

# ***Office of the Inspector General Social Security Administration***

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***Semiannual Report***  
***October 1, 1999 – March 31, 2000***

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

## ***Mission Statement and Vision***

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We improve the Social Security Administration's programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public.

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management.

# ***Message from the Inspector General***

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I am pleased to release the Social Security Administration's (SSA) Office of the Inspector General (OIG) Semiannual Report to Congress for the period October 1, 1999, through March 31, 2000. This report meets the requirements of the Inspector General Act of 1978, as amended, and includes other information that is mandated by Congress.

Inside, you will find details about our most significant achievements for this reporting period. Each component of this office has completed work during this reporting period that advances SSA's goal to make SSA program management the best-in-business, with zero tolerance for fraud and abuse. Our auditors, investigators, and lawyers also joined together and coordinated with other Federal agencies to take on one of the fastest growing problems in the Nation, Social Security number misuse and identity theft. They also joined forces to assist SSA in dealing with vulnerabilities in its Representative Payee Program.

Our investigative operations continued to produce impressive results. The Office of Investigations reported over \$122 million in investigative accomplishments with over \$65 million directly impacting SSA's programs. The Office of Audit issued 27 reports with recommendations that over \$45 million in Federal funds could be put to better use and identified over \$108,000 in questioned costs. The Office of the Counsel to the Inspector General (OCIG) had a significant increase in Civil Monetary Penalties for this reporting period. It reported more during this 6-month period than in all of Fiscal Year 1999 with \$164,758 in penalties and assessments imposed for persons making false statements. In the area of Misleading Advertising, OCIG imposed \$279,500 in penalties, executed voluntary compliance agreements with three separate entities, issued seven Cease and Desist letters, and issued a Notice of Proposal to Impose Penalties against five separate entities.

On March 31, 2000, we marked the 5<sup>th</sup> anniversary of an independent SSA and our OIG. While we are one of the youngest OIGs, we are one of the most productive. I am very proud of our accomplishments and realize they could not have been achieved without a great effort from OIG staff, the cooperation of the Agency, and the support of Congress.

Sincerely,



James G. Huse, Jr.  
Inspector General of Social Security

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# ***Table of Contents***

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<b>Reporting Requirements</b>	<b>ii</b>
<b>Significant Activities</b>	<b>1</b>
<b>Office of the Counsel to the Inspector General</b>	<b>7</b>
<b>Office of Investigations</b>	<b>13</b>
<b>Office of Audit</b>	<b>37</b>
<b>Resolving Office of the Inspector General Recommendations</b>	<b>55</b>
<b>Reports Issued From October 1, 1999, Through March 31, 2000</b>	<b>57</b>
<b>Appendices</b>	
<b>Appendix A - Government Performance and     Results Act Work Plan</b>	<b>63</b>
<b>Appendix B - Reporting Requirements Under the Omnibus     Consolidated Appropriations Act for Fiscal Year 1997</b>	<b>75</b>
<b>Appendix C - Significant Monetary Recommendations From     Prior Reports for Which Corrective Actions Have Not Been     Completed</b>	<b>77</b>
<b>Appendix D - Significant Nonmonetary Recommendations     From Prior Reports for Which Corrective Actions Have Not     Been Completed</b>	<b>79</b>
<b>Appendix E - Management Decisions With Which the     Inspector General Disagrees</b>	<b>81</b>
<b>Appendix F - Significant Management Challenges Facing the     Social Security Administration</b>	<b>83</b>

# ***Reporting Requirements***

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The Inspector General Act of 1978, as amended, specifies reporting requirements for semiannual reports. The requirements are listed below and indexed to their appropriate pages in this report.

Section 4(a)(2): Review of Legislation and Regulations	10-11
Section 5(a)(1): Significant Problems, Abuses, and Deficiencies	1-53
Section 5(a)(2): Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	1-53
Section 5(a)(3): Recommendations Described in Previous Semiannual Reports on Which Corrective Actions Have Not Been Completed	77-79
Section 5(a)(4): Matters Referred to Prosecutorial Authorities	7-35
Sections 5(a)(5) and 6(b)(2): Summary of Instance Where Information Was Refused	None
Section 5(a)(6): List of Audit Reports	57-59
Section 5(a)(7): Summary of Particularly Significant Reports	37-53
Section 5(a)(8): Statistical Table Showing the Total Number of Audit Reports and Total Dollar Value of Questioned Costs	55
Section 5(a)(9): Statistical Table Showing the Total Number of Audit Reports and the Total Dollar Value of Recommendations That Funds Be Put to Better Use	56
Section 5(a)(10): Audit Recommendations More Than 6 Months Old for Which No Management Decision Has Been Made	55-56
Section 5(a)(11): Significant Management Decisions That Were Revised During the Reporting Period	None
Section 5(a)(12): Significant Management Decisions With Which the Inspector General Disagrees	81

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# ***Significant Activities***

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The Office of the Inspector General's (OIG) components have partnered in a number of initiatives to capitalize on the skills of our staff and to make the most of our limited resources. We also work with other Federal and State agencies in those instances where appropriate. Perhaps our most significant activity for this reporting period is our continuing efforts in the Social Security number (SSN) misuse and identity theft area.

## ***SSN Misuse and Identity Theft***

OIG's Office of Audit (OA) provides SSN misuse and identity theft leads to the Office of Investigations (OI) that have been uncovered during the course of OA's reviews. These leads for the most part evolve into investigations that are easily prosecutable.

OIG's Identity Theft Task Force members are active in the intergovernmental work groups that review the extent of the identity theft problem and initiate programs to solve these problems. One of these is the Department of Justice Identity Theft Subcommittee of the Law Enforcement Initiatives Committee of the Attorney General's Council on White-Collar Crime. This subcommittee gauges whether new law enforcement initiatives or strategies are needed.

During this reporting period, there were two important events that brought the private and public sectors together to discuss efforts to address identity theft. The first of these events was the Canadian Identity Fraud Workshop, which was held in Toronto in February 2000. Staff members of OIG gave a presentation to Government representatives from Canada, Australia, and the United Kingdom regarding identity theft in the United States. OIG staff provided an overview of identity theft and its impact in the United States that included:

- The role of SSNs in identity theft crimes;
- Federal and State government initiatives to combat identity theft (i.e., the Identity Theft and Assumption Deterrence Act of 1998, biometrics in entitlement programs); and
- The Social Security Administration (SSA) OIG's initiatives to combat identity theft.

OIG staff also participated in round table discussions with representatives from other Nations to identify common problems and possible remedies.

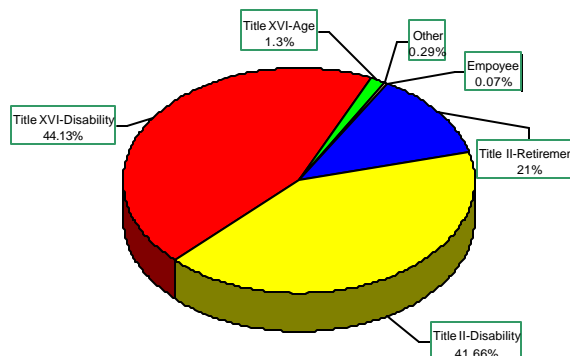
The second event, the National Identity Theft Summit held in March 2000, was hosted by the Department of the Treasury in Washington, D.C., and incorporated five panels to discuss victim issues, prevention measures, and short-term remedies for both the private sector and governmental agencies. OIG co-coordinated the prevention panel, which the Inspector General moderated. This panel was designed to give the attendees ideas and suggestions on how to prevent identity theft.

Since the passage of the Identity Theft and Assumption Deterrence Act of 1998, which designated the Federal Trade Commission (FTC) as the clearinghouse for identity theft complaints, OIG developed a referral system that will allow for the automated transfer of data between the agencies. This referral system will not only improve our ability to assist victims, but will allow us to detect individuals committing identity theft more quickly. Based on a recent analysis by FTC, we estimate that referrals of SSN misuse from FTC could reach 2,000 a month. Because of this expectation, we are redesigning our systems to capture SSN misuse referrals in a more defined structure that will delineate SSN misuse by type. In order to process the thousands of SSN misuse and identity theft allegations we receive, OI launched SSN misuse pilot projects in five cities across the Nation. Our investigators provide the lead in working with Federal and State law enforcement agencies to review allegations and, if warranted, open investigations. During this reporting period, we opened 656 investigations and presented 351 individuals for prosecution related to SSN misuse.

To further our fight, we proposed to Congress and SSA that they expand the Civil Monetary Penalty (CMP) program to include SSN misuse and identity theft penalties for those cases that are not accepted by the U.S. Attorney's Office for prosecution. We have also detailed a lawyer to the Department of Justice to assist in the prosecution of SSN misuse and identity theft cases.

We expect that SSN misuse and identity theft allegations and investigations will increase as this crime becomes more widespread and legislative remedies are made available.

***Allegations Received by the SSA Fraud Hotline with SSN Misuse as a Secondary Complaint***





## ***Cooperative Disability Investigations Teams***

OIG, in conjunction with SSA's Office of Disability, administers the Cooperative Disability Investigations (CDI) teams. These teams investigate Social Security disability benefits and Supplemental Security Income (SSI) disability benefits claims that the State Disability Determination Services (DDS) personnel deem to be suspicious. The results of these investigations are reported to the DDS to either verify or refute the suspicions and also provide sufficient evidence to sustain any denials through the appeals process. Seven teams are fully operational and a total of 11 teams will be working by the end of Fiscal Year (FY) 2000.

Below is a statistical breakdown of CDI's accomplishments.

<b>CDI Statistics</b>					
<b>(October 1, 1999, through March 31, 2000)</b>					
	<b>Allegations Received</b>	<b>Confirmed Cases of Fraud/Similar Fault</b>	<b>SSA Recoveries &amp; Restitution</b>	<b>SSA Savings*</b>	<b>Non-SSA Savings*</b>
<b>Atlanta</b>	153	82	\$23,851	\$4,657,388	\$1,567,686
<b>Baton Rouge</b>	85	18	0	\$910,100	\$62,000
<b>Chicago</b>	82	11	\$22,991	\$460,955	\$570,000
<b>New York City</b>	81	65	\$62,932	\$2,389,953	\$196,620
<b>Oakland</b>	232	98	0	\$5,943,010	\$4,072,260
<b>Salem</b>	95	16	0	\$852,496	\$301,155
<b>St. Louis</b>	68	24	\$25,507	\$1,546,250	0
<b>Total</b>	<b>796</b>	<b>314</b>	<b>\$135,281</b>	<b>\$16,760,152</b>	<b>\$6,769,721</b>

\*The methodology used to identify SSA program savings has been developed in consultation with SSA's Office of Disability and the Office of the Actuary. Non-SSA savings are projected, whenever another governmental program ceases to pay benefits as a result of CDI investigative reports, using the same methodology.

## ***Representative Payees***

SSA provides benefits to the most vulnerable members of our society – the young, the elderly, and the disabled. Congress granted SSA the authority to appoint representative payees for those beneficiaries judged incapable of managing or directing their own benefits. Representative payees receive and manage payments on behalf of these individuals. For the most part, representative payees are honest individuals who are true caregivers to the beneficiaries. However, there are some unethical people who will take advantage of these vulnerable individuals. Because of this, it is imperative that SSA has appropriate screening safeguards and monitoring plans in place to ensure that representative payees meet their responsibilities to use funds appropriately.

Recent media attention concerning the Representative Payee Program has focused attention on the Agency's monitoring of representative payees. OIG will assist the Agency by performing independent on-site audits of a limited number of representative payees. These audits will enable the Agency to identify problem areas that need to be addressed to ensure that beneficiaries' benefits are being managed in a sound fiduciary manner.

Representative payee fraud is also a major focus of OI. It has responded to allegations involving all types and sizes of representative payees, from individuals to large-scale organizations who represent hundreds of beneficiaries. During this reporting period, one of the investigations we conducted was of the Aurora Foundation, a representative payee located in West Virginia. Aurora Foundation, Inc. was a high-volume, fee-for-service, organizational representative payee that served over 140 disabled individuals. Our investigation revealed the president of the foundation had embezzled over \$300,000 between April 1995 through May 1999 and over \$160,000 of the embezzled funds were SSA benefits. The president of Aurora has since pled guilty to the embezzlement of Social Security, Veterans Affairs (VA), and private funds and is scheduled for sentencing June 5, 2000.

Other cases involving representative payees are found in the OI section of this report.

## ***Federal Records Service Corporation Settlement***

In our last Semiannual Report to Congress, we reported a significant misleading advertising case against the Federal Records Service Corporation (FRSC). During this reporting period, in conjunction with the U.S. Attorney's Office for the Southern District of New York and SSA's Office of the General Counsel, we reached a final settlement in this case with the last party involved, FRSC, the Florida Corporation. Previously, a settlement was reached with FRSC, the New York Corporation, for

\$845,000. FRSC was a private company that formerly sent direct mail solicitations to consumers that appeared to be from, or endorsed by, SSA. Their \$15 service consisted of retyping a person's information onto an SSA application form for name changes or for a newborn's SSN. Yet, SSA provides assistance in filling out these forms free of charge. The settlement included a \$237,000 payment to the SSA Trust Fund.

## ***Year 2000 Transition a Success***

Both SSA and OIG had an uneventful transition to the New Year. All systems remained "go" and no business processes were disrupted. The OIG systems support staff manned their sites at designated locations throughout the country on New Year's Eve and New Year's Day to assure the continued operations of systems in OIG offices. In preparation for the calendar change to "00," we coordinated all our systems support activities with SSA systems staff to assure that we were prepared for the transition. During the transition weekend, we tested hardware and software to assure that all the components of our automated systems would function normally on the first business day of the New Year. As a result of these efforts, there was a smooth transition of our systems in OIG with no disruption in service.

## ***Critical Infrastructure Division***

In response to the Presidential Decision Directives 62 (Terrorism), 63 (Critical Infrastructure Protection), and 67 (Continuity of Government), OIG established the Critical Infrastructure Division (CID). CID is composed of both auditors and investigators. CID is working with SSA's System Security Officers and representatives from SSA's National Computer Center to define an intrusion response policy that includes OIG notification and investigation, if warranted. As SSA becomes more dependent on electronic data, special consideration must be given to protect the transmission, storage, and processing of this sensitive data from cyber and/or physical threats. SSA's systems are critical to customer service delivery. Technology is rapidly changing in this new electronic age, especially in the use of the Internet to conduct business. We need to be sure that the appropriate safeguards are in place to protect SSA's critical infrastructures and to ensure that SSA can continue to serve its customers by using technology to its advantage. We recognize that this mission goes far beyond our traditional audit and investigative roles.

Included in CID is the Electronic Crime Team (ECT). As SSA is migrating to "electronic service delivery," many of its functions on the Internet, the occurrences of Internet fraud, and criminal activity conducted in an automated environment, will increase. ECT is designed to meet this challenge. This group provides technological assistance to investigations conducted by OI Special Agents and the investigations of intrusions into the network computer systems of SSA.

## ***Office of Executive Operations***

The Office of Executive Operations (OEO), which merged the Office of External Affairs and the Office of Management Services, is a new component within OIG that is responsible for a broad range of functions that communicate the results of our work with our external stakeholders and provide the internal administrative support for all OIG activities.

Within OEO, the External Affairs Division is responsible for all our congressional liaison activities, as well as communications with the press and private citizens who direct inquiries to OIG. This office is also responsible for our Semiannual Reports to Congress, preparation of congressional testimony for the Inspector General, and all other communications with our external stakeholders.

Also under the auspices of OEO is the Quality Assurance and Professional Responsibility Division (QAPRD). This office conducts site inspections at OA and OI divisions throughout the country and at Headquarters. QAPRD also investigates allegations of impropriety received about OIG employees and SSA senior-executive level staff.

The other offices within OEO provide the internal administrative support for all OIG components to function. The support functions include personnel, budget, space management, and systems support that OIG components require on an ongoing basis.

# ***Office of the Counsel to the Inspector General***

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The Office of the Counsel to the Inspector General (OCIG) provides legal advice and counsel to the Inspector General and the various components of OIG.

OCIG supports OI and OA by identifying and reviewing legal implications and conclusions from audit and investigative findings.

This office is also responsible for implementing the CMP authority under sections 1129 and 1140 of the Social Security Act. The CMP authority provides a vehicle to recoup losses and deter fraud on cases declined civilly and criminally by the Department of Justice, to advance the Agency's "Zero Tolerance for Fraud" initiative.



## ***Section 1129 of the Social Security Act – False Statements***

The Commissioner of Social Security has delegated to OIG the authority to impose CMPs against violators of section 1129 of the Social Security Act. Section 1129 prohibits persons from making false statements or representations of material facts in connection with obtaining or retaining benefits or payments under titles II or XVI of the Act. If the U.S. Attorney's Office declines to take civil or criminal action, OIG is authorized to impose penalties of up to \$5,000 for each false statement or representation, as well as an assessment of up to twice the amount of any resulting overpayment. This program continues to grow as our investigative organization matures. As previously stated in the Significant Activity section of this report, OCIG reported more CMP activity during this reporting period than in all of FY 1999.

The following table provides details for these activities.

**1129 Cases**

	<b>FY 1999</b>	<b>First Half of FY 2000</b>
Open CMP cases as of the beginning of the reporting period	13	37
New CMP cases referred from OI	41	121
CMP Cases Closed	17	71
Open CMP cases as of the end of the reporting period	37	87
CMP Penalties and Assessments Imposed	\$110,441	\$164,758
Number of Hearings Requested	0	0

The following cases highlight some of the most significant work in this area.

