

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

Inspector General's Report to the Congress



Mission/Vision Statement

Mission

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, the Congress, and the public.

Vision

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 and in our own office.

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Significant Activities

Office of the Inspector General Expands Operations
Social Security Administration Fraud Hotline
Office of the Inspector General Pursues Civil Remedies

Office of the Inspector General Expands Operations

In May 1998, the *Federal Register* published the Office of the Inspector General's (OIG) expanded organizational structure. The OIG established four new field offices to conduct investigations in strategically located cities nationwide. With the addition of these field offices, we expect to increase our efficiency in detecting fraud, waste, and abuse.

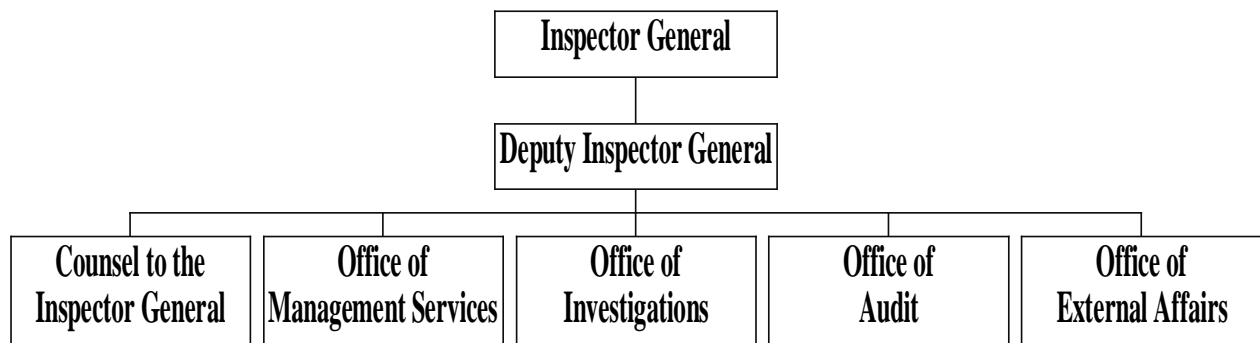
We also created an Allegation Management Division to handle the ever-increasing number of inquiries/allegations the Social Security Administration (SSA) Fraud Hotline receives. To keep pace with the growing number of allegations received, the Principal Deputy Commissioner agreed to increase the SSA Fraud Hotline's staffing levels.

We also formed an Office of External Affairs whose function is twofold: quality assurance and public affairs. The Quality Assurance Team performs internal reviews to ensure that OIG offices hold themselves to the same rigorous standards that we expect from SSA. The Public Affairs Team communicates OIG's planned and current activities and their results to the Commissioner and the Congress as well as other entities. This Team works with SSA to ensure that our message concerning "Zero Tolerance for Fraud" is seamless. The OIG's current organizational chart is depicted below.

Social Security Administration Fraud Hotline

The SSA Fraud Hotline, which is overseen by OIG's Office of Investigations' Allegation Management Division, is the focal point for receiving allegations of fraud, waste, and abuse against SSA's programs and operations. The Hotline receives allegations and complaints from numerous sources and by different methods.

In FY 1998, the Hotline staff processed nearly 30,000 allegations. This represents a 60-percent increase in productivity from FY 1997, which is directly attributable to a new streamlined, paperless process. All allegations are entered into a data base. Referrals are made by electronic mail to SSA's Field Divisions and components. All follow-up and accounting actions take place in the same electronic environment. The internal controls built into the data base ensure that appropriate actions are taken in a timely manner and that monetary savings, restitution, and scheduled recoveries are accurately reflected.



Office of the Inspector General Pursues Civil Remedies

Section 1140

Under section 1140 of the Social Security Act, civil monetary penalties may be imposed against entities that use SSA's program words, letters, symbols, or emblems in advertisements, or other such communications in a manner that conveys the false impression that such items were approved, authorized, or endorsed by SSA. The Commissioner has delegated authority to implement the civil monetary penalty program under section 1140 to the Inspector General. During this fiscal year, the Office of Counsel to the Inspector General (OCIG) reviewed 502 complaints and issued 33 cease and desist letters.

Section 1129

Under section 1129 of the Social Security Act, and as authorized by the Attorney General pursuant to agreed procedures, civil monetary penalties may be imposed against individuals who make certain material false statements or omissions (after October 1, 1994) to receive benefits under the Social Security Act. The Commissioner has delegated the authority to implement the civil monetary penalty program under section 1129 to the Inspector General. During this fiscal year, OCIG reviewed 24 new cases referred from the Office of Investigations, imposed \$30,000 in penalties, and imposed \$21,705 in assessments.

Review of Legislation

OCIG monitored, tracked, and commented on several significant legislative proposals. Specifically, OCIG and the Deputy Commissioner for Finance, Assessment and Management reviewed various identity fraud proposals which were introduced in the 105th Congress. OCIG prepared analytical synopses for the Commissioner of Social Security on the identity fraud issue.

