



WORKING TOGETHER

Social Security Administration
Office of the Inspector General

Semiannual Report to Congress

October 1, 2005 – March 31, 2006

Social Security Administration Office Of The Inspector General

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.





A Message from the Inspector General

Winston Churchill said, "If we are together, nothing is impossible. If we are divided all will fail." He spoke of the Allied effort in World War II, but his message resonates more than half a century later and an ocean away, where the Government of the United States works tirelessly to meet challenges unheard of, even undreamt of, in Churchill's time.

From terrorist acts that remind us of the fragility of the human condition to natural disasters that remind us that we are merely passengers on this planet, subject to nature's wrath and mercy, we see again and again that as a government, we can serve adequately only through a combined, coordinated, and concerted effort.

The title of this report is "Working Together," a statement deceptive in its apparent simplicity, but understated in its urgency. For the 608 employees of the Office of the Inspector General, it is a credo infused in our every action. Whether it is our auditors working with our investigators to ensure that surveillance videos are considered in reaching disability determinations or our investigators working with our attorneys to provide evidence in support of the imposition of civil penalties, we work hand in hand every day, every week, on everything we do.

But this unity is not limited to our internal efforts. On a daily basis, we join forces with countless other Federal, State, and local government agencies to maximize resources, share expertise, and exchange information. Whether on fugitive task forces or identity theft workgroups, in training conferences, audit forums, or in limitless other combinations—not the least of which is the President's Council on Integrity and Efficiency—we continue to follow Churchill's advice.

Two of our most important partners, of course, are the Social Security Administration and the United States Congress. Nowhere is this theme of working together more apparent, or more important, than in our close relationships with the Agency we serve and with the lawmakers to whom we answer. No Inspector General enjoys a more supportive and cooperative relationship with his or her Agency than I do with the Commissioner of Social Security and her 65,000 employees. Day in and day out, we work together to improve the Agency's critical mission. And in our frequent dealings with Capitol Hill, we strive to provide timely and accurate information, and work with Senators, Congressmen, and staff to craft legislation that reflects Congress' commitment to the People and furthers our own mission—to prevent and detect fraud, waste, and abuse in Social Security programs and operations.

What Churchill said eloquently, Casey Stengel said somewhat more informally: "Gettin' good players is easy. Gettin' 'em to play together is the hard part." Our Government is full of good players, none better than the men and women of this Office. This report is a testament to their ability to play together, and to the results of that effort.

Sincerely,

A handwritten signature in blue ink that reads "Patrick P. O'Carroll, Jr.".

Patrick P. O'Carroll, Jr.
Inspector General



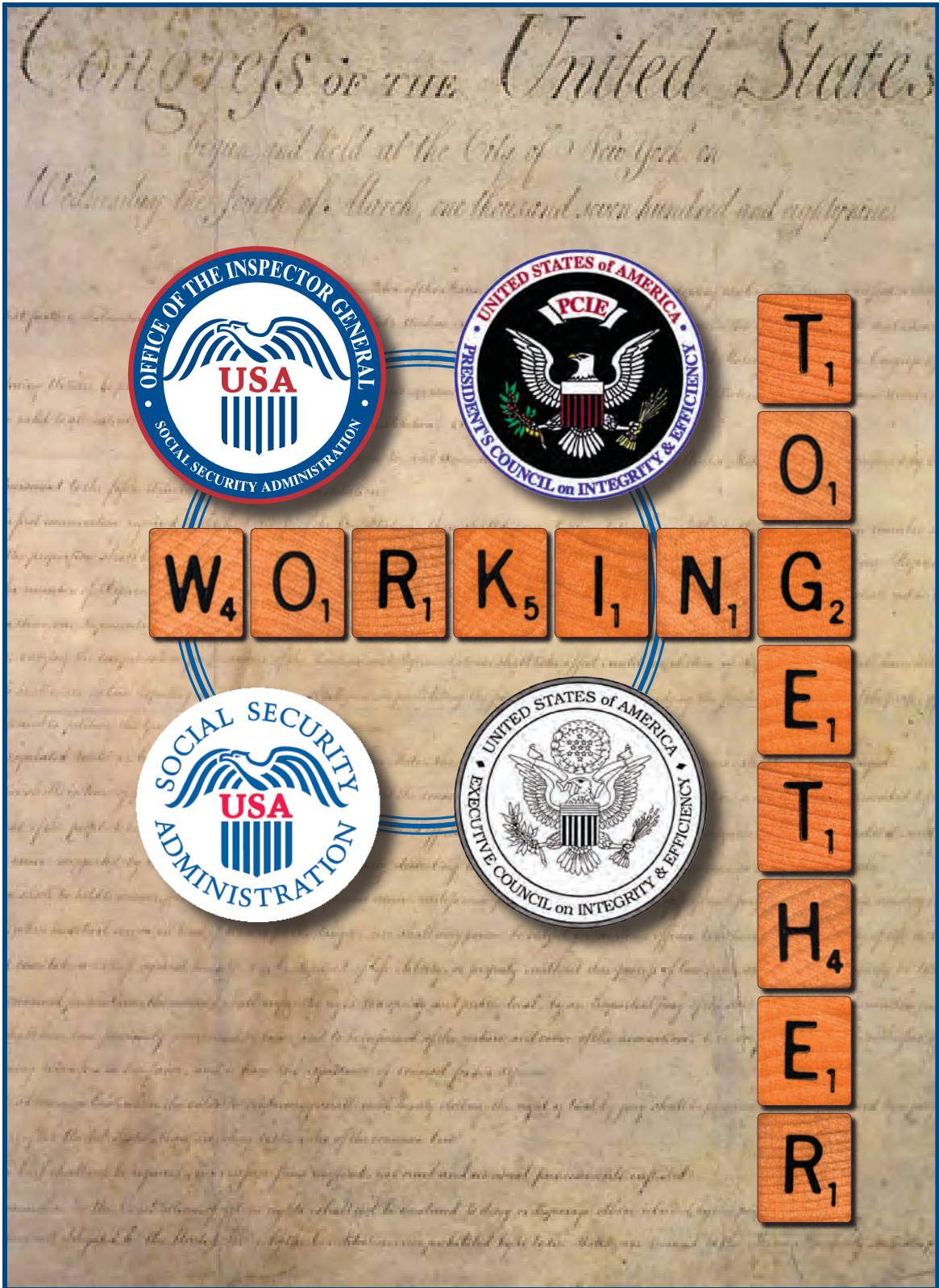




Semiannual Report to Congress Working Together

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Executive Summary

The first half of this first decade of the new century has been rife with challenges born of both natural and man-made disasters. The reaction of the American people to these challenges reminds us that our country's strongest asset is the resilience of the American spirit to withstand hardship by "Working Together." In this report, by which we proudly present the accomplishments of the women and men of the Office of the Inspector General (OIG) during the past 6 months, we will show how our auditors, investigators, attorneys, and critical support staff have worked together for the purpose of preventing fraud, waste and abuse in the Social Security Administration's (SSA) programs and operations, and how these efforts have strengthened the integrity of government and contributed to the Nation's safety and security.

Our noteworthy achievements are documented in the sections of this report that correspond to the three major areas of our Strategic Plan.

- Our impact on SSA's programs and operations;
- The value we provide to SSA, the Congress, and the public; and
- The initiatives we undertake to enhance the work experience of our people.

Our combined efforts in the areas of audit, investigation, and legal work generated a positive return. The following information summarizes our achievements for this reporting period.

Our auditors issued 44 reports with recommendations identifying over \$96 million in questioned costs and over \$1.4 million in Federal funds that could be put to better use.

Our audit work covered areas ranging from Title II and Title XVI overpayment-related issues, to reviews of selected Disability Determination Services (DDS) to evaluate their internal accounting controls of administrative costs. We reviewed SSA's compliance with Title XVI overpayment write-off procedures, the adequacy of SSA's Title II waiver approval process, and whether decisions to terminate collection of Title II overpayment debt were in accordance with the Agency's policies and procedures. We also looked at whether SSA had fully identified all of the SSI recipients who might be eligible for benefits under the Title II program, and suggested system enhancements to assist with this task.

Our investigators reported over \$139 million in investigative accomplishments, with over \$29 million in SSA recoveries, restitution, fines, settlements, and judgments, and over \$109 million in projected savings from investigations resulting in the suspension or termination of benefits. We closed over 5,400 criminal and administrative investigations, resulting in over 2,800 arrests and indictments and over 1,500 convictions, civil monetary penalty (CMP) assessments and apprehensions of illegal aliens. In addition, our investigators worked on multi-agency investigations that resulted in over \$47 million in savings, restitution and recoveries for other agencies.

During this period, OIG issued 44 audit reports with recommendations identifying over \$96 million in questioned costs and over \$1.4 million in Federal funds which could be put to better use.



We built on the success of the Cooperative Disability Investigations (CDI) program, a joint effort of the OIG, SSA, State DDSs, and State and local law enforcement personnel, utilizing 19 CDI units located in 17 States to obtain sufficient evidence to identify and resolve issues of fraud and abuse related to initial and continuing disability claims. During this reporting period, the efforts of our CDI teams resulted in almost \$66 million in SSA program savings.

Our efforts to identify fugitive felons and parole and probation violators via automated data matches between SSA's beneficiary rolls and a number of Federal and State warrant databases contributed to the arrest of over 5,100 fugitives during this reporting period—and a total of over 38,000 arrests since the program's inception in August 1996.

Included in the investigative accomplishments total is \$1.1 million in penalties and assessments that our attorneys imposed through our CMP program. During this reporting period, we initiated 103 cases involving false statements or representations made in connection with obtaining or retaining benefits or payments under Titles II and XVI of the *Social Security Act (the Act)* (Section 1129 cases). In addition, we processed 43 complaints and closed 7 cases dealing with forms of misleading advertising and communication prohibited by Section 1140 of *the Act* because of misleading use of SSA's program words, symbols, or emblems. We resolved almost all of these through voluntary compliance.

Our CMP program imposed \$1.1 million in penalties and assessments for the first half of this fiscal year.

During this reporting period, we participated in five Congressional hearings. Four of these hearings addressed integrity issues relating to the Social Security Number (SSN) and the enumeration process. One hearing addressed the issue of unauthorized workers in the United States and how it contributes to one of SSA's greatest challenges—erroneous wage reports held in the Earnings Suspense File (ESF).

By continuing to work together on these critical issues, we believe our efforts will result in strengthening the security of the enumeration and wage reporting processes—processes that are most basic to SSA's mission.

Working together. Within the OIG, with SSA, with Congress, the Government Accountability Office, other agencies, State and local partners, and with other OIGs through the President's Council on Integrity and Efficiency (PCIE), the combined Government efforts detailed in this report reflect our unwavering commitment to integrity and demonstrate this commitment to the American people and those they have elected to govern them.



Introduction to Our Organization

SSA OIG is comprised of the Immediate Office of the Inspector General and four major components: the Office of Audit, the Office of Investigations, the Office of the Chief Counsel to the Inspector General, and the Office of Resource Management.

IMMEDIATE OFFICE OF THE INSPECTOR GENERAL (IO)

IO provides the Inspector General with staff assistance on the full range of his responsibilities. IO staff provide liaison services with all agencies sharing an interest or a role with OIG and assure coordination with Congressional committees, SSA, the Social Security Advisory Board and the President's Council on Integrity and Efficiency. The Office of Quality Assurance and Professional Responsibility (OQAPR), part of the IO, is responsible for two critical functions—it conducts exhaustive reviews of each of the OIG's component offices to ensure compliance with Federal laws and regulations, Agency policies, and relevant professional standards and also performs OIG's Professional Responsibility function, conducting thorough and timely investigations should allegations of misconduct be lodged against an OIG employee.

OFFICE OF AUDIT (OA)

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

OFFICE OF INVESTIGATIONS (OI)

OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, and third parties, as well as by SSA employees while performing their official duties. This office serves as OIG liaison to the Department of Justice (DOJ) on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

OFFICE OF THE CHIEF COUNSEL TO THE INSPECTOR GENERAL (OCCIG)

OCCIG provides independent legal advice and counsel to the Inspector General on a wide range of issues, including statutes, regulations, legislation, and policy directives. OCCIG advises the Inspector General on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. OCCIG also administers the CMP program. This office manages OIG's external and public affairs program, preparing OIG publications and handling Congressional, media and public requests for information.