- In 1985, a spouse acting as representative payee for his wife began collecting disability benefits after she sustained serious injuries in an automobile accident. When the couple divorced and the wife returned to work, the ex-husband continued to tell SSA that he was married; that his wife did not work; and he continued to receive her benefits. This resulted in a \$57,361 loss to the Government. Although he pled guilty to one felony count of Representative Payee Abuse, court ordered restitution was only \$657. After initiating a CMP action, OCIG obtained a settlement for \$65,000.
- A mother, serving as representative payee for her daughter, made numerous false statements to SSA to conceal her daughter's death which occurred in 1994. As a result, she improperly collected SSI payments from August 1994 through March 1998 totaling \$20,656. On January 20, 2000, OCIG imposed a penalty and assessment of \$62,180. This consisted of twice the amount of overpayment from her false statements occurring after October 1, 1994, plus an additional \$5,000 for each of those false statements.

## **Section 1140 of the Social Security Act – Misleading Advertising**

Section 1140 of the Social Security Act prohibits the use of SSA’s program words, letters, symbols, or emblems in advertisements or other communications in a manner that falsely conveys approval, endorsement, or authorization by SSA. Each misleading communication subjects the violator to a maximum \$5,000 penalty. In enforcing section 1140, OIG is responsible for initiating proceedings, conducting settlement negotiations, and litigating cases before the Department of Health and Human Services’ (HHS) Departmental Appeals Board.

The following table shows section 1140 case activity for this reporting period. Penalties imposed during the reporting period totaled \$279,500.

### **1140 Cases**

New Cases Opened	16
Cases open as of the end of the reporting period	30
Cases Closed	17
No Violation	9
Voluntary Compliance	3
Settlement Agreement (# of cases/amount)	3 for \$254,500
Penalty/Court Action (# of cases/amount)	2 for \$25,000
Cease & Desist Letters Issued	7
Penalty Letters Issued	5
Cases Taken to Hearing	1

Because of our aggressive tactics against misleading advertisers, OCIG is receiving fewer complaints of misleading SSA-related solicitations. This demonstrates that the implementation of the CMP is accomplishing its objective – to prevent and deter fraud. However, the number of penalty letters issued against companies that have refused to comply with section 1140 have increased. In cases where companies may not be violating section 1140 but may be violating State or Federal laws enforced by

other Federal agencies, we are referring the complaints to the appropriate agency for action. The following misleading advertising cases are examples of the work processed by OCIG in this area during this reporting period.

- Senior Direct, under the name “Regional Processing Center,” sent death benefit insurance “lead card” mailings to senior citizens that appeared to be from, or related to, SSA. When a senior citizen would return the “reply card,” an insurance salesperson would try to sell a policy to the individual. We entered into a settlement agreement with Senior Direct, Inc., whereby the company agreed to pay \$17,500 to the SSA Trust Fund.
- National Processing Center, an assumed name owned by an individual, also profited from death benefit insurance “lead card” mailings sent to senior citizens. Shortly after imposing a \$15,000 CMP on the owner, OI found the owner picking up “reply cards” for similar misleading mailers using a different business name and a different post office box. The company owner never appealed the \$15,000 CMP and we referred the matter to SSA for collection.

## ***Legislative Proposal and Regulatory Comment Reviews***

The Inspector General Act of 1978, as amended, authorized the Inspector General to review existing and proposed legislation and regulations relating to the programs and operations of the relevant agency. During this reporting period, OCIG reviewed various legislative proposals related to SSA and fraud, waste, and abuse. In the course of the review, OCIG sought to ensure that the potential for fraud and abuse in SSA programs was adequately addressed. OCIG also provided comments on legislative options proposed by SSA to address specific areas of concern regarding identify theft.

In this reporting period, we reviewed 13 legislative proposals. One legislative proposal was the Identity Theft Prevention Act of 2000 (introduced in the Senate) S. 2328. This bill extends SSA’s CMP authority to impose penalties against representative payees who convert benefits for their own use, persons who use an SSN obtained through false information, and persons who use SSNs that they know are not the true SSNs assigned to them. The bill provides additional protections from identity theft by requiring issuers of credit to confirm changes of address and requires consumer reporting agencies to notify the consumer when it becomes aware that someone is trying to open a new credit card at another address.

We reviewed five regulations that affect SSA. One was the Health Insurance Portability and Accountability Act of 1996 (HIPAA) privacy regulations. HHS’ proposed regulations implement sections 261 through 264 of HIPAA, Public Law 104-191. The regulations implement privacy and disclosure standards. The types of information covered essentially include all medical information and the proposed



regulations impact the ability to obtain medical information in SSA disability cases. Essentially, no disclosure may be made without patient consent, except as provided in the proposed regulations. Due to the many comments received, HHS has not set a deadline to publish the final regulations.

OIG submitted comments to SSA which were included in its comments to HHS. We are participating in both an interagency group and an SSA group to review the 50,000 plus responses to the proposed regulations.



# Office of Investigations

OI conducts and coordinates investigative activities related to fraud, waste, abuse, and mismanagement in SSA's programs and operations. It investigates wrongdoings by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and SSA employees. The office also frequently conducts joint investigations with other Federal, State, and local law enforcement agencies. In addition to its 5 Headquarters divisions, OI is organized into 10 field divisions nationwide. The Allegation Management Division (AMD) operates the SSA Fraud Hotline. The following organizational chart outlines the structure of the office.



OI focuses its work in the eight areas in SSA’s programs and operations that have potential for widespread fraud and abuse. These areas are:

- ❑ Financial Institution Fraud with Employee Involvement
- ❑ Employee Fraud
- ❑ Disability Fraud
- ❑ SSI Eligibility Fraud
- ❑ Institutionalization
- ❑ Payments Made to Deceased Individuals
- ❑ SSN Misuse
- ❑ Representative Payees

During this reporting period, we opened 4,277 new investigations, closed 4,069 cases, and reported \$122,864,354 in recoveries, fines, settlements/judgments, restitution, and estimated savings (see the following two tables). The following sections describe the work and highlight selected investigations.

<b>Investigative Statistics</b>	
Allegations Received	44,944
Cases Opened	4,277
Cases Closed	4,069
Total Convictions	1,169
Illegal Alien Apprehensions	68
Fugitive Felons	479
Court Actions	622

## ***Funds Reported***

	<b>SSA Funds</b>	<b>Non-SSA Funds*</b>	<b>Total Funds</b>
Scheduled Recoveries	\$5,881,826	\$704,517	\$6,586,343
Fines	\$1,200,634	\$279,005	\$1,479,639
Settlements/ Judgments	\$858,486	\$6,507,210	\$7,365,696
Restitution	\$6,633,043	\$42,105,872	\$48,738,915
Estimated Savings	\$51,190,451	\$7,503,310	\$58,693,761
<b>Total</b>	<b>\$65,764,440</b>	<b>\$57,099,914</b>	<b>\$122,864,354</b>

\*Non-SSA Funds represent monies attributed to other government organizations and financial institutions that benefit from the results of OI's investigative work.

## ***The SSA Fraud Hotline***

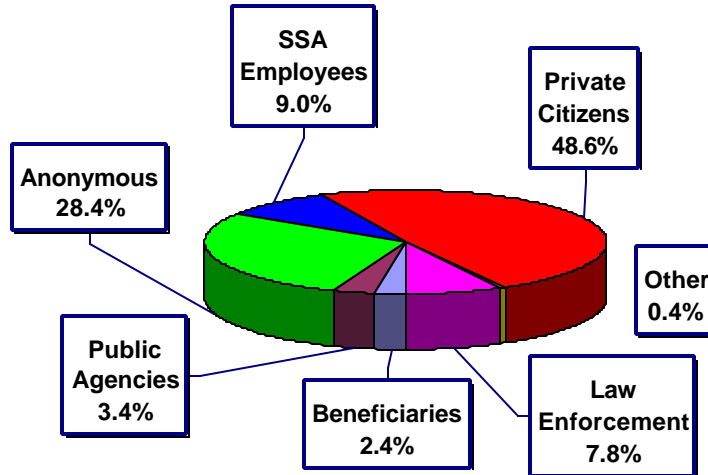
The SSA Fraud Hotline provides an avenue for reporting fraud, waste, abuse, and mismanagement within SSA's programs and operations.

During this reporting period, the Hotline received 44,944 allegations. Almost 97 percent of the allegations received fall into four main categories: SSN misuse (22,408 allegations), Title XVI Disability (9,777 allegations), Title II Disability (8,200 allegations), and Title II Retirement (3,059 allegations).

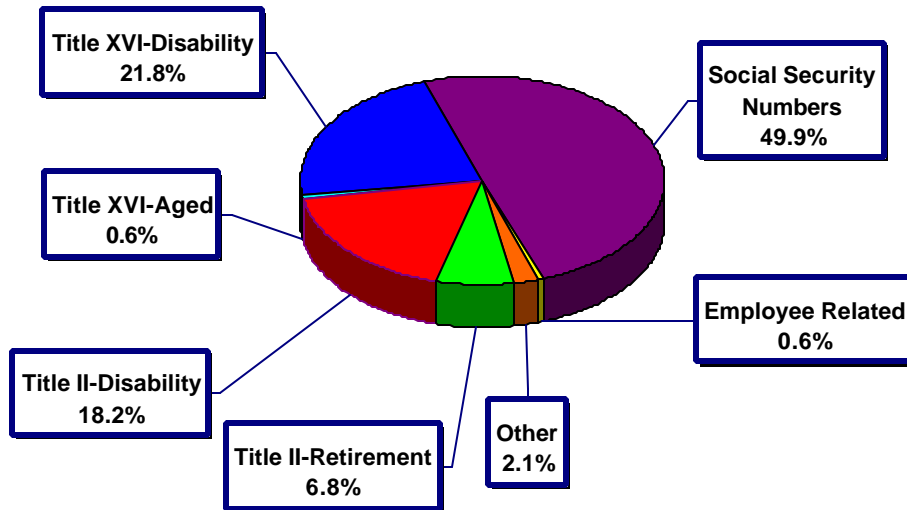
Since the passage of the Identity Theft and Assumption Deterrence Act of 1998, OIG has taken a proactive approach in the investigation of identity theft crimes. In an effort to assist law enforcement agencies in the detection of individuals committing identity theft crimes, AMD is preparing to provide FTC with information on identity theft allegations.

The following two pie charts provide detail to the sources of allegations and allegations by category.

## Sources of Allegations



## Allegations by Category



## ***Investigation of SSA Employees***

While employee fraud comprises the fewest number of allegations and cases, it will always remain an OI priority. One employee working alone or with conspirators can corrupt the computer system, cause financial losses to the Trust Fund, coerce claimants and other employees, and undermine the integrity of SSA's programs. In ongoing cooperative efforts with financial institutions, OI has identified 12 SSA employees who provided confidential SSN data to individuals who used the information to fraudulently activate credit and debit cards. During this reporting period, we identified over \$1 million in fraud losses to financial institutions.

During this reporting period we opened 42 employee investigations, closed 64 employee investigations, and took judicial actions that resulted in the conviction of 20 SSA employees.

The following cases highlight OI's efforts in this area.

### ***Financial Institution Fraud with Employee Involvement***

#### ***One SSA Employee and Two Co-Conspirators Arrested and Convicted for Selling SSA Systems Information***

An SSA employee who worked as a Contact Representative in an SSA Teleservice Center in Los Angeles, California was providing her boyfriend with information from unauthorized queries of the Modernized Claims Systems/ Customer Information Control Center transaction files. The investigation disclosed that the information was then passed to another subject and his associates to commit credit card fraud. Our analysis identified \$545,212 in credit card fraud attributed to accounts associated with this employee. As a result, the employee was terminated from SSA and prosecuted in Federal court on charges involving conspiracy to commit credit card fraud. The employee was sentenced to 2 months' home detention with electronic surveillance and 3 years' probation. A co-conspirator was sentenced to 12 months and 1 day of incarceration with 3 years' probation. The third subject was sentenced to 21 months of incarceration with 3 years' probation. All three individuals were ordered to pay restitution totaling \$545,000.

#### ***SSA Systems Information Sold to Credit Card Fraud Ring***

An SSA Service Representative in Staten Island, New York was arrested on charges involving computer fraud. The employee subsequently pled guilty to selling SSA systems information to a credit card fraud ring. The employee cooperated in the investigation, making consensually monitored telephone calls and conducting several monitored meetings with another target to whom the employee provided SSA systems information for cash. On February 4, 2000, the employee was

sentenced to 3 years' probation and ordered to pay restitution of \$200,000 to the defrauded financial institutions. Two co-conspirators have also been sentenced and ordered to pay restitution. A third is awaiting sentencing.

### ***Former SSA Employee, Daughter, and Daughter's Fiancé Successfully Prosecuted in Connection with Using SSA Systems Information to Commit Credit Card Fraud***

OI conducted an investigation into the illegal activities of an SSA Service Representative in Huntington Park, California who was providing her daughter and her daughter's fiancé with SSA systems information that was used by the fiancé and others to commit credit card fraud. Fraud analysis identified \$393,332 in credit card fraud attributed to accounts associated with this employee.

All three subjects were prosecuted on charges involving unauthorized queries of the SSA computer system, credit card fraud, and conspiracy. The former employee, her daughter, and the fiancé were sentenced on February 14, 2000. They were incarcerated and ordered to pay restitution in the amount of \$257,577.

### ***Selling SSA Systems Information Results in Imprisonment***

A former SSA Contact Service Representative in Jamaica, New York was involved in selling SSA systems information, used to activate stolen credit cards. The employee was identified through the cooperative project between OIG and several financial institutions. On January 28, 2000, the former employee received a jail sentence despite her cooperation in this investigation because of her prior arrest and conviction in an unrelated stolen check case. She was also fined \$100.

### ***Defrauded Financial Institutions to be Repaid \$200,000***

OI, the U.S. Postal Inspection Service, and the U.S. Secret Service conducted an investigation that determined that an SSA Service Representative in Staten Island, New York sold SSA information to another individual who used the information to defraud financial institutions. The employee was arrested and charged with misuse of a Government computer. She pled guilty and resigned from her position. The employee was sentenced to 3 years' probation and ordered to pay restitution of \$200,000 to the defrauded financial institutions.



## ***Employee Fraud***

### ***Bribery of a Corrupt Public Official***

Beginning approximately March 1996, a former SSA employee in Fresno, California processed over 300 fraudulent applications for SSN cards. Three co-conspirators sold the SSN cards for between \$400 and \$1,400 to people who could not otherwise obtain them legally.

SSA subsequently mailed the fraudulent SSN cards to mail drops. We based the investigation on information provided by the manager of the SSA Southeast Fresno District Office and the SSA Security Integrity Team after a security review revealed that SS-5 applications processed by the employee were missing. The former SSA employee was sentenced to 12 months' incarceration and 36 months' supervised release after pleading guilty to bribery of a public official. He was ordered to forfeit the \$12,400 in cash he accepted as a bribe to fraudulently process the SSN applications.

### ***SSA Employee and Municipal Government Employee Conspire with More Than 20 Individuals to Defraud SSA***

The New York Field Division, the Federal Bureau of Investigation (FBI), and the U.S. Postal Inspection Service conducted an investigation in Puerto Rico of an SSA employee and his co-conspirator, an employee of the Las Piedras Municipal Government, Las Piedras, Puerto Rico, who conspired with 20 individuals to illegally obtain approximately \$369,085 in SSA Old-Age, Survivors and Disability Insurance (OASDI) benefits. The investigation revealed that the co-conspirator recruited the individuals to file fraudulent OASDI applications, and he provided some of the individuals with fake baptismal certificates. The employee illegally accessed SSA's system to change the date of birth of the individuals and then processed the OASDI applications. The employee and his co-conspirator received approximately \$70,832 for their services from the 20 individuals. Both pled guilty to conspiracy. The employee was sentenced to 5 months' home detention and 2 years' supervised release. The co-conspirator is scheduled to be sentenced in May 2000.

### ***Two Individuals Bribe an SSA Employee to Illegally Process SSNs***

The Boston Field Division and the Connecticut Organized Crime Drug Enforcement Task Force conducted an investigation of an SSA employee who accepted bribes to fraudulently process SSN card applications. The investigation identified 131 fraudulent SSN card applications processed by the employee and determined that two individuals paid the employee to process the fraudulent SSN card applications. The employee pled guilty to accepting a bribe and was incarcerated.

The two individuals that paid the employee to process the fraudulent SSN applications pled guilty to bribery of a public official. They were incarcerated and ordered to perform 100 hours of community service. All three were ordered to pay a total fine of \$14,400.

### ***Administrative Law Judge Incarcerated for Defrauding SSA***

An administrative law judge (ALJ) from the Office of Hearings and Appeals, San Rafael, California applied for Social Security survivor's benefits for her daughter after the death of her ex-husband. The ALJ was convicted of perjury for lying under oath at an SSA hearing when she stated that she was not divorced from her husband when in fact she was. The ALJ was also convicted of making a false statement to SSA when she requested a reconsideration of the denial of benefits for her daughter and wrote that she was not divorced from her husband. She was initially awarded \$7,164 in retroactive benefits for her daughter and \$803 a month in continuing benefits.

The ALJ was sentenced in U.S. district court for the Northern District of California. She was ordered to pay a fine of \$30,000 (the maximum amount possible given her range within the sentencing guidelines), incarcerated, and ordered to perform 200 hours of community service. The Special Counsel Staff, Office of Hearings and Appeals, Falls Church, Virginia, referred this case to OIG. The ALJ is currently in a nonpay status pending SSA administrative action to remove the ALJ from Federal service.

### ***Access Made to Suspended Benefit Accounts***

A former SSA Service Representative in Washington State made unauthorized access to numerous suspended benefit accounts; reactivated the accounts; and caused benefits to be directly deposited to bank accounts belonging to her associates, family members, and herself. She also generated fraudulent documents causing retroactive SSI benefits to be issued via checks and electronic deposits. She was sentenced to 6 months in prison, 4 months' electronic home detention, 3 years' supervised release, and ordered to make restitution of \$97,413.

