

**STATEMENT BY HAL DAUB**

**CHAIRMAN, SOCIAL SECURITY ADVISORY BOARD**

**Before the U.S. House of Representatives  
Committee on Ways and Means  
Subcommittee on Human Resources**

**July 25, 2002**

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Chairman Herger, Congressman Cardin, Members of the Subcommittee, on behalf of the Social Security Advisory Board, I first of all want to commend you on holding this hearing on fraud and abuse in the Supplemental Security Income – SSI – program. For over five years now, the Advisory Board has spent a great deal of time reviewing, on a non-partisan basis, the programs administered by the Social Security Administration including the SSI program.

The Board's legislative charter directs it, among other things, to make recommendations with respect to the quality of service that the Social Security Administration provides to the public. Ensuring a high level of program integrity is an inherent aspect of the agency's obligation to provide good service to the public. Taxpayers have a right to expect that their tax dollars are accurately expended. Program recipients have a right to expect that they and others will have their benefits properly determined and administered.

Over its history, the Social Security Administration has attempted to foster a commitment to program integrity. This is reflected in a catch phrase that, I believe, virtually all SSA employees are familiar with – “the right check to the right person on time.” The agency and its employees do understand and want to meet the public's expectations of a high level of program integrity. But increasing workloads and declining resources have undermined this theoretical commitment to integrity. Managers and employees throughout the administrative structure are frustrated that they lack both the

time and the tools that they need to do the high quality work that the public deserves and that they expect of themselves.

Based on the Board's careful study of the program over the past five years, we issued a report in March directed specifically at this issue of program integrity. The Board found that more attention and resources need to be devoted to achieving program integrity. That report covers all aspects of SSA's responsibilities and not just the SSI program, but the issues it raises are generally applicable to SSI. Indeed, the complexity of the SSI program makes the achievement of program integrity in that program even more challenging. In May, the Board prepared a statement on the SSI program specifically. This statement commented on, and was included in, the agency's annual report on the SSI program. I am submitting these documents with my testimony today. I believe the detailed information they contain will be helpful to the Subcommittee as it pursues the subject of today's hearing.

In this statement, I would like to briefly outline just a few of the areas where the Board finds there is an urgent need for improvement in assuring program integrity for the SSI program.

### **Fraud and Abuse**

Outright fraud and abuse of the program is, of course, the most troubling type of program integrity issue. And it certainly does exist. Each of the semiannual reports from the Inspector General's office points out specific instances where fraudulent activities have been detected, such as individuals continuing to cash benefit checks issued to deceased individuals and SSI recipients who do not report that they have left the United States. In the Board's meeting with Social Security field staff, we have heard about other

manifestations such as so-called “middlemen” who provide false information to get non-English speaking applicants on the benefit rolls.

One direct way to combat fraud and abuse is to increase the resources available for investigating allegations or suspicious circumstances, and there have been significant funding increases for the Inspector General’s office in recent years. However, the most effective remedy for fraud and abuse is an overall commitment to program integrity which can minimize the potential for fraud and abuse at the front end of the process. The incidence of abuse of the program will be far less to the extent that the agency has a reputation for careful attention to verification of eligibility.

### **Accuracy of SSI Payments**

The social security retirement program establishes eligibility on the basis of factors that are relatively easy to determine such as birth date, for which there is generally good documentary evidence, and wage history, which is maintained and updated within the social security databases through mandatory wage reporting by employers. By contrast, the SSI program has a much more complex set of eligibility factors including assets, living arrangements, and income from all sources. Moreover, even if these factors are correctly determined at the point of initial eligibility, they are quite susceptible to change.

A high level of payment accuracy in the SSI program requires that the eligibility determinations be done carefully by well-trained and supervised employees who place a high value on getting the decision right. It also requires that recipients be adequately instructed on the importance of reporting events that might change their eligibility and that their reports of such events be promptly acted on.

In its reviews of the program, the Board has found several elements that have tended to work in the wrong direction. The work measurement system used by the agency tends to reward quantity of production rather than quality of product. That type of incentive, in combination with staffing shortages and inadequate training and supervision, inevitably leads to a lowering of quality. For example, in our visits to field offices, employees have told the Board that they sometimes do not pursue certain lines of questioning (such as the details of living arrangements) because it takes too long to resolve the issues that may be raised. The Board has also heard from SSA employees and members of the public of delays – sometimes extensive – in making payment changes required by events reported by recipients.

