on the Numident file only. Overall, the pilot project resulted in the identification of 29 deceased individuals who were overpaid more than \$700,000.

Based on the success of the pilot project, OI launched a national operation. OI identified 2,934 subjects who were considered likely to be deceased and in current pay status based on a records match of SSA's payment records against its Numident files. Currently, our investigators are working with SSA field

offices to verify the deaths, take administrative action, and open investigations, if appropriate. If the beneficiary is alive, our investigators notify the local SSA field office that the Numident record is in error.

As of March 31, 2002, OI opened 1,438 cases and identified \$20.3 million in fraud loss, \$12.8 million in scheduled/actual recoveries, and \$26.3 million in projected savings.

#### Other Investigative Cases



Our Seattle Field Division investigated a man who buried his mother on his property in order to collect her Social Security benefits for over 10 years. The man was incarcerated and ordered to pay \$94,985 in restitution to SSA.



Based on a referral from SSA's Los Angeles Office, our Los Angeles Field Division investigated a woman, who for over 13 years, fraudulently converted into her own use over \$90,618 of her deceased aunt's Social Security benefits. The woman failed to notify SSA about the death of her aunt and continued to receive her aunt's benefits that were deposited directly into a joint bank account. Prior to being sentenced, the woman returned \$18,813 to SSA and she was ordered to pay the remaining \$71,805 to SSA.



Based on a referral from SSA's Dade City, Florida office, our Atlanta Field Division determined that a woman concealed her father's death to continue to receive his Social Security benefits. She illegally gained access to her father's benefits that were directly deposited into a bank account after his death. She was incarcerated and ordered to pay \$87,300 restitution to SSA.



**Detection of employee fraud is an investigative priority, although it comprises the fewest number of allegations and cases.**



Based on information received from our Fraud Hotline, our Philadelphia Field Division investigated a woman who concealed her mother's death from SSA and the Office of Personnel Management (OPM) from January 1984 through July 1998. The mother's Social Security benefits and OPM annuity payments continued to be deposited into a bank account she jointly owned with her daughter. The daughter was incarcerated and ordered to pay \$107,241 to SSA and another \$260,674 to OPM.



Based on a referral from SSA's Chicago North Office, our Chicago Field Division investigated a woman who rented a room to an SSA beneficiary for several months before his death in 1991. Our investigation revealed that the woman placed his name on her mailbox the third day of each month. The mailman would then deliver the deceased beneficiary's SSA and Hotel Employees and Restaurant Employees International Union (HEREIU) checks to her mailbox. In addition, the woman was receiving SSI, food stamps, and Medicaid during the years she was falsely cashing the SSA and HEREIU checks. She was ordered to pay \$87,353 restitution to SSA and another \$42,771 to HEREIU.

#### **SSA Employee Fraud**

Although the vast majority of SSA's over 60,000 employees are trustworthy and dedicated civil servants, we remain vigilant, knowing that a few corrupt employees can compromise the integrity of the Social Security system and undermine the public's confidence in SSA's programs. Due to the potential for widespread abuse, the detection of employee fraud is an investigative priority, although it

comprises the fewest number of allegations and cases.

During this reporting period, we opened 63 new employee investigations, closed 49 employee investigations, arrested 8 employees, secured indictments of 8 employees, and participated in 12 judicial actions that resulted in the conviction of SSA employees.

#### **SSA Employee Fraud Highlights**



Our Atlanta Field Division investigated an SSA employee after receiving an allegation from a representative payee who discovered that her child's retroactive SSI check was incorrectly deposited into an account at the Public Employees Federal Credit Union. Our investigation revealed that the employee diverted payments of 24 individuals to her personal accounts totaling more than \$52,000 over a 9-month period. She was incarcerated and ordered to pay \$52,240.98 restitution to SSA.



Based on an anonymous tip, our Atlanta Field Division investigated an SSA employee who illegally accessed SSA's computer system to obtain SSN information. She released this information to four co-conspirators, who used the information to commit credit card fraud, resulting in losses to two major credit card companies. These losses exceeded \$300,000. The employee and one co-conspirator were incarcerated. Another co-conspirator was sentenced to home confinement and arrest warrants remain outstanding for the remaining co-conspirators. The employee was terminated from her position at SSA and the employee and two co-conspirators were ordered to each pay \$3,855 to cover the cost of the investigation.



## Other Fraud Related Audits

### Controls Over SSA's Processing of Death Records from the Department of Veterans Affairs

 Our objective was to determine the effect of SSA not using the Department of Veterans Affairs (VA) death information to terminate OASDI and SSI payments to deceased beneficiaries and recipients. We initiated the review after receiving a letter from a United States Senator regarding a constituent's concern about the death matching operations between SSA and VA.

We found that SSA made improper payments to deceased beneficiaries, which could have been avoided if SSA had processed VA death information timely. Additionally, we found that the death information provided by VA was not always accurate. We estimated that approximately \$467,725 in improper payments were made to 302 deceased beneficiaries between March and May 2001.

We acknowledged that SSA has corrected the formatting and processing problems it had with VA's provided death information. We believe SSA and VA need to work together to ensure death information is as accurate as possible so resources are not expended verifying erroneous death information.

We recommended that SSA:

- z Routinely review its management information systems input and output reports to ensure the VA death information is processed completely.

- z Process VA death information within a month of when it is received to ensure payments to deceased beneficiaries are terminated promptly. In response to the report, SSA agreed with our recommendations and is implementing them.

### Disclosure of Personal Beneficiary Information to the Public (Limited Distribution)



SSA releases private information of individuals on the Death Master File (DMF). The DMF is a national file containing sensitive personal information, including the SSN of individuals who have been recorded in SSA's systems as deceased. Further, SSA makes DMF information available to the public. We believe that the erroneous dates of death posted to the DMF place SSA at-risk for disclosure of sensitive information, potentially subject to *Privacy Act* provisions.

We recommended that SSA:

- z Establish a workgroup.
- z Consider routinely matching the DMF with the Master Representative Payee File.
- z Consider implementing prior OIG recommendations.

In response to the report, SSA agreed to establish the suggested workgroup and provide updated information on our prior recommendations.

Because of the sensitive nature of this audit, we cannot describe in detail the findings of this report. This report is only available for limited distribution.



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### Congressional Response Report: SSA's SmartPay Program



On September 24, 2001, Senator Charles Grassley requested that we communicate our evaluative experience with the SmartPay program at SSA. Specifically, he requested information concerning:

- z Instances of SSA employees who have been investigated and disciplined for misusing their Government purchase and travel cards.
- z Details of audits and investigations regarding the use of SmartPay accounts.

In a prior audit entitled, *Review of SSA's Internal Controls over International Merchant Purchase Authorization Card Payments*, issued in June 2000, we identified several internal control weaknesses in the Government purchase card process. We believe these weaknesses increase the potential for fraud, waste, and abuse in connection with Government charge card purchases, as well as hindering SSA's ability to detect such actions. To strengthen Government purchase card internal controls, we made 10 recommendations to SSA. SSA generally agreed with our recommendations.

We also informed Senator Grassley that according to SSA, there were 112 instances of Government purchase card misuse in FYs 2000 and 2001. The disciplinary actions ranged from a reprimand to the employee's termination. We also investigated four cases of Government purchase card misuse in FYs 2000 and 2001. The disciplinary actions ranged from a 7-day suspension to incarceration.

**Our focus on fraud risk is based on program eligibility factors that individuals misrepresent to attain or maintain eligibility.**

### Issue 2: Improper Payments

SSA is responsible for issuing benefit payments under the Old-Age and Survivors Insurance (OASI), Disability Insurance (DI) and SSI programs. In FY 2001, SSA issued \$456 billion in benefit payments to 52.4 million beneficiaries. Considering the volume and amount of payments SSA makes each month, even the slightest error in the overall process can result in millions of dollars in overpayments or underpayments.

Improper payments are defined as payments that should not have been made or that were made for incorrect amounts. Examples of improper payments include inadvertent errors, payments for unsupported or inadequately supported claims, payments for services not rendered, or payments to ineligible beneficiaries. The risk of improper payments increases in programs with:

- z A significant volume of transactions.
- z Complex criteria for computing payments.
- z An overemphasis on expediting payments.

Since SSA is responsible for issuing timely benefit payments for complex entitlement programs to 50 million individuals, SSA is at-risk of making significant improper payments.

Each year, SSA reports payment accuracy rates for its OASI and SSI programs, as well as the amount of actual overpayments identified. SSA bases its payment accuracy rate on a detailed analysis of a sample of cases. However, while this analysis is more extensive than SSA's normal processes, it still relies on beneficiary self-reporting events that can affect eligibility and/or payment amounts.



The payment accuracy review does not include the medical factors that affect benefit eligibility. Further, the review does not count all types of improper payments as "inaccurate" for purposes of payment accuracy. For example, payments made after a beneficiary's death are not counted as "inaccurate" during the payment accuracy review.

As a result, SSA's payment accuracy rates do not reflect the total improper payments that occur in SSA's programs. The lack of correspondence between SSA's accuracy rates and actual overpayments is clearly demonstrated by comparing SSA's payment accuracy rate for FY 2000. Based on the payment accuracy rate, we expected \$140 million in overpayments for the OASI program in FY 2000. However, actual OASI overpayments identified were \$1.47 billion.

Since the DI and SSI programs are much more complex than the OASI program—and rely heavily on individual self-reporting of events affecting program eligibility—we would expect SSA's overpayment rates for the DI and SSI programs to be significantly higher than the rate for the OASI program. We compared SSA's payment accuracy rates to its actual overpayment amounts for FY 1999 and 2000, and estimated SSA's unknown portion of improper payments to be about \$2 billion. While neither SSA nor we have determined the exact amount of improper payments in SSA's programs, we are continuing our efforts to refine such a calculation and believe our \$2 billion estimate is valid.

Working together with SSA, we've made great strides in reducing benefit payments to prisoners and SSI payments to fugitive felons over the past several years, and these efforts continue. However, erroneous payments, including those to deceased beneficiaries, students, and individ-

als receiving State workers' compensation benefits, continue to drain the Social Security Trust Fund.

During this reporting period, we conducted the following audit.

### SSA's Management of Its Federal Employees' Compensation Act Program



As a follow-up on an earlier report, *Review of the Social Security Administration's Management of Claims Filed Under the Federal Employees' Compensation Act*, issued on May 25, 1995. We reported that SSA did not:

- z Verify the accuracy of information in the chargeback report.
- z Establish procedures to evaluate whether employees could return to work.
- z Adopt procedures to ensure the *Federal Employees' Compensation Act* (FECA) claims were handled on a timely basis.
- z Implement procedures requiring the investigation of third-party liabilities.