OFFICE OF RESOURCE MANAGEMENT (ORM)

ORM provides administrative and management support to the Inspector General and OIG components. ORM formulates and executes the OIG budget and confers with the Office of the Commissioner, the Office of Management and Budget (OMB) and the Congress on budget matters. ORM is responsible for strategic planning and performance reporting, and facility and property management. ORM develops and maintains OIG's administrative and management policy and procedures and performs all human resource support activities for OIG. ORM also plans, designs, develops, tests, implements, and maintains hardware, software, and telecommunications networks to support OIG's mission.



Impact

The OIG is committed to enhancing SSA's effectiveness and efficiency through our investigations, audits, and legal activities. Through our best efforts, we strive to have maximum impact on SSA's programs and operations in order to best assure the continued integrity and reliability of the Social Security programs.

During this reporting period, we completed many audits, investigations, and legal initiatives, covering major SSA program and management areas, which have significant impact on the deterrence of fraud, waste, and abuse. The summaries presented below are indicative of our work in this area.

Audit Impact Initiatives

OA contributes to this objective by conducting and supervising comprehensive financial and performance audits of SSA's programs and operations and by making recommendations to maximize the effective operations of the Social Security programs. These audits, along with short-term management and program evaluations, focus on those SSA programs and activities most vulnerable to fraud and abuse.

Benefit Payment Issue: Reversal of Disability Denial Decisions Using Investigative Information from CDI Units

The CDI program, jointly managed by SSA and OIG, seeks to obtain evidence sufficient to resolve questions of fraud in SSA's disability programs. This audit looked at investigations from July 1999 through July 2005. CDI investigations were used to support over 8,000 decisions to deny benefits at the initial, reconsideration, or hearing level, realizing an estimated \$492 million savings in improper payments.

The Office of Disability Adjudication and Reviews (ODAR) conducts hearings before an administrative law judge (ALJ) who issues decisions regarding disability. Our review of 100 ALJ decisions, in cases in which an investigation had been conducted, found that ALJs may not have always been aware that an investigation was conducted at a prior decision level, or may not have always considered the investigative report in making the disability decision. Of the 100 decisions reviewed, 97 paper disability folders were not clearly marked to indicate that an investigation had been conducted, 40 investigative reports were missing from the paper folders, 28 investigative reports were not included on the exhibit list, and 59 investigative reports were not discussed in the ALJ decision.

We recommended that SSA: (1) provide instructions in their Program Operations Manual System (POMS) on which component is responsible for filing the investigative report, and flag the electronic folder (EF) to identify cases where an investigation was conducted; (2) ensure that the link to the CDI report cannot be removed from the EF; (3) remind ALJs to document the use of the investigative report in the hearing decision; (4) encourage ALJs to request CDI unit investigators and third parties to testify at hearings when needed; (5) encourage ALJs to request



from SSA and DDSs additional evidence from CDI units when warranted; and (6) require that surveillance videos be included in the multimedia evidence section of the EF.

SSA agreed with the intent of our recommendations, but stated that it would not be cost effective to implement recommendation 2 at this time, nor could recommendation 6 be implemented as the technology does not currently exist to allow inclusion of surveillance video in the EF. Regarding recommendation 6, OIG is now working with SSA to expand the multimedia section of the EF and, to that end, is currently preparing a request for the Information Technology Advisory Board to accommodate video surveillance.

SSA Agency Operations: SSA's Independence Day Assessment (IDA)

IDA procedures are used to decide when a DDS is ready to implement the EF system as part of SSA's eDib (electronic disability) initiative. To determine when a DDS is ready to implement the EF, SSA developed a four-step IDA certification process: (1) Assessment Visit; (2) Training Verification; (3) Record-Keeping Requirements Certification; and (4) Validation Visit.

Our review focused on the IDA certifications of the Mississippi and Illinois DDSs – the first two DDSs certified by SSA to operate in a fully electronic environment. We found that SSA's IDA procedures were generally effective for deciding when a DDS is ready to implement the EF, and that SSA generally followed the IDA procedures to certify the Mississippi and Illinois DDSs. Further, critical discrepancies—those issues that could potentially affect the outcome of the disability decision and the completeness of the EF—were generally resolved or alternate processes were implemented by SSA prior to the certification of the Mississippi and Illinois DDSs.

We found that the IDA certification process could be strengthened and recommended that SSA: (1) maintain documentation that outlines the actions taken to resolve significant issues identified during the IDA process; (2) resolve or schedule for resolution computer system problems reported at the time of the Validation Visit; (3) continue efforts to develop a comprehensive workaround resolution plan; and (4) periodically distribute the best practices of certified DDSs to DDSs preparing for the IDA process. SSA agreed with our recommendations.

Benefit Payment Issue: SSA's Identification of Special Disability Workload (SDW) Cases

Studies SSA conducted as of November 2004 identified approximately 466,000 Supplemental Security Income (SSI) recipients who were potentially eligible for benefits under the Old Age, Survivors, and Disability Insurance (OASDI) program. The Agency has defined these as Special Disability Workload (SDW) cases. SSA assembled regional cadres of technical experts to work with field offices, Federal/State DDSs, program service centers, and SSA's Office of Central Operations to identify and assess the SDW cases.

Our audit objective was to determine whether SSA had fully identified the universe of SDW cases, and had taken action to implement systems enhancements to prevent future SDW cases. Although SSA undertook several studies to identify all SSI recipients who appeared to be insured for OASDI benefits, and had implemented systems enhancements to assist with



processing the cases, additional groups of cases were later identified. SSA failed to fully identify potential Title II eligibility factors, and weaknesses in systems programming limited the Agency's ability to identify all SSI recipients who may be eligible for Title II benefits.

OIG recommended that SSA: (1) ensure that systems enhancements to identify SSI recipients who may be eligible for Title II benefits are made a top priority and implemented timely; and (2) continue to process SDW cases, and pay benefits for those SDW cases determined to be eligible for Title II benefit payments. SSA agreed with our recommendations.

SSN Protection: Hospitals' Use and Protection of SSNs

Many hospitals routinely use SSNs in their admission procedures, record-keeping, and various other business practices. Though no single Federal law regulates use and disclosure of SSNs, the *Social Security Act* and the *Privacy Act of 1974* contain provisions that govern disclosure of SSNs. Additionally, the *Health Insurance Portability and Accountability Act of 1996* addresses the privacy and security of all "individually identifiable health information."

Our objective was to assess hospitals' use and protection of SSNs and the potential risks associated with such use. To accomplish this, we selected a sample of 10 hospitals nationwide. For each hospital, we interviewed hospital personnel and reviewed hospital policies and practices related to the use and protection of SSNs. While SSA cannot prohibit hospitals from using SSNs as patient identifiers, we believe SSA can be instrumental in promoting SSN integrity by encouraging hospitals to limit its collection and use, and by working to protect against inappropriate disclosure and potential identity theft.



We recommended that SSA: (1) educate hospitals about the potential risks associated with using SSNs as patient identifiers; (2) encourage hospitals to limit their collection and use of SSNs; (3) encourage the Centers for Medicare and Medicaid Services to remove SSNs from identification cards

and develop an alternate identifier; and (4) promote the best practices of hospitals that are taking steps to limit their use of SSNs. SSA agreed with our recommendations.

SSA Agency Operations: Assessment of the Adequacy of SSA's Controls Over the Use of Signature Proxies on Applications for Benefits (Limited Distribution Report)

SSA's claim-taking process is evolving into a fully electronic environment and has eliminated the need for retaining paper applications. Accordingly, SSA implemented alternatives to the pen-and-ink or "wet" signatures required for Title II and XVI benefit applications processed on or after June 21, 2004.

We assessed the adequacy of SSA's controls over the risks of using signature proxies. We recognize SSA's efforts to improve claims processing efficiencies. While additional claims processing controls were implemented, such as modifications made to annotate the Agency's claims systems for signature proxies, and the retention of a record of the application in the Online Retrieval System, we believe the Agency should take additional steps to help mitigate risks. We



made seven recommendations to the Agency. The Agency agreed with six recommendations and considered the seventh recommendation, but chose not to implement it.

Wage Reporting: Suspended and Nonwork Wages in SSA's Payroll

Wages reported to SSA on Forms W-2 containing names and/or SSNs that do not match SSA's records cannot be posted to an individual's earnings record in SSA's Master Earnings File. Instead, these wages are placed in SSA's Earnings Suspense File (ESF)—a repository for unmatched wages. Wages reported with non-work SSNs are recorded on the Non-work Alien (NWALIEN) file. SSA issues non-work SSNs to individuals who lack Department of Homeland Security (DHS) work authorization, but have valid non-work reasons for obtaining an SSN. Section 414 of the *Illegal Immigration Reform and Immigration Responsibility Act of 1996* requires SSA to report to DHS information for individuals working under non-work SSNs. This file is sent annually to DHS.

The objective of this audit was to determine whether any SSA employees were working under non-work SSNs and/or names/SSNs that do not match with SSA's records. Of the approximately 62,000 employees who worked at SSA during each Tax Year from 1999 through 2002, we found that 94 employees had wages posted to SSA's NWALIEN file and/or ESF. Specifically, 33 employees with about \$2.6 million in wages had worked during the 4-year period with non-work SSNs that were assigned in Tax Years 1974 to 1991. In addition, we identified 61 employees, representing about \$184,000 in wages, whose wages were placed in the ESF because (1) the employees appeared to be deceased in SSA's records, (2) the employees disclaimed the wages, or (3) the reported names and/or SSNs did not match SSA's records.

Although only a relatively small percentage of SSA employees had wages posted to the NWALIEN file and ESF, SSA should be a model for the employer community by ensuring that it knows the identity and work status of its employees, since they may have access to the Agency's sensitive information and facilities. Therefore, we recommended that SSA: (1) verify the names and SSNs of its employees; and (2) correct its records for the cases referred during the audit. SSA agreed with our recommendations.

SSA Agency Operations: Audits of SSA's Performance Data

We contracted with PricewaterhouseCoopers, LLP (PwC) to evaluate SSA's performance indicators established to comply with the *Government Performance and Results Act*. For each performance indicator, PwC's objectives were to:

- ♦ assess the effectiveness of internal controls and test critical controls over the data generation, calculation, and reporting processes for the specific performance indicator;
- ♦ assess the overall reliability of the performance indicator's computer-processed data;
- ♦ test the accuracy of results presented and disclosed in the Fiscal Year (FY) 2004 Performance and Accountability Report; and
- ♦ assess whether the performance indicator provided a meaningful measurement of the program it measured and the achievement of its stated objective.



During the first half of FY 2006, we released the following six reports:

- ♦ Performance Indicator Audit: Continuing Eligibility
- ♦ Performance Indicator Audit: Overall Service Rating
- ♦ Performance Indicator Audit: Claims Processing
- ♦ Performance Indicator Audit: Social Security Numbers and Earnings Processing
- ♦ Performance Indicator Audit: Hearings and Appeals Process
- ♦ Performance Indicator Audit: Outstanding Debt

These reports included the results of PwC's reviews of 15 SSA performance measures. PwC noted areas for improvement in internal controls, data reliability, and the meaningfulness of indicators. PwC also found instances where performance indicators were not fully described in a clear, complete, accurate, and reliable manner in SSA's FY 2004 Performance and Accountability Report. After PwC completed these reviews, SSA provided improved documentation for several of the indicators. In addition, SSA is working to address internal control issues and is reviewing data retention strategies to allow testing for accuracy of reported performance results.

SSA Agency Operations: Assessing the Application Controls for SSA's Integrated Disability Management System (IDMS)

This audit encompassed the three phases of the IDMS processing cycle (input, processing, and output) to ensure disability-related transactions are valid, properly authorized, and completely and accurately processed and reported.

SSA established IDMS in 2002 as a central repository for disability information for all beneficiaries. Its purpose is to enhance management of post-entitlement disability processing. This includes the medical continuing disability review (CDR) process and meeting the requirements set forth in the Ticket to Work legislation. IDMS provides online access to all disability-related information for a beneficiary's work and earnings, Ticket to Work status, and data regarding pending and processed CDRs and expedited reinstatement actions. IDMS also provides online access and integrates the following disability-related databases and systems: Disability Control File, Ticket Payment File, Earnings File, and the Employment Network Payment system. SSA controls online access to IDMS through the use of specialized software.

