



## SOCIAL SECURITY

### MEMORANDUM

Date: March 3, 2003

Refer To:

To: The Commissioner

From: Inspector General

Subject: Referring Potentially Fraudulent Enumeration Applications to the Office of the Inspector General (A-14-03-23052)

The objective of our review was to determine the extent that the Social Security Administration (SSA) was adhering to its policy<sup>1</sup> of referring potentially fraudulent Social Security number (SSN) applications to the Office of the Inspector General (OIG) for investigation.

### **Referring Fraudulent Social Security Number Applications to the Office of the Inspector General**

SSA employees do not routinely refer potentially fraudulent SSN applications to SSA's OIG for investigation. Although SSA policy requires these referrals, our review indicates that less than 30 percent are referred.

These potentially fraudulent applications apparently were not referred for one or more of the following reasons.

1. SSA employees know that the Office of the United States Attorney usually declines prosecutions of cases involving SSN applicants submitting false evidentiary documents absent aggravating circumstances (i.e., prior similar criminal acts);
2. It would be impractical for OIG to examine each of these cases due to the large volume; and
3. Although work credit for developing a fraud referral has been in effect for approximately 1 year, some SSA employees are still not aware of the credit.<sup>2</sup>

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<sup>1</sup> Program Operations Manual System (POMS) RM 00202.237D, *Procedure - Documents are "Suspect" or "Fraudulent"*.

<sup>2</sup> Management Information Manual Part II, October, 2002: *District Office Workload Report*, Chapter 2210, Category 30; and *District Office Workload Sampling*, Chapter 3310, Category 30.

These circumstances cause SSA employees to perceive that they will receive little benefit in referring potential SSN fraud cases to OIG. Yet, when cases of suspected fraud are not referred, the SSN application process becomes even more susceptible to fraud.

### **Background on Measuring the Referral Rate**

While studying potentially fraudulent SSN applications, we examined the SSA Enumeration History File (EHF) for the week ending March 29, 2002. Of the 365,574 SSN applications examined, we found 239 applications SSA employees suspected to be fraudulent. On May 1, 2002, we sent the 239 EHF records to the OIG's Office of Investigations (OI) to determine if SSA had referred the applications to OIG, consistent with SSA policy.

SSA employees refer suspected fraud cases to OIG using a standard Reporting Form for Programmatic Fraud. OIG inputs information on the referral forms into its Allegation and Case Investigative System (ACIS).

OIG OI's personnel searched ACIS for the 239 suspected fraudulent SSN applications, first using the SSN issued at enumeration, then later using the applicant's name. When matching on SSN, OIG located only 14 of the 239 records. When matching on name, another 64 records were located, although 11 of the 64 matched so many multiple names in ACIS that no relationship could be established. For example, 1 name contained within a potentially fraudulent application matched 105 identical names in ACIS. Assuming that all of remaining multiple and single name matches are accurate, we determined that only 67 of these 239 cases were referred to OIG for investigation, thereby suggesting a referral rate of 28 percent.<sup>3</sup>

We discussed this situation with an SSA programmer who maintains the EHF and with OIG managers responsible for allegation management. According to the SSA programmer, the Modernized Enumeration System (MES), which processes applications for new and replacement SSN cards, uniquely marks a possible fraud case and prevents MES from automatically processing subsequent applications using the same SSN. In addition, a copy of the potentially fraudulent enumeration record is written to a separate file called the *Disallowed File*, which is available to SSA and OIG for the purpose of analyzing trends.

We conducted our review at SSA Headquarters in Baltimore, Maryland, and completed our field work between July and November 2002. Except for a limitation of scope regarding the assessment of the internal controls over certain computer-based systems and the reliability of the data they produce, we conducted our audit in accordance with generally accepted government auditing standards.

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<sup>3</sup> To arrive at the 67 fraud cases referred, we determined that 14 cases matched on SSN and possibly as many as 53 (64 – 11) matched on name.

## Why Potential Fraud Cases Are Not Referred

OIG is familiar with the fraudulent MES applications described above and receives a considerable volume of these potential fraud cases. Upon receipt of these referrals, OIG establishes a record of the allegation in ACIS that uses the information contained within each referral and then distributes these allegations to its Field Divisions. Investigators review the cases and decide whether or not they rise to a level of criminality that warrants investigation. Usually, individual cases do not reach the dollar threshold or level of criminality required for prosecution, nor do they fit the parameters for Civil Monetary Penalties.<sup>4</sup> Furthermore, SSA's general policy of not retaining documentation unless requested to do so by the applicant lowers the possibility that OIG will have enough credible evidence to prosecute fraud cases.<sup>5</sup> By returning evidence of the apparent fraud to the applicant, SSA reduces the integrity of referrals that do occur and allows the perpetrator to reuse the fake documentation, which he or she may have obtained at great cost.

Approximately 1 year ago, policy did not allow SSA field offices (FO) to receive work credit for time spent referring possible fraudulent SSN applications to OIG. However, SSA offices now receive work credit for completing and submitting a Standard Reporting Form for Programmatic Fraud. OIG believes many offices may not be aware of this change in policy, which reduces the incentive to refer potential MES fraud cases.