**Paying accurate and timely benefits is a primary commitment of SSA, along with stewardship of the Social Security Trust Fund.**

FECA is administered by the Department of Labor (DoL) and authorizes the payment of medical expenses and compensation for wages to civilian Federal employees disabled by job-related injuries or illnesses. SSA assists employees in filing claims, facilitates the processing of claims in coordination with DoL and monitors the employees' medical status in order to return employees to work as soon as possible.

We found that SSA was not effectively managing its FECA program. SSA has inadequate internal controls to govern and guide the FECA program and its inaction to correct pre-



viously reported program deficiencies cast doubt on the Agency's ability to properly develop and manage its program. We also reported that SSA did not use existing technology for program information management and did not use automated information in identifying cases for review.

We concluded that ineffective program management resulted in the Agency paying at least \$1.24 million in program costs for non-SSA employees in the chargeback year 1998, none of which has been recovered. If SSA does not address long-standing and recently identified program deficiencies and does not strengthen internal controls over chargeback reports, third-party liability, and case management, we estimated that the Agency may unnecessarily expend approximately \$233.7 million over the next 10 years.

We recommended that SSA:

- z Designate a program official to oversee the agencywide management of SSA's FECA program.
- z Develop and implement internal controls to address the timely distribution, review, and use of chargeback reports.
- z Verify that all claimants for whom it is paying FECA program costs are actually SSA employees.
- z Recover all FECA program costs paid by the Agency for non-SSA employees.
- z Monitor compliance with SSA's guidance on third-party liability processing.
- z Implement necessary policy and procedural changes to periodically verify Agency case files for recent medical evidence to substantiate

continuing disability, especially for cases over 1-year old.

- z Develop and implement an information system that uses information technology to manage and monitor FECA cases.
- z Use a verification process similar to the Nonagenarian Project as a way to continue ensuring FECA benefit payments are not made to deceased beneficiaries.

In response to the report, the Agency informed us that many of the recommendations have been implemented and provided information on actions planned to address those that have not been completed.



**OIG computer experts work to prevent unauthorized access to confidential information and critical systems.**

### Issue 3: Systems Security and Controls

As technology advances and our reliance on technology increases, the need for a strong information infrastructure becomes more important. Protection of critical information and its infrastructure is an issue that is significant not just to the Agency, but to the entire Government. Presidential Decision Directive (PDD) 63, issued in 1999, requires Federal agencies to identify and protect their critical infrastructure and assets. One of SSA's most valuable assets is the information it has been assigned to use to complete its mission. As SSA increases its dependence on technology to meet the challenges of ever-increasing workloads, a secure Agency information infrastructure is a fundamental requirement.

Along with the explosive growth in computer interconnectivity comes the risk of disrupting or sabotaging critical operations, reading or copying sensitive data, and tampering with critical processes. Those who wish to disrupt or sabotage critical operations have more tools than ever.



Strong systems security and controls are essential to protecting SSA's critical information infrastructure. SSA's current information security challenge is to understand system vulnerabilities and how to mitigate them. At SSA, this means ensuring its critical information infrastructure, such as the Internet and access to the networks, is secure. By improving systems security and controls, SSA will be able to use current and future technology more effectively to fulfill its users' needs.

SSA addresses critical information infrastructure and systems security in a variety of ways. It created a Critical Infrastructure Protection work-group that continually works toward compliance with PDD 63. The work-group has created several teams to address Agencywide systems security matters. SSA also routinely sends out security advisories to its staff of over 60,000 and has hired outside contractors to provide expertise in this area.

SSA has made notable progress in addressing the information protection issues raised in prior years. Despite these accomplishments, SSA's systems environment remains threatened by security and integrity exposures impacting key elements of its distributed systems and networks.

SSA began implementing its Electronic Disability (eDib) System in the Spring of 1999. The eDib System is the Agency's technological approach to automating the disability claims process. SSA is also designing a unified quality assessment process to measure the accuracy of decision-making throughout the disability adjudication process.

The eDib project is comprehensive for all components in the disability processing enterprise and is focused around four major objectives:

- z Creating an Electronic Folder (EF) that provides simultaneous access and sharing of disability information to all disability processing components.
- z Automating the field office disability intake process.
- z Leveraging the investment in existing Disability Determination Services (DDS) legacy systems.
- z Automating the Office of Hearings and Appeals' (OHA) business processes.

An integral factor for meeting these objectives is the integration of the EF into the disability business process. The EF will allow case processing components to stop relying upon the movement of a paper folder to process disability claims. The Agency is conducting a series of proof of concept pilots to determine the functionality, technology, and security requirements needed to help make eDib successful.

**SSA's current information security challenge is to understand system vulnerabilities and how they can be mitigated.**

Due to the magnitude and significance of this effort, our office is periodically monitoring the electronic service delivery aspects of eDib through various SSA steering committees. We are providing input to the project's development implementation process and provide periodic reports to the status of these initiatives. We will assess the success of these initiatives as they are implemented.

#### System Security Case Highlights

OI's Critical Infrastructure Division (CID) is an inter-component team dedicated to OIG's crucial mission of fulfilling the requirements of PDD 63 and 64, which pertain to the protection of critical SSA systems from cyber-crimes and terrorism.

During this reporting period:



### SSA needs to balance its service delivery and stewardship roles.



Our CID's Electronic Crimes Team (ECT) and the Atlanta Field Division investigated an employee of a State DDS who installed unauthorized password-cracking software against files that contained passwords and personal identification numbers (PIN) of SSA employees. If this unauthorized attempt had been successful, it could have allowed the person to access sensitive information available only to SSA employees.

Even though this person was an authorized user within the SSA network, it was determined that he willfully exceeded his authority by using this software. Due to ECT's quick response, we were able to identify the vulnerability exposed by this activity and make appropriate recommendations to the Agency for corrective actions.



Based on a referral from the National Computer Center in Baltimore, Maryland, CID's ECT and the Philadelphia Field Division responded to a potential systems security threat involving the misuse of Government computers by an SSA employee. While on official duty, an SSA Headquarters employee placed pornographic web-links on a State DDS systems server, which was under the control of a SSA regional office.

Our investigation revealed that the SSA employee routinely downloaded approximately 300 pornographic images from the Internet to his SSA workstation. These types of images are known to pose a threat to systems security and could contain trojans, worms or viruses, which are known to cause unnecessary downtime of personnel and equipment, potentially placing SSA's system in a vulnerable state. The ECT addressed this incident and made appropriate recommendations to the Agency for corrective and administrative actions.

### Issue 4: Service Delivery

SSA is committed to providing citizen-centered, world-class service. Many initiatives are under way, but ever-increasing workload demands, changing user preferences, emerging technologies, and other factors will require continual modifications to the way SSA delivers service in the future. Providing quality service to the public remains a critical management issue facing SSA, and SSA recognizes there are a number of significant service delivery problems that need attention. One such problem is the complexity of the programs SSA administers. SSA's workloads will continue to increase as "baby boomers" reach retirement age, challenging SSA to find ways to keep pace.

As the Social Security Advisory Board reported, the result has been, and will continue to be, uneven service. Persons filing for old-age or survivor benefits are likely to be satisfied with the service provided. However, individuals with complicated cases, such as DI or SSI, may encounter problems. As workloads increase, the dimensions of SSA's problems can be expected to grow. If left unchanged, the public will be faced with crowded reception areas, long waiting times, inadequate telephone service, and reduced quality of work.

Ahead of SSA is a future that promises major technological advances and exponential growth in workloads. This growth will occur at the same time SSA faces an unusual wave of management and staff retirements. Even at current staffing levels, SSA finds it challenging to maintain an acceptable level of service, especially in its most complicated workloads.

To meet the expected increases in future public demands, SSA will need



to explore new and innovative ways to address service delivery problems and ensure the right individuals get paid timely and accurately. However, with increasing workloads and expected human capital shortages, SSA will undoubtedly be challenged as it moves to strengthen and revitalize future employee ranks while it addresses greater demands for services. Related human capital issues are discussed under Issue 5.

To address the service delivery issues, our auditors issued the following reports this period.

### **Congressional Response Report: Select SSA Stewardship Efforts and Reported Savings**



Congressman E. Clay Shaw, Jr., requested that we assess SSA's stewardship efforts and the program savings those efforts generated. Congressman Shaw specifically requested that we review the six cost-benefit ratios SSA reported for stewardship activities.

Our objectives were to assess the reliability of SSA's methodologies for estimating administrative costs it dedicated to program stewardship and to determine the reliability of the cost-benefit ratios SSA reported for several activities. We determined the liability of the following activities:

- z Office of Child Support Enforcement (OCSE) Match
- z SSI Redeterminations
- z Windfall Elimination/Government Pension Offset Match with OPM
- z Disability Pre-effectuation Reviews
- z Tax Refund Offset
- z Continuing Disability Reviews

As a steward of taxpayer dollars, SSA is accountable to the American public and the Congress for how it spends and safeguards funds against improper payments—payments that should not have been made or that were made for incorrect amounts. In *Mastering the Challenge*, SSA's Strategic Plan for 2000-2005, SSA sets forth one of its strategic goals as "...to ensure the integrity of Social Security programs, with zero tolerance for fraud and abuse."

Following are the results of our limited review of the reliability of the cost-benefit ratios reported by SSA.

*Office of Child Support Enforcement Match* - SSA did not conduct a cost-benefit analysis to support the 1 to 3 ratio claimed for the OCSE Match.

*Supplemental Security Income Redeterminations* - The cost-benefit ratio for SSI redeterminations was overstated because all associated costs were not included when the 1 to 7 ratio was estimated.

*Windfall Elimination/Government Pension Offset Match with OPM* - SSA reported one cost-benefit ratio of 1 to 6 for its Windfall Elimination Pension /Government Pension Offset match, however, the Agency actually conducted separate cost-benefit analysis.

*Disability Pre-Effectuation Reviews* - The cost-benefit ratio for disability pre-effectuation reviews may be overstated because SSA did not include all costs when calculating the 1 to 13 cost-benefit ratio.

*Tax Refund Offset* - SSA could not provide support for the 1 to 34 cost-benefit ratio reported for its tax refund offset.

*Continuing Disability Reviews* - Based on our analysis of the estimated



OIG auditors review and assess SSA's processes and programs to prevent fraud and abuse.



costs and benefits, we concur with the 1 to 11 ratio SSA reported for CDRs.

We did not provide recommendations.

## Issue 5: Human Capital

In January 2001, the General Accounting Office (GAO) designated strategic human capital management as a high-risk, governmentwide issue needing immediate attention. This issue involves four pervasive Federal agency human capital challenges.

1. *Acquisition and development of staffs whose size, skills, and deployment meet agency needs*—ensuring current and future human capital needs are identified and gaps are filled through such efforts as effective recruiting, training, and contracting.
2. *Leadership continuity and succession planning*—ensuring there are qualified people available to assume top leadership positions before they become available.
3. *Strategic human capital planning and organizational alignment*—ensuring human capital strategies support strategic and program goals so an agency's mission, vision, and objectives are realized.
4. *Creation of results-oriented organizational cultures*—ensuring staff is empowered and motivated in conjunction with workplace accountability.