We reviewed the significant input, processing, and output controls for IDMS. While we found many processing and output controls were operating effectively, we identified areas where input controls should be improved. We tested two areas of input controls: input edits and system access. Our review determined that input edits were effective, but system access could be improved. We found the following issues with access controls: (1) excessive access was granted to IDMS data via transaction identifications; (2) excessive access was granted to production datasets; and (3) the process for bypassing edits lacks adequate controls.



We recommended that SSA: (1) remove inappropriate transaction identifications from those profiles identified as having excessive access; (2) enforce the “policy of least privilege;” (3) encourage component security officers to attend IDMS Security Kickoff meetings; (4) ensure that the labeling of IDMS transaction IDs in the Top Secret Resource List identifies the correct type of access; (5) continue to ensure that programmer access to production datasets is properly controlled; and (6) modify IDMS software to allow for ticket corrections so that edits no longer need to be bypassed. SSA agreed with our recommendations.

Working Environment Audit: SSA’s Nationwide Asbestos Program

On November 18, 2004, we received an anonymous letter containing allegations that SSA had not addressed issues raised in our November 1999 report, *Selected Procedures Used in the Social Security Administration’s Asbestos Management Program for its Main Complex*. We received additional anonymous allegations on January 25, 2005. The objective of our review was to determine the validity of the allegations.

While SSA is not statutorily required to have an asbestos management program, it voluntarily adopted some of the provisions contained in the *Asbestos Hazard Emergency Response Act of 1986* to demonstrate its commitment to safeguard the health and well-being of its employees and the public. We found that while the Agency’s actions were noteworthy, opportunities exist to improve the Program.

We recommended that SSA: (1) modify its existing Program protocols to identify when to conduct required initial inspections and re-inspections of buildings; (2) develop policy to specify when operation and maintenance plans should be reviewed and when monitoring of work sites in the proximity of asbestos is required; and (3) revise the Inter-agency Agreement with the Public Health Service-Federal Occupational Health so that the agreement is consistent with Agency policies. SSA agreed with our recommendations.

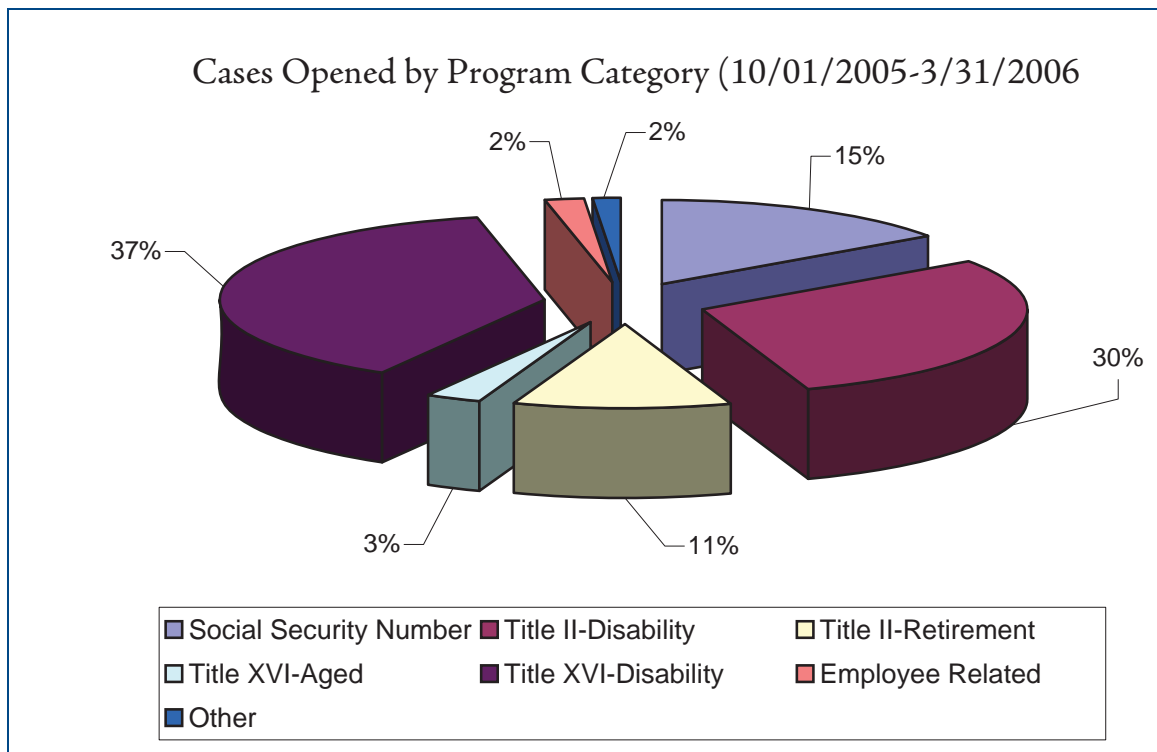


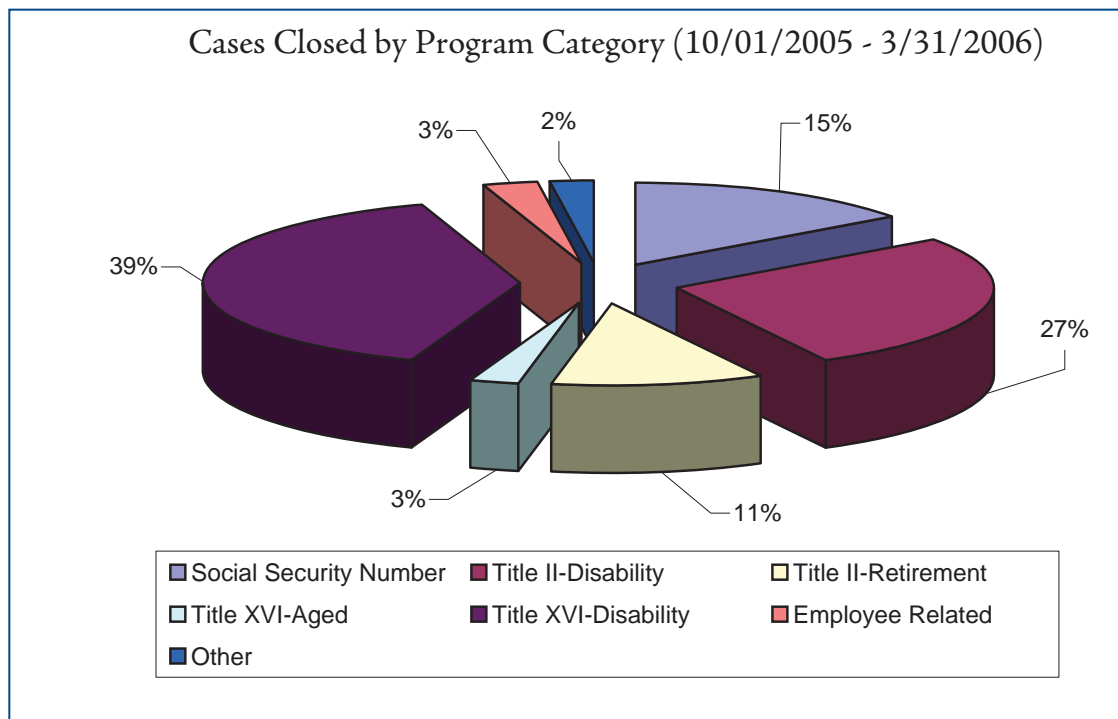
Investigative Impact Initiatives

OI examines allegations of fraud, waste, and abuse in SSA programs and operations. This includes benefit fraud, SSN misuse, violations by SSA employees, and fraud related to grants and contracts. Our investigations often result in criminal or civil prosecutions and CMP’s against offenders. These investigative efforts impact SSA program integrity by deterring those contemplating fraud against SSA in the future. Our work in the areas of employee misconduct, program fraud, enumeration fraud, and SSN misuse ensures the reliability of SSA programs and their future operations.



| Investigative Results 10/01/05 – 3/31/06 | |
|---|--------|
| Allegations Received | 46,943 |
| Cases Opened | 5,301 |
| Cases Closed | 5,478 |
| Arrests/Indictments | 2,816 |
| Total Judicial Actions | 1,572 |
| Criminal Convictions | 1,109 |
| Civil/CMPs | 112 |
| Illegal Alien Arrests | 341 |





| Allegations Received by Source | |
|--------------------------------|---------------|
| 10/01/05 – 3/31/06 | |
| Law Enforcement | 16,316 |
| Private Citizens | 9,288 |
| Anonymous | 8,624 |
| SSA Employees | 8,011 |
| Other | 3,176 |
| Beneficiaries | 999 |
| Public Agencies | 529 |
| TOTAL | 46,943 |

| Allegations Received by Category | |
|----------------------------------|---------------|
| 10/01/05 – 3/31/06 | |
| Disability Insurance | 19,055 |
| SSI Disability | 16,775 |
| SSN | 4,376 |
| Old-Age, Survivors Insurance | 3,249 |
| Other | 2,567 |
| Employee | 477 |
| SSI Aged | 444 |
| TOTAL | 46,943 |



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

CDI Investigations: Man Claiming Spinal Cord Injury and Dizziness Performs Roofing Work

The Denver CDI Unit investigated a 61-year-old man who applied for Title II disability benefits alleging severe pain from a spinal cord injury. The Colorado DDS referred this case because the record showed the man had filed two prior claims, alleging magnified symptoms with each succeeding claim, both of which were denied. Although he reported that he was disabled due to a spinal injury, dizzy spells, and loss of feeling in hands and arms, the SSA claims representative did not note any evidence of these allegations.

The CDI Unit conducted surveillance of the man several times at his residence. The man was observed re-roofing a shed in his back yard. He was able to carry a six foot ladder from the front of the residence to the backyard. He climbed to the roof of the shed and removed old tarpaper and carried it to a dumpster. He was observed carrying large metal and fiberglass roofing panels, and using a circular saw. On another occasion, the man was observed in his backyard cutting down a tree with a large chain saw. The DDS denied the man's claim.

CDI Investigations: Woman Receiving Disability Benefits for Mental Retardation Shown Working and Driving

The New York CDI Unit investigated a 48-year-old woman receiving Title II disability benefits based on mental retardation, hepatitis, anxiety, depression, and back and leg pain. The CDI Unit received an anonymous report alleging that the woman was working under an alias 6 days a week in a pet grooming shop. CDI investigators observed the woman working as a groomer, receptionist, and cashier at the pet grooming shop. The woman was also observed traveling and driving alone. When the woman later went to an SSA office, she was wearing an arm brace and trembling, and reported that she was unable to travel alone and suffered from numerous physical limitations. The woman was observed removing her arm brace after the interview. When CDI investigators interviewed the woman at work, she tried to deny her identity and work activity. The woman's disability benefits were ceased.

CDI Investigations: SSI Recipient Convicted of Concealing Self-Employment Earnings From SSA

The Nashville CDI Unit investigated a 33-year-old woman based on information received from the Cookeville, Tennessee SSA Office that an SSI recipient was working. During a CDR in 2003, the woman reported that she had worked cleaning houses from 2000 through 2002. She advised that she had to stop working in December 2002 because she developed osteoporosis, and had a collapsed vertebra. A review of SSA records revealed that since receiving SSI, the woman had substantial self-employment earnings from 2000 to 2002, even though she had undergone a CDR in 2000 and claimed at that time that she "did not feel able to return to work." She was subsequently convicted and sentenced to 4 years' probation and ordered to pay restitution to SSA of \$13,891.



SSN Misuse: Organization Buys and Re-Sells Genuine Birth Certificates and Social Security Cards

Our Harlingen, Texas Office worked a joint investigation with DHS's Bureau of Immigration and Customs Enforcement (ICE), and uncovered a large-scale conspiracy in which individuals were recruited to sell their genuine Social Security cards and birth certificates. An organization would purchase the documents and forward them to a distribution apparatus for sale to illegal aliens. It is estimated that the organization distributed several thousand identification documents. OI and ICE, which had been simultaneously investigating different cells of the same organization, joined forces to arrest two ringleaders of this operation. One man, a resident alien from Mexico, pled guilty to fraud, misuse of visas and other documents, and identity theft. He was sentenced in January 2006 to 57 months' imprisonment and 3 years' supervised release. The other subject, also a resident alien from Mexico, who is the alleged leader of the document trafficking conspiracy, was indicted in January 2006 and charged with identity theft and identification document fraud.