## Referring Potential Fraud Cases

By emphasizing the availability of work credit for fraud referrals, SSA can help ensure FO compliance with the policy for the referral of potentially fraudulent SSN application allegations to OIG. Additional referrals will provide OIG with more comprehensive data and will increase our ability to analyze trends detected in fraudulent SSN applications. OIG will be able to analyze the source of fraudulent SSN applications in conjunction with criminal allegations from other sources such as the hotline allegations and SSA benefit applications.

By changing its policy and retaining evidence of possible fraud submitted by the SSN applicant, SSA could assist OIG in prosecuting enumeration fraud cases, especially when the perpetrator is an habitual offender. Taking apparently fraudulent

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<sup>4</sup> Section 1129 of the Social Security Act, 42 U.S.C. §1320a-8, allows for the imposition of civil monetary penalties against people who make certain material false statements or misrepresentations to qualify for benefits.

<sup>5</sup> POMS GN 00301.275A, *Retention or Return of Documents, Policy – Basic Rule*, provides that “[w]hen retention of evidence is necessary, retain the document(s) presented by the claimant only if the claimant states during the interview or in his letter that the document can be kept permanently. Do not ask the claimant whether the document may be retained; assume that he is not willing to give it up unless he states otherwise.” SSA informed us that this policy applies to retention of documents submitted by applicants for SSNs.

documentation out of circulation will help prevent future enumeration fraud and make the enumeration process less susceptible to fraud.

SSA should actively seek appropriate authority to impose administrative sanctions and civil monetary penalties for SSN fraud. This will provide a viable alternative punishment and deterrent when criminal prosecution is not feasible. Accordingly, the Agency should develop and propose appropriate procedures for administrative sanctions and penalties, which are designed to discourage people from using fraud in attempting to obtain SSNs. For instance, administrative sanctions or penalties could be imposed/assessed after providing proper notice to the individual whom attempted to perpetrate a fraud. SSA could annotate the fraud on his or her authentic SSN record using a pre-determined code. In the event that the perpetrator refuses to pay the administrative penalty and has no assets, the debt would remain on his or her record to be collected from future benefit amounts. Until the penalty is paid, the annotated SSN record and open penalty or sanction could be used to prevent other administrative services such as issuing replacement SSN cards, etc.

### **Recommendations**

We recommend SSA:

1. Emphasize the availability of work credit for fraud referrals.
2. Ensure FO compliance with the policy for the referral of potentially fraudulent SSN application allegations to OIG.
3. Change its policy to have employees retain fraudulent or suspect documentation submitted by SSN applicants.
4. Identify alternative administrative sanctions that would discourage people from fraudulently attempting to obtain SSNs.
5. Actively seek appropriate authority for the imposition of civil monetary penalties and administrative sanctions for fraudulent attempts to obtain SSNs.

### **AGENCY COMMENTS**

SSA agreed with our first two recommendations and issued an informational message to all SSA facility managers highlighting the importance of formally referring suspected fraud cases to the OIG in February 2003. The message emphasized the availability of work credit for making the referral. SSA also agreed with our fifth recommendation that it actively seek appropriate authority to impose civil monetary penalties for fraudulent attempts to obtain SSNs.

Although SSA agreed with the intent of our fourth recommendation and will study its feasibility, the Agency is concerned about the cost of imposing administrative sanctions and their effectiveness in deterring criminals, especially those who do not have a valid SSN.

SSA disagreed with the third recommendation that it change its policy to have employees retain fraudulent or suspect documentation submitted by SSN applicants. The Agency stated that its employees do not know, at the time of the initial interview, if the questionable documentation will be determined to be fraudulent, which depends on verifying the documentation with its issuing source. Current procedure instructs employees to copy documents in suspect cases due to concerns for the health and safety of SSA employees.

### OIG RESPONSE

We are pleased that the Agency agrees with and plans to implement four out of five of our recommendations. With regard to Recommendation 3, while we continue to believe that the optimal solution is the confiscation of potentially fraudulent documents, we recognize that the Agency has legitimate concerns for the safety and well being of its employees. Therefore, in the event SSA is unable to provide original documents, we will work with copies of the questionable documents until such time that the Agency is able to address its safety concerns.

In response to the Agency's comments regarding Recommendation 5, we are pleased that the Agency agreed on the use of civil monetary penalties for these types of potential fraud cases. However, our ability to conduct any further investigative work will be dependent upon the usefulness of the documentation supplied by the Agency.

Please comment within 60 days from the date of this memorandum on corrective action taken or planned on each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.



James G. Huse, Jr.

# *Appendices*

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APPENDIX A - Acronyms

APPENDIX B - Agency Comments

APPENDIX C - OIG Contacts and Staff Acknowledgments

### Acronyms

ACIS	Allegation and Case Investigative System
EHF	Enumeration History File
FO	Field Office
MES	Modernized Enumeration System
OI	Office of Investigations
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
SSN	Social Security Number

## Agency Comments





## SOCIAL SECURITY

### MEMORANDUM

Date: February 11, 2003

Refer To: S1J-3

To: James G. Huse, Jr.  
Inspector General

From: Larry Dye /s/  
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "Referring Fraudulent Enumeration Applications to the Office of the Inspector General"—INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the report content and recommendations are attached.