### ***Disability Fraud***

Disability fraud allegations represent 40 percent of the allegations received by the SSA Fraud Hotline. Instances of disability fraud are reported to, and investigated by, our field divisions nationwide.

As highlighted in the Significant Activity section of this report, OIG in conjunction with SSA's Office of Disability, administer the CDI teams. The following summaries highlight the significant work done in this area.

## ***Atlanta***

This team investigated a Georgia man who concealed his work activity in order to file a false initial claim for Social Security disability benefits. The man, who had many relatives file fraudulent disability claims in the past, alleged that he was unable to work because of mental impairments. CDI investigators found witnesses who confirmed the claimant's recent work activity and provided sufficient information to refute the alleged mental impairment. The DDS used the CDI team's investigative report to deny the man's claim, which resulted in projected program savings of \$66,500.

## ***Baton Rouge***

This team investigated a Louisiana woman who made false statements and concealed 5 years of work activity in order to collect more than \$21,000 in SSI disability benefits to which she was not entitled since 1983. The woman alleged that she was unable to work due to mental impairments that reportedly prevented her from driving, working, shopping, or doing household maintenance without assistance. CDI investigators found that the subject holds a valid driver's license and observed her driving alone. Surveillance revealed the woman's place of employment, where witnesses confirmed her 20-year work history there. The Department of Labor similarly documented the claimant's earnings. The DDS used the CDI team's investigative report to cease the woman's benefits. As a result, SSA realized projected program savings of \$22,530.

## ***Chicago***

This team investigated an Illinois man who since January 1999 collected more than \$7,000 in SSI disability benefits using a false identity in addition to the benefits he was already receiving for a bona fide disability under his true name. The ruse was discovered when a DDS claims adjudicator spotted medical documentation that appeared to contain altered identity information. CDI investigators interviewed the claimant and obtained his signed admission of fraud.

The DDS used the CDI team's investigative report to disallow the claim filed under the false identity, and the duplicate payments were ceased. As a result, SSA realized projected program savings of \$30,720.

## ***New York***

This team investigated a New York woman who made false statements in support of an initial claim for SSI disability benefits. The woman alleged that she was unable to work due to a severe psychological disability that prevented her from doing household chores, shopping, driving, having contact with others, or going outside

alone. CDI investigators observed the claimant during an eligibility review, at which she clutched a stuffed animal and was mute as her daughter answered questions for her. Surveillance later the same day showed the subject conversing, laughing, traveling by herself, driving, and visiting a social club. The DDS used the CDI team's investigative report to deny the claim and, therefore, save an estimated \$66,500.

### ***Oakland***

This team investigated a California man who feigned physical impairments in order to collect more than \$317,418 in Social Security disability benefits since 1979. The man alleged that he was unable to work because of a debilitating back injury that made it painful for him to move and prevented him from bending more than 40 degrees. An anonymous letter reported that the man was observed water skiing and showed no apparent physical limitations while collecting benefits. CDI investigators placed the man under surveillance and observed him walking into a medical examination with a limp and walking normally at his residence later that same day. On other occasions he was again observed walking normally and bending 90 degrees in order to lift a heavy, motorized wheelchair into the back of a pickup truck. Using the CDI team's investigative report, the DDS ceased benefit payments. SSA realized projected program savings of \$97,740.

### ***Salem***

This team investigated an Oregon woman who faked physical impairments and concealed work activity in an attempt to gain SSI disability benefits. The woman claimed to suffer from fibromyalgia, sleeping problems, constant illness, an inability to walk, and relied on a wheelchair that prevented her from working, shopping, or doing household chores without a caretaker. CDI investigators found that the subject had a valid driver's license, drove a vehicle without any special handicap equipment, and worked from 1995 to 1999 as a casino beverage server. They also observed her standing unassisted at her residence, which lacked wheelchair accessibility and where a wheelchair had been discarded in the yard. The woman's application was denied, and SSA realized projected program savings of \$66,500.

### ***St. Louis***

This team investigated a Missouri man who feigned physical and mental impairments in order to collect more than \$75,000 in Social Security disability benefits since 1987. The man alleged that he was unable to work because of back problems and depression. CDI investigators nonetheless determined that the man built his own home while collecting disability payments. Witnesses observed him unloading materials at the residence and working on most phases of construction. When interviewed by investigators, the man acknowledged that he is capable of

full-time work. The DDS used the CDI team's investigative report to cease the man's benefit payments. As a result, SSA realized projected program savings of \$48,780.

## ***Other Disability Investigations***

### ***Director Instructs Clients on How to Defraud SSA***

A former director of an AIDS resource center in Texas, with the assistance of a co-conspirator, defrauded the Social Security and SSI Programs by instructing clients to conceal work, living arrangements, and assets in order to qualify for benefits not otherwise due to them. They were also convicted of fraud, conspiracy, aiding and abetting, money laundering, and controlled substance violations. They were both found guilty by a jury on more than 70 counts, including Social Security fraud. On March 24, 2000, a Federal district court judge sentenced the former director to 14 years imprisonment and was ordered to pay over \$76,000 in restitution with \$11,000 being paid to SSA. The co-conspirator was sentenced to 70 months' imprisonment and was ordered to pay restitution the same.

### ***Man Agrees to Make Full Restitution***

A resident of Monroe, Louisiana intentionally failed to notify SSA of his work in order to continue receiving his Social Security disability benefits. He also collected auxiliary benefits for two ex-stepchildren that were no longer living with him. This investigation was the result of a referral from the SSA Monroe, Louisiana Field Office. The SSA OIG Houston, Texas Suboffice found that the loss to the Government was \$45,244 because of the subject's actions. The man pled guilty to one count of concealing or failing to disclose an event with intent to fraudulently secure disability payments. He was sentenced to 4 months' home confinement and received a \$1,000 fine, and was ordered to make restitution in the amount of \$39,244 to SSA, since he had already repaid \$6,000 to SSA.

### ***Man Incarcerated and Ordered to Repay SSA \$136,475***

The Philadelphia Field Division conducted an investigation of a Virginia man who was receiving disability benefits and working under an alias and an invalid SSN. When OI interviewed the man, he denied that he was the beneficiary. The investigation determined that the individual was the beneficiary and that he worked under the assumed identity from 1987 to 1999 while receiving Social Security disability payments. The man pled guilty to Social Security disability fraud and making false statements to a Federal Agent, was incarcerated and ordered to make restitution of \$136,475 to SSA.

## ***SSI Eligibility Fraud***

OIG established the SSI Eligibility Fraud Initiative to identify ineligible SSI recipients, stop fraudulent payments, recover monies, and initiate administrative actions and criminal investigations when possible. In FY 2000, the primary theme driving the project continues to be focused on identifying SSI recipients who may not reside in the United States, may be deceased, or may be fictitious – and who have not had an SSA face-to-face interview within 1 year.

During this reporting period, a project in New York, initiated through a partnership with SSA, selected a sample of 15,912 SSI recipients for evaluation. Typically, this evaluation involves SSA conducting face-to-face interviews of recipients to determine their continued eligibility for SSI payments. OIG reviews all project results for potential criminal and civil case development. In this reporting period, the project identified 2,962 potential subjects who were overpaid, suspended, or terminated and 135 subjects were found to be deceased. We also sampled 7,945 recipients in New Jersey in which we identified 1,900 potential subjects who were overpaid, suspended, or terminated and 50 subjects who were deceased. We expect this project to be completed by the end of this fiscal year.

In addition to this project, the following cases highlight OI's work in the SSI Eligibility Fraud area.

### ***Woman Sentenced for Concealing Assets***

The Seattle Field Division investigated a case in Idaho where an individual had received SSI benefits from August 1989 through April 1998 based upon her claims of having no resources or income. The investigation revealed that the recipient in fact owned two houses (not including her residence), a motor home, and approximately \$90,000 in stocks during the time she received benefits. The individual was incarcerated and ordered to pay restitution in the amount of \$44,147 to SSA and \$61,404 to the State of Idaho Welfare program.

### ***Three Individuals Conspired to Divert SSI Checks***

The New York Field Division and the U.S. Postal Inspection Service conducted an investigation of three individuals who conspired to commit SSI fraud. The investigation determined that the individuals were engaged in double check negotiations of their own SSI payments. The individuals cashed their original SSI checks, called SSA and filed a non-receipt for the checks, and then cashed the replacement checks. They also conspired to divert the SSI checks of other recipients to their address. The individuals telephoned other SSI recipients in the Buffalo, New York area and posed as SSA employees to obtain personal identification data from their victims. The individuals then called the SSA

800-number, impersonated the SSI recipients, and diverted the recipients' SSI checks to their own address. The individuals pled guilty to mail fraud, conspiracy, and Social Security fraud. The three individuals were sentenced and ordered to pay restitution of \$22,270 to SSA.

### ***Recipient Failed to Report Marital Status***

An investigation by the OIG Cleveland Suboffice showed that an SSI recipient failed to report to SSA that she was married and concealed her husband's income. Additionally, she made false statements to SSA in order to continue receiving SSI benefits. The U.S. Marshals Service (USMS) and an OIG investigator arrested the subject and an additional warrant was executed for her failure to appear for sentencing. After pleading guilty to a one-count indictment of defrauding SSA, she was sentenced to 4 years of probation. The subject is to participate in the Home Confinement Program with electronic monitoring for a period of 6 months. In addition to the probation ordered, she is required to make restitution to SSA in the amount of \$29,765.

### ***Institutionalization***

In most instances, the Social Security Act prohibits SSI payments to individuals who are confined or reside in a public institution for a full calendar month. The Act also prohibits OASDI payments to individuals who are confined in a penal institution after being convicted of an offense punishable by imprisonment for more than 1 year and those individuals who are confined by court order to an institution at public expense in connection with specific verdicts or findings in certain criminal cases.

The following cases highlight OI's effort in this area.

### ***Woman Conceals Husband's Incarceration to Receive Disability Benefits***

OI conducted an investigation of a woman who made false statements to SSA to conceal her husband's incarceration to assure that his disability benefits would continue. During her husband's incarceration, the woman told SSA that her husband was at home in her care. When the South Carolina Department of Vocational Rehabilitation requested that the man have a physical examination, the woman stated that she was caring for her husband at home and that he was too sick to come in for the exam or to speak on the telephone. The investigation determined that the man was unable to appear at the examination or to speak on the telephone with the examiners because he was serving a 14-year jail term for trafficking in crack cocaine. The woman pled guilty to Social Security fraud, was sentenced, and ordered to make restitution of \$14,089 to SSA.

### ***Sister Convicted for Failing to Report Her Brother's Incarceration***

OI conducted an investigation of a Florida representative payee who failed to notify SSA that her brother was incarcerated. The woman was representative payee for her brother's SSI payments. The investigation determined that the SSI recipient was incarcerated for approximately 3 years for violation of probation from 2 previous charges, sale of cocaine, and aggravated battery. During this time his sister continued to receive SSI payments on his behalf that he was not entitled to receive. The woman pled guilty to an indictment that charged her with failure to report an event having an affect on the continued receipt of SSI benefits. She was sentenced and ordered to make restitution of \$15,619 to SSA.

### ***Woman Convicted for Making False Statements***

The OIG's Houston, Texas Suboffice investigated a case in which the representative payee made false statements to SSA about the SSI recipient's living arrangements and how she had used the SSI funds she received. The investigation determined that the woman had indicated the SSI recipient was residing with her, and she had been using the SSI funds she was receiving on his behalf. The Louisiana Department of Corrections had actually incarcerated the SSI recipient during this period of time. He was sentenced to life in prison as a habitual drug offender.

The woman was charged in a two-count indictment with making false statements. She pled guilty to the charges listed in the indictment, and on January 19, 2000, was sentenced to 18 months in the United States Bureau of Prisons system and ordered to make restitution to SSA totaling \$18,168.

### ***Fugitive Felon***

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (commonly known as the Welfare Reform Act) made individuals ineligible to receive SSI during any month in which the recipient is fleeing to avoid prosecution for a felony; fleeing to avoid custody or confinement after conviction for a felony; or violating a condition of probation or parole imposed under Federal or State law. Because of this change in the law, OI initiated the Fugitive Felon Project with other Federal, State, and local law enforcement agencies.

<b>Statistics for the Fugitive Felon Project (October 1, 1999, through March 31, 2000)</b>				
	<b>Fugitives Identified</b>	<b>Fugitives Arrested</b>	<b>Overpayments</b>	<b>Estimated Savings</b>
<b>Cumulative</b>	1,477	475	\$11,439,369	\$18,183,235



The following cases highlight OI's effort in this area.

### ***Alleged Rapist Arrested through National Data Match***

In November 1999, OIG investigators in New York arrested a man who had both Federal and State outstanding arrest warrants in connection with the alleged rape and aggravated molestation of a child. The man, who at the time of his arrest was receiving SSI benefits, was located through a national data match that compares the names and identifying information of active SSI recipients with the names and identifying information of Federal fugitive felons. The subject was arrested at his address of record and remanded to the USMS for transportation back to Georgia. Since fugitive felons and incarcerated individuals are ineligible to receive SSI benefits, payments to the man were suspended.

### ***Investigators Aid in Arrest of Violent Offender***

OIG investigators in New York arrested a man in October 1999 who was wanted in that State for burglary in the second degree and identified by State authorities as a violent offender. State and SSA OIG investigators working together determined that the man was receiving SSI benefits and arrested him as he left the Federal building in Syracuse following an appointment with SSA officials. He subsequently was turned over to local authorities. The man's SSI payments were suspended.

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

OI frequently receives allegations about individuals who are illegally receiving Social Security payments intended for beneficiaries who are actually deceased.

Because of the frequency of these referrals, OI has implemented projects to identify unreported deaths and those individuals who negotiate payments issued to deceased individuals.

For example, OI participates with SSA and its field offices in the Nonagenarian Project. The Nonagenarian Project was previously known as the Centenarian Project, but was renamed after individuals 98 years old and above were included for review. The FY 99 Nonagenarian Project required field offices to contact Social Security and SSI beneficiaries who were born in 1900 and 1901 and attained age 99 and 98, respectively in 1999. By November 1, 1999, 87,955 beneficiaries had been identified and staff had verified that the payments were correct. As SSA completes its review process, staff continue to refer suspicious cases to OIG. So far, we have received 165 referrals.

The following cases highlight some of OI's work related to this area.

### ***Over \$224,000 Ordered in Restitution***

The Washington Suboffice and the Office of Personnel Management (OPM) investigated a Virginia woman who continued to receive and use OPM and Social Security benefits of her deceased mother. The woman pled guilty to Theft of Government Funds and was sentenced and ordered to pay restitution of \$89,849 to SSA and \$134,746 to OPM. At the time of her sentencing, the defendant made an initial restitution payment of \$142,500.

### ***Civil Judgment for Concealing Father's Death***

From August 1995 until September 1997, a Salt Lake City, Utah man continued to receive and spend a total of \$25,233 in Social Security benefits intended for his deceased father, who had died in July 1995. An SSA employee who had attempted to contact the man's father in response to a Death Alert referred the case to OI. The man, an employee of a major Utah bank, subsequently lied to the SSA employee about the whereabouts of his father. Under the False Claims Act, he was ordered to repay the Federal Government a total of \$86,019, three times the amount of Social Security funds defrauded and a \$10,000 civil judgment.

### ***Pennsylvania Woman Sentenced for Fraudulently Receiving \$109,622 in Benefits***

OI conducted an investigation involving a woman who failed to report the death of a beneficiary, a housemate, and fraudulently received \$109,622 in benefits. SSA referred the case in 1999 after attempts to contact the beneficiary during an unsuccessful review of the case. The investigation determined that the beneficiary had died in 1986. The woman pled guilty to failing to disclose and concealing an event affecting the right to benefits. She was sentenced and ordered to make restitution of \$109,622 to SSA.

## ***SSN Misuse***

As noted in the Significant Activity section of this report, the expanded use of the SSN as an identifier provides the opportunity for unscrupulous individuals to misuse SSNs to their own advantage.

Since the passage of the Identity Theft and Assumption Deterrence Act of 1998, OI has accelerated its focus on SSN misuse investigations.



### ***Program Cases***

#### ***Man Collects \$312,058 During Nearly Two Decades of Fraud***

An investigation by the SSA OIG Des Moines, Iowa Suboffice found that the subject used an alias and a false SSN in order to conceal his work activities and earnings over nearly 2 decades. The subject began receiving Social Security disability benefits in the late 1970s. During the course of the investigation we found that he obtained another SSN under an assumed name. He returned to work in 1980 under the false identity and the new SSN. He failed to report to SSA that he received substantial wages during the years 1980 through 1996. The subject was sentenced to 1 year in prison and ordered to make full restitution to SSA in the amount of \$312,058.

#### ***Man Sentenced for Assuming a Fictitious Identity in Order to Conceal Work Activity***

The Philadelphia Field Division investigated a case in Maryland where a man who had received both SSI and Social Security benefits deliberately failed to notify SSA that he had returned to work. The investigation revealed that the man created and assumed a fictitious identity that he used to work. He received \$15,340 in unauthorized benefits using the fictitious identity. The man was sentenced to 4 years' confinement, 36 months' probation, and ordered to pay \$15,340 in restitution to SSA.

#### ***Woman Ordered to Pay Over \$92,600 in Restitution***

The Los Angeles Field Division investigated a case in California where a woman fraudulently used two SSNs to receive benefits from SSA. The investigation determined that she was able to obtain benefit payments based upon her false

statements to SSA. She was also able to fraudulently obtain State welfare payments after failing to report the receipt of the SSA benefits. During this investigation, OIG agents seized from the woman SSN cards, Medi-Cal cards, and California driver's license/Identification Cards issued under both identities. The woman was sentenced to serve two concurrent 2-year sentences and ordered to make restitution to SSA of \$86,358 and to the Kings County Human Services of \$6,265.