SSN Misuse: Man Uses False Persona to Defraud Financial Institutions of Almost \$3.5 Million

We conducted an SSN misuse investigation of a man who defrauded numerous financial institutions by pretending to be a wealthy technology consultant seeking business loans ranging from \$250,000 – \$1.5 million. In some cases, he used proceeds of subsequent loans to pay off the outstanding balances of previous loans. Acting on a tip from a bank investigator, agents from our Seattle Office discovered that a recent name change, allegedly due to identity theft, was a scheme to obtain a new SSN in order to create a new credit history. Our investigation further determined that the man had a history of fraud dating back several years that followed a pattern of increasingly larger schemes. The man pled guilty to 10 counts of bank fraud and 1 count of wire fraud, and was sentenced in November 2005 to 84 months in prison and 5 years' supervised release. He was ordered to pay \$3,476,326 in restitution to eight banks, brokerage and insurance companies, and to a private party.

Employee Fraud: Employee Transfers \$308,617 in Government Funds to Personal Bank Account

This case was referred for investigation by the SSA Center for Security and Integrity (CSI) in Atlanta. OI's investigation, with the assistance of CSI in Birmingham, Alabama revealed that from April 1998 – May 2003, a former SSA case processing technician had misused SSA systems to electronically transfer \$308,617 in SSA funds to her personal bank account. The employee, who had worked for SSA since 1982, was terminated in August 2004. In January 2006, our Birmingham Office reported that the employee was sentenced for theft of Government funds, received 6 months' incarceration and 3 years' probation, and was ordered to pay full restitution to SSA.



Employee Fraud: Federal Agencies' Employees Conspire to Steal \$247,283 in Government Funds

Acting on a referral from the SSA CSI, our Baltimore Office investigated an SSA employee and an employee from the National Aeronautics and Space Administration (NASA) for contract fraud and theft of funds. The investigation revealed that the SSA employee, a benefit authorizer, fraudulently misdirected SSA attorney fee payments of \$52,534 to the NASA employee. In turn, the NASA employee fraudulently processed \$194,749 of government purchase orders and invoices payable to a fraudulent contracting organization established by the SSA employee that provided no goods or services to NASA. They also conspired to bill NASA for training seminars and training handbook items that were never offered. The SSA employee pled guilty to mail and wire fraud, and was sentenced in December 2005 to 18 months' incarceration, 12 months of electronic monitoring, and 3 years' supervised release, and ordered to pay full restitution to both Agencies. The NASA employee was sentenced in April 2006 to 18 months' incarceration and 12 months of home detention on electronic monitoring, followed by 3 years of probation. She was also ordered to pay full restitution to SSA and NASA.

Employee Fraud: Misuse of Government Property — SSA Employee Prosecuted for Distributing Child Pornography From Work Computer

The Federal Bureau of Investigation's Innocent Images Task Force notified OIG that an Internet Protocol address belonging to SSA was captured uploading child pornographic images. Our Baltimore Office found that the address belonged to an SSA employee. A search warrant was executed on the man's home, and his Government-issued computer was seized. The investigation revealed that the employee was downloading, sharing and distributing child pornography images from his home computer as well as his Government computer. The man pled guilty to distribution of child pornography and was sentenced in February 2006 to 27 months of incarceration followed by 5 years of supervised release. He was also ordered to comply with the sex offender registry laws within the State of Maryland and prohibited from access to a computer or the internet as well as from unsupervised contact with minors, without prior consent from probation/parole.

Disability Detection Project: Convicted Sex Offender Received Disability Benefits for 15 Years While Working Under Second SSN

The Disability Detection Project represents an OI effort to examine 1,532 disability cases that were identified as part of a recent OA audit, based upon a request by Senator Charles Grassley, Chairman of the Senate Finance Committee. The objective was to produce an improper payment rate for SSA's disability programs and provide an analysis of the improper payment prevalence in four diagnosis groups.

One investigation related to this national project revealed a Boston man who collected \$30,059 in Title II disability benefits from 1989 until 2004, while working under a fraudulently obtained SSN. The investigation uncovered not only the disability program fraud, but also that the man, who had a prior conviction for sex with a minor, had filed for permanent guardianship of a minor child by using the fraudulent SSN that was not associated with his criminal history. The man was arrested and subsequently pled guilty to theft of public money.



He was sentenced in January 2006 to 3 years' probation, and ordered to pay full restitution to SSA. Special conditions were also placed on him at his sentencing, including participation in a sex offender program, and prohibition from contact with anyone under age 18 or engaging in an occupation, profession, or business that would require direct or indirect supervision of a child under the age of 18.

Fugitive Felon Program: Los Angeles Agents Arrest SSI Recipient for Murder

The Act prohibits payment of Social Security benefits to fugitive felons. In February 2006, agents from our Los Angeles office, in conjunction with the United States Marshals Fugitive Task Force, investigated and arrested a 42-year-old SSI recipient wanted for the murder of his girlfriend in 2004. With assistance from employees of the Watts Social Security Office in Los Angeles, California, agents apprehended this violent fugitive without incident.

Fugitive Felon Program: Fugitive Task Force Arrests SSA Beneficiary for Assault and Battery on a Police Officer

In November 2005, agents from our Batavia Office and members of the Central New York Fugitive Task Force arrested a 50-year-old Title II disability beneficiary based on a warrant out of Virginia charging him with assault and battery on a police officer, felony eluding, and sale and distribution of marijuana. The man was extradited to Virginia in December 2005 and pled guilty to felony eluding and sale and distribution of marijuana. He was sentenced in March 2006 to concurrent sentences of 3 years' incarceration and 2 years' probation for the felony eluding charge, and 5 years' incarceration for the drug charge.

Legal Impact Initiatives

OCCIG assures SSA program integrity from a different perspective through its administration of the CMP program, which enables OIG to impose penalties against individuals or entities violating Section 1140 of *the Act*. This Section prohibits the use of SSA's program words, letters, symbols, or emblems in advertisements or other communications in a manner that falsely implies SSA's approval, endorsement, or authorization. An individual or entity that violates this provision is subject to a maximum penalty of \$5,000 for each misleading communication. Our nationwide enforcement efforts serve as a meaningful deterrent in this area and continue to positively impact SSA's mission.



Misleading Advertising: Company Agrees to Cease Using False Terminology

Recently, OIG received several complaints regarding a program called "Upper Social Security." After investigation, it was learned that Agora Inc., the parent company of Stansberry & Associates Investment Research, LLC, was mailing letters soliciting subscriptions to the newsletter, *True Wealth*, and advertising the program "Upper Social Security." Information pertaining to "Upper Social Security" was included on their website. On both the solicitation and the website, Agora Inc. touted "Upper Social Security" as the government loophole of a lifetime. The solicitation and website went on to claim that "a rarely publicized government-sponsored program called 'Upper Social Security' can pay you 10-times more than 'ordinary' Social Security."



OIG sent all parties a cease and desist letter on March 21, 2006, informing them that they were violating Section 1140 of the *Social Security Act* by conveying a false sense of affiliation with SSA. The letter required that the company provide proof of compliance within 14 days of service. On March 28, 2006, counsel for Agora Inc. sent a letter unequivocally assuring the OIG that the parties would immediately cease and desist from all use of the words “Upper Social Security.” The website has been changed and is now in compliance with Section 1140. The OIG will continue to monitor the website and solicitations for continued compliance.

The following table presents our Section 1140 accomplishments for this reporting period.

| Misleading Advertising Under Section 1140 Results | |
|---|------------------|
| | 10/01/05–3/31/06 |
| Complaints Received | 43 |
| New Cases Opened | 8 |
| Cases Closed | 7 |
| No Violation Found | 2 |
| Voluntary Compliance | 5 |
| Settlement Agreement (# of cases/amounts) | 0 |
| Penalty/Court Action (# of cases/amounts) | 0 |
| Hearings Requested | 0 |



Value

All OIG initiatives strive to provide value to SSA, the Congress, other key decision-makers, and the public by delivering timely and reliable audit, investigative, and legal products and services. To achieve the intended value, these products and services must effectively meet the needs of all whom we serve while at the same time maximizing our available resources. To do this, we integrate best-practice strategies and the newest technologies in order to increase our productivity and maximize our return on investment to the public. Taken together, our audits, investigations, and legal efforts generated a positive return.

Value Attained Through Audits

The focal point of many of our audits is the identification of SSA program and operational areas where funds could be put to better use. In addition, we have often isolated situations where we have questioned approaches and their costs and have recommended alternatives to yield program and operations savings.

During this reporting period, our auditors issued 44 reports with recommendations identifying over \$96 million in questioned costs and over \$1.4 million in Federal funds that could be put to better use. Several of our more notable audits are summarized below.

Benefit Payment Audit: SSA's Controls over the Write-off of Title XVI Overpayments

The SSI program provides income to financially needy individuals who are aged, blind or disabled. SSA relies on applicants to self-disclose their income, and failure to fully disclose this information can result in overpayments. Generally, SSA writes off uncollectible overpayments when: (1) the debt is discharged in a Bankruptcy Court decision; (2) an ALJ declares the overpayment uncollectible; (3) the overpaid beneficiary is dead and all proper efforts to collect the overpayment have proved fruitless; or (4) an overpayment was erroneously computed by SSA's system.

We reviewed whether decisions by SSA to write off SSI overpayments were in accordance with its policies and procedures. We determined that SSA did not always document a justification for the write-off or the required management approval. While we recognize that some of the write-off decisions may have been appropriate, we could not determine whether the decisions were reasonable. For 160 of the 250 randomly selected overpayment write-offs (64 percent), the justification for the write-off, or the management approval, was not documented. Additionally, of the six highest dollar overpayment write-off decisions, three totaling \$302,318 did not fully comply with SSA's policies and procedures.

We recommended that SSA: (1) issue a reminder to personnel to fully develop and document overpayment write-off decisions and implement a mechanism to monitor their compliance; (2) issue a reminder and further guidance to personnel on the proper disposition of overpayments resulting from Goldberg-Kelly type payments; and (3) ensure all uncollected overpayment decisions exceeding established thresholds are reviewed and approved by appropriate SSA management officials.



Generally, SSA agreed with our recommendations, but pointed out that the POMS no longer required that a rationale for a write-off be documented or retained in the folder.

Nevertheless, the Agency stated that: (1) its policy and procedures will be revised to include specific steps for documenting the justification for write-off decisions, and (2) a systems enhancement is planned that will enable SSA to better document the overpayment disposition process.

Benefit Payment Audit: SSA's Controls over the OASDI Waiver Approval Process

The OASDI program makes payments to qualified workers and their dependents as well as to survivors of insured workers. When a benefit overpayment occurs, Agency policies dictate various actions that should be taken to collect the amount overpaid. Beneficiaries can seek relief from repayment by requesting that SSA waive the debt. SSA regulations and policy allow field office personnel to waive recovery of an overpayment if the person is without fault and recovery would "defeat the purpose of Title II of the *Social Security Act* or be against equity and good conscience."

Our objectives in this audit were to determine whether: (1) SSA's waiver approval process for administrative waivers of \$500 or less safeguarded the integrity of the OASDI program, and (2) waiver decisions exceeding \$500 were accomplished in accordance with Title II directives.

We found SSA had adequate policies and procedures to safeguard the integrity of the waiver approval process for administrative waivers of \$500 or less, and generally complied with them. However, this was not the case for overpayments exceeding \$500. Some beneficiaries had demonstrated the ability to repay portions of the waived debt, and the Agency's approval of these waivers may not have been appropriate. Also, file reviews showed that some approved waivers did not receive appropriate review, and/or that there was inadequate file documentation to support the waiver.

We recommended that, for waivers exceeding \$500, SSA: (1) alert employees to follow policies and procedures; (2) ensure that required secondary review and sign-off occurs for waivers of overpayments greater than \$2,000; (3) remind employees to properly document all waiver approval decisions; and (4) determine whether employee training is needed, and, if so, provide training necessary to ensure compliance with Agency policies and procedures. SSA generally agreed with our recommendations.

Benefit Payment Audit: SSA's Decisions to Terminate Collection Efforts for OASDI Overpayments

One of SSA's strategic goals is improving debt collection. SSA has established policies and procedures explaining how to recover debt and when collection efforts may be terminated. This audit's objective was to determine whether SSA's decisions to terminate collection efforts for OASDI overpayments were in accordance with its policies and procedures.