GAO and OIG have identified specific SSA human capital challenges/vulnerabilities that impact the Agency's ability to meet projected service delivery needs. These include the following:

*Increasing demands for services*—Beginning around 2008, the 76 million "baby boomers" will not only begin to move into their disability-prone years, they will begin to retire. SSA anticipates that by 2010, applications for DI will increase by as much as 54 percent over 1999 levels and applications for old-age benefits by 20 percent over 1999 levels. A large proportion of retirees is expected to be non-English speaking. Also, many disability cases are expected to be mental-related impairments. Citizen demands for the way that services will be delivered are also expected to change, with the public wanting different modes of accessibility. For example, using the Internet and "one-stop shopping" to access services and programs through one interaction with the Government.

*Retirement of a substantial portion of SSA's workforce*—SSA workforce retirements will peak between 2007 and 2009 with about 2,500 employees retiring per year. Over 80 percent of SSA's upper-level managers and executives (General Schedule Grades 14 and 15 and Senior Executive Service) will be eligible to retire by 2010. Between 2000 and 2010, about 60 percent of supervisors, 34 percent of claims representatives, and 29 percent of computer specialists are projected to retire.

*Mixed success in past technological investments*—To address anticipated increased workload demands, SSA plans to rely heavily on information technology. For example, SSA implemented the Intelligent Workstation/Local Area Network to provide the automated infrastructure for its redesigned work processes. However, according to GAO, some of the Agency's past experiences have shown mixed success. GAO reports that SSA has not been able to clearly demonstrate benefits resulting from

**GAO and OIG have identified specific human capital challenges and vulnerabilities that impact the Agency's ability to meet projected service delivery needs.**



some of its most significant investments.

## Issue 6: Performance, Management, and Data Reliability

To effectively meet its mission, manage its programs, and report on its performance, SSA needs sound performance and financial data. Congress, other external interested parties, and the general public also want sound data to monitor and evaluate SSA's performance. SSA primarily relies on internally generated data to manage the information it uses to administer its programs and to report to Congress and the public.

The necessity for good internal data governmentwide has resulted in the passage of several laws and regulations to make Government more accountable. *The Government Performance and Results Act of 1993* (GPRA) and the CFO were passed to create an environment of greater accountability within Federal agencies.

In accordance with GPRA, SSA has set forth its mission and strategic goals in 5-year strategic plans, established yearly targets in its annual performance plans, and reported on its performance in its annual performance reports. Each year, we conduct reviews to assess the reliability of SSA's performance data and evaluate the extent to which SSA's performance plan describes SSA's planned and actual performance meaningfully. Our work to date has demonstrated that SSA is generally committed to the production and use of reliable performance management data, but improvements would further enhance SSA's ability to produce accurate and actionable management information.

Much of our work in this area has focused on SSA's implementation of the GPRA and CFO Act as discussed below.

### Inspector General Statement on SSA's Major Management Challenges



*The Reports Consolidation Act of 2000* requires Inspectors General to provide a summary and assessment of the most serious management and performance challenges facing their agencies and the agencies' progress in addressing them. In January 2001, we identified the following 10 significant management issues facing the SSA for FY 2001:

- z Critical Information Infrastructure
- z Disability Redesign
- z Earnings Suspense File
- z Enumeration
- z Fraud Risk
- z Government Performance and Results Act
- z Identity Theft
- z Representative Payees
- z Service to the Public
- z Systems Security and Controls



Computer specialists provide critical support to all of OIG's offices across the nation.

We reported that, during FY 2001, SSA took action to address these issues, many of which are of a long-term nature and do not lend themselves to quick fixes. We provided an assessment of the status of the 10 management challenges in the report. Portions of our assessment reported that SSA should:

- z Focus on three stages of SSN protection—issuance of the SSN



card, maintenance during the life of the SSN holder and upon the individual's death.

- z Improve capability to avoid improper payments to fugitive felons and pursue legislation to prohibit the payment of OASDI benefits to fugitives.
- z Improve communications with employers and enforce existing regulations, if it expects to improve the accuracy of reported wages.
- z Address vulnerabilities and weaknesses in the representative payee program.

Citizens expect SSA to provide prompt service in an efficient and effective manner. Additionally, President Bush has highlighted the need to improve Government performance through the release of the President's Management Agenda. Within the agenda, the President calls for a Government that is citizen-centered, results-oriented, and market-based.

The President's call for improved Government performance complements existing laws that were enacted to create an environment of greater accountability within Federal agencies. Most notably, CFO and GPRA call for sound financial and performance management through the creation and use of reliable management information. Given the importance that good management has on SSA's stewardship and the services ultimately delivered to citizens, we have placed a great amount of resources in monitoring SSA's financial and performance management efforts.

Much of our work in this area has focused on SSA's implementation of the CFO Act and GPRA.

The following summarizes our work in the performance and financial areas.

### Performance Reviews



In the first 6 months of FY 2002, we released six reports with objectives to determine the reliability of the data used to measure SSA's program performance. These reports also addressed the quality of the performance indicators supported by the performance data reviewed. In all six reports, we concluded that the performance data reviewed was reliable. The six reports are listed below:

- z Performance Measure Review: Reliability of the Data Used to Measure the Timely Processing of Disability Insurance Claims.
- z Performance Measure Review: Reliability of the Data Used to Measure Disability Claims Processing.
- z Performance Measure Review: Reliability of the Data Used to Measure Anti-Fraud Performance.
- z Performance Measure Review: Reliability of the Data Used to Measure Public Knowledge of the SSA.
- z Performance Measure Review: Reliability of the Data Used to Measure the Quality of the SSA's Research.
- z Performance Measure Review: The Social Security Administration's Transition Planning.

While the reports concluded that the data used to measure performance in the areas identified were reliable, we concluded that some of the indicators SSA uses to measure performance in these areas could be improved. For



example, we recommended that SSA should separate the reporting of the initial claims processing times by program, rather than combine both DI and SSI claims processing times as one measure. In this way, differences between the programs—with their separate customer bases—could be identified.

We also found the performance indicators related to SSA's transition planning, "Create Agency change strategy to instill values," and "Complete Agency plan for transitioning to the workforce of the future," to be limited and not in line with the intent of GPRA. We recommended that the former indicator be replaced with an indicator that would help SSA to indicate the quality of the change strategy and quantify the progress made in achieving that strategy over time. We also recommended that the second indicator be replaced with milestones specified in the workforce transition plan, so SSA can track whether it is actually creating a workforce able to serve its diverse customers in the 21st century.

### Financial Reviews

The CFO requires the OIG or an independent external auditor, as determined by the IG, to audit SSA's financial statements in accordance with GAO's *Government Auditing Standards*. In addition to this requirement, we also conduct other financial-related audits of SSA's operations and review the quality of single audits conducted by State auditors and public accounting firms. The following summarizes a selection of our financial reviews and audit work for this reporting period.

### Audit of the Fiscal Years 2001 and 2000 Financial Statements of SSA and the Results of OIG's Review Thereof



PricewaterhouseCoopers LLP (PwC) performed SSA's FY 2001 financial statement audit. On November 30, 2001, PwC issued an unqualified opinion on SSA's FY 2001 financial statements. In PwC's opinion, "...the consolidated and combined financial statements ... present fairly, in all material respects, the financial position of SSA at September 30, 2001 and 2000..." However, PwC's audit report identified a reportable condition in SSA's internal control. PwC identified a control weakness and reported that SSA needs to further strengthen controls to protect its information. SSA generally agreed with this finding and PwC's related recommendation.

### Status of SSA's Implementation of FY 1999 Management Letter Recommendations



PwC performed the audit of SSA's FY 1999 financial statements. The audit identified conditions that did not have a material impact on the financial statement, but were worthy of management attention. To report these conditions, PwC issued Management Letters Part 1 and Part 2. Management Letter, Part 1 contains details of a sensitive nature to SSA and is, therefore, restricted in its use. Management Letter, Part 2 contains issues of a general nature and is not limited in its distribution, but is intended as information for management and the IG of SSA.

Our audit focused on the status of selected findings and recommendations in PwC's FY 1999 Management Letter – Part 2, Recommendations to



**SSA strives to deliver the highest level of services by making fair, consistent, accurate, and timely disability determinations at all adjudicative levels.**

Improve Management Controls and Operations Resulting from the FY 1999 Financial Statement audit. We performed follow-up work on 20 of the 42 recommendations.

In summary, SSA has not fully implemented 13 of the 20 recommendations, although some actions had been taken to begin addressing these issues. Eight of the 13 incomplete recommendations are repeat issues from the FY 1997 financial statement audit.

We made specific recommendations on SSA's budgetary reporting and monitoring of SSI expenses and obligations. We also recommended SSA continue to work to bring all of the issues identified by PwC to closure within the next audit cycle.

## Issue 7: Management of the Disability Process

SSA administers two programs—DI and SSI—that provide benefits based on disability. Most disability claims are initially processed through a network of Social Security field offices (FO) and State DDSs. SSA claims representatives in the FOs are responsible for obtaining applications for disability benefits and verifying non-medical eligibility requirements, which may include age, employment, marital status, or Social Security coverage information.

The FO sends the case to a DDS for evaluation of disability. The DDSs, which are fully funded by SSA, are State agencies responsible for developing medical evidence and rendering the initial determination on whether the claimant is legally disabled or blind. After the DDS makes the disability determination, it returns the case to the FO for appropriate action depending on whether the claim is allowed or denied. In FY 2001, there were 2,166,623 initial

disability claims processed, and the average processing time was 106 days. If a request for reconsideration is filed, the claim is returned to the DDS for a reconsideration determination.

Once SSA establishes an individual is eligible for disability benefits under either DI or SSI, the Agency turns its efforts toward ensuring individuals only continue to receive benefits as long as they meet SSA's eligibility criteria. Disability benefits may not continue if a beneficiary/recipient returns to work and has income over SSA's allowable limit; a CDR shows the individual is no longer disabled; or a child turns 18-years-old and is no longer considered disabled under adult criteria. In FY 2001, over 1.7 million periodic CDRs were processed.

OHA is responsible for holding hearings and issuing decisions at two distinct stages in SSA's appeals process. OHA's field structure consists of 10 regional offices and 138 hearing offices. These offices are staffed by approximately 1,100 Administrative Law Judges (ALJ) and 5,700 support staff. In FY 2001, hearing offices received 78,833 appeals and disposed of 110,668 cases.