OCIG also prepared an extensive legislative proposal on statutory law enforcement authority. This proposal would codify several law enforcement authorities that are presently exercised by OIG Special Agents, pursuant to an existing Memorandum of Understanding with the Department of Justice. While OIG Special Agents have the authority to carry firearms, make arrests, and serve search warrants in certain instances under the Memorandum of Understanding. Further, it would clarify law enforcement authority for OIG Special Agents and contribute greatly to OIG's ability to carry out its mission under the Inspector General Act of 1978, as amended.

Office of Audit

Financial Audits
SSI—A High-Risk Program
Benefit Payments
Internal Controls
Performance Monitoring
Human Resources

The Office of Audit 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. The Office of Audit also conducts management and program evaluations that focus on issues of concern to SSA, the Congress, and the public. These evaluations identify and recommend ways to prevent program fraud and minimize inefficiency. The Office of Audit is organized into issue area teams that specialize in SSA's programs and operations.

The Office of Audit also participated in six SSA task forces and workgroups providing up-front expertise. This enables us to review, analyze, and comment on proposed modifications to procedures before they are implemented. This proactive approach improves SSA's decision-making process because it makes SSA officials aware of our concerns and therefore they can make more informed decisions. One of the largest is the Payment Accuracy Task Force, whose accomplishments are highlighted in this report.

During FY 1998, the Office of Audit also issued 56 reports that covered such topics as financial audits, Supplemental Security Income (SSI), benefit payments, internal controls, performance monitoring, and human resources.

FINANCIAL AUDITS

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

FY 1997 Financial Statement Audit

Federal agencies are required to comply with the Federal Managers' Financial Integrity Act (FMFIA) of 1982, the Federal Financial Management Improvement Act of 1996, and pertinent Office of Management and Budget (OMB) Circulars and Bulletins. Under a contract monitored by OIG, Price Waterhouse (now known as PricewaterhouseCoopers), an independent certified public accounting firm, audited SSA's FY 1997 financial statements.

Price Waterhouse issued an unqualified opinion stating that the principal financial statements were fairly stated in all material respects, and that management fairly stated that SSA's systems of accounting and internal controls were in compliance with OMB Bulletin 98-08, *Audit Requirements for Federal Financial Statements*. However, Price Waterhouse did identify significant deficiencies in SSA's general controls environment that undermine the overall integrity of data processed through SSA's automated systems.

Specifically, SSA needs to

- improve controls to protect its information,
- fully test its plan for maintaining continuity of operations,
- improve its software application development and change control policies and procedures, and
- strengthen controls over insufficient separation of duties and limit broad systems access.

In addition, Price Waterhouse determined that quality control activities need to be improved. SSA plans to implement corrective actions and determine whether the identified deficiencies should be reported as material weaknesses under FMFIA, as recommended by Price Waterhouse. To date, SSA has not agreed that these are material weaknesses. We continue to discuss these issues with SSA, and we reaffirm our position that the weaknesses warrant reporting under FMFIA.

We also conduct audits of States that receive Federal funds for making the initial and continuing disability determinations for eligibility for the Disability Insurance and SSI programs. We conduct these audits to ensure that Federal funds are spent according to statute, regulations, and SSA's written guidelines. They also ensure that internal controls are in place and are implemented, as required by OMB Circulars and Bulletins.

Audit of Tennessee's Disability Determination Services' Administrative Costs for FYs 1993 Through 1995

The Tennessee State Disability Determination Service (DDS) claimed \$79,911,653 in administrative costs for disability determinations as of June 30, 1996, for the fiscal years ended September 30, 1993 through 1995. Obligations the DDS reported to SSA should be reduced by \$2,012,196 to adjust for overstated disbursements and unliquidated obligations. We made three sets of recommendations related to monetary findings, internal controls for the Tennessee State DDS and SSA's oversight of the State DDS.

We recommended that SSA require that the State DDS refund with interest \$467,985 in questioned costs and decrease unliquidated obligations by \$1,544,211 for computer system upgrades that were not supported by purchase orders.

We recommended that the Tennessee State DDS develop controls that would enable SSA to determine that the DDS' services do not exceed rates paid by other agencies for the same service. We also recommend that the DDS strengthen internal controls over payroll time and attendance records and overtime logs and workload reports.

Our third set of recommendations provides that SSA improve its oversight of DDS cost allocations and monitoring of equipment.

SSI—A HIGH-RISK PROGRAM

The General Accounting Office has declared the SSI program high-risk. Congress enacted the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996* (commonly known as the Welfare Reform Act), which requires that SSA conduct continuing disability reviews (CDR) for large segments of the population of SSI recipients. The Welfare Reform Act also authorized appropriations for CDRs and redeterminations for FYs 1997 and 1998. Also, via several legislative mandates, SSA is to report annually on its progress in reducing the number of fraudulent SSI claims through the CDR process. Below are summaries of three reviews that discuss our work in this area.