SSA may terminate collection efforts after all appropriate collection tools have been used and the debt is considered uncollectible. Although active collection efforts cease, the overpayments



are maintained as inactive debts that may be recovered in the future. During FY 2003, there were 61,564 OASDI overpayment terminations recorded representing approximately \$285 million.

Our review indicated that overall, SSA terminated collection efforts for overpayments in accordance with its policies and procedures, and only 11.6 percent of the debt termination records we reviewed had compliance problems. We estimate that in FY 2003, about 7,100 decisions were made in which termination of collection efforts were not compliant. Specifically, SSA terminated collection efforts when contingently liable beneficiaries were collecting benefits. In addition, we could not find documentation that SSA determined whether an estate existed as a possible source for debt recovery when the debtor had died. We estimate these decisions represent about \$29.6 million in OASDI debt.

Our OIG audit reports are available online on our website at www.socialsecurity.gov/oig

We recommended that SSA: (1) ensure compliance with policies and procedures regarding contingently liable beneficiaries; and (2) document contacts before terminating collection efforts. The Agency agreed with our recommendations.

Benefit Payment Audit: Administrative Costs Claimed by Various DDSs

The DDS for each State, the District of Columbia, and Puerto Rico determines if applicants meet the medical requirements for disability under Title II Disability Insurance and Title XVI Supplemental Security Income in accordance with Federal disability regulations. Each DDS is authorized to purchase consultative examinations and existing medical evidence from the claimants' treating sources. SSA reimburses the DDSs for 100 percent of allowable costs up to its approved funding authorization.

During this semiannual reporting period, we issued eight DDS administrative cost audit reports. The objectives of our audits were to evaluate the internal controls over the accounting and reporting of administrative costs, determine whether costs claimed were allowable and funds were properly drawn, and assess limited areas of the general security controls environment.

In total we reported \$6,329,193 in questioned costs, and \$1,406,180 in funds put to better use. Most of our recommendations relate to the DDS' need to comply with Federal regulations and SSA's policies and procedures. The individual audit reports and their financial impacts are listed below.

| DDS | Common Identification Number | Questioned Costs | Funds Put to Better Use |
|----------------------|------------------------------|------------------|-------------------------|
| Maine | A-01-05-15026 | \$0 | \$0 |
| North Carolina | A-04-05-15040 | \$4,116,197 | \$689,211 |
| Wisconsin | A-05-05-15013 | \$0 | \$0 |
| Louisiana | A-06-05-15032 | \$120,222 | \$0 |
| Arkansas | A-06-05-15077 | \$2,196 | \$211,122 |
| Texas | A-06-06-16008 | \$778,111 | \$40,157 |
| Oklahoma | A-07-05-15102 | \$1,095 | \$207,940 |
| District of Columbia | A-15-05-30018 | \$1,311,372 | \$257,750 |
| Totals | | \$6,329,193 | \$1,406,180 |



Value Attained Through Investigations

During this reporting period, the efforts of our investigators yielded significant results arising from the successful prosecution of cases that we developed. During this reporting period, our investigators achieved over \$139 million in investigative accomplishments, with over \$29 million in SSA recoveries, restitution, fines, settlements, and judgments and over \$109 million in projected savings from investigations resulting in the suspension or termination of benefits. The following table represents the efforts of OI personnel nationwide to recover SSA funds paid in fraudulent benefits or through other illegal actions.

| SSA Funds Reported | |
|---------------------------|----------------------|
| | 10/01/05 – 3/31/06 |
| Recoveries | \$18,191,854 |
| Fines | \$792,358 |
| Settlements/ Judgments | \$1,038,156 |
| Restitution | \$9,504,997 |
| Estimated Savings | \$109,845,163 |
| Total | \$139,372,528 |





CDI Program Investigative Results

The following table highlights the successes of the CDI program for this reporting period.

| CDI Program Results October 1, 2005 – March 31, 2006 | | | | |
|---|----------------------|-----------------------|--------------------------|------------------------------|
| State | Allegations Received | Confirmed Fraud Cases | SSA Savings ¹ | Non-SSA Savings ² |
| Arizona | 45 | 28 | \$1,741,496 | \$502,095 |
| California ³ | 272 | 119 | \$6,790,840 | \$5,630,274 |
| Colorado | 79 | 56 | \$3,618,180 | \$2,015,377 |
| Florida | 60 | 53 | \$3,368,448 | \$2,587,604 |
| Georgia | 98 | 64 | \$3,875,502 | \$1,083,762 |
| Illinois | 54 | 37 | \$2,191,289 | \$926,605 |
| Louisiana | 33 | 25 | \$1,441,336 | \$640,898 |
| Massachusetts | 51 | 24 | \$1,482,722 | \$624,220 |
| Missouri | 91 | 43 | \$2,919,860 | \$1,049,770 |
| New Jersey | 68 | 60 | \$3,830,315 | \$3,766,795 |
| New York | 111 | 68 | \$4,292,686 | \$4,594,710 |
| Ohio | 213 | 139 | \$8,814,352 | \$4,069,360 |
| Oregon | 159 | 99 | \$6,384,320 | \$4,114,085 |
| Tennessee | 48 | 27 | \$1,726,829 | \$931,654 |
| Texas ⁴ | 94 | 82 | \$4,938,013 | \$2,477,158 |
| Virginia | 65 | 49 | \$2,217,058 | \$1,798,950 |
| Washington | 145 | 103 | \$6,082,850 | \$5,184,495 |
| Total | 1,686 | 1,076 | \$65,716,096 | \$41,997,812 |

¹ SSA program savings are reported at a flat rate of \$66,500 for initial claims that are denied as a result of CDI investigations. When a CDI Investigation supports the cessation of an in-pay case, SSA program savings are calculated by multiplying the actual monthly benefit times 60 months.

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

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

⁴ Texas has two units, one in Dallas, and the other in Houston.



The following case summaries are indicative of the nearly 5,500 investigations that we closed during this reporting period. The cases highlighted below illustrate the many instances where our investigative efforts have afforded a significant return on the investment of our staff and resources.

Double Check Negotiation Project: Woman Claims Non-Receipt of 21 SSI Checks to Defraud SSA of \$13,315

This investigation was initiated by our San Diego Office as part of a national Double Check Negotiation project, targeting individuals who repeatedly allege non-receipt of SSI benefit checks and proceed to negotiate both the original check and a replacement check. Agents arrested a woman in June 2005 at the El Cajon, California SSA Office for falsely reporting non-receipt of her SSI check on at least 21 occasions from 2000 to 2005. The woman admitted to the agents that she lied to SSA on as many as 25 to 30 occasions. In addition, she pled guilty to grand theft, and was sentenced in October 2005 to 3 years' probation with a suspended sentence of 180 days, pending compliance with probation orders. She must also serve 250 hours of volunteer service and up to 20 days of labor at the Public Works Service, pay fines of \$469, and pay full restitution to SSA.

Double Check Negotiation Project: Woman Steals \$8,030 in SSI Benefits Over 4 Years

Our Batavia, New York Office opened this investigation as part of the national Double Check Negotiation Project. The investigation disclosed that an SSI recipient lied on 16 separate occasions between July 1998 and July 2002, claiming not to have received her SSI check in order to have a replacement check issued. The woman admitted to our agents that she cashed and spent all the funds received from both the original and the replacement checks, defrauding SSA of \$8,030. She pled guilty to theft of Government funds, and was sentenced in December 2005 to 1 month of home confinement, 1 year of probation, and ordered to pay full restitution to SSA.

SSN Fraud: Chicago Woman Receives Retirement Benefits Under One SSN and Widow's Benefits Under Another

OI and OA collaborated on a national project to identify and investigate instances in which individuals were receiving OASDI benefits and/or SSI payments under multiple SSNs. OA conducted an analysis of SSNs, benefit records, and address information to identify beneficiaries who may have received benefits under different SSNs at the same address. Cases in which fraud was suspected were referred to OI field divisions for investigation. For example, OA identified an address at which it appeared that two women with similar names, dates of birth, and parents' names were receiving different types of Social Security benefits. OI determined that there was only one woman, and she had fraudulently received a second SSN in 1965. She worked under her initial SSN and began receiving Title II retirement benefits in 1993. When her husband died in 1994, she applied for, and obtained, widow's benefits under the second SSN. The woman confessed the scheme to our agents, pled guilty to theft of Government funds, and was



sentenced in October 2005 to 5 years' probation. The woman was ordered to pay restitution of \$116,665 to SSA.

BIC-D Project: Woman Cashes Deceased Grandmother's Checks for 12 Years

Our Baltimore Office opened an investigation as part of a national project, "BIC-D," to identify instances in which widow's benefits continued to be paid even though Agency records showed a date of death for the widow. The investigation determined that the subject's grandmother had received widows' benefits. After the grandmother died in 1989, the subject and several of her friends continued to cash the grandmother's checks over a span of 12 years. The subject pled guilty to theft of Government funds and was sentenced in February 2006 to 5 years' supervised probation, with the first 6 months served as home detention. She was ordered to pay restitution of \$61,160 to SSA.

Disability Program Fraud: Woman Fakes Disability to Steal \$244,200 From SSA and Veteran's Affairs (VA)

The VA Office in Chicago alerted our Swansea, Illinois office that a woman receiving both VA and SSA benefits may have faked her disability. SSA records confirmed that the woman began receiving Title II disability benefits in 1997, alleging that she used a wheelchair full-time due to Reflex Sympathetic Dystrophy. A joint investigation by OI and the VA OIG found that the woman had been faking her disabilities for some time. A Federal search warrant executed at her residence turned up numerous medical aids found stored and unused, for which she had received compensation from the VA. In addition, videotaped surveillances revealed that the woman was able to walk without a wheelchair. Evidence collected by OI and the Belleville, Illinois SSA Office resulted in the DDS' ceasing the woman's benefits retroactive to her original 1997 claim. Her 100 percent disability VA benefits were also ceased retroactive to 1994. The woman pled guilty to making false statements and was sentenced to 37 months' incarceration. She was ordered to pay restitution of \$100,200 to SSA and \$144,000 to VA.

Disability Program Fraud: Disability Beneficiary Conceals Employment With Sheriff's Office and U.S. Marshals Service

In October 2003, the East St. Louis Social Security office learned that a man receiving Title II disability benefits since 1986 for a bad back had worked for several years as a transport officer for the Clinton County (Illinois) Sheriff's Department. Upon examining the subject's claim folder, it was discovered that on two separate occasions during CDRs, he had made false statements about his work and daily living activities. The investigation also revealed that he had recently signed a contract to work for the United States Marshals Service. Interviews with the U.S. Marshals Service revealed that the man did not exhibit any signs of being disabled. The investigation also found that the beneficiary was engaged in activities he claimed (on SSA disability review forms) that he could no longer do; e.g., he was an avid hunter and often rode all-terrain vehicles. In August 2004, he was indicted for mail fraud, concealment of material information from SSA, and making false statements. He was convicted and sentenced in January 2006 to 33 months in prison, followed by 3 years' supervised release, and restitution to SSA of \$81,553.



Disability Program Fraud: Canadian Arrested for Fraudulently Receiving Canadian and SSA Benefits

This case originated from an inquiry from the Canadian Government regarding a man they believed was defrauding both countries' social insurance programs. The investigation determined that the man failed to notify SSA that he was receiving the Canadian benefits. The man admitted to defrauding SSA and the Canadian Government in an interview with OI agents. He pled guilty in October 2005 and was sentenced in January 2006 to serve 1 year in custody and pay SSA restitution in the amount of \$90,967.

SSN Fraud: Man Obtains Mortgages and Vehicle Loans Using False SSN and Driver's License

A joint investigation conducted by the OI Vancouver, Washington office, the Vancouver Police Department, the Department of Housing and Urban Development OIG, and the Internal Revenue Service determined that a man had fraudulently obtained a Washington driver's license using a false SSN. He subsequently used false SSNs and fictitious employment and earnings documents to open a bank account, and to obtain a vehicle loan and two mortgage loans in the Portland, Oregon area. He wired funds across State lines in order to fund those loans, and then converted the homes he purchased into adult foster care homes that were operated without proper licensing. No payments were ever made to the mortgage companies. The man's mother, sister, and wife assisted him in this scheme. Investigations into five additional properties fraudulently obtained by the group are continuing. The man pled guilty to fraudulent use of an SSN and was sentenced in October 2005 to 18 months in prison and 3 years of supervised probation. He was ordered to pay \$243,224 in restitution to two mortgage companies and a private party.