### ***Man Uses Four Identities to Acquire SSI and SSA Benefits Totaling \$262,279***

The Los Angeles Field Division conducted an investigation in California where a man used four identities and SSNs, including the identity and SSN of his deceased stepfather, to acquire SSI and SSA benefits totaling \$262,279. The investigation also determined that the man had provided false statements to SSA in an effort to conceal other sources of income such as workers' compensation (WC) and private disability benefits. The man was charged with providing false statements to SSA and ordered to pay restitution in the amount of \$262,279. In conjunction with our investigation and the \$262,279 criminal restitution order, the USMS seized a Rolls Royce Corniche, 2 Cadillac limousines, 1 Cadillac sedan, as well as jewelry, 4 mink coats, various antiques, and a grand piano. A lien was also placed against his Santa Clara, California residence.

### ***Nonprogram Cases***

#### ***Woman Uses a Fraudulent SSN to Obtain \$138,364***

The Atlanta Field Division and the FBI conducted an investigation of a woman in Florida who misused an SSN to obtain a loan under false pretenses for the purpose of starting a dairy business in Bradenton, Florida. The woman used a fraudulent name and SSN to conceal derogatory credit under her true number; she also made false statements to inflate the amount of her net worth, alleging she possessed two real properties she did not truly own. As a result of these misrepresentations, Farm Credit of Southwest Florida, an Agricultural Credit Association (ACA), considered the woman to be credit-worthy and approved a \$200,000 loan. The woman subsequently defaulted on the loan, resulting in a loss to the ACA in the amount of \$138,364. The woman pled guilty to one count of conspiracy to commit bank fraud and was sentenced and ordered to make restitution in the amount of \$138,365 (\$90,277 to Farm Credit of Southwest and \$48,088 to Farm Services Agency).

### ***Over \$32 Million Ordered in Restitution***

The New York Field Division conducted an investigation with the Department of Education's OIG and other Federal agencies that involved the Department of Education's Pell Grant program and other Federal subsidy programs. The investigation revealed that several individuals, using false names and SSNs, conspired to defraud, embezzle, money launder, commit tax fraud, wire and mail fraud, and make false statements in the theft of over \$32 million in Department of Education Pell Grant monies and other Federal subsidy programs for housing and small businesses. The indictment in this case charged the defendants with using dummy corporations, obtaining money for nonexistent people, filing fraudulent documents to qualify persons, and shifting money through more than 100 bank accounts. On October 18, 1999, four individuals were sentenced for their roles in the scheme. The individuals received sentences ranging from 30 to 78 months' incarceration and ordered to pay restitution in excess of \$32 million.

### ***New Jersey Man Sentenced for Fraudulent Translation Scheme***

The New York Field Division, the Immigration and Naturalization Service (INS), and the Department of State conducted an investigation of a man who was allegedly providing translation services for aliens at SSA and Motor Vehicle offices. The investigation determined that the man was inserting machine-readable U.S. Visas into passports provided to him by his alien customers. The customers were then taken to SSA and Motor Vehicle offices in and outside of New Jersey in order to obtain SSN cards and drivers' licenses. The following items were seized when a search warrant was executed at his place of business: passports, counterfeit U.S. Visas, 23 blank counterfeit SSN cards, 5 completed counterfeit SSN cards, passport photos, SSN applications, counterfeit INS stamps, a list of SSA offices in Florida, a list of Mail Boxes Etc. stores in Florida, and plane tickets to Florida. Following a 2-week trial, the man was found guilty of conspiracy; fraud and misuse of Visas, permits, and other entry documents; and fraud and related activity in connection with identification documents. The man was sentenced and fined \$3,000.

### ***Three Pled Guilty in "Call-Sell" Telephone Scam***

Three Washington State men used the identities of non-suspecting individuals to establish residency at an apartment and have phone lines installed, claiming they were operating legitimate businesses. The trio then solicited customers, immigrants to this country, to make international calls from the "call-sell" site to friends and relatives in their native country. They would operate the scam until the telephone bills came due, then vacate the premises leaving unpaid services. The three men were sentenced after pleading guilty to Federal charges involving a "call-

sell” telephone scam. They received sentences of 27, 19, and 13 months in prison and were ordered to pay restitution of \$295,379, \$197,842, and \$330,364, respectively.

## ***Representative Payees***

In the Significant Activity section of this report, we highlighted our work that focuses on the Representative Payee Program. In the past, our reporting of allegations about representative payees has been embedded in programmatic issues. Because of certain high-profile cases brought to our attention, we are focusing our investigative efforts on these allegations, not only because of dollars misdirected but because of the human suffering representative payee abuses cause.

### ***Man Sentenced for Misusing \$137,000 Intended for Children***

In Honolulu, Hawaii a man was appointed as representative payee for his two children from January 1990 through July 1997. He had applied for and received Social Security benefits for his two children and for himself. The investigation disclosed, however, that he did not have custody of his children since 1990. The man admitted to investigators that he had misused the benefits intended for his children and failed to notify SSA of the children’s living arrangements. He pled guilty to one felony violation of criminal misuse of benefits, was incarcerated, and ordered to pay \$64,000 in restitution and fines. The total fraud loss to SSA is \$137,484.

### ***Representative Payee Misappropriated SSA and VA Funds***

In Tucson, Arizona an investigation was conducted on a man who had been appointed the representative payee for approximately 20 individuals receiving VA benefits, 10 of whom received both SSA and VA benefits. Auditors from OIG conducted a review and analysis of financial records obtained from the Federal grand jury process and determined that he had misappropriated approximately \$66,944 in funds. Officials in the SSA Tucson, Arizona District Office assisted in identifying the individuals affected. The man pled guilty to fraudulent conversion of benefits and misappropriation by a fiduciary. On April 5, 2000, he was incarcerated, ordered to perform 250 hours of community service, and ordered to pay a \$5,000 fine. Prior to sentencing, restitution in the amount of \$56,344 was made to the victims.

### ***Representative Payee Sentenced for Misusing Funds***

OI conducted an investigation of a Boston, Massachusetts woman who was the representative payee for numerous beneficiaries who were entitled to Social Security and SSI disability payments. The checks issued to her as representative

payee were mailed to her at the Salvation Army, her place of employment. Several beneficiaries complained to SSA that the woman was not using the money she received on their behalf to pay their bills. The investigation determined that the woman misused benefits in excess of \$50,000 that she received as representative payee. She pled guilty to theft of Government funds, and was sentenced and ordered to make restitution of \$51,200 to SSA.

### ***Connecticut Representative Payee Sentenced for Misusing Funds***

An OI investigation determined that the former director of a mental health association misused SSA and SSI disability funds entrusted to him as representative payee for clients of the mental health association. The mental health association is a non-profit organization providing services to clients. The investigation identified 60 SSA and SSI recipients for whom the man was representative payee. The investigation established that the man used approximately \$26,000 in SSA and SSI funds for his own enrichment. Additionally, the investigation identified State supplemental funds that had been similarly converted by the man, as well as procurement fraud perpetrated by the man against the mental health association.

The man pled guilty to a one-count information charging him with illegally converting payments meant for the use and benefit of others. He was sentenced and fined \$3,600, and ordered to receive substance abuse counseling. Prior to entering his plea, the man paid in excess of \$43,000 to the mental health association as full restitution for the SSA, SSI, and State supplemental thefts as well as the procurement fraud.

### ***Man Imprisoned and Ordered to Pay \$112,803 Restitution for Representative Payee Fraud Scheme***

From January 1992 to December 1996, a representative payee from Washington State operated a representative payee service for beneficiaries of SSA, VA, and State welfare benefits. Investigation showed the man used the benefits for such items as illegal drugs, classic cars, a recreational vehicle, a yacht, personal insurance, personal rent, and cash. After pleading guilty to one charge each of Social Security fraud and theft of Government funds, he was incarcerated and ordered to pay \$112,803 in restitution to the victims.

## ***Other Cases of Interest***

### ***Couple Ordered to Pay \$88,226 in Restitution to SSA***

A Phoenix, Arizona couple received Social Security benefits for approximately 4 years after their four children had been removed from their care by the Arizona Child Protective Services. The court returned a 48-count indictment charging them both with conspiracy and theft of Government funds. Both were sentenced to 5 years' probation and ordered to pay \$88,226 in restitution to SSA.

### ***New York Man Received Benefits for Fictitious Individuals***

The New York Field Division and the U.S. Postal Inspection Service conducted an investigation of a man in New York who received SSA benefits for fictitious individuals. The investigation determined that the man received benefits for four fictitious children, one fictitious adult, and one deceased individual. The man also assisted his nephew in obtaining SSI disability benefits although he was not disabled. The man pled guilty to theft of Government funds. He was incarcerated and ordered to make full restitution to SSA in the amount of \$46,331. The man's nephew was incarcerated and ordered to make restitution of \$3,200 to SSA.

### ***Man Receives Maximum Sentence for Threatening Agents***

The Eau Claire, Wisconsin SSA Office contacted OIG regarding a couple who had divorced in 1993, but continued to live together, posing as a married couple. The woman had been an SSI recipient since 1993, and the total overpayment in this case exceeded \$30,000. During an interview with two OIG investigators, the man became very agitated and threatened them with bodily harm. The investigators had been informed that the subject had purchased a handgun and had advised a witness that he would kill the Federal agents from Social Security if they ever showed their faces on his property. The subject also telephoned the Eau Claire Social Security Office and threatened to shoot a Claims Representative and both investigators, as well as shooting up the Social Security Office. During a subsequent telephone conversation with one of the investigators, the subject made 31 threats to kill both investigators and the Claims Representative. The subject was sentenced to 10 months in prison, the maximum allowed under the Federal Sentencing Guidelines, and 1 year supervised release for assaulting a Federal officer while in the performance of his official duties. In addition, he was ordered to have no contact with SSA and its employees.



***Woman Ordered to Repay \$105,793 for Benefits She Collected for a Child Not In Her Care***

An OI investigation in Riverside, California revealed that a woman made false statements and provided a false document to SSA when she filed for Mother's Insurance Benefits for herself and Child's Insurance Benefits for her daughter. In addition, the investigation showed that the woman was not the child's mother; she had actually "purchased" the child from Mexico in approximately 1986. In approximately September 1992, she gave the child away and continued to collect both SSA benefit checks. She collected SSA benefits from September 1989 to March 1997. The total loss to SSA was \$105,793. The woman admitted to providing false information to SSA, failing to notify SSA of the child's status, and misusing SSA benefits. She pled guilty to failure to disclose information affecting entitlement, and was sentenced and ordered to pay full restitution to SSA in the amount of \$105,793.

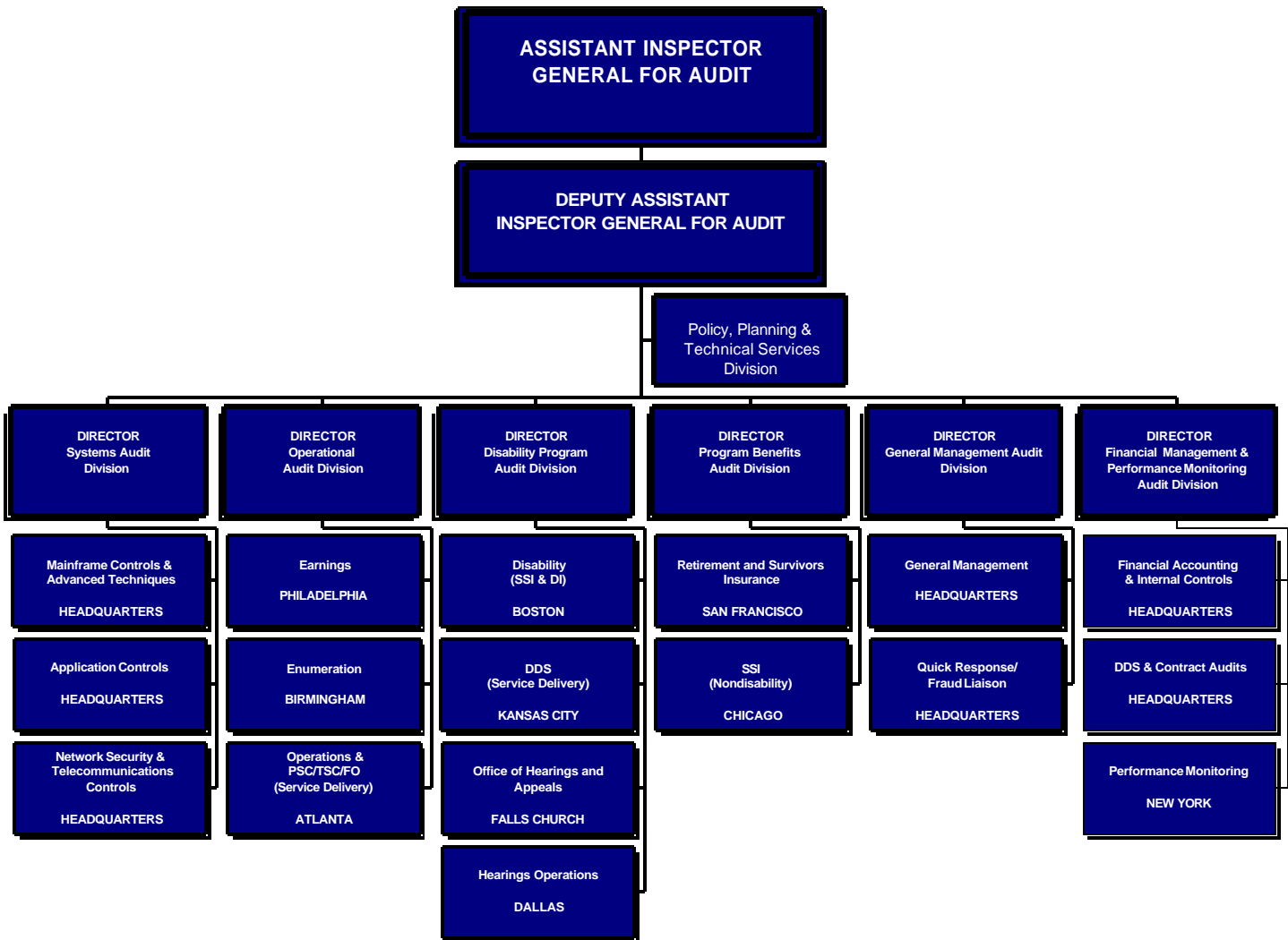


# Office of Audit

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OA conducts comprehensive financial and performance audits of SSA's programs and operations and makes recommendations to ensure that program objectives are achieved effectively and efficiently. OA also conducts management and program evaluations that identify and recommend ways of preventing program fraud and maximizing efficiency.

OA is organized into issue area teams that specialize in one or more of SSA's programs or operations as displayed in the following organizational chart.



During this reporting period, we issued 27 reports with recommendations that \$45,516,955 in Federal funds could be put to better use and identified \$108,410 in questioned costs. The following sections highlight some of the most significant reviews.

## ***Enumeration***

Enumeration is the process by which SSA assigns original SSNs, issues replacement cards to people with existing SSNs, and verifies SSNs for employers and other Federal agencies.



We want to reiterate that the importance placed on SSNs in today's society provides a tempting motive for individuals to fraudulently acquire an SSN and use it for illegal purposes. These crimes affect the victims' attempts to receive legitimate benefits and also harm their credit ratings. In addition, the financial industry passes on the cost associated with identity theft to all of its consumers.

Most importantly for our concerns is that false identities are used to defraud SSA programs. Our work has revealed that unscrupulous individuals can assume the identity of another person who is either alive or dead and work under the stolen SSN, while receiving disability benefits under their own SSN. Individuals also have assumed the identity of another person and placed their assets under this identity in order to qualify for SSI payments under their own SSNs.

Recognizing SSA's vulnerability to SSN misuse, we issued the following report.

### ***The Social Security Administration is Pursuing Matching Agreements with New York and Other States Using Biometric Technologies***



Our objective was to assess whether the results of biometric technologies used to combat fraud and identify ineligible recipients for social service programs could benefit SSA. As of December 1998, 11 States use or had plans to adopt biometric technologies in their social service programs. In general, States that have implemented biometric programs have realized significant benefits (California – over \$86 million; Connecticut – \$15 million; New York – \$396 million).

We reviewed 500 sample cases from 12,615 Aid To Families With Dependent Children (AFDC) cases closed by New York for failure to cooperate with the State's finger-imaging

requirement over the period October 1995 to July 1997. Of the 500 cases reviewed, we identified 64 individuals (13 percent) to whom SSA had paid title II (disability) and/or title XVI benefits. A conclusion on the propriety of SSA payments made to these 64 individuals could not be drawn because SSA did not have a matching agreement in place with New York. OIG was also prohibited from pursuing matching agreements in individual cases.

We estimate that, as of January 1998, about \$45 million in SSA benefits had been paid to approximately 1,615 individuals within the population of New York State's 12,615 terminated AFDC cases. An additional \$16.3 million in SSA benefits will be paid to individuals within this population between February 1998 and February 2001. We believe SSA could use the results of New York State's biometrics program to identify individuals who are inappropriately receiving benefits, thereby, reducing and/or recovering any improper benefit payments.

We recommended that SSA: (1) pursue a matching agreement with New York, so that the Agency can use the results of the State's biometric technologies to reduce and/or recover any improper benefit payments; and (2) initiate pilot reviews to assess the cost-efficiency of matching data with other States that have employed biometrics in their social service programs.

In response to our recommendations, SSA agreed to conduct a pilot matching agreement with New York and consider expanding the program to other States if the New York pilot proves beneficial.

## ***Earnings***

An individual's earnings are the basis to calculate Social Security benefits. SSA establishes and maintains a record of an individual's earnings for use in determining an individual's entitlement to benefits and for calculating benefit payment amounts.