Special Joint Vulnerability Review of the SSI Program

We initiated this audit after the Georgia State DDS notified SSA that it was concerned that four generations of a family of SSI recipients may have been coached to malingering during initial consultative examinations and CDRs. As a result, SSA personnel, OIG's Offices of Investigations and Audit, and State DDS staff members formed a team to evaluate the alleged irregularities. We conducted the audit to identify vulnerabilities in the disability determination process that subject the entire SSI disability program to abuse.

The Office of Audit analyzed 66 case files from the suspect CDRs, which resulted in the cessation of SSI benefits. The 66 recipients received \$1.06 million in SSI disability benefits through June 1995, including over \$431,000 in benefits to 24 individuals who malingered on current examinations.

The CDRs revealed two primary areas of vulnerability in the SSI disability review process: consultative examinations and malingering. One of our recommendations proposed that closer attention be paid to a DDS' strong reliance on a single provider of consultative examinations. In this case, one psychologist performed the initial consultative examinations on 38 of the family members and 13 of the malingerers. Since SSA is legally required to first consider using the treating

physician to conduct the consultative examination, SSA did not agree with our recommendation that DDSs avoid using the same professionals who are not independent because they treated and/or continue to treat claimants for their medical/emotional conditions.

The Office of Audit provided seven other recommendations that focused on the need for

- additional reviews of extended family members,
- closer monitoring and disclosure of questionable medical reports disqualified consultative examination providers,
- more information in medical reports relating to applicant performance on psychological tests to detect malingering.

Since we completed our analysis, SSA has identified and ceased paying benefits to an additional 90 members of the Georgia family. The Office of the Chief Actuary estimates the savings to the SSI program range from \$1.7 million to \$2.5 million.

Review of SSA's FY 1996 Annual Report on CDRs

Based on legislation that affected individuals who are receiving disability benefits, SSA is required to report annually on the status of the number and cost of CDRs. CDRs are performed to determine whether a disabled individual is still eligible for benefits. We performed this review to determine whether SSA had met all of the reporting requirements.

SSA's FY 1996 report did not disclose the amount SSA spent during the year to perform the CDRs as specifically required by the *Contract With America Advancement Act*. SSA also failed to separate the statistics on benefit cessation and continuing eligibility data. Rather, the information was provided in aggregate form, combining Disability Insurance and SSI program statistics.

We recommended that SSA include the specific information required by law in future CDR annual reports and differentiate between the information for the Disability Insurance and SSI reviews. We also recommended that SSA consider providing the Congress with additional information that may be useful in measuring the results of the CDRs although the data are not required by legislation.

SSA agreed that specific information relating to the annual cost of conducting the CDRs should be included in its annual report to the Congress. The data were inadvertently omitted from the FY 1996 CDR report, but detailed cost information was subsequently sent to the Congress. In future reports, SSA will provide data on the status of CDR cessations and will include other additional information that would be useful to the Congress.

SSA's Process to Segregate CDR Costs

We conducted this review to assess SSA's process for collecting and allocating CDR administrative costs. SSA established a process that builds on the current cost accounting system by adding steps to capture start-up costs related to the CDR and welfare reform workload and ongoing costs related to specific welfare reform workloads. Although SSA had developed an adequate process to collect and allocate aggregate CDR/welfare reform administrative costs, SSA attempts to break out FY 1997 costs between the specific CDR and welfare reform activities did not produce reliable data.

We recommended, and SSA agreed, that the best approach is to report both CDR and welfare reform administrative costs in the same report to the Congress. SSA can present the entire earmarked disability review workload, qualify sections where allocation has been difficult, and present more reliable costs than would be the case if CDR costs were presented apart from the welfare reform costs.

BENEFIT PAYMENTS

One method of measuring the performance of SSA's programs is through payment accuracy. The slightest error in payment accuracy can represent enormous costs to SSA and the American people. We have issued a number of reports concerning incorrect payments since SSA became an independent agency in 1995. These reports indicate a need to correct overpayments and underpayments that involve millions of dollars.

Another measure of performance is consistency in determining eligibility for benefit payment amounts. One of the reviews illustrates an inconsistencies in the first months of eligibility for different categories of retirees and in the common law definition of age attainment. This review also illustrates inconsistency in the payment of benefits dependent on the day of the month an individual was born. The inconsistencies will cost SSA over \$1.4 billion over a 5-year period. These reviews are discussed below.

Benchmarking Payment Accuracy Performance Measures

We conducted this evaluation in response to the Government Performance and Results Act (GPRA) and Executive Order 12862, *Setting Customer Service Standards*, which requires that Federal agencies benchmark their customer service standards against those that are considered the best in business. Our objective was to benchmark private business and Government measurement of payment accuracy and compare these practices with SSA's process for determining payment accuracy. SSA conducts annual payment accuracy reviews of the Old-Age, Survivors and Disability Insurance (OASDI) and SSI programs.

We found that SSA's payment accuracy review process is similar to the 31 organizations (22 Federal agencies and 9 private establishments) we contacted. However, we did make four recommendations that could help SSA measure payment accuracy more efficiently and effectively.