Representative Payee Fraud: Organizational Representative Payee Employee Steals \$109,471 in Benefits to Support Gambling Habit

In November 2005, an employee of the Scott County (Iowa) Community Services Department (SCCSD) was sentenced to 12 months and 1 day in prison after pleading guilty to theft of government funds. This sentence was based on a joint investigation by OI's Des Moines Office and the Scott County Sheriff's Office. The investigation revealed that the employee had diverted funds from a collective account that she managed for SCCSD, which serves as an organizational representative payee for several hundred Social Security beneficiaries and SSI recipients. The investigation determined that from May 2001 until her employment was terminated in November 2002, the employee had diverted \$109,471, using the funds primarily to support her gambling habit. In addition to the prison term, the employee was sentenced to 2 years of supervised probation, and was ordered to pay full restitution to SCCSD.



Value Attained Through CMPs

Our efforts to administer that portion of the CMP program which deals with violators of Section 1129 of *the Act* also maximize the resources available to us and contribute to the return on that investment. Section 1129 of *the Act* allows for the imposition of a CMP against those who make false statements or representations in connection with obtaining or retaining benefits or payments under Titles II, VIII, or XVI of *the Act*. *The Social Security Protection Act of 2004* (Public Law 108-203) extended CMP authority to penalize representative payees for wrongful conversion of payments made under the Social Security programs and individuals who knowingly withhold a material fact.



After consultation with DOJ, OCCIG is authorized to impose penalties of up to \$5,000 against individuals for each false statement, representation, conversion or omission. A person may also be subject to an assessment, in lieu of damages, of up to twice the amount of any overpayment.

The following table and cases highlight the value achieved through our Section 1129 efforts for this reporting period.

| False Statements Under Section 1129 Results | |
|---|-------------|
| 10/01/05 – 3/31/06 | |
| Cases Received | 240 |
| CMP Cases Initiated | 103 |
| CMP Cases Closed | 182 |
| CMP Penalties and Assessments | \$1,122,683 |
| Number of Hearings Requested | 19 |



CMP: Louisiana Company Fined For Fraudulent Reporting

The Baton Rouge CDI unit began investigating an allegation that a beneficiary was collecting benefits while working for an environmental company. The investigation revealed that the president of the company was reporting most of the beneficiary's earnings on his wife's record. The beneficiary was indicted and is pending prosecution. The United States Attorney declined prosecution of the company's president and the matter was referred to OCCIG for CMP consideration. OCCIG negotiated a settlement agreement with the company. A \$20,000 CMP was paid in full at the time of settlement.

CMP: Subject Receiving Benefits Under Two Names

This case came to light through an OIG computer run which revealed two SSA benefit payments going to the same address for several years. Investigation revealed that a male applicant had made false statements on his application for retirement benefits indicating that his earnings record was correct, and that he had not previously filed for SSA benefits. In fact, in 1990 the applicant had filed for disability benefits under another name and SSN, under which he also had posted earnings. The man agreed to pay a \$60,000 CMP.

CMP: Homeless Shelter Employee Misuses SSI Funds of Mentally Ill Woman

An OIG investigation uncovered a scam by a homeless shelter employee who convinced a mentally ill homeless woman that he should serve as her representative payee for SSI payments. He provided numerous false statements to SSA, which included stating that the woman resided in his home and that he was her nephew. After receiving the initial check, the employee held back \$160 a month "in case she needed to buy cigarettes," and gave the SSI recipient the rest of her monthly check. When the representative payee was confronted with the discrepancies, he admitted to the false statements. As a result, he was subject to administrative disciplinary action by his Agency, as well as an OCCIG-imposed \$50,000 CMP.





People

OIG is committed to a highly skilled and motivated workforce. Our success in recruiting and retaining only the best individuals is reflected in the work we accomplish. In addition, OIG's leadership continues to provide employees with superior training opportunities and career enhancing developmental assignments. An Organizational Health Committee, comprised of designated representatives from management and non-management employees from OA, OI and ORM, periodically assesses employee satisfaction levels and addresses areas of concern.

Budget

For FY 2006, OIG's annual appropriation is \$91.5 million supports a staffing level of 615 Full Time Equivalents. Approximately 84 percent of our budget will be used for employee salaries and benefits, and the remaining 16 percent for other objects. The majority of other object spending includes 10 percent for mandatory requirements (i.e., rent, utilities and services), leaving approximately 6 percent for discretionary spending (e.g., travel, training, procurement, etc.)

In accordance with the President's Management Agenda, OIG's Strategic Plan integrates budget and organizational performance. The goals set forth in the Plan are continuously monitored and reported on a monthly basis.

Human Capital Planning and Management

OIG continuously monitors staffing throughout the organization to ensure that vacant positions are filled expeditiously. Based on historical trends and human resource data, our integrated budget and staffing plan forecasts employee separations allowing us to determine when recruitment should occur. This process has reaped great success in enabling our organization to remain at near full staffing levels throughout the reporting period. Our aggressive staffing and recruitment ensures that OIG components have the necessary resources to fulfill their respective missions.

OIG remains vigilant in its efforts to recruit and retain the best people. Structured interviews used to assess job candidates are resulting in excellent selections. Our human capital specialists and recruiters participate in job and career fairs around the country. Some of these events target underrepresented groups in the labor force allowing us to continue our outreach efforts aimed at employing a diverse workforce. We continue making progress in minority recruitment. Our diversity statistics meet or exceed goals in most categories.

Like many Federal departments, SSA is planning to implement a new employee performance management system that links individual performance to organizational goals. The new Performance Assessment and Communication System will replace the current "pass/fail" performance evaluation process with a multi-tiered system. OIG will serve as the component within SSA to pilot the new system. Significant planning has taken place during this semiannual reporting period to prepare for implementing the pilot on June 1, 2006. The pilot will cover



approximately 225 headquarters and Philadelphia region employees. Full implementation for all OIG employees is expected in FY 2007.

During this semiannual reporting period, our employees continued to participate in a pilot training program sponsored by the PCIE. This program, known as Inspector General Electronic Learning (IGEL), uses a robust suite of online interactive courses and reference materials available to students anywhere at any time. Recommended courses are prescribed for each major job category of OIG employees including auditors, investigators, attorneys, support staff and managers. IGEL has proven to be a very successful cost-efficient method of delivering needed quality training to our employees.

Information Technology

OIG provides and maintains most of its own Information Technology systems. We realize the importance of state-of-the-art tools and place a high priority on ensuring that our employees have the latest proven technologies to perform their work.

In support of the President's goal to expand electronic services, we took a fresh look at our Internet web site to assess its structure and usefulness to the public at large. As more citizens choose to interact with the Government online, we understand the importance of creating and maintaining "easy-to-understand" and "easy-to-use" web-based services. A workgroup comprised of auditors, investigative personnel, legal experts and administrative technicians reviewed every page and link of our web site. Based on their review, a substantial number of modifications were implemented or are in the process of being updated. Information is now displayed in a more logical and conversational format. Improved clarity and the elimination of redundant data are among the improvements we made. OIG is committed to the ongoing review and continuous update of its web site to ensure that the public can get what it needs rapidly and on their first visit.

We continue assessing industry trends to determine what new technologies are best suited for our business processes. During this semiannual reporting period, all OIG computer users were migrated to Active Directory, a central service that organizes network resources and manages users, computers and applications. Our hardware specialists added a high capacity server to our email infrastructure and migrated all user mailboxes to Microsoft Exchange 2003. This effort resulted in increased mailbox sizes and the ability for users to access their SSA email from any internet-connected web browser. Providing this remote email access facilitates many activities including telework.

OIG software specialists and contract personnel continue making enhancements to the National Investigative Case Management System. This system provides enhanced case management functionality, improved query and reporting capabilities and workflow based on business process management rules. Major enhancements completed during this semiannual reporting period include the development of automated fact sheets that provide summary points relating to investigative case files and a time reporting module that allows users to account for their daily activities by project codes.



Additionally, last year we implemented new software to plan and document our audits. We have since worked to improve the technology and processes we use to ensure maximum productivity. During this semiannual reporting period, we participated in a software conference to share ideas and best practices with other organizations, including other Government agencies. We also tested the new version of the audit software and provided feedback to the developer suggesting further improvements for the application's usability and functionality. We will begin implementation of the upgraded audit software in May 2006.

Outreach Efforts

"Working Together" takes many forms, not the least of which is a dedication to sharing knowledge, forging partnerships, and seeking to attain common goals. The Inspector General and the employees of the OIG are frequently in the spotlight, at the podium, or in front of a microphone, working together with a multitude of audiences and colleagues. The following are but a few examples of our outreach efforts during this reporting period.

Agents from our OI Dallas Office participated in the second annual "Scam Jam" symposium, held at the Dallas Convention Center. The event was organized by the North Texas Crime Commission with the cooperation of 28 law enforcement, Government, and community agencies. The purpose of the symposium was to help the community understand issues surrounding fraud. The event featured exhibits and educational sessions on how to protect against fraud.

Our auditors met with officials from the National Organization of Social Security Claimants' Representatives, the National Association of Disability Representatives, and the National Association of Disability Examiners to discuss SSA's implementation of Section 303 of the *Social Security Protection Act of 2004*, Nationwide Demonstration Project Providing for Extension of Fee Withholding Procedures to Non-Attorney Representatives. We briefed these organizations on the background of the demonstration project, and discussed eligibility requirements, including those involving examination, education, experience, and insurance.

Agents from our OI Chicago Office conducted a seminar on OIG efforts in the area of identity theft. The seminar was presented to residents in Chicago's Wrigleyville neighborhood.

Currently, our auditors are working in partnership with the Department of Labor (DOL), Office of the Inspector General (DOL-OIG) on two audits related to *Federal Employees' Compensation Act* (FECA) payments. We have the lead for one of the audits and DOL-OIG has the lead for the other. For these audits, the DOL-OIG provided files containing FECA data for all Federal employees. Once our review is completed, we plan to issue a report to the PCIE and the Executive Council on Integrity and Efficiency.

The Inspector General's Chief Counsel made a presentation on SSN misuse and Identity Theft during a national Association of Government Accountants teleconference.

Along with TIGTA, our audit staff reviewed SSA's Self-Employment Income ESF. We worked with TIGTA to identify better methods for locating the owners of earnings in SSA's ESF.



One of our audit teams worked with the Department of Defense's (DoD)OIG in their audit to review controls over DoD employees' SSNs. DoD is verifying their employees' SSNs to ensure that they match SSA's records and that DoD employees have appropriate work authorization. We also assisted DoD-OIG with another audit, in which they were reviewing SSNs of DoD beneficiaries.

A senior attorney from the Chief Counsel's office gave a presentation on SSN misuse to the National Association of Counties in March, explaining actions that county governments can take to prevent misuse.

The Inspector General appeared at the Association of Government Accountants' Chicago conference in December, and gave a presentation on SSN misuse and identity theft.

Agents from the OI Seattle Office presented seminars on identity theft to women's groups in Bambridge Island, Washington, as well as in several locations in the Seattle area. They also conducted seminars on identity theft with the Indian Gambling Commission at a number of locations.



A Special Thank You

The diligent work, outstanding efforts, and many contributions of our entire OIG staff make the numerous accomplishments highlighted in this *Semiannual Report to Congress* possible.

We would like to thank them for their dedicated spirit and many successes.