For those reported earnings that fail to match SSA's name/SSN validation criteria, those items are posted to the Suspense File. From 1937 through April 1999, the Earnings Suspense File (ESF) has grown to about 212 million items representing about \$262 billion in wages. Since 1990, it has grown at an average of 5 million wage items and \$17 billion, annually. In Tax Year 1997, suspended wages exceeded \$27.1 billion and wage items grew to almost 6.4 million items. Employer and employee reporting errors are the main causes of the file's growth and size.

The Suspense File is an indication of reporting problems that must be addressed. If not addressed, these reporting problems could result in the beneficiaries receiving less than what they are entitled to. A summary of a related report follows.

## ***The Social Security Administration's Earnings Suspense File Tactical Plan and Efforts to Reduce the File's Growth and Size***

Title II of the Social Security Act requires SSA to maintain records of wage amounts that employers pay to individuals. To accomplish this, SSA uses the SSN to record individuals' wages. When wage items fail to match an SSA name and SSN records, they are put in the ESF.

Since 1990, the ESF has increased an average of 5 million wage items and \$17 billion, annually. Six major factors hinder the reduction of the ESF's size and contribute to its growth.

- ❑ Higher Agency priorities for automated systems development resources within SSA.
- ❑ The Agency has neither linked wage information year-by-year to identify chronic problem employers, nor aggressively targeted for corrective action, the employers who have been responsible for a disproportionate share of the ESF for several years.
- ❑ Agency officials reported to us that some employers contacted in a recent effort to correct and prevent wage reporting errors were unaware of wage reporting problems.
- ❑ The ESF Tactical Plan does not adequately address industries that hire transient employees who may not have work authorization from the INS.
- ❑ Initiatives with higher benefits require coordination with, and/or assistance from, other Federal agencies. For example, SSA estimates that having the Internal Revenue Service (IRS) impose civil penalties allowed under existing law against employers who file inaccurate wage reports will reduce ESF growth by 1.5 million wage items, annually. However, at meetings with SSA officials, the IRS was reluctant to take action.
- ❑ Existing laws and regulations are not clear in specifying an employers' right to require prospective employees to present SSN cards prior to hiring. In addition, overlapping and/or conflicting employee hiring and reporting requirements among SSA, IRS, and INS confuse employers.

We recommended and SSA agreed to:

- ❑ Establish a high priority on key ESF reduction initiatives in the current ESF Tactical Plan.

- Assign a higher priority to work with the IRS to prepare a legislative proposal to clarify employers' right to see the SSN card before hiring.
- Pursue with the IRS penalties on chronic problem employers.
- Seek sanctioning (penalty) authority if the IRS fails to impose penalties against chronic problem employers. However, SSA believes that the IRS can more effectively apply such penalties.

### ***Audit of Quality Review Process at the Office of Central Operations***

Our objective was to determine whether the Office of Central Operations' (OCO) Division of Earnings Record Operations (DERO) and Division of Employer Services (DES) had a quality review process (QRP) in place, and, if so, whether the process measured its performance.

DERO determines the accuracy of earnings records and handles corrections of individuals' earnings records. DES identifies and resolves discrepancies and missing employers' earnings reports.

The DERO workload consists of claims earnings record requests used to determine eligibility; pre-claims correspondence from the public pertaining to earnings data prior to benefits; and earnings adjustments. The DES workload consists of resubmitting electronic reports and correcting errors.

In 1984, an SSA workgroup developed the preliminary policies and procedures for the OCO's QRP, as required by the Federal Managers' Financial Integrity Act of 1982 and the Office of Management and Budget. The workgroup established accuracy goals for each of its divisions to measure its performance. DERO's accuracy goal was 94 to 96.9 percent, and DES' accuracy goal was 94 to 96 percent for substantive deficiencies. These accuracy goals are still in effect.

We reviewed OCO's operating procedures for conducting quality reviews and the individual QRPs for each division. However, OCO could not provide data on the DERO and DES quality reviews performed from October 1997 to March 1998 because OCO stopped accumulating data on its quality review plans in 1995. Therefore, we could not determine the extent to which errors occurred or the cumulative affect these errors had on operations. Additionally, we could not determine whether there was a uniform system of feedback to employees and managers to improve the quality of work products and enable management to acquire data to assess individual performance. OIG did obtain DERO cases for December 1997 and DES cases for October and November 1997. OIG's review of the

partial statistics indicated that quality reviews were being conducted, errors were identified, and corrective action was taken. We believe that despite OCO's efforts, the QRP did not adequately measure its own performance.

We recommended that OCO develop management reports for DERO and DES that accumulate quality review data to measure actual performance against performance goals. SSA agreed with this recommendation.

## ***Systems – Data Integrity***

One of the challenges facing SSA is giving the public the service it expects during a period of increasing demands without a corresponding increase in staff. Demographic changes in the Nation's population over the next several years will cause substantial increases in SSA's operational workloads. To meet this challenge, SSA must increase its reliance on automated systems. The sensitivity of the data maintained and the magnitude of funds expended make controls in automated systems critical to the integrity of SSA programs and client satisfaction.



To ensure the integrity of SSA's controls over application software development and maintenance at SSA, we conducted the following review.

### ***Reliability of Diagnosis Codes Contained in the Social Security Administration's Data Bases***

Our objective was to determine the impact on SSA's operations when diagnosis codes on the Master Beneficiary Record (MBR) or Supplemental Security Record (SSR) are missing, invalid, or for unestablished diagnoses. The diagnosis code on the MBR and SSR should refer to the basic medical condition that rendered the individual disabled.

SSA's procedures do not ensure valid and specific codes are recorded to the MBR or SSR. We estimate that 1.31 million MBR or SSR records did not contain diagnosis codes representing the medical condition related to the individuals' disabilities.



These incorrect codes affect SSA's ability to properly select beneficiaries or recipients for Continuing Disability Reviews (CDR) and preclude SSA from identifying cases mandated for redeterminations.

Having diagnosis codes that do not represent specific disabilities on SSA's records affects SSA's ability to identify specific disabilities for review. For instance, due to passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193), which is commonly known as the Welfare Reform Act, the prior medical determinations of children had to be reviewed if those children had certain disabilities specified in the legislation. Our findings revealed that the required reviews were not performed in cases that should have been selected for redeterminations under the Welfare Reform Act. We estimate that at least 3,539 recipients with incorrect codes should have had medical redeterminations performed under the Welfare Reform Act. Since SSA did not perform these redeterminations, we estimate that at least \$8.97 million in SSI payments were paid incorrectly.

We made recommendations to SSA to correct the diagnosis codes in SSA's data bases and to ensure that, in the future, all beneficiaries' disabilities are represented by valid, specific codes. SSA agreed to take action on most of our recommendations. However, we continue to believe that further corrective action is necessary to ensure that diagnosis codes are carried forward to new records because SSA's edit does not apply to all claims and does not preclude manual override.

## ***Program Management***

SSA is bound by complicated guidelines in administering OASDI and SSI programs. This is particularly true for SSI because, as a means-tested program, it is more difficult to administer than OASDI. OASDI eligibility is based on general objectives and relatively stable factors, such as birth dates, earnings history, and marital status. SSI eligibility, on the other hand, can change monthly because of changes in income, resources, living arrangements, and place of residency.

The General Accounting Office declared SSI a high-risk program in February 1997 and this designation continues to exist. To assist in ensuring the integrity of the SSI program, Congress enacted the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (commonly known as the Welfare Reform Act), which requires that SSA conduct CDRs in certain instances. The Welfare Reform Act also authorized the fundings for CDRs for FYs 1997 and 1998. SSA reports annually to Congress on its progress in conducting CDRs.

OASDI programs, commonly referred to as Social Security, provide a comprehensive package of protection against the loss of earnings because of retirement, disability, and death. Monthly cash benefits are financed through payroll taxes paid by

workers and their employers and by self-employed individuals. Social Security also provides protection for surviving spouses and children. Several of our reviews about these programs are described in this section.

### ***Review of Internal Controls Over the Processing of One-Check-Only Payments (Confidential Report)***

OIG's objectives were to assess the adequacy of selected controls over the processing of One-Check-Only payments and test controls at the Great Lakes Program Service Center (PSC). The Great Lakes PSC was the site of an earlier review focusing on this payment method. The PSCs are six large and complex multi-mission stations, which were established as extensions of the National Headquarters, where two other stations are located. The eight such centers are collectively referred to as "processing centers" (PC). OIG's results determined that SSA's internal controls for processing One-Check-Only payments do not meet the standards for management controls as established by the Federal Managers' Financial Integrity Act of 1982 and promulgated by Office of Management and Budget Circular A-123. Interviews conducted with SSA staff and questionnaires sent to all PCs, located throughout the country, disclosed several weaknesses in internal controls over the preparation and approval of the One-Check-Only payment authorization forms.

OIG believes internal control weaknesses described in its preliminary report are inherent in the One-Check-Only payment process at all PSCs. We recommended that SSA: (1) require a second review and signature of One-Check-Only payment authorization forms at all PCs; (2) require module managers to implement a distribution or pre-numbering system to control the One-Check-Only payment authorization forms and ensure improved accountability; (3) provide all PCs with the external security package access; (4) ensure that One-Check-Only payments are properly recorded; (5) require all Security and Integrity Branches to develop a single uniform sampling methodology and review all One-Check-Only payments; and (6) develop guidelines to maintain One-Check-Only payment authorization forms in the case folders.

In its response, SSA's planned action addresses most of our recommendations. SSA states that their planned actions will minimize the opportunity to commit fraud. **Because of the sensitive nature of this audit, we cannot describe in detail the findings of this report. This report is not available for distribution.**

### ***Workers' Compensation Unreported by Social Security Beneficiaries***

Our objective focused on whether Social Security Disability Insurance (DI) beneficiaries were reporting State WC benefits or changes in those benefits to SSA. Section 224 (a) of the Social Security Act requires that under certain conditions, the title II DI benefits must be offset by WC benefits paid. However, once the offset is

initially calculated, SSA relies solely on the beneficiary to report changes in WC status or benefits that can effect monthly payments. If the beneficiary fails to report, the established DI benefit remains the same and the initial WC offset continues.

Overall, we determined that large numbers of DI beneficiaries were not voluntarily reporting changes in WC status and benefits, as agreed. Out of a population of 183,881 WC offset cases, we estimate that 57,003 cases may have unreported WC activity causing payment errors totaling about \$325.8 million. In addition, matches with two States' WC data files identified other cases where DI beneficiaries were concurrently receiving State WC and DI benefits. However, SSA records were missing a WC indicator meaning that the required offset was not considered in the initial DI benefit calculation. SSA relied on each DI beneficiary to voluntarily report changes in WC status and benefits. SSA had no alternate means of identifying and correcting initial WC offsetting errors or the failure of a beneficiary to report a subsequent WC change. This practice adversely impacted the overall accuracy of DI payments.

Based on the results of this audit, we recommended that SSA establish a proactive strategy to identify the existence of WC and subsequent changes in WC benefits. First, SSA should conduct on-line matching in States where practical. However, SSA had only obtained on-line access to WC data in five States making up about six percent of the total population of WC offset cases. There were problems in obtaining WC data in other States because either State law prohibited the release of data or the data was incompatible (i.e., incomplete or not computerized). Therefore, in States where on-line matching is not an option, we recommended that SSA obtain WC data extracts for off-line matching with DI records, or institute alternative measures such as updating WC information through mass mailings or through the continuing disability review process.

SSA acknowledged that payment accuracy problems exist in the DI workload involving WC and agreed to take action on the cases sampled to resolve \$116,600 in overpayments and \$60,554 in underpayments that resulted when beneficiaries failed to report subsequent changes in State WC benefits. Also, collect the overpayments of \$29,797 that resulted from the Kentucky and Tennessee cases because SSA either did not adjust for the WC benefits reported or the beneficiary failed to report State WC benefits. SSA also agreed to pursue WC data matches and to establish a WC work group to further analyze the reported problems and to recommend operational improvements.

## ***The Social Security Administration Incorrectly Paid Attorney Fees on Disability Income Cases when Workers' Compensation Payments were Involved***

SSA administers the OASDI Program under title II of the Social Security Act. Section 223(a) of the Act requires that SSA provide monthly DI benefits to individuals who are eligible and meet specific disability requirements. Section 206 of the Act requires that SSA withhold and pay fees to attorneys who assist a claimant during any or every step in the DI proceedings, that is, initial determination, reconsideration, hearing, and/or Appeals Council Review. Under a fee agreement, the attorney fee is usually limited to 25 percent of the past due benefits or \$4,000, whichever is less. In special cases, a fee greater than \$4,000 can be authorized if the attorney appeals the fee award, files a fee petition, and persuades SSA to increase the fee. A fee petition can also be filed after the attorney's services in the case have ended. Based on the petition, SSA approves a "reasonable" fee for the specific services provided. In determining a reasonable fee, SSA considers criteria the regulations prescribe. (The fee petition process has an administrative review process whereby the fee petition approved can be increased or decreased if the attorney or beneficiary appeals the approved fee.) Nevertheless, in all instances, SSA may not withhold and pay more than 25 percent of past due benefits directly to the claimant's attorney. The attorney must collect any amounts awarded in excess of 25 percent directly from the claimant or the claimant's auxiliaries.

Of the 50 WC cases OIG reviewed, attorneys were paid fees in 33 cases. Of these, the attorney fees were paid incorrectly in 15 cases, totaling \$18,410. Some payments were incorrect because SSA did not verify the WC benefit amounts provided at application. Others occurred because of internal processing mistakes by SSA employees (for example, calculation errors, a lack of documentation to support fee payments, and the use of inaccurate attorney fee rates).

These payment errors went undetected because internal controls did not address the attorney fee process. When projected to the total population of 183,881 DI cases with WC offset, OIG estimates that 27,582 WC cases may have incorrect attorney fees with a potential total dollar error of \$33.8 million.

To correct the errors identified in this report and improve the policies and procedures, SSA agreed to do the following:

- ❑ Review the cases in OIG's sample to determine the proper attorney fee payment and take the required actions on the \$18,410 in errors of which \$17,238 were overpayments and \$1,172 were underpayments.

- Provide instructions to existing procedures that will eliminate the types of errors identified.
- Develop internal controls to prevent and detect the processing errors identified in this report by requiring that: State WC offset cases be included in the front-end review process, and attorney fee reviews be included in the Office of Quality Assurance and Performance Assessment annual payment accuracy review.

SSA postponed verifying the accuracy of State WC payments before calculating past due benefits and paying the associated attorney fee. Because of the serious questions raised in OIG's report concerning the payment of attorney fees, SSA will perform a separate study of the procedures that provide for paying past due benefits without current and accurate WC verification. SSA expects to have enough information from the study to provide OIG with its response within 18 months. SSA will then determine whether it will implement OIG recommendations or propose an alternative measure to improve the accuracy of attorney payments.

### ***Beneficiaries Expressing Interest in Vocational Rehabilitation Services Through a Continuing Disability Review Mailer***

OIG's objective was to assess SSA's use of the CDR mailer program as a tool for identifying candidates for vocational rehabilitation (VR) services. Specifically, OIG assessed whether individuals who expressed an interest in VR on a CDR mailer would have been accepted to enter rehabilitation programs by State vocational rehabilitation agencies (VRA) if SSA had referred them.

Periodically, SSA is required to re-examine the medical condition of disabled beneficiaries. These re-examinations, called CDRs, determine whether individuals are still disabled and eligible for benefits. Beginning in 1993, CDR mailers replaced full medical CDRs for beneficiaries with a relatively low likelihood of benefit termination. Included in this mailer is a question for the beneficiary regarding whether the individual would be interested in rehabilitation services. Until January 1996, SSA extracted "Yes" responses to this question and forwarded this information to State VRAs.

According to SSA, referring individuals requesting VR on a CDR mailer was not efficient. We believe that with improvements to the process, these referrals can be more cost-effective. They can also result in significant cost savings based on the States included in our review accepting many of the beneficiaries referred from CDR mailers.

Before SSA suspended its VRA referral procedures, service delivery was impeded by untimely referrals. This time lag diminished the quality of referrals as beneficiaries' circumstances often change over time. All of the VRAs included in our

review reported difficulties locating or contacting beneficiaries who, oftentimes, had changed their address or telephone number since submitting the CDR mailer to SSA.

SSA cited concerns on the part of State VRAs regarding the cost-effectiveness of evaluating CDR mailer-referred VR candidates as a reason for suspending its referral program. OIG's analysis of beneficiaries accepted for services showed specific characteristics that could be used to identify beneficiaries with the highest probability of acceptance, thereby reducing the State VRAs' cost to evaluate CDR mailer-referred VR candidates.

Recently, SSA provided the following additional comments. First, SSA plans to delete the questions regarding interest in receiving employment services from the CDR mailer questionnaire since the responses have resulted in few useful referrals to VRAs. With the passage of the Ticket to Work and Work Incentives Improvement Act (Public Law 106-170), SSA's statutory authority to make referrals is repealed in graduated phases. By 2003, SSA's statutory authority to make these referrals will be repealed in all States. Under Public Law 106-170, beneficiaries will be issued tickets that they can use to receive services from providers of their choice and at a time they deem most appropriate. According to SSA, this new approach will empower beneficiaries who are ready and willing to participate in a program of VR services to initiate the process without waiting on others to make these decisions for them.

## ***SSA Performance Measures***

We developed a 3-year Work Plan (see Appendix A) to review SSA's implementation of the Government Performance and Results Act (GPRA). To implement this plan, every issue team in OA will conduct GPRA-related reviews. One issue team dedicated to GPRA reviews will coordinate the work. All of the teams will determine the reliability of SSA's performance data and ensure that SSA's implementation of GPRA is in accordance with its requirements.

### ***Performance Measure Review: Summary of PricewaterhouseCoopers', LLP Review of the Social Security Administration's Performance Data***

Our objective was to determine the reliability of the data used to measure performance in the six processes. This report is a consolidation of six individual reports. The report discusses the findings used by SSA to measure multiple processes. The processes include: (1) Old-Age and Survivors Insurance (OASI) claims processing; (2) representative payee actions; (3) SSN card requests; (4) annual earnings items posting; (5) Personal Earnings and Benefit Estimate Statement processing; and (6) SSI aged claims processing.