### **Collection of Overpayments**

When erroneous payments are detected, the agency has an obligation to attempt to recover the misspent funds. Again, a reputation for prompt and effective action in this area would naturally tend to lessen the incentive for abusive practices such as a failure to report events lowering or eliminating eligibility. SSA has recently taken steps to increase its collections of overpayments both by better detection and by improved recovery. However, despite the fact that the collection of overpayments is a highly cost-effective activity, the agency has limited collections because of resource limitations. Under certain conditions, recipients may properly qualify to have the collection of overpayments waived. However, the Office of the Inspector General has found that many waivers are incorrectly granted or are granted with insufficient documentation. An SSA executive recently told the Board that field offices often are too busy to pursue overpayment collections and find that it is easier to waive the debt.

## **Representative Payee Accountability**

A large proportion of SSI recipients – about one of every three – lacks the capacity to manage their own funds. In this situation, the Social Security Administration pays benefits to an individual or organization as a “representative payee.”

The law requires:

- that representative payees expend benefit funds only for the recipient’s needs,
- that they report events affecting the recipient’s eligibility, and
- that they provide an annual accounting to demonstrate that the funds were used appropriately.

Payment of benefits to third parties in this way is an area that is highly susceptible to abusive practices if the agency does not carefully select and monitor these representative payees. As recently as December 2001, the Office of the Inspector General observed that SSA is not performing background checks of potential payees to determine if they have financial problems, bad credit records, or felony convictions. In response to reports of abusive practices by representative payees, the agency has taken steps to improve its administration of this aspect of the program, but much more needs to be done. If vulnerable beneficiaries are to be protected from misuse of benefits, the agency will need to devote considerably more resources to screening and monitoring representative payees.

One particular concern is SSA’s inadequate oversight of dedicated accounts established for disabled children who receive large retroactive benefit payments. The Congress mandated these accounts to ensure that benefits were spent appropriately for

care and services for the child. But due to the complexity of these accounts, the difficulty in administering them and – often times – sympathetic family circumstances, SSA’s field employees report that they often look the other way when parents misuse these funds.

### **What Needs to Be Done**

I have described just a few of the issues that are discussed in much more detail in the reports of the Advisory Board and also in the reports that have been issued by the General Accounting Office and the Office of Inspector General. I do not want to leave the impression that nothing is being done to deal with these problems. As this Subcommittee knows well, legislation has been developed and enacted over the past few years to give the Social Security Administration improved tools to verify income and other eligibility factors and to more effectively recoup overpayments. SSA is implementing a corrective action plan addressing in particular the issues raised by GAO in its report designating SSI as a “high-risk” program. Initiatives currently being carried out include gaining easier access to bank account balance information, improving efficiency in identifying and processing information about changes that affect eligibility, and, in particular, devoting more resources to the conduct of periodic eligibility redeterminations. These actions are welcome and useful, but it needs to be recognized that adequate resources will have to be found for these initiatives to succeed fully.

In addition, the Board has pointed out changes of a more fundamental nature that need to be addressed.

Part of the reason why the SSI program is particularly susceptible to fraud and abuse is that it is an extremely complicated program. To a considerable extent, its complexity arises from the nature of what it attempts to accomplish. However, the Board believes

that the agency should carefully examine program policy and take the lead in developing measures, however incremental, that will change SSI policy rules, by administrative action or by working with Congress to adopt legislation, so as to make them easier for the agency to administer and easier for beneficiaries to understand and comply with.

The agency also needs to implement a new quality management system. The program does have a quality assurance component, but this currently is essentially an end-of-line approach that is of limited usefulness in finding and correcting problems before they occur. In addition, the Board has heard numerous criticisms from the field that, while the sample size used to evaluate SSA's quality is statistically valid, it is not large enough to be of instructional value to the frontline employees and managers who are responsible for delivering services to the public. Many throughout the organization feel that the existing structures for measuring performance and quality are skewed towards speed and productivity. SSA's leadership needs to implement a system which will make quality a guiding principle for all aspects of its work.