Reporting Requirements and Appendices



Reporting Requirements

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

| Section | Requirement | Page(s) |
|-----------------------------------|---|------------------|
| Section 4(a)(2) | Review of legislation and regulations | N/A |
| Section 5(a)(1) | Significant problems, abuses, and deficiencies | 8-30 |
| Section 5(a)(2) | Recommendations with respect to significant problems, abuses, and deficiencies | 8-30 |
| Section 5(a)(3) | Recommendations described in previous Semiannual Reports on which corrective actions are incomplete | Appendices F & G |
| Section 5(a)(4) | Matters referred to prospective authorities and the prosecutions and convictions that have resulted | 13-30 |
| Section 5(a)(5) & Section 6(b)(2) | Summary of instances where information was refused | N/A |
| Section 5(a)(6) | List of audits | Appendix B |
| Section 5(a)(7) | Summary of particularly significant reports | 8-24 |
| Section 5(a)(8) | Table showing the total number of audit reports and total dollar value of questioned costs | Appendix A |
| Section 5(a)(9) | Table showing the total number of audit reports and total dollar value of funds put to better use | Appendix A |
| Section 5(a)(10) | Audit recommendations more than 6 months old for which no management decision has been made | Appendix A |
| Section 5(a)(11) | Significant management decisions that were revised during the reporting period | N/A |
| Section 5(a)(12) | Significant management decisions with which the Inspector General disagrees | Appendix D |



Appendix A: Resolving Audit Recommendations

The following chart summarizes SSA's responses to our recommendations for the recovery or redirection of questioned and unsupported costs. Questioned costs are those costs that are challenged because of a violation of law, regulation, etc. Unsupported costs are those costs that are questioned because they are not justified by adequate documentation. This information is provided in accordance with P.L. 96- 304 (the *Supplemental Appropriations and Recession Act of 1980*) and the *Inspector General Act of 1978*, as amended.

| Reports with Questioned Costs for the Reporting Period October 1, 2005 through March 31, 2006 | | | |
|--|-----------------|------------------|-------------------|
| | Number | Value Questioned | Value Unsupported |
| A. For which no management decision had been made by the commencement of the reporting period. | 7 | \$95,358,944 | \$3,402,660 |
| B. Which were issued during the reporting period. | 11 ^a | \$95,992,839 | \$149,766 |
| Subtotal (A + B) | 18 | \$191,351,783 | \$3,552,426 |
| Less: | | | |
| C. For which a management decision was made during the reporting period. | 13 ^b | \$111,099,217 | \$848,212 |
| i. Dollar value of disallowed costs. | 10 | \$86,210,184 | \$848,212 |
| ii. Dollar value of costs not disallowed. | 3 | \$24,889,033 | \$0 |
| D. For which no management decision had been made by the end of the reporting period. | 7 | \$80,252,566 | \$2,704,214 |

- a. See *Reports with Questioned Costs* in Appendix B of this report.
- b. *Representative Payee Reports Indicating Excess Conserved Funds for Supplemental Security Income Recipients* (A-13-03-13065, 3/28/05) and *Administrative Costs Claimed by the North Carolina Disability Determination Services* (A-04-05-15040, 3/13/06) contained dollars that were disallowed and dollars not disallowed.



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

| Reports with Recommendations that Funds Be Put to Better Use Reporting Period October 1, 2005 through March 31, 2006 | | |
|---|----------------|--------------|
| | Number | Dollar Value |
| A. For which no management decision had been made by the commencement of the reporting period. | 3 | \$2,369,323 |
| B. Which were issued during the reporting period. | 5 ^a | \$1,406,180 |
| Subtotal (A + B) | 8 | \$3,775,503 |
| Less: | | |
| 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. | 7 | \$3,565,642 |
| (b) Based on proposed legislative action. | 0 | \$0 |
| ii. Dollar value of costs not agreed to by management. | 0 | \$0 |
| Subtotal (i + ii) | 7 | \$3,565,642 |
| D. For which no management decision had been made by the end of the reporting period. | 1 | \$209,861 |

a. See *Reports with Funds Put to Better Use* in Appendix B of this report.



Appendix B: Reports Issued

| Reports with Non-Monetary Findings October 1, 2005 through March 31, 2006 | | |
|--|---|------------|
| Audit Number | Report | Issue Date |
| A-15-05-15115 | Performance Indicator Audit: Continuing Eligibility | 10/4/2005 |
| A-15-05-15118 | Performance Indicator Audit: Overall Service Rating | 10/4/2005 |
| A-15-05-15114 | Performance Indicator Audit: Claims Processing | 10/27/2005 |
| A-13-05-15031 | The Social Security Administration's Office of Systems' Training Program | 10/28/2005 |
| A-02-06-16050 | Inspector General Statement on the Social Security Administration's Major Management Challenges | 11/9/2005 |
| A-15-05-15130 | Oversight of the Fiscal Year 2005 Financial Statement Audit | 11/9/2005 |
| A-01-05-15026 | Administrative Costs Claimed by the Maine Disability Determination Services | 11/14/2005 |
| A-05-05-15013 | Administrative Costs Claimed by the Wisconsin Disability Determination Bureau | 11/22/2005 |
| A-09-05-15099 | Universities' Use of Social Security Numbers as Student Identifiers in Region IX | 11/30/2005 |
| A-15-05-15117 | Performance Indicator Audit: Social Security Numbers and Earnings Processing | 11/30/2005 |
| A-77-06-00001 | Management Advisory Report: Single Audit of the State of Indiana for the Fiscal Year Ended June 30, 2004 | 12/6/2005 |
| A-15-06-16033 | Costs Claimed by the Virginia Commonwealth University Contract Number 600-99-38679 (Limited Distribution) | 12/13/2005 |
| A-14-05-15078 | Assessment of the Adequacy of the Social Security Administration's Controls Over the Use of Signature Proxies on Applications for Benefits (Limited Distribution) | 12/21/2005 |
| A-77-06-00002 | Management Advisory Report: Single Audit of the State of South Carolina for the Fiscal Year Ended June 30, 2004 | 12/21/2005 |
| A-77-06-00003 | Management Advisory Report: Single Audit of the State of New York for the Fiscal Year Ended March 31, 2004 | 12/21/2005 |
| A-07-05-15091 | Office of Hearings and Appeals Reversal of Disability Denial Decisions Involving Investigative Information from Cooperative Disability Investigations Units | 1/20/2006 |
| A-13-05-15047 | Representative Payees Receiving Benefits for Children in Foster Care | 1/20/2006 |
| A-02-05-15125 | The Social Security Administration's Ticket to Work - Ticket Assignments | 1/24/2006 |
| A-13-05-15028 | The Social Security Administration's Identification of Special Disability Workload Cases | 1/24/2006 |



| Reports with Non-Monetary Findings October 1, 2005 through March 31, 2006 | | |
|--|---|-------------------|
| Audit Number | Report | Issue Date |
| A-15-05-15113 | Performance Indicator Audit: Hearings and Appeals Process | 1/24/2006 |
| A-08-06-26011 | Physical Security at the Southeastern Program Service Center (Limited Distribution) | 1/25/2006 |
| A-02-05-15116 | Performance Indicator Audit: Outstanding Debt | 1/27/2006 |
| A-08-06-16056 | Hospitals' Use and Protection of Social Security Numbers | 1/27/2006 |
| A-77-06-00006 | Management Advisory Report: Single Audit of the State of Illinois for the Fiscal Year Ended June 30, 2004 | 2/10/2006 |
| A-77-06-00007 | Management Advisory Report: Single Audit of the State of Oklahoma for the Fiscal Year Ended June 30, 2004 | 2/10/2006 |
| A-15-06-26026 | Disclosure Statement for MAXIMUS' Human Services Operations Segment Effective October 1, 2002 | 2/17/2006 |
| A-77-06-00008 | Management Advisory Report: Single Audit of the State of Pennsylvania for the Fiscal Year Ended June 30, 2004 | 3/7/2006 |
| A-03-05-15087 | Suspended and Nonwork Wages in the Social Security Administration's Payroll | 3/13/2006 |
| A-13-05-21521 | The Social Security Administration's Nationwide Asbestos Program | 3/23/2006 |
| A-14-05-15064 | Assessing the Application Controls for the Social Security Administration's Integrated Disability Management System | 3/23/2006 |
| A-07-06-26009 | The Social Security Administration's Independence Day Assessment | 3/24/2006 |
| A-77-06-00009 | Management Advisory Report: Single Audit of the State of New Jersey for the Fiscal Year Ended June 30, 2004 | 3/24/2006 |
| A-77-06-00010 | Management Advisory Report: Single Audit of the State of the Michigan Department of Human Services for the 2-Year Period Ended September 30, 2004 | 3/27/2006 |



| Reports with Questioned Costs October 1, 2005 through March 31, 2006 | | | |
|---|-------------------|---|----------------------|
| Audit Number | Issue Date | Report | Dollar Amount |
| A-06-05-15077 | 10/11/2005 | Administrative Costs Claimed by the Arkansas Disability Determination Services | \$2,196 |
| A-15-05-30018 | 11/8/2005 | Administrative Costs Claimed by the District of Columbia Disability Determination Division for Fiscal Years 2001 and 2002 | \$1,311,372 |
| A-06-05-15032 | 11/28/2005 | Administrative Costs Claimed by the Louisiana Disability Determination Services | \$120,222 |
| A-04-05-15041 | 1/20/2006 | The Social Security Administration's Controls over the Write-off of Title XVI Overpayments | \$49,067,615 |
| A-07-05-15102 | 1/24/2006 | Administrative Costs Claimed by the Oklahoma Disability Determination Services | \$1,095 |
| A-77-06-00004 | 1/31/2006 | Management Advisory Report: Single Audit of the State of Texas for the Fiscal Year Ended August 31, 2004 | \$4,508 |
| A-77-06-00005 | 1/31/2006 | Management Advisory Report: Single Audit of the State of Wisconsin for the Fiscal Year Ended June 30, 2004 | \$43,664 |
| A-13-05-15027 | 2/1/2006 | The Social Security Administration's Controls over the Old-Age, Survivors and Disability Insurance Waiver Approval Process | \$11,146,465 |
| A-04-05-15040 | 3/13/2006 | Administrative Costs Claimed by the North Carolina Disability Determination Services | \$4,134,902 |
| A-13-05-15029 | 3/22/2006 | The Social Security Administration's Decisions to Terminate Collection Efforts for Old-Age, Survivors and Disability Insurance Overpayments | \$29,532,455 |
| A-06-06-16008 | 3/23/2006 | Administrative Costs Claimed by the Texas Disability Determination Services | \$778,111 |
| TOTAL: | | | \$96,142,605 |

| Reports with Funds Put to Better Use October 1, 2005 through March 31, 2006 | | | |
|--|-------------------|---|----------------------|
| Audit Number | Issue Date | Report | Dollar Amount |
| A-06-05-15077 | 10/11/2005 | Administrative Costs Claimed by the Arkansas Disability Determination Services | \$211,122 |
| A-15-05-30018 | 11/8/2005 | Administrative Costs Claimed by the District of Columbia Disability Determination Division for Fiscal Years 2001 and 2002 | \$257,750 |
| A-07-05-15102 | 1/24/2006 | Administrative Costs Claimed by the Oklahoma Disability Determination Services | \$207,940 |
| A-04-05-15040 | 3/13/2006 | Administrative Costs Claimed by the North Carolina Disability Determination Services | \$689,211 |
| A-06-06-16008 | 3/23/2006 | Administrative Costs Claimed by the Texas Disability Determination Services | \$40,157 |
| TOTAL: | | | \$1,406,180 |



Appendix C: Reporting Requirements Under the Omnibus Consolidated Appropriations Act for FY 1997

To meet the requirements of the *Omnibus Consolidated Appropriations Act of 1997*, P.L. 104-208, we are providing requisite data for FY 2006 from the Offices of Investigations and Audit in this report.

OFFICE OF INVESTIGATIONS

We are reporting over \$29 million in SSA funds as a result of our investigative activities in this reporting period. These funds are broken down in the table below.

| Investigative Activities | | | |
|---------------------------|--------------|--------------|--------------|
| | 1st Quarter | 2nd Quarter | Total |
| Court Ordered Restitution | \$4,505,643 | \$4,999,354 | \$9,504,997 |
| Recoveries | \$8,401,105 | \$9,790,749 | \$18,191,854 |
| Fines | \$421,128 | \$371,230 | \$792,358 |
| Settlements/ Judgments | \$320,618 | \$717,538 | \$1,038,156 |
| TOTAL | \$13,648,494 | \$15,878,871 | \$29,527,365 |

OFFICE OF AUDIT

SSA management has informed us that it has completed implementing recommendations from 7 audit reports during this time period valued at over \$92 million.

Administrative Costs Claimed by the North Carolina Disability Determination Services (NC-DDS) (A-04-05-15040, 3/13/06)

We recommended that SSA instruct the NC-DDS to return the \$689,211 that remains unused in its FYs 2001 through 2003 Automated Standard Application for Payments (ASAP) accounts.

Administrative Costs Claimed by the Oklahoma Disability Determination Services (A-07-05-15102, 1/24/06)

We recommended that the SSA Regional Commissioner rescind the excess ASAP funding authority of \$33,598 and \$174,342 for FYs 2003 and 2004, respectively.



Administrative Costs Claimed by the Arkansas Disability Determination Services (AR-DDS) (A-06-05-15077, 10/11/05)

We recommended that SSA instruct the AR-DDS to deobligate the \$20,000 from the FY 2003 SSA-4513.