To evaluate the nine SSA performance indicators established, OIG contracted PricewaterhouseCoopers, LLP (PwC) to: (1) gain an understanding and document the current system sources from which data is collected to report on the specified performance measures; (2) identify and test critical controls (both electronic data processing and manual) of current systems from which the specified performance data is generated; (3) test the accuracy of the underlying data for each of the specified performance measures; (4) recalculate each specific measure to ascertain its mathematical accuracy; (5) evaluate the impact of any relevant findings from prior and current audits with respect to SSA's ability to meet performance measure objectives; and (6) identify findings relative to the above procedures and make suggestions for improvement.

PwC had multiple findings and 40 recommendations on how to improve the measurement of performance for the 6 processes. In summary, PwC found that SSA:

- ❑ lacked sufficient performance measure process documentation;
- ❑ had a number of data integrity deficiencies;
- ❑ had three measures that did not reflect a clear measure of performance;
- ❑ did not clearly identify the sources of the performance data for all its performance measures; and
- ❑ miscalculated three performance measures.

PwC had multiple recommendations to improve these deficiencies.

SSA had two overall concerns with the report. SSA stated that the report unfairly held it accountable for GPRA requirements in FY 1998. The GPRA requirements were not in effect until FY 1999. PwC clarified in the report that it examined processes, systems, and controls in FY 1999, but did have to use FY 1998 data for testing purposes in some circumstances where FY 1999 data was not available. SSA also noted that many of the recommendations included in the report were duplicative of recommendations PwC issued in its audit of SSA's financial statements. The Agency decided not to respond to these recommendations since it had already done so in response to the financial statement audit.

SSA agreed with many of PwC's recommendations, but disagreed with a few. SSA did not think that it was appropriate to divide the representative payee actions performance measure into two separate indicators. SSA felt that the indicator appropriately measured the representative workload even though it included different types of representative payee actions. SSA also did not agree with the

recommendation that certain performance measures should be redefined so that the Agency was not exposed to high degrees of outside factors. PwC concluded that the measurement of time it takes to process OASI claims and SSI claims could be affected by how quickly a claimant provided SSA with all necessary information. The Agency stated that it was comfortable with having some measures that include elements that are outside of its control.

### ***Review of the Social Security Administration's Fiscal Year 2000 Annual Performance Plan***

OIG's objective was to determine whether SSA's FY 2000 Annual Performance Plan (APP) adhered to GPRA and the Office of Management and Budget's Circular A-11. OIG conducted this review as part of the OIG's ongoing effort to respond to congressional requests that OIG examine SSA's development of its performance measures and goals.

OIG reports that SSA's FY 2000 APP demonstrates a commitment and improvement in SSA's efforts to comply with GPRA and meet congressional expectations for information about SSA's performance goals. OIG also reports that the FY 2000 APP represents a significant improvement over the FY 1999 APP. However, OIG believes SSA can make future performance plans even more useful to decision makers. We recommended that SSA: (1) establish performance measures for all major initiatives and management problems; (2) provide measures that better reflect planned performance; (3) more specifically identify resources, human capital, and technology needed to achieve planned performance; and (4) disclose known data limitations and weaknesses and planned corrective actions.

In response to the draft report, SSA agreed in principle with all the recommendations and detailed changes planned for the FY 2001 APP.

### ***Financial Audits***

The Chief Financial Officers Act of 1990 (Public Law 101-576), as amended, requires that the Inspector General or an independent external auditor, as determined by the Inspector General, audit SSA's financial statements in accordance with the General Accounting Office's *Government Auditing Standards*.

We also conduct financial-related audits of SSA programs, segments, line items, and accounts, including related internal control. In addition, we conduct administrative audits of the State agencies





and contractors receiving Federal funds for making initial and continuing disability determinations for eligibility under the DI and SSI programs and other contracts as referred by SSA's Office of Acquisitions and Grants.

### ***Audit of the Social Security Administration's Fiscal Year 1999 Financial Statements***

PwC performed the audit of SSA's FY 1999 Financial Statements. PwC's audit report was transmitted to the Commissioner on November 19, 1999. PwC issued an unqualified opinion on the FY 1999 financial statements. In PwC's opinion,

. . . the consolidated financial statements audited by us . . . present fairly, in all material respects, the financial position of SSA at September 30, 1999, and 1998, and its consolidated net cost, changes in net position, budgetary resources and reconciliation of net cost to budgetary resources for the fiscal years then ended in conformity with generally accepted accounting principles.

PwC's audit report did identify two reportable conditions in SSA's internal control. The control weaknesses identified were: (1) SSA needs to further strengthen controls to protect its information and (2) SSA needs to complete and fully test its plan for maintaining continuity of operations.

PwC also reported two instances of noncompliance with laws and regulations. They were: (1) Section 221(i) of the Social Security Act, which requires periodic CDRs for title II beneficiaries and (2) the Federal Financial Management Improvement Act of 1996 (FFMIA) for the cumulative effect of the two internal control weaknesses listed above.

SSA agreed with all of the findings and recommendations, except for the one pertaining to FFMIA. SSA does not feel that the two internal control weaknesses are instances of noncompliance with FFMIA.

### ***Single Audits***

*The Single Audit Act of 1984* established requirements for audits of States, local governments, and Native American tribal governments that administer Federal financial assistance programs.

On July 5, 1996, the President signed the Single Audit Act Amendments of 1996. The Amendments extended the statutory audit requirement to nonprofit organizations and revised various provisions of the 1984 Single Audit Act including raising the dollar threshold for requiring a single audit to \$300,000 in Federal awards expended.

We review the quality of these audits, assess the adequacy of the entity's management of Federal funds, and report single audit findings to SSA for audit resolution. The following single audits were reviewed.

***Single Audit of the Arkansas Disability Determination Services for the Fiscal Year Ended September 30, 1997***

OIG's objective was to review the findings reported under the single audit for the State of Arkansas for the Fiscal Year ended September 30, 1997, and report these findings to SSA's Management Analysis and Audit Program Support Staff for audit resolution.

OIG's review of the single audit reported that disbursements for computer software services were in excess of the approved procurement amount by \$5,329. SSA subsequently disallowed the excess budget expenditures.

We recommended that SSA ensure appropriate corrective action is taken on Miller, England and Company's recommendation that the Arkansas DDS take steps to ensure that its purchasing procedures and the related responsibilities of the employees are clearly communicated to all employees.

***Single Audit of the State of New York for the Fiscal Year Ended March 31, 1997***

OIG's objective was to review the findings reported under the single audit for the State of New York for the Fiscal Year ended March 31, 1997, and report these findings to SSA's Management Analysis and Audit Program Support Staff for audit resolution.

OIG's review of the single audit reported that the New York DDS did not:

- (1) correctly code an employee timesheet into the Payroll Allocation Cost System;
- (2) perform required reviews of claims to ensure that they were allowable;
- (3) conduct voucher reviews to monitor the costs claimed by training contractors;
- and (4) file quarterly SSA-4514 time reports timely.

We recommended that SSA: (1) ensure appropriate corrective action is taken on KPMG Peat Marwicks' recommendation that the Department of Social Services ensure that proper review of timesheets are performed by supervisors; (2) ensure appropriate corrective action is taken on KPMG Peat Marwicks' recommendation that the State strengthen procedures over the review of the local districts' claims for allowability by expanding the number of presettlement reviews; (3) ensure appropriate corrective action is taken on KPMG Peat Marwicks' recommendation that the Department of Social Services develop a system whereby all training contractors' records would be subject to review on both a rotating and random basis

and reports would be issued on a timely basis; and (4) instruct the New York DDS to establish procedures for ensuring the Time Report of Personnel Services (SSA-4514) is submitted to SSA within the time frame required by SSA instructions. KPMG Peat Marwick did not have a recommendation for this finding.

### ***Quick Response/Fraud Liaison Team***

In addition to audits and evaluations, OA provides the lead in responding to special inquiries in conjunction with OI. The Quick Response/Fraud Liaison Team (QRT) is charged with performing short-duration, time-sensitive projects that address requests from the White House, Congress, and other Federal agencies. The QRT also responds to issues brought to the attention of OIG by senior SSA officials and beneficiaries. It plays a major role in coordinating activities that leverage OIG's audit and investigative resources. Some of the issues this team resolved during the reporting period ranged from safeguards over SSN cards to Trust Fund Investments.



# **Resolving Office of the Inspector General Recommendations**

## **Reports With Questioned Costs for the Reporting Period October 1, 1999, Through March 31, 2000**

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

	<b>Number</b>	<b>Value Questioned</b>	<b>Value Unsupported</b>
<b>A.</b> For which no management decision had been made by commencement of the reporting period.	6 <sup>1</sup>	\$79,337,819	\$85,831
<b>B.</b> Which were issued during the reporting period.	3 <sup>2</sup>	\$108,410	\$0
<b>Subtotal (A+B)</b>	<b>9</b>	<b>\$79,446,229</b>	<b>\$85,831</b>
<b>Less:</b>			
<b>C.</b> For which a management decision was made during the reporting period:			
<b>i.</b> dollar value of disallowed costs.	4 <sup>3</sup>	\$826,628	\$41,933
<b>ii.</b> dollar value of costs not disallowed.	4	\$826,628	\$0
<b>ii.</b> dollar value of costs not disallowed.	1	\$0	\$41,933
<b>D.</b> For which no management decision had been made by the end of the reporting period.	5 <sup>4</sup>	\$78,619,601	\$43,898

<sup>1</sup> *Review of Administrative Costs Claimed for Fiscal Year 1994 by the New Jersey Department of Labor* (A-02-95-00002), June 20, 1997; *Audit of Administrative Costs Claimed by the Ohio Rehabilitation Services Commission for Its Bureau of Disability Determination* (A-13-98-51007), September 24, 1999; *Audit of Costs Claimed by the Center for Addictive Behaviors, Inc. on the Social Security Administration's Contract Number 600-95-22671* (A-13-98-51041), September 24, 1999; *Audit of Administrative Costs Claimed by the Delaware Disability Determination Services* (A-13-98-52015), September 24, 1999; *Waivers Granted for Title II Overpayments Exceeding \$500* (A-09-97-61005), September 27, 1999; *School Attendance by Child Beneficiaries Over Age 18* (A-09-97-61007), September 27, 1999.

<sup>2</sup> See Reports with Questioned Costs on page 59 of this report.

<sup>3</sup> *Audit of Administrative Costs Claimed by the Ohio Rehabilitation Services Commission for Its Bureau of Disability Determination* (A-13-98-51007), September 24, 1999; *Audit of Administrative Costs Claimed by the Delaware Disability Determination Services* (A-13-98-52015), September 24, 1999 – **This report contained dollars that were disallowed and not disallowed**; *Workers' Compensation Unreported by Social Security Beneficiaries* (A-04-98-64002), December 6, 1999; *The Social Security Administration Incorrectly Paid Attorney Fees on Disability Income Cases When Workers' Compensation Payments were Involved* (A-04-98-62001), March 8, 2000.

<sup>4</sup> *Review of Administrative Costs Claimed for Fiscal Year 1994 by the New Jersey Department of Labor* (A-02-95-00002), June 20, 1997; *Audit of Costs Claimed by the Center for Addictive Behaviors, Inc. on the Social Security Administration's Contract Number 600-95-22671* (A-13-98-51041), September 24, 1999; *Waivers Granted for Title II Overpayments Exceeding \$500* (A-09-97-61005), September 27, 1999; *School Attendance by Child Beneficiaries Over Age 18* (A-09-97-61007), September 27, 1999; *Single Audit of the Arkansas Disability Determination Services for the Fiscal Year Ended September 30, 1997* (A-77-99-00014), November 11, 1999.

## **Reports With Recommendations That Funds Be Put to Better Use for the Reporting Period October 1, 1999, Through March 31, 2000**

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

	<b>Number</b>	<b>Dollar Value</b>
<b>A.</b> For which no management decision had been made by commencement of the reporting period.	7 <sup>1</sup>	\$269,716,442
<b>B.</b> Which were issued during the reporting period.	4 <sup>2</sup>	\$170,516,955 <sup>3</sup>
<b>Subtotal (A+B)</b>	<b>11</b>	<b>\$440,233,397</b>
<b>Less:</b>		
<b>C.</b> For which a management decision was made during the reporting period:		
<b>i.</b> dollar value of recommendations that were agreed to by management.		
<b>(a)</b> Based on proposed management action.	6 <sup>4</sup>	\$178,119,695
<b>(b)</b> Based on proposed legislative action.	1 <sup>5</sup>	\$125,000,000
<b>Subtotal (a+b)</b>	<b>7</b>	<b>\$303,119,695</b>
<b>ii.</b> dollar value of recommendations that were not agreed to by management.	4 <sup>6</sup>	\$99,695,976
<b>Subtotal (i+ii)</b>	<b>11</b>	<b>\$402,815,671</b>
<b>D.</b> For which no management decision had been made by the end of the reporting period.	1 <sup>7</sup>	\$37,417,726

<sup>1</sup> *Management Advisory Report: Welfare Reform Childhood Redetermination Accuracy* (A-01-98-62012), March 3, 1999; *Administrative Costs Claimed at the Missouri Disability Determination Services* (A-07-97-51006), May 17, 1999; *Use of Plans for Achieving Self-Support to Obtain Supplemental Security Income Benefits* (A-01-98-61006), September 20, 1999; *Audit of Administrative Costs Claimed by the Ohio Rehabilitation Services Commission for Its Bureau of Disability Determination* (A-13-98-51007), September 24, 1999; *Waivers Granted for Title II Overpayments Exceeding \$500* (A-09-97-61005), September 27, 1999; *School Attendance by Child Beneficiaries Over Age 18* (A-09-97-61007), September 27, 1999; *Review of Controls Over Nonwork Social Security Numbers* (A-08-97-41002), September 29, 1999.

<sup>2</sup> See Reports with Funds Put to Better Use on page 59 of this report.

<sup>3</sup> This dollar amount has been modified because of developments that occurred after the issuance of our reports entitled, *Effectiveness of Obtaining Records to Identify Prisoners* (A-01-94-02004), May 10, 1996; and *Effectiveness of the Social Security Administration's Procedures to Process Prisoner Information, Suspend Payments and Collect Overpayments* (A-01-96-61083), June 24, 1997. SSA's Chief Actuary estimated a cost avoidance of about \$3.4 billion over 7 years with \$125 million to be realized semiannually from 1995 to 2001.

<sup>4</sup> *Administrative Costs Claimed at the Missouri Disability Determination Services* (A-07-97-51006), May 17, 1999; *Audit of Administrative Costs Claimed by the Ohio Rehabilitation Services Commission for Its Bureau of Disability Determination* (A-13-98-51007), September 24, 1999; *School Attendance by Child Beneficiaries Over Age 18* (A-09-97-61007), September 27, 1999; *The Social Security Administration's Controls over Impairment-Related Work Expense Income Exclusions* (A-01-98-61010), December 20, 1999; *The Social Security Administration's Procedures for Presumptive Disability Payments* (A-01-98-21005), March 2, 2000; *The Social Security Administration Incorrectly Paid Attorney Fees on Disability Income Cases when Workers' Compensation Payments Were Involved* (A-04-98-62001), March 8, 2000.

<sup>5</sup> See footnote number 3.

<sup>6</sup> *Management Advisory Report: Welfare Reform Childhood Redetermination Accuracy* (A-01-98-62012), March 3, 1999; *Use of Plans for Achieving Self-Support to Obtain Supplemental Security Income Benefits* (A-01-98-61006), September 20, 1999; *Review of Controls Over Nonwork Social Security Numbers* (A-08-97-41002), September 29, 1999; *Reliability of Diagnosis Codes Contained in the Social Security Administration's Data Bases* (A-01-99-61001), March 14, 2000.

<sup>7</sup> *Waivers Granted for Title II Overpayments Exceeding \$500* (A-09-97-61005), September 27, 1999.

# ***Reports Issued From October 1, 1999, Through March 31, 2000***

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## ***Audit Summary***

Total Number of Reports Issued	27
Total Questioned Costs	\$108,410
Total Funds Put to Better Use	\$45,516,955

## ***Reports issued with Nonmonetary Findings***

Date Issued	Title of Report	Report Number
11/09/99	Review of Internal Controls Over the Processing of One-Check-Only Payments (CONFIDENTIAL <sup>5</sup> )	A-05-97-61001
11/19/99	Audit of the Social Security Administration's Fiscal Year 1999 Financial Statements	A-15-99-51008
11/22/99	Performance Measure Review: Survey of the Sources of the Social Security Administration's Performance Measure Data	A-02-98-01004
11/22/99	Selected Procedures Used in the Social Security Administration's Asbestos Management Program for Its Main Complex	A-13-98-91026
11/26/99	Beneficiaries Expressing Interest in Vocational Rehabilitation Services Through a Continuing Disability Review Mailer	A-01-97-61004
11/26/99	Audit of Quality Review Process at the Office of Central Operations	A-03-97-31002

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<sup>5</sup> A confidential report contains restricted information for official use. Distribution is limited to authorized officials and is not for public distribution.