Over the last several years, SSA has tested several improvements to the disability claims process as a result of concerns about the timeliness and quality of customer service. These disability improvement initiatives have been piloted over the last few years and includes all levels of eligibility determination—beginning with State DDSs and going through the hearings and appeals processes. To date, these initiatives have not resulted in significant improvements in the disability claims process. Accordingly, the Commissioner recently announced a decision on the future of SSA's Disability Process. The Commissioner's decision



included: expanding the Single-Decisionmaker nationwide, ending the requirements for the claimant conference, evaluating the elimination of the reconsideration level of the claims process nationwide, making additional improvements to the Hearings Process, and implementing and eDib folder by 2004.

During this reporting period, we conducted the following reviews in this area.

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#### Follow-up Review of SSA's Implementation of Drug Addiction and Alcoholism Provisions of Public Law 104-121

 This audit was a follow-up review to an earlier audit entitled *Implementation of Drug Addiction and Alcoholism Provisions of Public Law 104-121*. The objective of this review was to determine whether SSA implemented the recommendations included in the prior audit report.

In the prior audit, we determined that SSA did not identify and terminate disability benefits to all beneficiaries for whom drug addiction and alcoholism (DAA) was a contributing factor material to the finding of disability in accordance with Public Law (P.L.) 104-121. We estimated that 3,190 individuals were incorrectly paid \$38.74 million in benefits from the date P.L. 104-121 took effect through the date we reviewed the cases. Additionally, we estimated that 14,420 individuals did not have the correct diagnosis codes (DIG) and/or DAA indicators on their records showed that DAA was not material to the finding of disability.

In our prior audit report, we recommended and SSA agreed to:

- z Review the cases we identified to ensure that the coding was

corrected and the benefits were terminated where appropriate.

- z Modify its systems so that primary DIG codes for DAA will no longer be accepted.

We reported that overall SSA has effectively implemented the recommendations from the prior review to ensure disability benefits are not paid based upon DAA. However, we believe that SSA still needs to improve its efforts for ensuring that individual's records are updated to show the current disabling condition. We recommended that, when conducting the next scheduled CDR, SSA ensure DIG codes are updated to show the proper diagnosis.

In its response to the report, SSA agreed that its systems should be updated to show the beneficiaries current disabling conditions.

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#### Review of the Social Security Administration's Cost Effectiveness Measurement System

 Our objective was to assess the accuracy and use of SSA's Cost Effectiveness Measurement System (CEMS) data. We planned to review CEMS data for FY 1999 and 2000, which should have been available by May 2000 and May 2001, respectively. However, as of June 2001, CEMS data for those FYs were not available, and we reviewed the latest data available (FY 1998).

SSA developed CEMS as a tool to measure the operating costs and cost effectiveness of each State DDS. SSA also envisioned that CEMS would provide the basis for establishing formal cost standards for DDSs.

We reported that CEMS data is neither timely nor widely used by SSA.



We also reported that it identified a discrepancy of approximately \$20 million between the FY 1998 CEMS and the Form SSA-4513 data and that the unavailability of reconciliation information prevented us from determining whether this discrepancy was valid.

We concluded that CEMS has not achieved its intended purpose because SSA was unsuccessful in developing formal cost standards or methodologies for determining the cost effectiveness of each DDS. We also found that monetary differences exist between CEMS and Form SSA-4513 data and that unauthorized users can access CEMS data. We questioned whether the funds spent by SSA to maintain CEMS and the time expended by the DDSs on the labor-intensive input of CEMS data are justified.

We recommended that SSA perform a cost-benefit analysis to determine whether CEMS should continue based on a comparison of CEMS maintenance, oversight, and input costs to the use of CEMS data. If the cost-benefit analysis supports the continuation of CEMS, we made a number of recommendations to address the accuracy and use of CEMS data.

In its response to the draft report, SSA generally agreed with the findings and has taken action to terminate CEMS.

## **Issue 8: Integrity of the Earnings Reporting Process**

Earnings information reported to SSA by employers and self-employed individuals impacts the level of benefits provided to individuals under both the OASDI and SSI programs. The integrity of SSA's process for posting workers' earnings is critical to ensur-

ing eligible individuals receive the full retirement benefits due them. If earnings information is reported incorrectly, or not reported at all, SSA cannot ensure that all eligible individuals are receiving the correct payment amounts.

In addition, SSA's disability programs under OASDI and SSI depend on this earnings information to determine whether an individual is eligible for benefits and the size of the disability payment. Finally, SSA spends scarce resources trying to correct the earnings data when incorrect information is reported.

The Earnings Suspense File (ESF) primarily consists of reported earnings that are put into suspense because the name/SSN combination does not match validation criteria within SSA's systems. Although SSA is able to post approximately 99 percent of all reported earnings to individuals' earnings records, those earnings that cannot be matched continue to accumulate in the ESF. Between 1937 and 1999, the ESF grew to about \$327 billion in wages, representing approximately 227 million wage items.

Each year, SSA receives about 21 million wage items that have an invalid name and SSN combination, and, through extensive computer matches and manual efforts, this number is reduced to about 6.5 million items annually. Although SSA attempts to further resolve these invalid wage items, the majority lacks sufficient detail to be matched to earners' records.

Another concern is the additional administrative cost required to match data to individual records to correct invalid earnings information. SSA has previously reported that it can cost as much as \$300 to correct an earnings item once the item has gone into suspense, compared to a cost of only 50 cents if the earnings had been



reported correctly. While this number is currently being revised, it demonstrates how scarce resources are being consumed when the Agency has to resolve wage reports with invalid name and SSN combinations.

While SSA has limited control over the factors that cause the volume of erroneous wage reports submitted each year, the Agency still has some ability to improve the process. SSA can improve wage reporting by:

- z Educating employers on reporting criteria.
- z Identifying and resolving employer reporting problems.
- z Encouraging greater use of the Agency's SSN verification programs to ensure employers submit wage reports with valid name and SSN combinations.

In a recent OIG report, we noted how one employer could have prevented \$10.2 million in wages from going into the ESF, if the employer had used SSA's Employee Verification Service.

In addition, wage reporting accuracy thresholds can identify problems with wage reports and attempt corrections with the employer before the wages go into the ESF. Finally, a GPRA measure on the ESF may indicate to management over time whether the problem is alleviated by ongoing Agency efforts.

SSA also needs to improve coordination with other Federal agencies having separate, yet related mandates. For example, SSA's ability to improve wage reporting is related to the Internal Revenue Service's (IRS) failure to sanction employers for submitting invalid wage data, as well as the Immigration and Naturalization Service's (INS) complicated employer

procedures for verification of eligible employees.

Ensuring the integrity of earnings in the Master Earnings File (MEF), the repository of earnings related to specific individual accounts, is also a critical audit area. An earlier OIG audit found that SSA did not maintain sufficient controls over the wage reporting process to ensure employers were submitting quality earnings data. The audit noted that 285 employers submitted erroneous wage reports in which over 50 percent of their wages were in error 3 years in a row without SSA taking any action, even though more than \$8.5 million in penalties could have been assessed by the IRS. Another 3,428 employers submitted similar erroneous wage reports in consecutive years.

SSA has developed other processes, which inform individuals about their earnings, while also validating the earnings data in the MEF. In recent years, SSA started mailing Social Security statements to individuals who had earnings and were age 25 or older. In FY 2001, SSA mailed over 137 million of these statements, of which, over 7 million were returned as undeliverable. If an individual contacts SSA about missing earnings, these amounts are either reinstated from the ESF to the MEF, if they are currently in suspense, or added as new earnings to the MEF. This process can improve the integrity of SSA's earnings data.

Over the past few years, we have noticed some problems in the integrity of the Earnings Reporting Process issue and we are currently in the process of performing audits in this area.

During this period, we provided SSA management with comments on the proposed Social Security Number Verification Service (SSNVS). This

**The integrity of SSA's process for posting workers' earnings is critical to ensuring eligible individuals receive the full benefits due them.**



The importance placed on SSNs provides a tempting motive for unscrupulous individuals to fraudulently acquire an SSN and use it for illegal purposes.



Fake IDs, such as these, often look very authentic.

online service is expected to reduce the response time currently experienced by registered employers and third-party users who submit SSN verification requests via paper, tape, diskette, or magnetic media. While we believe the availability of SSNVS should attract new users to SSA's verification services and improve the accuracy of reported wages, we also want to ensure SSA is fully cognizant of the risks related to the proposed service. Specifically, we recommended additional controls over the planned service to enhance the Agency's management of SSNVS while minimizing the chances for misuse.

Some of our recommendations included:

- z Ensuring the applicant is an authorized representative of the employer.
- z Collecting sufficient user information for monitoring.
- z Considering all security options.

We also commented on SSA's planned SSNVS pilot and evaluation process. Our comments related to:

- z The selection of pilot participants.
- z Necessary edits and alerts to ensure proper usage of the service.
- z Pilot limitations that SSA will need to consider when commenting on the overall effectiveness of the pilot.

## Issue 9: SSN Misuse and Privacy Concerns (Identity Theft)

In FY 2001, SSA issued over 18 million original and replacement SSN cards. The importance placed on

SSNs today provides a tempting motive for unscrupulous individuals to fraudulently acquire an SSN and use it for illegal purposes. Recently, we witnessed how the SSN facilitated the terrorists' ability to integrate into our society with relative anonymity. The ramifications of this type of activity can be severe and far-reaching. Consequently, curbing SSN misuse remains a top OIG priority.

Originally, the SSN's sole purpose was to provide a method for SSA to accurately record each U.S. worker's earnings. Despite this narrowly drawn purpose, use of the SSN as a general identifier in record systems eventually grew. The SSN has been adopted for numerous other purposes so that, today, it is the single most widely used identifier for Federal and State governments, as well as the private sector.

The public's growing concern with SSN misuse and identity theft is reflected in the large number of allegations that we receive annually. Allegations involving SSN misuse increased from approximately 11,000 in FY 1998 to over 46,000 during FY 2000. In FY 2001, of the 115,103 allegations processed, over 65,000 allegations, almost 57 percent involved the misuse of an SSN. Continued growth of these numbers is only limited by our capacity to answer the calls. We believe identity theft is a significant problem, and it is growing. We anticipate the complaints will increase unless SSA and Congress take firm actions to regulate the use of SSNs.

The most common types of identity theft crimes reported are credit card fraud; unauthorized attainment of utility services; bank account and loan fraud; use of counterfeit Government documents; and fraudulent attainment of Government benefits, including Social Security and SSI. Identity theft crimes affect individ-



als, Government agencies, and private companies, often causing tremendous losses. For example, the GAO reported that banks lose millions each year as a result of credit card fraud in which individuals misuse SSNs to activate stolen credit cards.

We understand the Agency has a difficult task in balancing service and security. To adequately combat SSN misuse, SSA must employ effective front-end controls in its enumeration process. Likewise, additional techniques, such as data mining, biometrics, and enhanced systems controls are critical in the fight against SSN misuse.

The additional benefit of law enforcement agencies pooling their investigative resources has resulted in our being able to investigate more program cases and SSN misuse cases.

We have conducted the following investigations and audits in this area.