Staff questions can be referred to Laura Bell on extension 52636.

Attachment:  
SSA Response

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT “REFERRING FRAUDULENT ENUMERATION APPLICATIONS TO THE OIG (A-14-03-23052)”**

We appreciate the opportunity to review and comment on the report contents and recommendations. The Social Security Administration (SSA) is committed to, and strongly supports, efforts to deter and prevent Social Security number (SSN) fraud, and we will continue to work closely with OIG on these issues. In fact, the OIG is a full partner with representatives of other SSA components in the Enumeration Response Team (ERT). Since 9/11, the ERT has been the focal point within SSA for activities to examine and, where necessary, to tighten enumeration policies and procedures. For instance, SSA has instituted procedures to cross-check with the issuing agency the documentary evidence presented by both citizens and non-citizens in support of applications for SSNs. Also, beginning in October 2002, aliens admitted to the US for permanent residence can apply for a SSN as part of the visa process, ending SSA’s reliance on easily counterfeited paper documentation. We are also in the process of clarifying the rules pertaining to the issuance of SSNs to international students. When the new rule becomes effective, an international student will be required to have an on-campus job or the promise of a job before we will issue a SSN.

We agree that SSA and OIG should continue to pursue SSN fraud activity. Also, we would like to note that to the extent that implementation of the proposed recommendations impacts the working conditions of the bargaining unit employees, coordination with the appropriate, officially recognized employee organizations, may be necessary. Our response to the specific recommendations are provided below:

**Recommendation 1**

SSA should emphasize the availability of work credit for fraud referrals.

**SSA Response**

We agree, and on February 4, 2003 issued an informational message from the Deputy Commissioner of Operations (DCO) to all facility managers highlighting the importance of formally referring allegations to OIG. We included in that message a reminder that work credit is assigned for fraud referrals.

**Recommendation 2**

SSA should ensure Field Office (FO) compliance with the policy for the referral of potentially fraudulent SSN application allegations to OIG.

### SSA Response

We agree, and have taken steps to improve FO compliance. On August 2, 2002, Emergency Message (EM) 02091 was issued to all FOs. The EM reminded employees to complete an E 8551 on all SSN applications determined to be fraudulent. In addition, we will highlight this issue in the informational message described in recommendation number one.

### **Recommendation 3**

SSA should change its policy to have employees retain fraudulent or suspect documentation submitted by SSN applicants.

### SSA Response

We disagree, because at the time of the initial SSN interview, SSA employees do not know if a document will be determined fraudulent. SSA employees depend upon the issuing source to determine document validity. On June 1, 2002, SSA began verifying all birth records with the custodian of records for U.S. born SSN applicants 1 year old or older. Since September 2002, we verify alien status for all non-citizen applicants with the Immigration and Naturalization Service (INS). In addition, in our Brooklyn Social Security Card Center, OIG agents are readily available, and in certain cases involving evidence of fraud they can confiscate suspect documents. However, in all other offices current procedure is to copy documents in suspect cases due to concerns for the health and safety of SSA employees who would be in the position of confiscating possible fraudulent documents.

### **Recommendation 4**

Identify alternative administrative sanctions that would discourage people from fraudulently attempting to obtain SSNs.

### SSA Response

We agree with the intent of the recommendation, but believe sanctions may not be an effective mechanism for preventing fraud. We are concerned about the administrative cost and complications of imposing sanctions in these situations. In addition, obtaining an SSN with false documentation is a crime and should be treated as such. Selling Social Security cards can be a lucrative illegal business, and we do not believe the imposition of administrative sanctions would be a deterrent to those involved in such a business. Also, many of the applicants may never have a valid SSN on which to apply the administrative sanction. We will perform further research and analysis in this area.

### **Recommendation 5**

SSA should actively seek appropriate authority for the imposition of civil monetary penalties and administrative sanctions for fraudulent attempts to obtain SSNs.

## SSA Response

We agree. The Agency believes that this idea deserves serious consideration. We believe any new sanctions should be imposed as a result of an OIG investigation, rather than a FO administrative decision. By requiring an IG review, a more uniform application of penalties could be achieved, a centralized due process system could be established and FO personnel would be less subject to pressure and risk of physical harm from those who may present false documents or from those who make them. From a practical standpoint, the IG could post penalties using their ACIS system. We suggest the recommendation be changed to read, “Actively seek appropriate authority for SSA to impose civil monetary penalties for fraudulent attempts to obtain SSNs.”

## **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Kitt Winter, Director, Data Analysis and Technical Audit Division, (410) 965-9702

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(410) 965-9724

### ***Acknowledgments***

In addition to those named above:

Carol Ann Frost, Computer Specialist

Annette DeRito, Writer-Editor

For additional copies of this review, please visit our web site at [www.ssa.gov/oig](http://www.ssa.gov/oig) or contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-1375. Refer to Common Identification Number A-13-98-12041.