11/29/99	Review of the Social Security Administration's Fiscal Year 2000 Annual Performance Plan	A-02-99-03007
12/20/99	Performance Measure Review: Reliability of the Data Used to Measure the Dollar Accuracy of Old-Age and Survivors Insurance Payment Outlays	A-02-98-01001
01/03/00	Support Services for Contingency Planning at the Social Security Administration's National Computer Center (CONFIDENTIAL)	A-13-98-12039
01/06/00	Single Audit of the State of New York for the Fiscal Year Ended March 31, 1997	A-77-00-00001
01/19/00	The Social Security Administration is Pursuing Matching Agreements with New York and Other States Using Biometric Technologies	A-08-98-41007
01/31/00	Management Advisory Report: The Social Security Administration's Warning Banner Implementation	A-13-98-12041
02/07/00	The Social Security Administration's Earnings Suspense File Tactical Plan and Efforts to Reduce the File's Growth and Size	A-03-97-31003
03/01/00	Performance Measure Review: Reliability of the Data Used to Measure Welfare Reform Childhood Disability Reviews	A-01-99-91003
03/20/00	Performance Measure Review: Reliability of the Data Used to Measure Social Security Number Request Processing	A-02-99-01009
03/20/00	Performance Measure Review: Reliability of the Data Used to Measure Representative Payee Actions	A-02-99-01010
03/20/00	Performance Measure Review: Reliability of the Data Used to Measure Personal Earnings and Benefit Estimate Statement Processing	A-02-99-01011
03/20/00	Performance Measure Review: Reliability of the Data Used to Measure the Timeliness of Supplemental Security Income Aged Claims Processing	A-02-99-11005
03/21/00	Performance Measure Review: Reliability of the Data Used to Measure the Timeliness of Old-Age and Survivors Insurance Claims Processing	A-02-99-11006
03/21/00	Performance Measure Review: Reliability of the Data Used to Measure the Posting of Earnings Items	A-02-99-01008
03/21/00	Performance Measure Review: Summary of PricewaterhouseCoopers', LLP Review of the Social Security Administration's Performance Data	A-02-00-20024



***Reports With Questioned Costs***

<b>Date Issued</b>	<b>Title of Report</b>	<b>Report Number</b>	<b>Dollar Amount</b>
11/01/99	Single Audit of the Arkansas Disability Determination Services for the Fiscal Year Ended September 30, 1997	A-77-99-00014	\$5,329
12/06/99	Workers' Compensation Unreported by Social Security Beneficiaries	A-04-98-64002	\$85,843
03/08/00	The Social Security Administration Incorrectly Paid Attorney Fees on Disability Income Cases when Workers' Compensation Payments were Involved	A-04-98-62001	\$17,238
<b>Total</b>			<b>\$108,410</b>

***Reports With Funds Put to Better Use***

<b>Date Issued</b>	<b>Title of Report</b>	<b>Report Number</b>	<b>Dollar Amount</b>
12/20/00	The Social Security Administration's Controls over Impairment-Related Work Expense Income Exclusions	A-01-98-61010	\$1,977,891
03/02/00	The Social Security Administration's Procedures for Presumptive Disability Payments	A-01-98-21005	\$713,156
03/08/00	The Social Security Administration Incorrectly Paid Attorney Fees on Disability Income Cases when Workers' Compensation Payments Were Involved	A-04-98-62001	\$33,852,529
03/14/00	Reliability of Diagnosis Codes Contained in the Social Security Administration's Data Bases	A-01-99-61001	\$8,973,379
<b>Total</b>			<b>\$45,516,955</b>



# ***Appendices***

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# ***Appendix A***

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## ***Government Performance and Results Act Work Plan***

In Fiscal Year (FY) 1999, we developed a 3-year work plan to review the Social Security Administration's (SSA) implementation of the Government Performance and Results Act (GPRA). The plan is based on SSA's Revised FY 2000 Annual Performance Plan. As part of its Performance Plan, SSA has established the following broad strategic goals, which encompass its program activities.

- **To promote valued, strong, and responsive Social Security programs and conduct effective policy development, research, and program evaluation**
- **To deliver customer-responsive, world-class service**
- **To make SSA program management the best-in-business, with zero tolerance for fraud and abuse**
- **To be an employer that values and invests in each employee**
- **To strengthen public understanding of the Social Security programs**

Each of these strategic goals has supporting strategic objectives and corresponding performance indicators and goals.

The following is our plan for reviewing SSA's GPRA implementation and performance measures. As performance measures and goals change in future Annual Performance Plans, we will adjust our work plan accordingly.

## ***FY 1999 – Completed Reviews***

In FY 1999, we conducted performance measure reviews to determine the reliability of the data used to measure the following SSA performance indicators and goals.

<b>Strategic Goal:</b> To deliver customer-responsive, world-class service	
<b>Objective:</b> By 2002, to have 9 out of 10 customers rate SSA's service as good, very good, or excellent, with most rating it excellent	
<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
☐ Percent of SSA's core business customers rating SSA's overall service as excellent, very good, or good	☐ 88
☐ Percent of SSA's core business customers rating SSA's overall service as excellent	☐ 37
☐ Percent of SSA's core business customers rating the clarity of SSA's notices as excellent, very good, or good	☐ 82
<b>Objective:</b> To raise the number of customers who receive service and payments on time	
<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
☐ Percent of original and replacement Social Security number (SSN) cards issued within 5 days of receiving all necessary information	☐ 97

## ***FY 2000 – Completed Reviews***

In FY 2000, we completed a survey of the data sources SSA uses to produce its performance data and a review of the FY 2000 Annual Performance Plan. We also completed performance measure reviews to determine the reliability of the data used to measure the following SSA performance indicators and goals.

<b>Strategic Goal:</b> To deliver customer-responsive, world-class service	
<b>Output Measures for Major Budgeted Workloads</b>	
□ Retirement, Survivors Insurance claims processed	□ 3,134,800
□ Supplemental Security Income (SSI) aged claims processed	□ 144,200
□ SSN requests processed	□ 16,300,000
<b>Objective:</b> To raise the number of customers who receive service and payments on time	
<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
□ Percent of Old-Age and Survivors Insurance (OASI) claims processed by the time the first regular payment is due or within 14 days from effective filing date, if later	□ 83
□ Percent of initial SSI aged claims processed within 14 days of filing date	□ 66
□ Continuing Disability Reviews (CDR) processed	□ 1,882,700
□ Annual Earnings postings	□ 258,900,000
□ Representative Payee actions	□ 6,990,600
<b>Objective:</b> To make benefit payments in the right amount	
<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
□ Dollar accuracy of OASI payment outlays:	
□ Percent without overpayments	□ 99.8
□ Percent with underpayments	□ 99.8
<b>Objective:</b> To maintain through 2002, current levels of accuracy and timeliness in posting earnings data to individuals' earnings records	
<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
□ Percent of wage items posted to individuals' records by September 30	□ 98

**Strategic Goal:** To strengthen public understanding of the Social Security programs

**Objective:** By 2005, 9 out of 10 customers will be knowledgeable about the Social Security programs in 5 important areas

<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
□ Percent of individuals issued SSA-Initiated Personal Earnings and Benefit Estimate Statement (PEBES) as required by law	□ 100



## ***FY 2000 – Planned Reviews***

Before the close of FY 2000, we plan to complete performance measure reviews of:

- SSA’s FY 1999 Annual Performance Report, and
- SSA’s 2001 Annual Performance Plan.

We also plan to conduct reviews that will determine the reliability of the data used to measure the following SSA performance indicators and goals.

<b>Strategic Goal:</b> To deliver customer-responsive, world-class service	
<b>Output Measures for Major Budgeted Workloads</b>	
□ Initial disability claims processed	□ 2,144,000
□ Disability claims pending	□ 408,000
□ Hearings processed	□ 622,400
□ Hearings pending	□ 209,000
□ 800-number calls handled	□ 60,000,000
<b>Objective:</b> By 2002, to have 9 out of 10 customers rate SSA’s service as good, very good, or excellent, with most rating it excellent	
<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
□ Percent of callers who successfully access the 800-number within 5 minutes of their first call	□ 92
□ Percent of callers who get through to the 800-number on their first attempt	□ 86
□ Percent of public with an appointment waiting 10 minutes or less	□ 85
□ Percent of public without an appointment waiting 30 minutes or less	□ 70
□ Percent of 800-number calls handled accurately:	
□ Service accuracy	□ 90
□ Payment accuracy	□ 95

**Objective:** To raise the number of customers who receive service and payments on time

Performance Indicator	FY 2000 Goal
□ Initial disability claims average processing (days)	□ 115
□ Hearings average processing time (days)	□ 257

**Strategic Goal:** To make SSA program management the best-in-business, with zero tolerance for fraud and abuse

**Output Measures for Major Budgeted Workloads**

□ SSI nondisability redeterminations	□ 2,238,550
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**Objective:** To make benefit payments in the right amount

Performance Indicator	FY 2000 Goal
□ Disability Determination Services decisional accuracy rate	□ 97
□ Percent of SSNs issued accurately	□ 99.8

**Objective:** To maintain through 2002, current levels of accuracy and timeliness in posting earnings data to individuals' earnings records

Performance Indicator	FY 2000 Goal
□ Percent of earnings posted correctly	□ 99

**Objective:** To increase debt collections by 7 percent annually through 2002

Performance Indicator	FY 2000 Goal
□ Old-Age, Survivors and Disability Insurance (OASDI) debt collected	□ \$1,274.9 million
□ SSI debt collected	□ \$684.8 million

**Strategic Goal:** To be an employer that values and invests in each employee

**Objective:** To provide a physical environment that promotes the health and well-being of employees

Performance Indicator	FY 2000 Goal
□ Percent of employees reporting they are satisfied with the level of security in their facility	□ 75

## ***FY 2001 – Planned Reviews***

In FY 2001, we plan to conduct performance measure reviews of:

- ❑ SSA’s FY 2000 Annual Performance Report, and
- ❑ SSA’s FY 2002 Annual Performance Plan.

We also plan to conduct reviews that will determine the reliability of the data used to measure the following SSA performance indicators and goals.

<p><b>Strategic Goal:</b> To promote valued, strong, and responsive Social Security programs and conduct effective policy development, research, and program evaluation</p> <p><b>Objective:</b> To promote changes based on research and evaluation analysis, that shape the OASI and Disability Insurance (DI) programs in a manner that takes account of future demographic and economic challenges, provides an adequate case of economic security for workers and their dependents, and protects vulnerable populations</p>	
Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> <li>❑ Identification, development, and utilization of appropriate barometer measures for assessing the effectiveness of OASDI programs</li> </ul>	<ul style="list-style-type: none"> <li>❑ Identify and define barometer measures to be used</li> </ul>
<ul style="list-style-type: none"> <li>❑ Preparation of analyses and reports on the effect of OASDI programs on different populations to identify areas for policy change and develop options as appropriate</li> </ul>	<p>Prepare analyses and reports in the following topics:</p> <ul style="list-style-type: none"> <li>❑ The effect of OASDI programs on women</li> <li>❑ The effect of OASDI programs on minorities</li> <li>❑ The effect of OASDI programs on low-wage workers benefits</li> <li>❑ Analysis on the effect of changes in Social Security benefits on the DI program</li> </ul>
<ul style="list-style-type: none"> <li>❑ Preparation of analyses and reports on demographic, economic, and international trends and their effects on OASDI programs in order to anticipate the need for policy change and develop options as appropriate</li> </ul>	<p>Prepare analyses in the following topics:</p> <ul style="list-style-type: none"> <li>❑ Trends in marriage, divorce, and re-marriage on Social Security programs</li> <li>❑ Immigration and Social Security</li> <li>❑ Lifetime redistributive effects of Social Security cohorts</li> <li>❑ International retirement policy reforms</li> </ul>
<ul style="list-style-type: none"> <li>❑ Preparation of research and policy evaluation necessary to assist the Administration and Congress in developing proposals to strengthen and enhance the solvency of OASDI programs</li> </ul>	<ul style="list-style-type: none"> <li>❑ Prepare analyses on the distributional and fiscal effects of solvency proposals developed by the Administration, Congress, and other policymakers</li> </ul>

**Strategic Goal:** To promote valued, strong, and responsive Social Security programs and conduct effective policy development, research, and program evaluation

**Objective:** To promote changes based on research and evaluation analysis, that shape the SSI program in a manner that protects vulnerable populations, anticipates evolving needs of SSI populations, and integrates SSI payments with other social benefit programs to provide a safety net for aged, blind, and disabled individuals

Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> <li>❑ Identification, development, and utilization of appropriate barometer measures for assessing the effectiveness of SSI program</li> </ul>	<ul style="list-style-type: none"> <li>❑ Identify and define barometer measures to be used</li> </ul>
<ul style="list-style-type: none"> <li>❑ Expansions and acquisition of data on the characteristics of SSI populations in order to improve capacity to provide analyses, identify areas for policy change, and develop options as appropriate</li> </ul>	<ul style="list-style-type: none"> <li>❑ Link survey data with programmatic data</li> </ul>
<ul style="list-style-type: none"> <li>❑ Preparation of a report and completion of data collection of the SSI Childhood Disability Survey in order to assess the impact of welfare reform, identify areas of potential policy change, and develop options as appropriate</li> </ul>	<ul style="list-style-type: none"> <li>❑ Prepare final report on the effects of 1996 welfare reform legislation on SSI children with disabilities</li> <li>❑ Begin implementation of a national survey of children with disabilities</li> </ul>
<ul style="list-style-type: none"> <li>❑ Preparation of analysis on sources of support for the SSI population in order to identify areas for better coordination with other social benefits and develop options as appropriate</li> </ul>	<ul style="list-style-type: none"> <li>❑ Prepare the analysis</li> </ul>

**Objective:** To promote policy changes based on research and evaluation analysis, that shape the Disability program in a manner that increases self-sufficiency and takes account of changing needs based in the medical, technological, demographic, job market, and societal trends

Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> <li>❑ Number of DI adult worker beneficiaries who begin a trial work period</li> </ul>	<ul style="list-style-type: none"> <li>❑ 17,600</li> </ul>
<ul style="list-style-type: none"> <li>❑ Increase in the number of SSI disabled beneficiaries, aged 18-64, who are working</li> </ul>	<ul style="list-style-type: none"> <li>❑ 10 percent</li> </ul>
<ul style="list-style-type: none"> <li>❑ Preparation of a research design to develop techniques for validating medical listings</li> </ul>	<ul style="list-style-type: none"> <li>❑ Award a contract to design a methodology to validate a single listing</li> </ul>
<ul style="list-style-type: none"> <li>❑ Preparation of reports on results of the Disability Evaluation Study in order to identify potentially eligible disabled populations, interventions that enable continued work effort among the disabled, and guide changes to the disability decision process</li> </ul>	<ul style="list-style-type: none"> <li>❑ Complete pilot study</li> </ul>
<ul style="list-style-type: none"> <li>❑ Establish a Disability Research Institute</li> </ul>	<ul style="list-style-type: none"> <li>❑ Award contract to establish the Disability Research Institute</li> </ul>

**Objective:** Provide information for decisionmakers and others on the Social Security and SSI programs through objective and responsive research, evaluation, and policy development

Performance Indicator	FY 2000 Goal
<input type="checkbox"/> Percent of customers assigning a high rating to the quality of SSA's research and analysis products in terms of accuracy, reliability, comprehensiveness, and responsiveness	<input type="checkbox"/> Develop customer survey and data collection mechanism
<input type="checkbox"/> Issuance of periodically updated research and policy agenda	<input type="checkbox"/> Issue the initial research and policy agenda

**Strategic Goal:** To deliver customer-responsive, world-class service

**Objective:** By 2002, to have 9 out of 10 customers rate SSA's service as good, very good, or excellent, with most rating it excellent

Performance Indicator	FY 2000 Goal
<input type="checkbox"/> Percent of employers rating SSA's overall service as excellent, very good, or good	<input type="checkbox"/> 93
<input type="checkbox"/> Percent of employers rating SSA's overall service as excellent	<input type="checkbox"/> 13

**Objective:** By 2002, to increase the range of program information services available to customers over the phone or electronically

Performance Indicator	FY 2000 Goal
<input type="checkbox"/> New or expanded service available over the phone	<input type="checkbox"/> Take retirement or survivors claims immediately over the telephone, or in person, as long as the applicant has all the information needed
<input type="checkbox"/> New or expanded service available electronically	<input type="checkbox"/> Provide overnight electronic SSN verification for employers <input type="checkbox"/> Give employers the option to transmit wage reports to SSA electronically using a personal computer or high-speed data transmission lines <input type="checkbox"/> Establish capacity to receive secure, on-line public inquiries about claims and benefits
<input type="checkbox"/> Number of customers accessing Social Security on-line	<input type="checkbox"/> 15.8 million
<input type="checkbox"/> Percent increase in the number of automated SSA-initiated PEBES inquiries processed on Internet	<input type="checkbox"/> 50 percent (Baseline to be established in FY 1999)

**Strategic Goal:** To make SSA program management the best-in-business, with zero tolerance for fraud and abuse

**Objective:** To make benefit payments in the right amount

Performance Indicator	FY 2000 Goal
<input type="checkbox"/> Office of Hearings and Appeals decisional accuracy rate	<input type="checkbox"/> 87

**Objective:** To become current with DI and SSI CDR requirements by 2002

Performance Indicator	FY 2000 Goal
<input type="checkbox"/> Percent of multi-year (FY 1996-2002) CDR plan completed	<input type="checkbox"/> 63

**Objective:** To aggressively deter, identify, and resolve fraud

Performance Indicator	FY 2000 Goal
<input type="checkbox"/> Number of investigations conducted	<input type="checkbox"/> 7,600
<input type="checkbox"/> OASDI dollar amounts reported from investigative activities	<input type="checkbox"/> \$40 million
<input type="checkbox"/> SSI dollar amounts reported from investigative activities	<input type="checkbox"/> \$80 million
<input type="checkbox"/> Number of criminal convictions	<input type="checkbox"/> 2,000

**Strategic Goal:** To be an employer that values and invests in each employee

**Objective:** To provide the necessary tools and training to achieve a highly skilled and high-performing workforce

Performance Indicator	FY 2000 Goal
<input type="checkbox"/> Percent of offices with access to Interactive Video Training/Interactive Distance Learning	<input type="checkbox"/> 100 percent
<input type="checkbox"/> Formal management development programs implemented	<input type="checkbox"/> Senior Executives Service completed <input type="checkbox"/> Continue Advanced Leadership Program <input type="checkbox"/> Continue Leadership Program
<input type="checkbox"/> Percent of managerial staff participating in management/leadership development experiences	<input type="checkbox"/> 33 1/3 percent

<b>Objective:</b> To provide a physical environment that promotes the health and well-being of employees	
<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
<input type="checkbox"/> Percent of environmental air quality surveys completed and percent of the corrective actions taken when called for	<input type="checkbox"/> 20 percent facilities surveyed <input type="checkbox"/> 75 percent corrective actions taken
<input type="checkbox"/> Number of facilities having water quality testing and percent of corrective actions taken when called for	<input type="checkbox"/> 600 facilities tested <input type="checkbox"/> 100 percent corrective actions taken
<input type="checkbox"/> Number of relocated offices having security surveys and percent of accepted security recommendations implemented	<input type="checkbox"/> 150 offices surveyed <input type="checkbox"/> 85 percent accepted recommendation implemented
<b>Objective:</b> To promote an Agency culture that successfully incorporates our values	
<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
<input type="checkbox"/> Create Agency change strategy	<input type="checkbox"/> Develop and implement strategy
<b>Objective:</b> To create a workforce to service SSA's diverse customers in the 21 <sup>st</sup> century	
<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
<input type="checkbox"/> Complete Agency plan for transitioning to the workforce of the future	<input type="checkbox"/> Implement competency-based models for recruitment and training needs assessment <input type="checkbox"/> Complete employee survey <input type="checkbox"/> Publish transition plan

<b>Strategic Goal:</b> To strengthen public understanding of the Social Security programs	
<b>Objective:</b> By 2005, 9 out of 10 Americans will be knowledgeable about the Social Security programs in 5 important areas	
<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
<input type="checkbox"/> Percent of public who are knowledgeable about Social Security programs	<input type="checkbox"/> 65 percent

***The complete text of SSA's Strategic Plan can be found on the internet at [www.ssa.gov](http://www.ssa.gov).***





# **Appendix B**

## **Reporting Requirements Under the Omnibus Consolidated Appropriations Act for Fiscal Year 1997**

To meet the requirements of the Omnibus Consolidated Appropriations Act for 1997 (Public Law 104-208), we are providing in this report, requisite data for this reporting period from the Offices of Investigations and Audit.