#### **Congressional Response Report: SSN Misuse - A Challenge For SSA**



On August 6, 2001, Senator Charles Grassley requested that the Agency and our office provide separate assessments of SSA programs and operations, focusing on the goal of minimizing opportunities for SSN misuse at its administrative core.

In response to Senator Grassley's request, we provided our insights and conclusions regarding the following subjects.

- z Assignment and issuance of SSNs.
- z Undeliverable SSN cards.
- z Earnings records and the Earnings Suspense File.

- z Programs/operations with the most incidences of SSN misuse.
- z Cases of employee SSN misuse.
- z Proper use and dissemination of the SSN.
- z Coordination with other Federal agencies.
- z Preventative measures to stop SSN misuse.
- z Data matching efforts.

Among the more significant suggestions to improve the integrity of the SSN, we reiterated recommendations from prior audits that the Agency either disagreed with or had not yet implemented. The prior recommendations highlighted in our report address the need for verification of evidentiary documents presented with SSN applications, enhanced controls within SSA's Modernized Enumeration System (MES), limitations on the number of replacement SSN cards obtained, and training and expansion of quality reviews for SSA employees.



**Fraudulent documents are often mistaken for authentic documents.**

We also suggested methods that SSA can use to improve how it provides information to the public on the proper use and dissemination of the SSN. Vital information can be distributed via the web site, pamphlets, workshops, town hall meetings and public service announcements to educate the public about the potential dangers of sharing one's SSN with non-government and suspicious entities. In addition to educating the public at large, SSA could distribute informational literature to commercial, governmental and non-profit entities outlining the authorized uses of the SSN and the organizations' responsibilities for protecting this sensitive personal information.



We concluded that, with the Internet as a catalyst, SSN misuse and identity fraud have soared, partially as a result of the ease in which individuals can access personal information and false documents on-line. We credit SSA with having made strides in improving systems and processes in the fight against these abuses, but we believe more could be done.

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### Work Activity for SSNs Assigned for Nonwork Purposes in the State of Utah



Our objective was to review the use of SSNs assigned for nonwork purposes by SSA FOs in the State of Utah. Specifically, we wanted to determine whether these nonwork SSNs were used to obtain employment.

SSA only issues nonwork SSNs to individuals who are not authorized to work by the Immigration and Naturalization Service (INS) but need an SSN to:

- z Obtain a State driver's license.
- z Receive other Federally funded benefits or services.
- z Receive State or local general assistance benefits.
- z Receive restricted tax, banking, and military benefits.

To receive a nonwork SSN, applicants must provide SSA valid INS documentation and must support their need for a nonwork SSN. SSA FO employees review the documentation for authenticity, approve the SSN application, and enter the applicant information into the SSA enumeration system. The enumeration system processes the information, and a nonwork SSN card (annotated with a nonwork legend) is issued to the applicant.

**With the Internet as a catalyst, SSN misuse and identity fraud have soared, partially as a result of the ease in which individuals can access personal information and false documents on-line.**

Despite this nonwork legend, in Tax Years 1998 through 2000, SSA credited earnings of \$36.1 million to 2,058 nonwork SSNs issued in Utah. SSA not only credits earnings, it pays OASDI benefits based on the earnings obtained under a nonwork SSN as long as the worker has met all benefit eligibility requirements.

We recommended SSA:

1. Immediately amend its policy to prevent the issuance of nonwork SSNs to individuals who are not authorized to work and need an SSN to obtain a driver's license and register a vehicle.
2. Have FO staff independently verify the need for a nonwork SSN and have applications for non-work SSNs and their supporting documentation independently reviewed.
3. Work with INS to resolve data compatibility problems associated with the nonwork earnings file provided by SSA and involve employees familiar with the problem.
4. Work to establish an agreement with the OCSE, whereby SSA submits nonwork SSN records to OCSE each quarter, and OCSE associates quarterly earnings with the records before returning them to SSA.
5. Use the quarterly wage information or other suitable methods to prevent the assignment of replacement SSN cards when there is evidence of illegal employment and to advise employers of nonwork status when verifying employee SSNs.
6. Match the quarterly nonwork earnings file with the ESF to identify and report to INS employers who consistently hire people who are not authorized employment and individuals who use, for



employment, nonwork SSNs and false identities.

SSA agreed, entirely or in part, with our recommendations. Effective March 1, 2002, SSA no longer issues an SSN solely for the purpose of securing a State driver's license. Furthermore, SSA agreed to independently verify nonwork SSN requests with the requiring Government agencies. Also, SSA is preparing to capture information that will help resolve data compatibility problems with INS.

In addition, the Agency will tighten controls for issuing replacement SSN cards to non-citizens who are not authorized employment, and will search for ways to help INS monitor employment authorization. Finally, SSA finds merit or value in our recommendations and shares information with OCSE and INS to identify both people who work illegally and the employers who hire them. The Agency will address these recommendations once it has assessed the effect of the enumeration improvement activities it has initiated with INS.

The Agency did not fully agree with Recommendation 2. SSA believes that verifying the need for a nonwork SSN with the Government agency requiring it would add sufficient improvement to the nonwork SSN enumeration process.

### **SSN Misuse Case Highlights**



Based on a referral from SSA's Odessa, Texas office, our Dallas Field Division investigated a man who worked under his wife's SSN since 1983 while collecting Social Security disability benefits. Our investigators interviewed employees of the company who confirmed that the man's wife never worked for the company. He was incarcerated and ordered to pay \$270,556 in restitution to SSA.



Based on information received from the SSA's Springfield, Massachusetts office, indicating that a Social Security disability beneficiary had fraudulently obtained an SSN, our Boston Field Division investigated a man who concealed his employment from SSA for 8 years. He fraudulently received \$162,000 in SSA benefits. He also fraudulently obtained an SSN for a non-existent personal care attendant in order to defraud the Medicaid program out of \$102,021. He also illegally received \$29,130 in Federal rental subsidies under the Department of Housing and Urban Development's Section 8 Housing Assistance Payments Program and evaded Federal income taxes. He was incarcerated and ordered to pay \$293,151 in restitution and a \$50,000 fine.



Based on referral from SSA's Ocala, Florida office, our Atlanta Field Division conducted an investigation of a Social Security disability beneficiary and his wife. The investigation established that in 1969 the man began receiving disability benefits under his true name and SSN. In 1972, he obtained another SSN under the name of a deceased infant. In 1973, he began working under the deceased infant's name and false SSN while continuing to receive disability benefits under his own name.

In 1998, he applied for old-age benefits under the assumed name, while still receiving benefits under his own name. His wife also applied for benefits on the assumed identity account. Both the man and his wife were incarcerated and the man was ordered to pay \$209,177 restitution to SSA.



Our Atlanta Field Division, in cooperation with INS and FBI, conducted an investigation of a former SSA employee and two co-conspirators who were



**Agents across the nation collaborate on many investigations.**



involved in a money laundering and fraudulent SSN application scheme. Further investigation determined that the former employee was instrumental in the issuance of approximately 160 SSNs to illegal aliens who were customers of one of the co-conspirators. The former SSA employee was incarcerated and fined \$10,000. The co-conspirators received probation and one was ordered to pay \$1,716,259 restitution to individual victims.

## Issue 10: Integrity of the Representative Payee Process

When SSA determines a beneficiary cannot manage his/her benefits, SSA selects a representative payee. The representative payee must use the payments for the beneficiary's benefit. There are about 5 million representative payees who manage approximately \$31 billion in annual benefit payments for 7 million beneficiaries. While representative payees provide a valuable service for beneficiaries, SSA must provide appropriate safeguards to ensure they meet their responsibilities to the beneficiaries they serve.

Since 1996, we have made several recommendations to improve SSA's Representative Payee Program. These recommendations addressed many of the areas SSA is now working to correct. For example, we recommended that SSA more thoroughly screen potential representative payees, change the focus of its Representative Payee Program to increase the monitoring of representative payees, and determine why representative payees do not complete and return Representative Payee Reports.

In FY 2001, we performed six financial-related audits of representative payees. Our audit results showed

**It is imperative that SSA have appropriate safeguards to ensure that representative payees meet their responsibilities.**

that representative payees did not always meet their responsibilities to the beneficiaries they served. We identified deficiencies with the financial management of, and accounting for, benefit receipts and disbursements; vulnerabilities in the safeguarding of beneficiary payments; poor monitoring and reporting to SSA of changes in beneficiary circumstances; and inappropriate handling of beneficiary-conserved funds.

In FY 2001, SSA established a Representative Payee Task Force to perform a comprehensive review of the features and vulnerabilities of the current program. The Task Force is comprised of three subgroups concentrating on:

- z Monitoring representative payees.
- z Systems support for the Representative Payee Program.
- z Bonding and licensing of representative payees.

Of the approximately 1,700 representative payees that are covered by the Agency's triennial on-site reviews, SSA has performed 540 of these reviews over the past year. As of August 2001, SSA had verified that 693 of its non-governmental fee-for-service representative payees continue to have the required bond or license. A total of 26 reviews were completed (over the last year) based on certain "trigger" events. In addition, SSA has contracted with an accounting firm to conduct financial reviews of 60 representative payees.

However, much is left for SSA to do to address the vulnerabilities and weaknesses in the Representative Payee Program.

Our auditors and investigators conducted the following work in this area.



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### Financial-Related Audit of an Individual Representative Payee for the SSA in Region VI

 Our objectives were to determine whether the representative payee had effective safeguards over the receipt and disbursement of Social Security benefits and ensured Social Security benefits were used and accounted for in accordance with SSA's policies and procedures.

We selected this representative payee from an SSA generated list of "Individual" representative payees with 20 or more beneficiaries or recipients in their care. All of the representative payees' beneficiaries and recipients were residents of Prague Assisted Living Center (PAL). While performing our audit, we determined that the representative payee operated PAL as an incorporated entity, and, according to SSA's records, PAL also served as the representative payee for some of its residents.

Accordingly, we included in our review all 51 beneficiaries for whom this individual served as representative payee, either as an individual or as the incorporated entity—PAL. According to the representative payee, all PAL residents have some type of mental disorder and PAL charged its residents a monthly fee for room-and-board.

In general, it appears that the representative payee met its responsibilities for ensuring the beneficiaries and recipients' needs were met. However, the representative payee lacked documentation to fully account for the receipt and disbursement of SSA benefits in accordance with SSA's policies and procedures. The lack of documentation was mitigated by the fact that the majority of the benefit payments received by the represen-

tative payee consisted of funds that PAL was entitled to as monthly room-and-board fees.

PAL's records reflected that 92 percent of the SSA benefits received represented payment for monthly room-and-board fees and the remaining 8 percent belonged to the beneficiaries and recipients. The representative payee told us that payments exceeding the room-and-board fees were given to the beneficiaries either as cash or personal items; however, the representative payee did not have adequate documentation to support disbursement of these funds. Further, the representative payee did not use separate bank accounts for individual funds, or have procedures in place that would allow her to provide beneficiaries and recipients an up-to-date reporting of how their funds were spent.