1. SSA should report case payment accuracy rates, which would indicate how SSA is faring in its goal to provide world-class service.
2. SSA should report both underpayments and overpayments, not a combination of both. By differentiating between the two, SSA could calculate the total amount that was paid incorrectly.
3. SSA should eliminate life-cycle accuracy rates as a performance measure. This information is useful in indicating which reasons for errors have the greatest effect over time, but it is not a reliable performance measure of current payment accuracy.
4. SSA's large sample size may not be necessary. In relation to other organizations interviewed, SSA uses significantly more staff hours to measure payment accuracy because of its sample size.

SSA did not agree with our first three recommendations stating that adding a case payment accuracy rate or differentiating between underpayments and overpayments would misrepresent the extent of errors in the payment process. However, SSA is decreasing its sample sizes and will continue to do so as long as statistical precision is not compromised.

Payment Accuracy—*SSI Earned Income*

The OIG/SSA Payment Accuracy Task Force completed its second initiative, a review of SSI earned income errors that affect the accuracy of SSI payments. Historically, earned income issues have accounted for the largest dollar amount of payment errors in the SSI program. The Task Force thoroughly reviewed of previous OIG, General Accounting Office, and SSA reports related to SSI earned income, reviewed SSA's Payment Accuracy Studies (Index of Dollar Accuracy and Stewardship reports), and interviewed over 90 SSA field office personnel to obtain feedback on the causes of earned income errors. The Task Force developed 12 recommendations to address earned income errors that are caused by nonreporting recipients and by field offices. Most earned income payment errors are unavoidable because individuals do not report changes in their earned income to SSA. The Task Force recommended some proactive measures that SSA can take to effectively reduce the number and financial magnitude of overpayments and underpayments.

Inconsistent Beneficiary Entitlement Periods

We assessed the financial impact of two inconsistencies in the entitlement periods for retirement and survivors' benefits. The first inconsistency results from legislation that produced differences in the first month of entitlement for different categories of retirees. For example, workers must be age 62 for a full month to be entitled to reduced benefits. However, surviving spouses are entitled to reduced benefits in the month they turn 60. Thus, surviving spouses receive an extra month of benefits when compared to workers who apply for early retirement.

The second inconsistency results from the common law definition of age attainment, which holds that an individual attains a given age on the day before his or her birthday. This definition results in different months of age attainment for individuals born in the same month because individuals born on the first day of the month are deemed to have attained their birthday on the last day of the previous month. Use of the common law definition

provides windfalls to some retirees and penalties to others.

We recommended that SSA propose legislation to define the first month of entitlement as the month after the individual's birthday and age attainment as occurring on a person's birthday. Collectively, the cost of these inconsistencies is expected to be about \$1.47 billion over the next 5 years. SSA disagreed with the recommendations regarding month of entitlement on the basis that the Congress clearly intended that there be different months of entitlement for different categories of retirees. SSA disagreed with the recommendation regarding age attainment because of related costs to change processing systems and other administrative complications in coordinating with other agencies.

SSI Stewardship Review

We issued a management advisory report to advise SSA of a problem with the annual Stewardship Review that could potentially affect the integrity of SSA's SSI payment accuracy rate. This stewardship review analyzes SSI nonmedical eligibility criteria to determine payment accuracy and SSA field office's compliance with national policies and procedures. If payment errors are detected during the review, the SSA field office responsible for the error is notified and required to take corrective action. The field office should then report what corrective action is taken to Headquarters where it will be entered into the Quality Assurance data base. However, some field offices did not notify Headquarters of the corrective actions they had taken.

We are concerned that the integrity of the underlying data used to calculate and report SSA's SSI payment accuracy rates is compromised when the field offices do not report the results of their actions. This allows for incongruence between the information recorded in the Quality Assurance data base and the actual corrective action. SSA agreed to take corrective actions.

INTERNAL CONTROLS

FMFIA and OMB Circular A-123, *Management Accountability and Control*, provide guidance and contain requirements concerning the integrity of the internal control environment at Federal agencies. SSA's computerized systems hold data that are used in administering title II and title XVI programs. If internal controls are not properly managed, these data can be compromised and used to commit fraud against the programs, which would reduce the Trust Fund and General Fund balances.

Internal Controls Over Critical Payments at the Pittsburgh District Office

Fraud committed by an employee resulted in our review of certain payment processes at the Pittsburgh District Office. Our objective was to assess the adequacy of selected internal controls over the critical/one-time payments and ensure that the standards set forth by FMFIA and OMB Circular A-123 were met.

Although SSA has established written policies and procedures for the payment process, their effectiveness is solely dependent on whether they are implemented. The Pittsburgh District Office did not require that staff members implement existing policies and procedures relative to the critical payment system, which allowed an employee to take advantage of the weaknesses and misappropriate \$24,849.