We are reporting \$14,573,989 in Social Security Administration (SSA) funds and \$49,596,604 in non-SSA funds as a result of our investigative activities in this reporting period. These funds are broken down in the table below.

Types of Funds	1st Quarter		2nd Quarter		Total	
	SSA	Non-SSA	SSA	Non-SSA	SSA	Non-SSA
Court-Ordered Restitution	\$3,245,187	\$38,826,930	\$3,387,856	\$3,278,942	\$6,633,043	\$42,105,872
Scheduled Recoveries	\$2,777,898	\$93,378	\$3,103,928	\$611,139	\$5,881,826	\$704,517
Fines	\$935,189	\$82,638	\$265,445	\$196,367	\$1,200,634	\$279,005
Settlements/ Judgments	\$148,569	\$1,922,620	\$709,917	\$4,584,590	\$858,486	\$6,507,210
<b>Total</b>	<b>\$7,106,843</b>	<b>\$40,925,566</b>	<b>\$7,467,146</b>	<b>\$8,671,038</b>	<b>\$14,573,989</b>	<b>\$49,596,604</b>

SSA management informed the Office of Audit that it completed implementing recommendations from the following audit report during this fiscal year valued at \$1.2 million.

***Audit of Administrative Costs Claimed by the Ohio Rehabilitation Services Commission for Its Bureau of Disability Determination (A-13-98-51007), September 24, 1999***

We recommended that SSA instruct the State of Ohio Rehabilitative Services Commission to require the Ohio State Bureau of Disability Determination to amend its Forms SSA-4513 by a \$28,895 increase, \$871,223 decrease and \$266,800 decrease for Fiscal Years 1995, 1996, and 1997, respectively, to adjust obligations. SSA implemented this recommendation in March 2000. The implemented recommendation is valued at \$1.2 million.



# **Appendix C**

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## ***Significant Monetary Recommendations From Prior Reports for Which Corrective Actions Have Not Been Completed***

### ***School Attendance by Child Beneficiaries Over Age 18 (A-09-97-61007), September 27, 1999***

Request assistance from school officials in identifying and reporting changes in student attendance that may affect their benefit status.

### ***Southwest Tactical Operations Plan: Investigative Results (A-06-97-22008), March 31, 1998***

Develop guidance on using locally determined characteristics warranting in-depth investigation to accurately determine residency status.



# **Appendix D**

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## ***Significant Nonmonetary Recommendations From Prior Reports for Which Corrective Actions Have Not Been Completed***

### ***The Social Security Administration's Estimation of Excess Federal Insurance Contribution Act Taxes (A-13-97-51015), March 25, 1999***

The Social Security Administration (SSA) should establish a task force with the Internal Revenue Service to initiate a formal Memorandum of Understanding on the protocol for: 1) sharing excess Federal Insurance Contribution Act wage data and 2) resolving/reconciling any difference between them.

### ***Early Alert: Disclosure of Personal Information on Representative Payees (A-01-99-82008), January 21, 1999 (Confidential Report)***

SSA should verify the death information for the 6,004 representative payees – 5,352 individuals serving as representative payees for Old-Age, Survivors and Disability Insurance beneficiaries and 652 individuals serving as representative payees for Supplemental Security Income recipients. Our match shows as deceased on the death master file but currently serving as representative payees for beneficiaries on the Master Beneficiary Record and the Supplemental Security Record.

### ***Special Joint Vulnerability Review of the Supplemental Security Income Program (A-04-95-06020), December 16, 1997***

Modify the Supplemental Security Income display terminal to include additional comments or codes for the identification of potential fraud/abuse cases, subject to SSA's evaluation of the most advantageous method of presentation on the Supplemental Security Income display.



# ***Appendix E***

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## ***Management Decisions With Which the Inspector General Disagrees***

### ***Review of Controls over Nonwork Social Security Numbers (A-08-97-41002), September 29, 1999***

Propose legislation to prohibit the crediting of earnings and related quarters of coverage for purposes of benefit entitlement to Social Security numbers assigned for nonwork purposes.

### ***Effects of State Awarded Workers' Compensation Payments on Social Security Benefits (A-04-96-61013), September 30, 1998***

Recognize and identify workers' compensation offset as a reportable internal control weakness under the Federal Managers' Financial Integrity Act, including its significant \$526.7 million effect on the Master Beneficiary Record, and the shortcomings in the administration and processing of workers' compensation offsets.





# **Appendix F**

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## ***Significant Management Challenges Facing the Social Security Administration***

In the past few years, all Offices of the Inspector General (OIG) have received correspondence from members of Congress, led by Congressman Dick Armey, that ask OIGs to provide a list of significant management challenges facing their organization. Our office found that this request could be used as a guide in developing our Audit Work Plan and in focusing the use of our investigative resources.

In December 1999, we responded to the most recent request from the members that included an assessment of the most serious management challenges; identification of the progress the Social Security Administration (SSA) is making to address many of the major management problems; and whether agency programs are achieving intended results.

OIG and SSA agree that the first area of concern is **SOLVENCY** of the Trust Fund. During the past few years, the economy has been strong but not strong enough to impact on the expected number of “baby boomers” who will retire in the near future. Beginning in the Year 2014, expenditures from the Trust Fund will exceed tax income. To address this issue, the President and Congress are engaged in a bi-partisan reform effort and the General Accounting Office is studying SSA’s actuarial assumptions to determine their accuracy.

Even though SSA successfully transitioned to Year 2000, **SYSTEMS SECURITY AND CONTROLS** remain a management challenge. SSA has made notable progress to strengthen and improve controls of the protection of information and separation of duties. However, our audit work identified a number of deficiencies in contingency planning which would impair SSA’s ability to respond effectively to a disruption in business operations as a result of a disaster or long-term crisis.

SSA is bound by complicated guidelines in administering its programs. **PROGRAM COMPLEXITY** in Supplemental Security Income (SSI) makes it particularly difficult to administer. SSI eligibility depends on self-reporting, and self-reporting requirements affect payment accuracy. OIG provides the lead for the Agency’s Payment Accuracy Task Force. This task force provides recommendations to the Agency on how it can improve its payment accuracy rate. SSA issued its own report that identifies some of the complex areas of the SSI program and outlines management improvements that are in progress. These efforts should result in increased SSI payment accuracy.

**FRAUD RISK**, especially in the SSI program, is a major concern. The **FRAUD RISK** in the SSI program is mainly connected to the self-reporting. SSA has initiated two programs to detect fraud in the self-reporting of income—access to State records on-line and access to Office of Child Support Enforcement data bases. The Cooperative Disability Investigations teams have been very effective in detecting and preventing SSI and disability fraud. We also work with the Agency to identify and terminate payments to incarcerated SSI recipients. SSA is committed to deterring fraud and has included this as a key initiative in its Strategic Plan.

OIG reviews concluded that SSA demonstrates a commitment to the **GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA)** and has improved the usefulness of its Annual Performance Plan. However, we also identified three concerns. First, there are weaknesses in data sources and inaccurate measurements that impact the reliability of the performance data. Second, performance indicators are not established for all major management challenges and do not always reflect a clear measure of performance. Finally, the resources needed to achieve planned performance are not fully identified. The Agency will take these concerns into consideration when drafting its next Annual Performance Plan. There are 13 GPRA-related reviews committed for Fiscal Year (FY) 2000.

SSA issued a report that identifies three areas where improvement is needed in the disability adjudication process, which is a major part of the **DISABILITY REDESIGN** Initiative. The Agency began pilot programs in 10 States that incorporates summary rationales; eliminates the reconsideration step at the Disability Determination Services offices; and expedites the Office of Hearings and Appeals process. OIG will assess the success of these initiatives at the appropriate time.

The **EARNINGS SUSPENSE FILE** is a file of wage items and does not represent a “fund” of money. The file consists of wage items that failed to match SSA’s name and Social Security number (SSN) validation criteria. Over the past 8 years, the Suspense File has grown at an average of 5 million wage items and \$17 billion annually. SSA developed a tactical plan to reduce the rate of growth but the cure is long-term and does not address all issues adequately. OIG has linked SSN misuse and identity theft to the Suspense File and because of that, we feel that a timely resolution to this problem is of the utmost importance.

SSA is committed to providing world-class **SERVICE TO THE PUBLIC** but it continues to be a challenge facing the Agency. As a result of downsizing and hiring restrictions, SSA is limited in strengthening and revitalizing employee ranks. Also, the workforce is aging and a significant amount is expected to retire at the same time that the workload is expected to increase. SSA is seeking alternative methods

to provide service delivery options to the public. OIG will continue to monitor the Agency's efforts to ensure that there is no trade-off between fraud prevention and customer service.

Through its **ENUMERATION** process, SSA issued over 16 million original and replacement SSN cards in FY 1999 to U.S. citizens and aliens. Our audit and investigative work show that some SSN applications are processed based on false documentation. SSA should expect an increase in this fraudulent activity since the SSN is a "breeder document" to obtain other means of identification and there is a market for SSNs for individuals who want to hide their earnings or work illegally. SSA needs to improve controls over the verification of evidentiary documents. Fraud committed during the **ENUMERATION** process directly affects the Earnings Suspense File and leads us to the last identified challenge facing the Agency.

**IDENTITY THEFT** occurs when someone uses an individual's personal information without his or her knowledge to commit a crime. It can affect financial institutions and Government programs. False identities are used to defraud SSA. Unscrupulous individuals can assume the identity of another person who is either alive or dead and work under the stolen SSN, while receiving disability benefits under their own SSN. SSA has recognized the need to reduce its vulnerability to identity theft but current initiatives concentrate on detection rather than prevention. SSA faced the difficult challenge of balancing anti-fraud measures and achieving its goal of world-class service.



# ***Glossary of Abbreviations***

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ACA	Agricultural Credit Association
AFDC	Aid To Families With Dependent Children
ALJ	Administrative Law Judge
AMD	Allegation Management Division
APP	Annual Performance Plan
CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
CID	Critical Infrastructure Division
CMP	Civil Monetary Penalty
DDS	Disability Determination Services
DERO	Division of Earnings Record Operations
DES	Division of Employer Services
DI	Disability Insurance
ECT	Electronic Crime Team
ESF	Earnings Suspense File
FBI	Federal Bureau of Investigation
FFMIA	Federal Financial Management Improvement Act of 1996
FRSC	Federal Records Service Corporation
FTC	Federal Trade Commission
FY	Fiscal Year
GPRA	Government Performance and Results Act
HHS	Department of Health and Human Services
HIPAA	Health Insurance Portability and Accountability Act of 1996
INS	Immigration and Naturalization Service

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IRS	Internal Revenue Service
MBR	Master Beneficiary Record
OA	Office of Audit
OASDI	Old-Age, Survivors and Disability Insurance
OASI	Old-Age and Survivors Insurance
OCIG	Office of the Counsel to the Inspector General
OCO	Office of Central Operations
OEO	Office of Executive Operations
OI	Office of Investigations
OIG	Office of the Inspector General
OPM	Office of Personnel Management
PC	Processing Center
PEBES	Personal Earnings and Benefit Estimate Statement
PSC	Program Service Center
PwC	PricewaterhouseCoopers, LLP
QAPRD	Quality Assurance and Professional Responsibility Division
QRP	Quality Review Process
QRT	Quick Response/Fraud Liaison Team
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSR	Supplemental Security Record
USMS	U.S. Marshals Service
VA	Veterans Affairs
VR	Vocational Rehabilitation
VRA	Vocational Rehabilitation Agency
WC	Workers' Compensation

# ***How to Report Fraud***

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The Social Security Administration's (SSA), Office of the Inspector General (OIG) Fraud Hotline offers a convenient 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**

1-800-269-0271

## **WRITE**

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

## **E-MAIL**

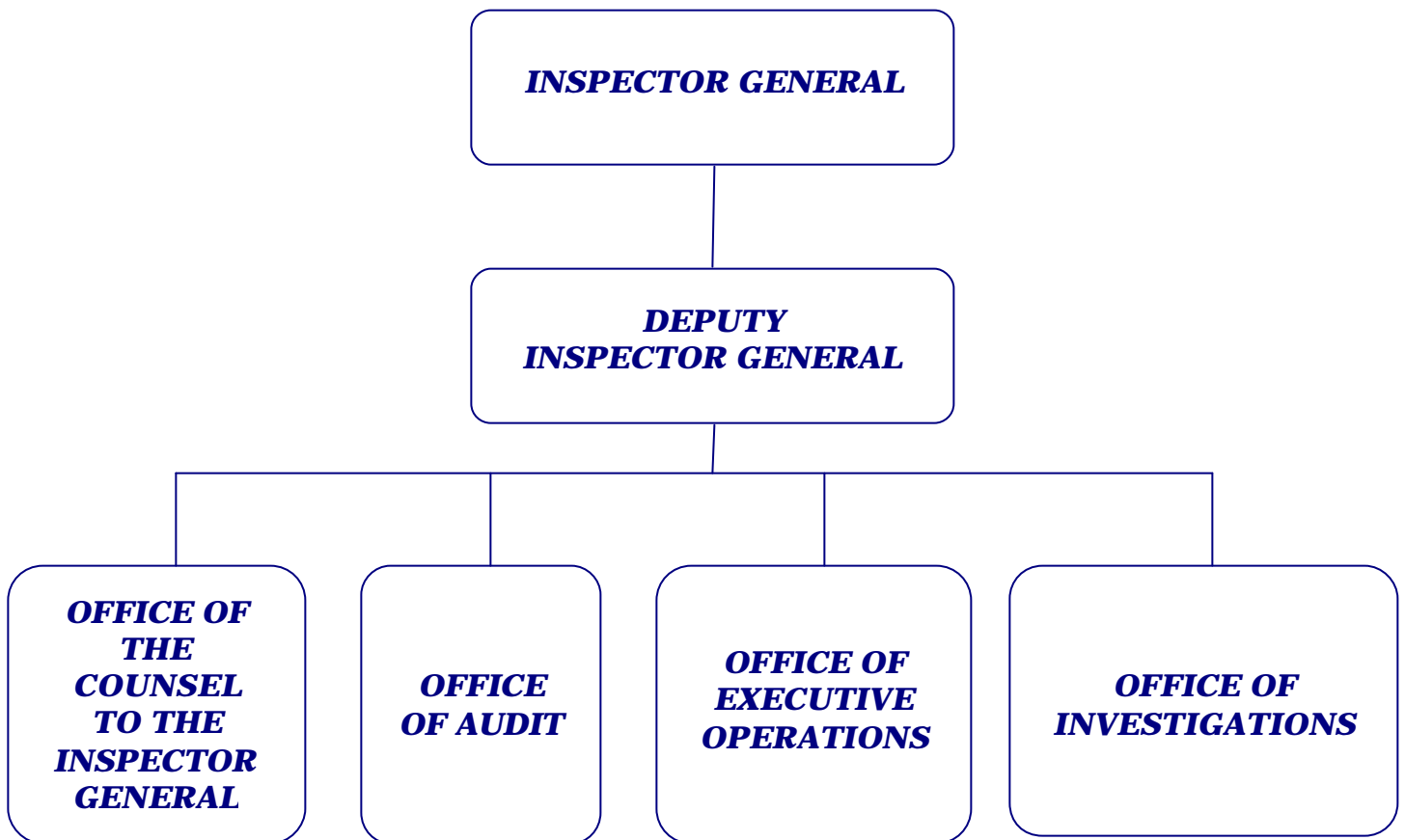
[oig.hotline@ssa.gov](mailto:oig.hotline@ssa.gov)





# ***Office of the Inspector General Organizational Chart***

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