We recommended that SSA:

1. Work with the representative payee to determine the appropriate level of documentation to account for and report on the receipt and disbursement of SSA benefits in accordance with SSA's policies and procedures.
2. Ensure that multiple identities are not used for this representative payee in RPS.

In response to our draft report, SSA agreed with both of our recommendations.

### Representative Payee Fraud Case Highlights



Our Atlanta Field Division investigated a woman who was receiving Survivor benefits for herself and serving as the representative payee for her daughter. Our investigation revealed



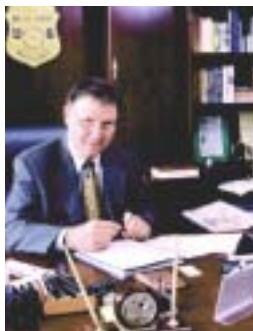
that although her daughter left her custody in November 1994, the woman continued to receive payments. She was incarcerated and ordered to pay \$95,172 restitution to SSA.



Based on a referral from SSA's Boston, Massachusetts office, our Boston Field Division investigated a Social Security beneficiary who died in 1979. Our investigation determined that the woman's benefits continued to be paid through August 2000 to her grandson who was her representative payee. Her grandson admitted to his fraudulent use of the benefits for over 21 years totaling \$135,562. He was incarcerated and ordered to pay \$135,562 restitution to SSA.



Our Dallas Field Division investigated a woman who was the representative payee



The IG reviews audit reports for information to be included in congressional testimony.

for one of her two daughters. Our investigation determined that the woman knowingly and willfully used her daughter's SSI benefits for her own use. Our investigation also revealed that since the initial application for benefits, the woman claimed her daughters lived with her, when in fact, both daughters were being raised (and had been since birth) by another woman. She was incarcerated and ordered to pay \$59,673 restitution to SSA.



Our Los Angeles Field Division investigated a grandmother who received Social Security benefits for herself and for her grandson who was supposedly in her care and custody. Our investigation revealed that the child had actually been adopted and was never in his grandmother's care. She was incarcerated and ordered to pay \$117,632 restitution to SSA.

## A Special Thank You

We would like to thank our entire Office of the Inspector General staff for their outstanding efforts and contributions, without which this report would not have been possible.



## Appendices





## Appendix A

### RESOLVING AUDIT RECOMMENDATIONS

The following chart summarizes Social Security Administration's (SSA) responses to Office of the Inspector General's 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 the *Supplemental Appropriation and Recession Act of 1980* (Public Law 96-304) and the *Inspector General Act of 1978*, as amended.

<b>Reports With Questioned Costs for the Reporting Period October 1, 2001 Through March 31, 2002</b>				
	<b>Number</b>	<b>Value Questioned</b>	<b>Value Unsupported</b>	
A. For which no management decision had been made by the commencement of the reporting period.	5 <sup>a</sup>	\$1,819,859	\$1,692,988	
B. Which were issued during the reporting period.	7 <sup>b</sup>	\$4,793,172	\$4,393,955	
Subtotal (A+B)	12	\$6,613,031	\$6,086,943	
Less:				
C. For which a management decision was made during the reporting period:	5 <sup>c</sup>	\$1,859,901	\$0	
i. Dollar value of disallowed costs.	4 <sup>d</sup>	\$913,932	\$0	
ii. Dollar value of costs not disallowed.	1 <sup>e</sup>	\$945,969	\$0	
D. For which no management decision had been made by the end of the reporting period.	8 <sup>f</sup>	\$4,753,130	\$6,086,943	

- a. Costs Claimed by American Institutes for Research on the SSA's Contract Number 600-97-32018 (A-15-00-20034, 8/14/00); Single Audit of the State of Florida for the Fiscal Year (FY) Ended June 30, 2000 (A-77-01-00012, 8/24/01); Single Audit of the State of West Virginia for the FY Ended June 30, 2000 (A-77-01-00013, 8/29/01); Single Audit of the Commonwealth of Puerto Rico, Department of the Family for the FY Ended June 30, 1997 (A-77-01-00014, 8/30/01); and Financial-Related Audit of Outreach, Inc. - A Fee-for-Service Representative Payee for SSA (A-09-00-10068, 9/18/01).
- b. See Reports with Questioned Costs on page 49 of this report.
- c. SSA's Management of Its Federal Employees' Compensation Act (FECA) Program (A-13-99-91003, 10/25/01) contained dollars that were disallowed and dollars not disallowed.
- d. Costs Claimed by American Institutes for Research on the Social Security Administration's Contract Number 600-97-32018 (A-15-00-20034, 8/14/00); Financial-Related Audit of Outreach, Inc. - A Fee-for-Service Representative Payee for SSA (A-09-00-10068, 9/18/01); SSA's Management of Its FECA Program (A-13-99-91003, 10/25/01); Controls Over SSA's Processing of Death Records from the Department of Veterans Affairs (A-01-01-21038, 2/27/02).
- e. SSA's Management of Its FECA Program (A-13-99-91003, 10/25/01).
- f. Single Audit of the State of Florida for the FY Ended June 30, 2000 (A-77-01-00012, 8/24/01); Single Audit of the State of West Virginia for the FY Ended June 30, 2000 (A-77-01-00013, 8/29/01); Single Audit of the Commonwealth of Puerto Rico, Department of the Family for the FY Ended June 30, 1997 (A-77-01-00014, 8/30/01); Single Audit of the State of Michigan, Family Independence Agency for the 2-Year Period Ended September 30, 2000 (A-77-02-00003, 11/20/01); Single Audit of the Commonwealth of Puerto Rico, Department of the Family for the FY Ended June 30, 1998 (A-77-02-00006, 1/29/02); Single Audit of the Commonwealth of Puerto Rico, Department of the Family for the FY Ended June 30, 1999 (A-77-02-00007, 1/30/02); Single Audit of the State of New York for the FY Ended March 31, 2000 (A-77-02-00008, 2/25/02); Review of Maximus Contract Numbers 600-94-10784 and 600-95-22666 (Limited Distribution, A-15-00-30015, 3/8/02).



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

<b>Reports With Recommendations That Funds Be Put to Better Use for the Reporting Period</b> <b>October 1, 2001 Through March 31, 2002</b>		
	<b>Number</b>	<b>Dollar Value</b>
A. For which no management decision had been made by the commencement of the reporting period.	7 <sup>a</sup>	\$18,147,920
B. Which were issued during the reporting period.	1 <sup>b</sup>	\$105,995
Subtotal (A+B)	8	\$18,253,915
C. For which a management decision was made during the reporting period.		
i. Dollar value of recommendations that were agreed to by management.		
(a) Based on proposed management action.	4 <sup>c</sup>	\$2,267,233
(b) Based on proposed legislative action.	0	\$0
Subtotal (a+b)	4	\$2,267,233
ii. Dollar value of costs that were not agreed to by management.	5 <sup>d</sup>	\$15,986,682
Subtotal (i+ii)	9 <sup>e</sup>	\$18,253,915
D. For which no management decision had been made by the end of the reporting period.	0	\$0

- a. *Single Audit of the Illinois Department of Human Services for the 2-Year Period Ended June 30, 1999 (A-77-01-00009, 7/17/01); Deeming of Income to Establish Initial Eligibility for Supplemental Security Income (SSI) Recipients (A-05-99-21005, 9/5/01); Financial-Related Audit of Outreach, Inc. - A Fee-for-Service Representative Payee for SSA (A-09-00-10068, 9/18/01); Fees Paid by State Disability Determination Services (DDS) to Purchase Consultative Examinations (CE) (A-07-99-21004, 9/20/01); Financial-Related Audit of the Baltimore City Department of Social Services - An Organizational Representative Payee for SSA (A-13-00-10066, 9/25/01); Management Advisory Report: Review of Service Industry Employer with Wage Reporting Problems (A-03-00-10022, 9/27/01); Audit of Enumeration at Birth Program (A-08-00-10047, 9/27/01).*
- b. See Reports with Funds Put to Better Use on page 49 of this report.
- c. *Financial-Related Audit of Outreach, Inc. - A Fee-for-Service Representative Payee for SSA (A-09-00-10068, 9/18/01); Financial-Related Audit of the Baltimore City Department of Social Services - An Organizational Representative Payee for SSA (A-13-00-10066, 9/25/01); Audit of Enumeration at Birth Program (A-08-00-10047, 9/27/01); Review of SSA's Cost Effectiveness Measurement System (A-07-00-10028, 2/11/02).*
- d. *Single Audit of the Illinois Department of Human Services for the 2-Year Period Ended June 30, 1999 (A-77-01-00009, 7/17/01); Deeming of Income to Establish Initial Eligibility for SSI Recipients (A-05-99-21005, 9/5/01); Fees Paid by State Disability Determination Services to Purchase CEs (A-07-99-21004, 9/20/01); Financial-Related Audit of the Baltimore City Department of Social Services - An Organizational Representative Payee for SSA (A-13-00-10066, 9/25/01); Management Advisory Report: Review of Service Industry Employer with Wage Reporting Problems (A-03-00-10022, 9/27/01).*
- e. SSA agrees with a portion of the monies recommended in *Financial-Related Audit of the Baltimore City Department of Social Services - An Organizational Representative Payee for SSA (A-13-00-10066, 9/25/01)*.