Our first recommendation was for SSA to instruct field office managers to follow SSA policies and procedures pertaining to the issuance and approval of the critical payment system. Seven other recommendations provided for the reinstatement of certain controls as well as the development of new internal controls. SSA agreed with most of our recommendations. **This report is classified sensitive and confidential and is not available for distribution.**

Pilot Project of Paperless Processing With Imaging of Title II Benefit Actions

SSA conducted a pilot project to completely eliminate the use of paper documents in processing certain benefit payment actions. All paper documents were converted to electronic files (imaged), stored on magnetic media, and routed via electronic work-flow software to module employees over the Intelligent Work Station/Local Area Network system. We conducted this audit to determine whether the costs and benefits attributed to the proposed nation-wide implementation of the project were reasonable and achievable; proposed security controls were adequate to prevent data loss or corruption, prohibit unauthorized access; whether the requirements of the Privacy Act of 1974 would be met; and whether electronic documents are accepted as competent evidence by Federal courts and the law enforcement community.

We found that actual benefits may fall short of SSA's cost-benefit analysis. While SSA has not developed specific access controls for the distributed data bases where the imaged documents will be kept, it has agreed to implement internal controls that will prevent corruption of the files. We believe the major flaw with the pilot project is the probability that the judicial system, and the law enforcement community in general, will not accept scanned documents as "best evidence." We recommended that SSA retain certain original signed documents in paper form. SSA agreed to keep all signed original benefit applications but stated that it would not maintain the originals of four other forms. We maintain the importance of retaining those four forms after imaging. We believe there are only minimal costs related to retention of these documents for the full statute of limitations period. However, if SSA images-and-destroys these forms, we then recommend that it develop compensating controls to substitute for this important evidence.

SSA's Internal Controls Over its Time and Attendance Payroll Records

This audit evaluated employee's adherence to policies and procedures for documenting and recording time and attendance data for payroll purposes in SSA's Office of Disability and International Operations. Internal controls were not consistently enforced to ensure that all basic time and attendance procedures were followed. Timekeepers were unable to provide documentation to support time and attendance data entries because they were not maintaining the required documentation. We made several recommendations to ensure that timekeepers comply with time and attendance procedures, and that supervisors fulfill their time and attendance responsibilities. SSA concurred with the recommendations and has begun taking corrective action.

PERFORMANCE MONITORING

GPRA requires that Federal agencies set performance goals, measure performance against those goals, and report publicly on performance. We are conducting audits to determine the reliability of performance data. We completed our first GPRA audit during FY 1998 entitled *Performance Measure Audit: Timely Issuance of Social Security Number Cards*.

SSA's Customer Service Pledge states that, "If you request a new or replacement Social Security card from one of our offices we will mail it to you within 5 working days of receiving all the information we need." This is also a GPRA performance measure in SSA's Strategic Plan. For FYs 1997 and 1998, SSA had a goal of mailing new and replacement Social Security number (SSN) cards within 5 working days in 97 percent of all requests. In FYs 1995 and 1996, 16.6 million and 16.7 million SSN cards were issued, respectively.

SSA did not measure the full processing time for issuing SSN cards and did not meet its performance measure in processing SSN cards. SSA partially agreed with our recommendations to establish a method that captures the processing time for both the printing and mailing of SSN cards and to compute processing time to reflect how long it actually takes to process an SSN request from certification date to assignment date. SSA disagreed with our recommendation to capture partial day processing time.

HUMAN RESOURCES

SSA's Strategic Plan lists conditions that are expected to remain constant for several years. One condition is that SSA will continue to use labor-management Partnership to implement change. Additionally, employees have expressed their opinions about SSA's service vision. Listed among those opinions is that strong and visible leadership is necessary, and it should flourish in an atmosphere of employee involvement and personal accountability. We conducted reviews that document SSA's performance in this area.

Labor-Management Relations at SSA

We conducted three reviews of union activities at SSA that focused on the use and tracking of official time and Partnership activities.

Use of Official Time for Union Activities at the Social Security Administration

We conducted this audit to determine whether official time for union activities at SSA was being used in compliance with relevant laws, regulations, and contractual agreements and whether SSA produces reliable information to determine the cost of official time. We identified weaknesses in management's oversight of official time and provided eight recommendations to improve internal controls as well as monitoring and reporting official time. SSA generally agreed with our recommendations, but it disagreed with the recommendation to revise its procedures to accurately track Partnership activities as official time because the Commissioner had previously directed that Partnership activities would not be reported as official time. However, SSA collects and reports information on time spent on Partnership activities separately.

Council 220 Union Representative and Manager Observation on the Use and Management of Official Time at SSA

We conducted surveys to obtain union representatives' and managers' observations concerning the use and management of official time for union activities. The surveys indicated, in part, that union representatives did not always complete a request for official time before it was used. Also, most managers and union representatives did not know how many official time hours were authorized, and managers had not received adequate guidance on how union officials used official time. Managers and union representatives had different observations concerning the official time system at SSA. Managers found the official timekeeping system less accurate and effective than union representatives. In responding to the report, SSA emphasized that the report is a collection of opinions and perceptions based on an unscientific sample, but it saw value in the observations presented.