The Effectiveness of the Social Security Administration's Controls over Title II Unnegotiated Checks (A-02-05-15079, 9/19/05)

We recommended that SSA review and take appropriate action to address the 18 cases we identified where unnegotiated checks continue. The implemented recommendation is valued at over \$734,000.

Administrative Costs Claimed by the Pennsylvania Bureau of Disability Determination (A-15-04-14080, 8/31/05)

We recommended that SSA improve internal controls over the obligation process to ensure only properly supported obligations are recorded and deobligate the invalid move/expansion unliquidated obligations of \$770,775 for FY 2002 and \$1,381,094 for FY 2003.

Social Security Number Cards Issued After Death (A-06-03-13078, 4/20/05)

We recommended that SSA review its procedures for paying survivor's payments to auxiliaries when evidence indicates that the numberholder is not deceased. The implemented recommendation is valued at \$720,000.

The Social Security Administration's Clean-Up of Title II Disability Insurance Cases with a Workers' Compensation Offset (A-04-03-13042, 10/14/04)

We recommended that SSA evaluate the effectiveness of the procedures implemented to improve the payment accuracy of the Workers' Compensation workload and implement new or additional procedures, as necessary. The implemented recommendation is valued at \$87.5 million.

Appendix D: Significant Management Decisions With Which the Inspector General Disagrees

There are no significant management decisions with which the Inspector General disagrees.



Appendix E: Collections From Investigations and Audits

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

OFFICE OF INVESTIGATIONS

| Total Restitution Reported by DOJ as Collected for SSA | | | |
|--|--|---|------------------------------------|
| FY | Total Number of Individuals Assigned Court Ordered Restitution | Court Ordered Restitution for This Period | Total Restitution Collected by DOJ |
| 2004 | 700 | \$24,309,652 | \$2,307,487 |
| 2005 | 661 | \$22,292,757 | \$1,439,253 |
| 2006 | 311 | \$9,504,997 | \$249,870 ¹ |
| TOTAL | 1,672 | \$56,107,406 | 3,996,610 |

¹Reflects collection for October 1, 2005 – December 31, 2005

| Recovery Actions Based on OI Investigations | | |
|---|--|---------------------|
| FY | Total Number of Recovery Actions Initiated | Amount for Recovery |
| 2004 | 1,861 | \$32,706,653 |
| 2005 | 1,686 | \$30,908,777 |
| 2006 | 990 | \$18,191,854 |
| TOTAL | 4,537 | \$81,807,284 |



OFFICE OF AUDIT

The following chart summarizes SSA’s responses to our recommendations for the recovery or redirection of questioned and unsupported costs. This information is prepared in coordination with SSA’s management officials and is current as of March 31, 2006.

| SSA’s Responses to OIG’s Recommendations Recovery or Redirection of Questioned and Unsupported Costs | | | | | | |
|---|-------------------------------|------------------------------|------------------------|-------------------------------------|--------------------------------|---------------|
| FY | Reports with Questioned Costs | Questioned/Unsupported Costs | Management Concurrence | Amount Collected or to be Recovered | Amount Written-Off/Adjustments | Balance |
| 2004 | 19 | \$1,500,781,845 | \$1,473,473,313 | \$107,030,015 | \$1,390,105,634 ¹ | \$3,684,480 |
| 2005 | 24 | \$374,930,433 | \$363,916,161 | \$169,755,310 | \$10,153,539 | \$195,021,584 |
| 2006 ² | 11 | \$96,142,605 | \$2,234,039 | \$110,636 | \$15,380,546 | \$79,873,312 |
| TOTAL | 54 | \$1,971,854,883 | \$1,839,623,513 | \$276,895,961 | \$1,415,639,719 | \$278,579,376 |

¹This amount includes \$1,365,957,300 in adjustments that were contained in the report, *Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File (MEF) (A-01-03-13019, 7/12/2004)*. We recommended that SSA review past cases where significant earnings are present on the MEF and no determination has been made regarding trial work and/or substantial gainful activity (SGA). SSA agreed, where it is cost beneficial to do so and as its resources permit, to review the cases with significant earnings on the MEF where no determination has been made regarding trial work/SGA and take action. However, SSA subsequently informed us that it would not review the cases.

²October 1, 2005 to March 31, 2006

Appendix F: Significant Monetary Recommendations From Prior FYs for Which Corrective Actions Have Not Been Completed

There are no significant monetary recommendations from prior FYs for which corrective actions have not been completed.



Appendix G: Significant Non-Monetary Recommendations From Prior FYs for Which Corrective Actions Have Not Been Completed

Work Activity for SSNs Assigned for Nonwork Purposes in the State of Utah (A-14-01-11048, 3/29/02)

Recommendation: We recommended that SSA work with the Immigration and Naturalization Service, now incorporated into the Department of Homeland Security (DHS), to resolve data compatibility problems associated with the nonwork earnings file provided by SSA and involve employees familiar with the problem.

Agency Response: SSA agreed with the recommendation.

Corrective Action: Under the direction of the Enumeration Response Team, a subgroup is currently working on a proposal to expand the SSN electronic audit trail to capture information that could also be useful in resolving data compatibility problems between SSA and DHS. At this time, no milestone activities have been determined.

In the interim, SSA has implemented the "SS-5 Assistant" software program. The SS-5 Assistant Release 2 is a Microsoft Access-based application that has been developed to support processing of SSN applications. Working in conjunction with the existing Modernized Enumeration System, it assists users to correctly process applications, including electronically capturing evidence (such as document numbers, issue and expiration dates) and interfacing with DHS verification data.

Recommendation: We recommended that SSA work to establish an agreement with the Office of Child Support Enforcement (OCSE) whereby SSA submits nonwork SSN records to OCSE each quarter, and OCSE associates quarterly earnings with the records before returning them to SSA.

Agency Response: SSA believes this recommendation may have merit.

Corrective Action: SSA no longer issues an SSN solely for the purpose of securing a driver's license or motor vehicle registration. This policy change closes opportunities for illegal work. Also, SSA is continuing to work with DHS on a number of fronts to improve the enumeration process. Once SSA has assessed the impact of these activities, SSA will revisit this recommendation and determine how to best proceed within the constraints of SSA's disclosure/privacy regulations and policies on working with and sharing information with OCSE and DHS for the purposes of identifying persons who work illegally and employers who hire such persons.

Recommendation: We recommended that SSA use quarterly wage information or other suitable methods to prevent the issuance of replacement Social Security cards when there is evidence of illegal employment and to advise employers of nonwork status when verifying employee SSNs.

Agency Response: SSA agreed that there should be tighter controls for issuing replacement cards to aliens who are not authorized to work.

Corrective Action: Beginning December 16, 2005, SSA began limiting the number of replacement SSN cards an individual may receive to three per year and ten in a lifetime; revised instructions were released. To address the issuance of replacement SSN cards to unauthorized alien workers, SSA began verifying all immigration documents submitted for an SSN card with the DHS in June 2002. This verification must be



done before any SSN card is issued. SSA continues to investigate other methods for tightening controls, including the possibility of issuing revised instructions and reminders on the policy on issuing replacement cards and on updating Numident records.

SSA and DHS jointly administer the Basic Pilot program, which was established under the *Illegal Immigration Reform and Immigrant Responsibility Act of 1996* as amended. Under the Basic Pilot, employers nationwide may verify employment eligibility for newly hired employees by using an automated system that looks at SSA's and DHS's records. SSA is also exploring additional mechanisms for helping DHS monitor employment authorization.

Recommendation: We recommended that SSA match the quarterly nonwork earnings file with the ESF to identify and report to DHS employers who consistently hire people who are not authorized for employment and individuals who use, for employment, nonwork SSNs and false identities.

Agency Response: SSA believed the recommendation may have merit.

Corrective Action: SSA will revisit the recommendation once an assessment of the impact of previously referenced activities that are underway or planned is complete.

Payments Made to Selected Representative Payees after the Deaths of Social Security Beneficiaries (A-13-01-21028, 9/18/01)

Recommendation: We recommended that SSA resolve beneficiary date of death discrepancies we identified and develop and implement procedures for the timely and accurate recordation of dates of death.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA has already begun to correct the records containing date of death discrepancies and will review the procedures to prevent future occurrences of this nature. In addition, a new Death Alert, Control and Update System (DACUS) process, which will identify deceased representative payees in the Representative Payee System, will be implemented in the DACUS Release II. SSA anticipates that this release will be scheduled by the fourth quarter of FY 2006.

Approval of Claimant Representatives and Fees Paid to Attorneys (A-12-00-10027, 8/21/01)

Recommendation: We recommended that SSA collect each attorney's SSN, name and address information so that Internal Revenue Service (IRS) Form 1099 can be issued to attorneys.

Agency Response: SSA's Executive Task Force is addressing the issue of providing IRS Form 1099 to attorneys and is developing a business process for issuing these forms.

Corrective Action: SSA must develop the automation support necessary to meet the Internal Revenue Code requirement that SSA issue Form-1099s to attorneys who receive attorney fees of \$600 or more in a taxable year. The Attorney Fee Task Force has established a revised target of issuing Form-1099s to attorneys to January 2008 (representing attorney fees received during tax year 2007). SSA has initiated planning and analysis required for development of the systems enhancements to collect and process the appropriate attorney data required for issuing the Form-1099s. Implementation of the attorney database is planned for the fall of 2006.



Glossary of Acronyms

| Abbreviation | Definition |
|--------------|---|
| ALJ | Administrative Law Judge |
| CDI | Cooperative Disability Investigation |
| CDR | Continuing Disability Review |
| CMP | Civil Monetary Penalty |
| CSI | Center for Security and Integrity |
| DACUS | Death Alert, Control and Update System |
| DDS | Disability Determination Service |
| DHS | Department of Homeland Security |
| DoD | Department of Defense |
| DOJ | Department of Justice |
| DOL | Department of Labor |
| EF | Electronic Folder |
| ESF | Earnings Suspense File |
| FECA | <i>Federal Employees Compensation Act</i> |
| FY | Fiscal Year |
| ICE | Bureau of Immigration and Customs Enforcement |
| IDA | Independence Day Assessment |
| IDMS | Integrated Disability Management System |
| IGEL | Inspector General Electronic Learning |
| IO | Immediate Office |
| IRS | Internal Revenue Service |
| MEF | Master Earnings File |
| NASA | National Aeronautics and Space Administration |
| NWALIEN | Nonwork Alien |
| OA | Office of Audit |
| OASDI | Old-Age, Survivors, and Disability Insurance |



| Abbreviation | Definition |
|----------------|---|
| OCCIG | Office of the Chief Counsel to the Inspector General |
| OCSE | Office of Child Support Enforcement |
| ODAR | Office of Disability Adjudication and Review |
| OI | Office of Investigations |
| OIG | Office of the Inspector General |
| OQAPR | Office of Quality Assurance and Professional Responsibility |
| ORM | Office of Resource Management |
| PCIE | President’s Council on Integrity and Efficiency |
| POMS | Program Operations Manual System |
| PwC | PricewaterhouseCoopers, LLP |
| SCCSD | Scott County Community Services Department |
| SDW | Special Disability Workload |
| SGA | Substantial Gainful Activity |
| SSA | Social Security Administration |
| SSI | Supplemental Security Income |
| SSN | Social Security Number |
| <i>the Act</i> | <i>Social Security Act</i> |
| TIGTA | Treasury Inspector General for Tax Administration |
| VA | Veterans Affairs |
| WC | Workers’ Compensation |





How to Report Fraud

The SSA OIG Fraud Hotline offers a means for you to provide information on suspected fraud, waste, and abuse. If you know of current or potentially illegal or improper activities involving SSA programs or personnel, we encourage you to contact the SSA OIG Fraud Hotline.

Call the SSA OIG Fraud Hotline toll-free number
1-800-269-0271 (TTY: 1-866-501-2101)

Write: Social Security Administration
Office of the Inspector General
Attention: SSA Fraud Hotline
P. O. Box 17768
Baltimore, MD 21235

Fax: 410-597-0118

email: OIG.HOTLINE@ssa.gov

To obtain additional copies of this report or learn more about reporting fraud, please visit our website at www.socialsecurity.gov/oig

Report Fraud, Waste, and Abuse
| -800-269-0271 |



www.socialsecurity.gov/oig

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