## Appendix B

### REPORTS ISSUED

<b>Reports With Non-Monetary Findings Reports Issued from October 1, 2001 through March 31, 2002</b>		
<b>Date Issued</b>	<b>Title of Report</b>	
10/2/01	Performance Measure Review: Reliability of the Data Used to Measure the Timely Processing of Disability Insurance Claims	A-02-99-11001
10/3/01	Congressional Response Report: Social Security Number Misuse: A Challenge For the Social Security Administration	A-08-02-22030
10/11/01	Single Audit of the State of Georgia for the Fiscal Year Ended June 30, 2000	A-77-02-00001
10/22/01	Assessment of the Electronic Disability Project	A-14-01-11044
10/24/01	Financial-Related Audit of an Individual Representative Payee for the Social Security Administration in Region VI	A-06-00-10063
10/25/01	Congressional Response Report: Terrorist Misuse of Social Security Numbers	A-08-02-32041
10/31/01	Single Audit of the State of Alabama for the Fiscal Year Ended September 30, 2000	A-77-02-00002
11/6/01	Performance Measure Review: Reliability of the Data Used to Measure Disability Claims Processing	A-02-00-10017
11/6/01	Congressional Response Report: Social Security Administration's SmartPay Program	A-13-02-22059
11/14/01	Congressional Response Report: Select Social Security Administration Stewardship Efforts and Reported Savings	A-08-02-22028
11/26/01	Disability Determination Services' Budget Execution and Reporting of Limitation on Administrative Expenses Funds	A-15-99-52001
11/29/01	Single Audit of the State of Oklahoma for the Fiscal Year Ended June 30, 2000	A-77-02-00004
12/7/01	Inspector General Statement on the Social Security Administration's Major Management Challenges	A-02-02-12054
12/11/01	Audit of the Fiscal Years 2001 and 2000 Financial Statements of the Social Security Administration and the Results of the Office of the Inspector General's Review Thereof	A-15-01-11036
12/17/01	Follow-up Review of the Social Security Administration's Implementation of Drug Addiction and Alcoholism Provisions of Public Law 104-121	A-01-01-11029
12/21/01	Single Audit of the State of Rhode Island for the Fiscal Year Ended June 30, 2000	A-77-02-00005
1/14/02	Disclosure of Personal Beneficiary Information to the Public (Limited Distribution)	A-01-01-01018
1/14/02	Performance Measure Review: Reliability of the Data Used to Measure Anti-Fraud Performance	A-02-01-11013
2/7/02	Performance Measure Review: Reliability of the Data Used to Measure Public Knowledge of the Social Security Administration	A-02-01-11015
2/7/02	Status of the Social Security Administration's Implementation of Fiscal Year 1999 Management Letter Recommendations	A-15-00-30056
2/27/02	Single Audit of the State of Minnesota for the Fiscal Year Ended June 30, 2000	A-77-02-00009
3/8/02	Performance Measure Review: Reliability of the Data Used to Measure the Quality of the Social Security Administration's Research	A-02-01-11011



**Reports With Non-Monetary Findings Reports Issued from  
October 1, 2001 through March 31, 2002**

Date Issued	Title of Report	
3/12/02	Single Audit of the State of Wisconsin for the Fiscal Year Ended June 30, 2000	A-77-02-00010
3/18/02	Fact-Finding Report: The Office of Hearings and Appeals' Procedures for Addressing Allegations of Mismanagement (Limited Distribution)	A-13-02-22062
3/26/02	Single Audit for the State of New Mexico, Department of Education for the Fiscal Year Ended June 30, 2000	A-77-02-00011
3/27/02	Performance Measure Review: The Social Security Administration's Transition Planning	A-02-01-11014
3/29/02	Work Activity for Social Security Numbers Assigned for Nonwork Purposes in the State of Utah	A-14-01-11048



**Reports With Questioned Costs—Reports Issued from  
October 1, 2001 through March 31, 2002**

Date Issued	Title of Report	Report Number	Dollar Amount
10/25/01	Social Security Administration's Management of Its Federal Employees' Compensation Act Program	A-13-99-91003	\$1,286,969
11/20/01	Single Audit of the State of Michigan, Family Independence Agency for the 2-Year Period Ended September 30, 2000	A-77-02-00003	\$9,186
1/29/02	Single Audit of the Commonwealth of Puerto Rico, Department of the Family for the Fiscal Year Ended June 30, 1998	A-77-02-00006	\$170,768
1/30/02	Single Audit of the Commonwealth of Puerto Rico, Department of the Family for the Fiscal Year Ended June 30, 1999	A-77-02-00007	\$5,286,119
2/25/02	Single Audit of the State of New York for the Fiscal Year Ended March 31, 2000	A-77-02-00008	\$4,263
2/27/02	Controls Over the Social Security Administration's Processing of Death Records from the Department of Veterans Affairs	A-01-01-21038	\$467,725
3/8/02	Review of Maximus Contract Numbers 600-94-10784 and 600-95-22666 (Limited Distribution)	A-15-00-30015	\$1,962,097
		<b>Total:</b>	<b>\$9,187,127</b>

**Reports With Funds Put to Better Use – Reports Issued from  
October 1, 2001 through March 31, 2002**

Date Issued	Title of Report	Report Number	Dollar Amount
2/11/02	Review of the Social Security Administration's Cost Effectiveness Measurement System	A-07-00-10028	\$105,995
		<b>Total:</b>	<b>\$105,995</b>





## Appendix C

### REPORTING REQUIREMENTS UNDER THE OMNIBUS CONSOLIDATED APPROPRIATIONS ACT FOR FISCAL YEAR 1997

To meet the requirement of the Omnibus Consolidated Appropriations Act for 1997 (Public Law 104-208), we are providing in this report requisite data for Fiscal Year (FY) 2002 from the Offices of Investigations (OI) and Audit (OA).

#### Office of Investigations

We are reporting \$26,366,144 in Social Security Administration (SSA) funds as a result of our OI activities in this reporting period. These funds are broken down in the table below.

OI Activities			
	1st Quarter	2nd Quarter	Total
Court Ordered Restitution	\$4,929,214	\$5,370,068	\$10,299,282
Scheduled Recoveries	\$8,130,606	\$7,094,851	\$15,225,457
Fines	\$197,782	\$168,319	\$366,101
Settlements/Judgments	\$240,992	\$234,312	\$475,304
<b>Totals</b>	<b>\$13,498,594</b>	<b>\$12,867,550</b>	<b>\$26,366,144</b>

#### Office of Audit

SSA management has informed the Office of Audit that it has completed implementing recommendations from four audit reports during this fiscal year valued at over \$73 million.

***Supplemental Security Income Underpayments Due Deceased Recipients (A-01-97-52006), May 8, 1998***

We recommended that SSA correct the approximately 186,094 SSI records with underpayments worth an estimated \$72.37 million, which are not payable to anyone.

***Single Audit of the Illinois Department of Human Services for the 2-Year Period Ended June 30, 1999 (A-77-01-00009), July 17, 2001***

We recommended that SSA remind the Disability Determination Service (DDS) to adhere to the terms of the Cash Management Improvement Agreement. The implemented recommendation is valued at \$12,994.

***Audit of the Administrative Costs Claimed by the Arizona Department of Economic Security for its DDS Division (A-15-99-51009), August 31, 2001***

We recommended that SSA reduce the Fiscal Year 1997 Automated Investment Funds Form SSA 4513 expenditures by \$137,759, which could not be substantiated.

**Financial-Related Audit of Outreach, Inc. - A Fee-for-Service Representative Payee for SSA (A-09-00-10068), September 18, 2001**

We recommended that SSA direct Outreach to amend the title of its checking account to obtain Federal Deposit Insurance Corporation coverage of \$100,000 for each individual. The implemented recommendation is valued at \$565,062.

We also recommended that SSA direct Outreach to take action to ensure: (1) any individuals with conserved funds in excess of \$100,000 are fully protected against loss; and (2) individuals earn interest on their conserved funds in accordance with SSA policy. The implemented recommendation is valued at \$67,832.



## Appendix D

### COLLECTIONS FROM INVESTIGATIONS AND AUDITS

This Fiscal Year (FY) 1999 appropriations language for this office requires us to report additional information concerning actual cumulative collections and offsets achieved as a result of Inspector General activities each semiannual period.

#### Office of Investigations

<b>Total Restitution Reported by the Department of Justice (DoJ) as Collected for the Social Security Administration</b>			
<b>FY</b>	<b>Total Number of Individuals Assigned Court Ordered Restitution</b>	<b>Court Ordered Restitution for This Period</b>	<b>Total Restitution Collected by DOJ</b>
2000	441	\$13,526,283	\$2,232,424
2001	670	\$23,067,026	\$25,565,712
2002	327	\$10,323,037	\$684,310 <sup>a</sup>
<b>Totals</b>	<b>1,438</b>	<b>\$46,916,346</b>	<b>\$28,482,446</b>

a.) Period of 10/01/01 through 12/31/01.



<b>Funds Received by the Office of Investigations Based on Recovery Actions</b>			
<b>FY</b>	<b>Total Number of Recovery Actions Initiated</b>	<b>Amount Scheduled for Recovery</b>	<b>Actual Amount Recovered at the Close of the Investigation</b>
2000	445	\$12,722,135	\$4,320,432
2001	1,994	\$33,958,212	\$13,804,187
2002	1,072	\$15,225,457	\$4,811,479
<b>Totals</b>	<b>3,511</b>	<b>\$61,905,804</b>	<b>\$22,936,098</b>

## Office of Audit

The following chart summarizes the Agency's responses to OIG's recommendations for the recovery or redirection of questioned and unsupported costs. This information is prepared in coordination with the Agency's management officials and is current as of March 31, 2002.

<b>Responses to OIG's Recommendations for the Recovery or Redirection of Questioned and Unsupported Costs</b>						
<b>FY</b>	<b>Number of Reports with Questioned Costs</b>	<b>Questioned/Unsupported Costs</b>	<b>Management Concurrence</b>	<b>Amount Collected or to be Recovered</b>	<b>Amount Written-Off/Adjustments</b>	
2000	7	\$76,991,654	\$76,990,499	\$119,511	\$1,155	\$76,870,988
2001	23	\$135,100,905	\$131,165,106	\$84,844,434	\$595,443	\$49,721,814
2002	7	\$9,187,127	\$808,725	\$808,725	\$945,969	\$7,432,433
<b>Totals</b>	<b>37</b>	<b>\$221,279,686</b>	<b>\$208,964,330</b>	<b>\$85,772,670</b>	<b>\$1,542,567</b>	<b>\$134,025,235</b>



## Appendix E

### SIGNIFICANT MONETARY RECOMMENDATIONS FROM PRIOR FISCAL YEARS FOR WHICH CORRECTIVE ACTIONS HAVE NOT BEEN COMPLETED

#### ***Old-Age, Survivors and Disability Insurance Benefits Paid to Fugitives (A-01-00-10014), August 29, 2000***

**Recommendation:** We recommended that the Social Security Administration (SSA) pursue legislation prohibiting payment of Old-Age, Survivors and Disability Insurance (OASDI) benefits to fugitives similar to the provisions pertaining to Supplemental Security Income (SSI) payments under Public Law 104-193.

**Valued at:** \$39,646,884 in funds put to better use, based on legislative action.

**Agency Response:** SSA agreed that the proposal to suspend OASDI benefits for fugitive felons, as is currently done in the SSI program, deserves serious consideration. Further, SSA recognized that it may be viewed as problematic to have different fugitive felon standards for the OASDI and SSI programs.

**Corrective Action:** The new Commissioner is evaluating the proposal for further action.

#### ***Identification of Fugitives Receiving SSI Payments (A-01-98-61013), August 28, 2000***

**Recommendation:** We recommended that SSA reach agreement with State agencies, which either do not enter all fugitive felon data into the National Crime Information Center (NCIC) or provide data to the United States Department of Agriculture, to obtain their fugitive information in an electronic format on a routine basis.