Partnership Activities at the Social Security Administration

The objectives of this evaluation were to determine the extent of Partnership activities at SSA, how Partnership results are measured, and how time devoted to Partnership is tracked. We found that the definition of "Partnership" and related activities is unclear, and that SSA's Partnership activities inventory is questionable. Also, SSA does not have an adequate system that tracks data to support Partnership results or accomplishments. SSA disagreed with our recommendation to develop a uniform definition of Partnership, indicating that it believed its definition was consistent with President Clinton's Executive Order 12871, *Labor Management Partnerships*, and in line with the National Partnership Council's definition. SSA also disagreed with our recommendation to develop a formal system for identifying and maintaining Partnership accomplishments and cost savings that result from Partnership activities. SSA does not believe the process lends itself to a quantitative analysis.

Office of Investigations

Operation Contender
Operation Border Vigil
Operation Water Witch
Operation Clean Slate
Fraud Against SSA and Its Programs

The Office of Investigations conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA's programs and operations. It investigates wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third party facilitators, and SSA employees performing their duties. The Office also conducts joint investigations with other Federal, State, and local law enforcement agencies.

One of the goals in SSA's strategic plan is to "make SSA the best in business with zero tolerance for fraud and abuse." We are partners in two key initiatives and support SSA in this campaign by identifying those areas that are vulnerable to fraud and abuse. The Strategic Enforcement Division (SED) then develops and implements an operation or project that will combat the vulnerability.

The Office of Investigations has implemented operations to address specific vulnerabilities in one or more issue areas. In addition, the Office coordinates projects that address vulnerabilities in these operations. By conducting a series of structured investigative efforts against a defined target, we intend to qualify and quantify the various allegations of fraud into factual and defensible models of fraud and be in a position to articulate their impact and develop solutions.

The Office has initiated four operations. These operations and their related projects are discussed in the following pages.

OPERATION CONTENDER

Under this Operation we investigate and prosecute individuals who fraudulently obtain Social Security disability benefits and the middlemen who assist them.

DDS Cooperative Disability Investigations

Operation Contender created five pilot projects that are coordinated by the Office of Investigations and SSA's Office of Disability. We established five investigative teams composed of OIG, SSA, State DDS employees as well as State law enforcement officials in Atlanta, Baton Rouge, Chicago, New York City, and Oakland.

To date, these teams have received 518 allegations, confirmed 53 cases of fraud, documented \$41,508 in restitution and recoveries to SSA, and documented \$2,855,250 in SSA program savings.

These units have the capacity to reduce disability fraud considerably in their respective geographic areas. As fraudulent applications are denied, investigators gather valuable intelligence that helps to identify patterns of criminal activity and to identify doctors, lawyers, interpreters, and other service providers who facilitate and promote the fraud. A careful focus on such third-party facilitators can have a significant deterrent effect.

Washington State Disability Fraud

An established task force of SSA employees and Federal and State investigators in the State of Washington identified over 600 Cambodians who were suspected of receiving fraudulent SSI payments. There have been 31 convictions and 60 cases accepted for prosecution including the corrupt interpreter that promoted this fraud. There has been \$1.8 million in restitution, \$80,000 in forfeitures, and an estimated loss to the SSI program of \$1.7 million.

OPERATION BORDER VIGIL

A major vulnerability to SSA-administered programs is residency fraud, which exists in both the SSI and OASDI programs. SSI is payable only to individuals who reside in the 50 States, the District of Columbia, and the Northern Mariana Islands. If a recipient is absent from any of these areas for over 30 consecutive days, they lose their eligibility for SSI benefits. Although it is legal to receive OASDI benefits while living abroad, individuals who are not U.S. citizens who are entitled to OASDI benefits must reside in the United States to avoid the 25-percent tax on benefits taken outside the United States.

We have become increasingly concerned about SSI recipients and OASDI beneficiaries who move to areas where their eligibility and/or benefit amounts are affected and who fail to report their move to SSA. This form of fraud is aggravated by the use of direct deposit of benefits and/or subsequent electronic transfer to foreign bank accounts, use of commercial mail drops to disguise true addresses, and accomplices who forward checks for a percentage of the benefit payments. Individuals also defraud the OASDI program by failing to report the death of a beneficiary.

To identify suspect SSI and OASDI claims at selected foreign sites and U.S. locations, we initiated the following projects.

Project STOP

We received numerous complaints that residents of Mexico were receiving SSI payments. To verify these complaints, we initiated a residency verification pilot project on the Mexican border. The project's objective was to identify SSI recipients receiving payments based on fraudulent statements regarding residency or other eligibility factors such as citizenship, alien residency status, age, income, and resources.

The project, which began in November 1997, focused on the 2,107 SSI recipients who had a residence address in two El Paso, Texas, ZIP Codes. The initial contact, which requested evidence of residency, was made by letter. To further confirm residency status, we interviewed about 1,150 of these recipients.

We completed the investigation in May 1998. This effort stopped payments to 160 recipients and identified \$1.6 million in fraudulent payments. The amount of payments avoided because of this investigation is estimated at \$3 million.