**Valued at:** \$76,418,468 in questioned costs and \$29,856,060 in funds put to better use.

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

**Corrective Action:** SSA has matching agreements with Kentucky, Massachusetts, New Jersey, South Carolina, Tennessee and Baltimore City. However, SSA has learned that there are more sources than originally thought which do not submit fugitive felon data to the NCIC. Although it will take longer than expected, SSA's Regional Fugitive Coordinators and field office staff will continue setting up new matching agreements with State and local authorities until the task is completed. The staff resources available to identify reporting entities, negotiate agreements and analyze data will dictate the amount of time needed to complete all of the required agreements.

#### ***Payments to Child Beneficiaries Age 18 or Over Who Were Neither Students Nor Disabled (A-09-99-63008), May 18, 2000***

**Recommendation:** We recommended that SSA modify its automated system to terminate benefits to child beneficiaries at age 18 if they are neither under a disability nor a full time student.

**Valued at:** \$435,282 in funds put to better use.

**Agency Response:** SSA agreed that all child beneficiaries who are neither under a disability nor full-time students should have their benefits automatically terminated at age 18.



**Corrective Action:** SSA plans to more fully automate this workload with implementation of Release 3 of the title II Redesign (T2R). Release 3 will provide the systems capability to: (1) terminate benefits to child beneficiaries at age 18 if they are neither under a disability nor full-time students; and (2) automate the processing of many of the complex cases now worked manually, such as those involving workers' compensation. Some cases will still require manual processing because of the level of complexity, e.g., triple entitlement. While it is not possible to predict exact numbers of cases at this point, we anticipate that the majority of this workload will be fully automated with Release 3.

SSA estimates that it will be approximately two and a half years before Release 3 can be implemented. In the interim, it would not be a cost-effective use of resources to implement any pre-T2R system modifications that would be obsolete when Release 3 becomes operational.

***SSA Incorrectly Paid Attorney Fees on Disability Income Cases When Workers' Compensation Payments Were Involved (A-04-98-62001), March 8, 2000***

**Recommendation:** We recommended that SSA review the cases in our sample to determine the proper attorney fee payment and take the required actions on the \$18,410 in errors of which \$17,238 were overpayments and \$1,172 were underpayments.

**Valued at:** \$33,852,529 in funds put to better use and \$17,238 in questioned costs.

**Agency Response:** SSA agreed. They will review the sample cases and take the appropriate action.

**Corrective Action:** SSA's Office of Operations continues to review the one remaining sample case as they require additional time to resolve.



## Appendix F

### SIGNIFICANT NONMONETARY RECOMMENDATIONS FROM PRIOR FISCAL YEARS FOR WHICH CORRECTIVE ACTIONS HAVE NOT BEEN COMPLETED

#### ***Obstacles to Reducing Social Security Number Misuse in the Agriculture Industry (A-08-99-41004), January 22, 2001***

**Recommendation:** We recommended that the Social Security Administration (SSA) establish goals and measures, in accordance with the Government and Performance Results Act of 1993, that track SSA's success in reducing the growth and size of the Earnings Suspense File (ESF).

**Agency Response:** SSA agrees that a performance measure related to the steps being taken to limit the growth of the ESF may be appropriate.

**Corrective Action:** Senior Financial Executive (SFE) staff, working with the Earnings Team, are exploring a proposed performance indicator that would measure the percentage reduction in name/Social Security Numbers (SSN) mismatches compared to the total number of Forms W-2 received in a given tax year. Since the number of Forms W-2 vary each tax year, this would permit a measure to be based on total W-2s received. SFE will disseminate its proposed performance measure for Agency concurrence.

#### ***Procedures for Verifying Evidentiary Documents Submitted With Original SSN Applications (A-08-98-41009), September 19, 2000***

**Recommendation:** We recommended that SSA accelerate negotiations with United States Immigration and Naturalization Service (INS) and the United States Department of State (DOS) to implement the Enumeration at Entry program. Once implemented, all non-citizens should be required to obtain their SSNs by applying at one of these Agencies.

**Agency Response:** SSA agreed that accelerated negotiations are necessary and SSA is committed to the implementation of the Enumeration at Entry program.

**Corrective Action:** SSA established a Memorandum of Understanding (MOU) with the INS as of December 2000. The MOU establishes the provisions under which INS will initially transmit validation information to SSA for use in assigning SSNs to recently admitted immigrants (i.e., permanent resident aliens). It also identifies the long-term goals for INS assistance in meeting our objective to prevent individuals from using fraudulently obtained documents to obtain valid SSNs. SSA, INS and DOS have discussed and finalized the technical aspects of the data transfer. DOS is making the necessary changes electronically to provide the enumeration data to INS. The systems release is scheduled for June 2002. INS started the systems changes needed to transmit the enumeration data to SSA. SSA has started work to make the changes to accept the enumerations data from INS and to use that data to assign SSNs. DOS, INS, and SSA expect to have the needed systems changes in place by May 2002.

**Recommendation:** We recommended that SSA continue efforts and establish an implementation date for planned system controls that will interrupt SSN assignment when multiple cards are mailed to common addresses not previously determined to be legitimate recipients (for example, charitable organizations) and/or when parents claim to have had an improbable large number of children.

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



**Corrective Action:** The Agency continues its efforts to implement enhancements in the Modernized Enumeration System (MES). The General Project Scope Agreement (PSA) for this initiative was signed in November 2000. It breaks the effort into three separate releases. The PSA for Release 1, which will handle the "too-many-children" issue, was signed December 2000 and scheduled for implementation February 2003. Release 2 will interrupt processing for "too-many-cards" to the same address; and will likely be completed within 18 months of Release 1. Release 3 will expand the capabilities of the use of the development worksheets implemented in releases 1 and 2. In this final release, the MES investigative process will be revised to include all alert conditions on the same feedback/investigative message.

***SSA is Pursuing Matching Agreements with New York and Other States using Biometric Technologies (A-08-98-41007), January 19, 2000***

**Recommendation:** SSA should pursue a matching agreement with New York, so that the Agency can use the results of the State's biometric technologies to reduce and/or recover any improper benefit payments.

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

**Corrective Action:** The Office of Disclosure Policy (ODP) developed a draft *Computer Matching Privacy Protection Act* (CMPPA) agreement and sent it for component comments in June 2001. ODP met with OIG on January 24, 2002 to discuss the outstanding issues that need to be resolved before any match is undertaken. There is still a need for a component sponsor, a cost benefit analysis, and the development of a detailed workplan. Since the information OIG is working from is over 7 years old, this information needs to be reevaluated. Those discussions will determine whether a model CMPPA agreement will be presented to SSA's Data Integrity Board to allow for the requested match.

**Recommendation:** SSA should initiate pilot review to assess the cost efficiency of matching data with other States that have employed biometrics in their Social Service programs.

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

**Corrective Action:** The Office of Disclosure Policy is awaiting comments from all SSA components on a Federal Register notice regarding changes to existing systems of record that are related to this project. An MOU for applicants between SSA and the New York State Office of Temporary and Disability Assistance was signed June 2001.

Since signing the MOU the pilot methodology has been revised considerably. The new method of verifying claimant identity will be non-electronic. The change involves the verification, via photograph, of the identity of an individual at a consultative examination (CE) requested by the New York Disability Determination Services. It is anticipated that the study will provide data regarding the rate of identity match/non-match at the time of the CE and the rate of claimants who have photographic identification available at the initial interview in the field office. The proposal includes both title II and title XVI adult applicants. The voluntary nature of the project will be explained and applicants will be provided the opportunity to offer written statements if they refuse to provide photographic identification. One product of the pilot evaluation will be recommendations as to possible next steps in this area, including consideration of biometrics.

***Nonresponder Representative Payee Alerts for SSI Recipients (A-09-96-62004), September 23, 1999***

**Recommendation:** We recommended that SSA develop procedures for employees to redirect benefit checks to field offices (and require representative payees to provide the accounting forms



before releasing the checks) in instances where other attempts to obtain the required forms have been unsuccessful.

**Agency Response:** SSA agreed, in part. When a representative payee does not respond or will not cooperate after repeated attempts to obtain an annual accounting, the field office is required to consider a change of payee when necessary. When the field office determines that a change of payee is necessary, they develop for a successor payee. If a payee is not readily available, the beneficiary is paid directly or placed in suspense status under certain limited circumstances.

**Corrective Action:** In February 2000, SSA proposed legislation to redirect benefit checks when representative payees fail to complete the required accounting form as part of a package of improvements to the payee monitoring process. This change was included in H.R. 4857, as adopted by the Ways and Means Committee in September 2000. While it was not passed in the previous congressional session, there is the potential for the proposal to be considered in this congressional session. SSA has included this legislative change as part of the FY 2003 legislative package that was sent to the Office of Management and Budget in October 2001.





# Appendix G

## GLOSSARY

<b>Abbreviation</b>	
ALJ	Administrative Law Judge
AMD	Allegation Management Division
CDI	Cooperative Disability Investigations Program
CDR	Continuing Disability Review
CE	Consultative Examination
CEMS	Cost Effectiveness Measurement System
CFO	<i>Chief Financial Officers Act of 1990</i>
CID	Critical Infrastructure Division
CMP	Civil Monetary Penalty
CMPPA	<i>Computer Matching and Privacy Protection Act</i>
DAA	Drug Addiction and Alcoholism
DDS	(State) Disability Determination Services
DI	Disability Insurance
DIG	Diagnosis Codes
DMF	Death Master File
DoJ	Department of Justice
DoL	Department of Labor
DoS	Department of State
ECT	Electronic Crimes Team
eDib	Electronic Disability
EF	Electronic Folder
ESF	Earnings Suspense File
EVS	Employee Verification Service
FECA	<i>Federal Employees' Compensation Act</i>
FO	Field Office
FY	Fiscal Year
GAO	General Accounting Office
GPRA	<i>Government Performance and Results Act</i>
HEREIU	Hotel Employees and Restaurant Employees International Union
H.R.	House of Representatives
IG	Inspector General



<b>Abbreviation</b>	
INS	Immigration and Naturalization Service
IRS	Internal Revenue Service
MEF	Master Earnings File
MES	Modernized Enumeration System
MOU	Memorandum of Understanding
NCIC	National Crime Information Center
OA	Office of Audit
OASDI	Old-Age, Survivors and Disability Insurance
OASI	Old-Age and Survivors Insurance
OCIG	Office of the Counsel to the Inspector General
OCSE	Office of Child Support Enforcement
ODP	Office of Disclosure Policy
OEO	Office of Executive Operations
OHA	Office of Hearings and Appeals
OI	Office of Investigations
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PAL	Prague Assisted Living (Center)
PD	Police Department
PDD	Presidential Decision Directive
PIN	Personal Identification Number
P.L.	Public Law
PwC	PricewaterhouseCoopers LLP
POMS	Program Operations Manual System
PSA	(The General) Project Scope Agreement
RPR	Representative Payee Reports
RPS	Representative Payee System
SFE	Senior Financial Executive
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSNVS	Social Security Number Verification Service
T2R	Title II Redesign
VA	Department of Veterans Affairs

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