Can-Am Project

In March 1997, we initiated the Can-Am project to identify Canadian and United States residents who were living in Canada and illegally receiving SSA-administered benefits. The investigation focused on U.S. Postal and commercial "mail drop" sites located near the four Canadian-American border crossings. The investigation focused on

- U.S. citizens who reside in Canada and receive SSI benefits using U.S. "mail drop" addresses to conceal their residency;
- U.S. citizens who reside in Canada, legally receive New York State Workers' Compensation benefits, and conceal this income when applying for title II benefits;
- U.S./non-U.S. citizens who reside in Canada and use direct-deposit accounts at financial institutions in the U.S. to receive benefits illegally; and
- U.S. citizens who reside in Canada and receive title II disability benefits using U.S. "mail drop" addresses to avoid Canadian tax obligations.

We identified 224 cases for investigation and targeted 23 suspects. These suspects were notified by letter to appear at the Niagara Falls, New York, District Office for administrative review and recertification.

On March 3, 1998, the Can-Am Task Force met in the Niagara Falls, New York, District Office and interviewed the 23 individuals. We identified eight people who were receiving benefits for which they were not eligible. We project program savings, scheduled recoveries, and overpayments totaling \$300,000.

New York Residency Project

The Office of Investigations' staff in New York, working with SSA staff, initiated an effort to identify SSI recipients who are obtaining payments illegally or contrary to regulations. We have completed two trial efforts that have identified \$198,486 in overpayments and will also result in substantial savings to SSA.

1. We worked with New York City Welfare Investigators and New York State Medicaid Fraud Control Units to compile a list of the 7,500 foreign-born SSI recipients who did not use Medicaid for the past year. We randomly selected 75 individuals from the list and found 13 to be in violation of the eligibility requirements (6 outside the United States, 4 whereabouts unknown, 2 deceased, and 1 in prison).
2. In Rockland County, we obtained another list of 113 SSI recipients who had not used Medicaid within 1 year. The New York Regional Office/District Office determined that 28 recipients violated the residency requirements.

Project River Walk

During September 1998, we conducted a joint project with SSA, the U.S. Border Patrol, and the Immigration and Naturalization Service (INS) in Laredo, Texas. This investigation was precipitated by reports from the U.S. Border Patrol that there was a marked increase in the number of persons crossing the border from Mexico during the first week of the month (that is, when SSI checks are delivered). INS asked individuals crossing the border from Mexico during that week why they were entering the United States. Those who admitted they were living in Mexico and entering the United States to receive benefits had their benefits suspended by an SSA representative who was on site.

SSA staff processed about 106 referrals from INS. From these, we opened 21 investigations: we arrested 7 individuals for trying to use counterfeit Social Security cards to enter the United States, we investigated 11 resident aliens who were actually living in Mexico but were drawing SSI benefits, and we investigated 6 cases of title II recipients

living in Mexico and using false addresses in Texas to avoid the 25-percent penalty.

International Integrity Projects

The OIG and SSA's Office of International Operation (OIO) continue to conduct joint validation surveys to define problems inherent to the distribution of benefits to individuals living in foreign countries and to develop strategies that address the issues.

OIG and OIO staff members conducted three validation surveys from April to September 1998. Survey examiners made unannounced visits to a statistically valid, random sample of beneficiaries in Panama, Canada, and Poland to verify factors of entitlement and continuing eligibility. The examiners reviewed such areas as the beneficiary's marital status, existence and identity (unreported death), work activity, and adherence to alien residency requirements. They also determined whether citizenship status was correctly coded for taxation purposes and whether representative payees needed to be appointed.

OIG Special Agents and OIO employees interviewed 2,881 beneficiaries in Panama, Canada, and Poland with the following results:

- 10 beneficiaries had died, but their deaths were not reported, which resulted in a \$97,735 overpayment;
- 104 cases had incorrect alien coding that needed to be corrected for proper compliance with taxation requirements;
- 25 beneficiaries' benefits were suspended because their whereabouts were unknown;
- 8 beneficiaries were engaged in work activity more than 45 hours a month; and
- 5 beneficiaries failed to meet the 5-year residency requirement.

OPERATION WATER WITCH

Operation Water Witch is a national operation that focuses on SSI recipients who are fugitives from justice. Individuals who are fleeing to avoid prosecution for a crime that is a felony, fleeing to avoid custody or confinement after conviction for a crime that is a felony, or who are violating a condition of probation or parole imposed under Federal or State law are ineligible for SSI benefits.

By July 1, 1998, we had formalized investigative plans in all 50 States. These plans established points of contact and defined mechanisms through which SSA and the State will exchange computer matching data.

As a result of these plans, we opened 1,105 fugitive felon investigations from April 1 through September 8, 1998. These investigations resulted in \$980,250 in scheduled recoveries and projected savings of \$5,443,551.

OPERATION CLEAN SLATE

This Operation identifies and prosecutes SSA employees who inappropriately or criminally misuse their access to SSA electronic records systems to commit program fraud.

OIG is working with Citibank, Chase Manhattan Bank, and Trans Union to screen employee access to SSNs of credit card holders whose cards were fraudulently activated. Since April 1, 1998, SED and Citibank have identified 10 SSA employees who have been accessing SSNs associated with fraudulent credit card authorization. Citibank advised SED that the fraud amount losses due to the apparent action of 6 of the 10 employees have totaled \$260,000. SED has referred these matters to the appropriate Field Divisions for further review and will monitor the investigations as they progress. **Because of the sensitive nature of these internal investigations, specific information is not provided.**

Operational Support

We continue to develop investigative and technical initiatives that support the mission to combat fraud, waste, and abuse in the Social Security programs.

The Electronic Crimes Team is staffed by a Program Manager and three Senior Special Agents. These Agents have been trained and equipped with computer hardware and software that will enable them to complete their forensic mission. In FY 1998, the Team supported OIG field investigations by providing search warrants for electronic media, on-site support for the execution of search warrants, and laboratory analysis concerning the evidentiary contents of electronic media seized during criminal investigations.

Through an examination of a computer seized in an investigation conducted by the Los Angeles Field Division, the Electronic Crimes Team was able to refute the allegation that the subject of the investigation was accessing the SSA computer systems. The examination further determined that the target of the investigation had corrupted an SSA employee who was providing information from SSA computer systems. The forensic examination developed an electronic file that listed approximately 100 financial and commercial organizations that had been targeted by the individual. For each organization the individual had specific information about the organization's internal computer operations and security. The information was provided to the Los Angeles Field Division.

A second computer forensic examination developed information, including extensive Internet activity, that an SSA employee was using SSA computer systems to conduct personal business activities. The information was provided to SSA for use in administrative actions.

FRAUD AGAINST SSA AND ITS PROGRAMS

Social Security programs are a tempting target for fraud and abuse because of the value of monthly benefits. The Office of Investigations categorizes fraud based on the core business processes followed by SSA.

EARNINGS FRAUD

The SSN is the primary control vehicle for posting earnings to individual earning records. Earnings records are established for every individual who is assigned an SSN. Any reported earnings will be posted to this established record. These posted earnings are used to determine an individual's benefits.

Investigation Results in the Arrest of 17 Individuals and \$380,000 in Restitution

OIG Special Agents worked in cooperation with the United States Attorney to investigate allegations that individuals were defrauding SSA using a variety of means. Specifically, these individuals had concealed assets or earnings, which would have disqualified them from receiving benefits; concealed the fact that family members had been incarcerated, which would have made them ineligible for benefits; and received retirement benefits that were intended for a deceased beneficiary, but did not inform SSA that the individual had died. The defendants were charged with several Federal criminal violations, including the following: theft of Government funds, making false statements to SSA, and failing to report an event that would affect their right to continued benefits. To date, 17 individuals have been convicted. The sentences for these individuals ranged from 9 months (with 3 years' supervised release) to 5 years' probation. In addition, restitution awards to SSA have totaled about \$380,000.

New York Man Collects Workers' Compensation While Working

A former Postal Service employee had been collecting Workers' Compensation benefits since 1965 under one SSN and employed as a private investigator since 1976 under a different SSN. The subject had collected about \$250,000 in Workers' Compensation benefits. Both SSNs have since been cross-referenced in the SSA data base.

As a result of our investigation, the subject was convicted for violating *Theft of Government Property, False Statements*, as well as *Furnishing False Information to SSA*.

ENUMERATION FRAUD

The expanded use of SSNs as identifiers has given rise to the practice of counterfeiting SSN cards and obtaining SSN cards based on false information. SSN cards are then misused to obtain benefits and services from Federal programs, credit card companies, and other businesses. New Jersey, and New York as well as the District of Columbia.

Individuals Conspired to Sell 446 SSN cards to Illegal Aliens

An SSA service representative and an illegal alien from Argentina conspired to improperly issue 446 SSN cards to illegal aliens. Illegal aliens paid for the cards, and the service representative received payments for processing the applications without complying with SSA interviewing requirements or evidence of their legal status. The service representative was sentenced to serve 15 months in prison, 2 years' probation, and 200 hours of community service. The service representative also lost his position with SSA. The Argentinean alien was sentenced to pay a \$2,000 fine and a \$50

special assessment as well as serve 3 years in prison, 3 years' probation, an 300 hours of community service.

Scheme to Defraud States' Unemployment Insurance Programs

The U.S. Department of Labor's OIG requested our assistance on an investigation concerning an employer who had devised a scheme to defraud the Unemployment Insurance programs in Connecticut, New York, Pennsylvania, New Jersey, and the District of Columbia. The employer established nonexistent companies outside of the States where he would normally file for benefits and established addresses for he companies and claimants using mail receiving agencies and Post Office boxes. The employer filed 42 Unemployment Insurance claims using 15 false names and SSNs from 1991 to 1997.

In December 1997, the employer pleaded guilty to one count of *Mail Fraud*. As part of the plea agreement. As part of the plea agreement, the employer agreed to make restitution totaling \$372,113 to all of the victims of his conduct including the States of Connecticut, Pennsylvania, New Jersey, and New York as well as the District of Columbia.

	October 1, 1997 Through March 31, 1998	April 1, 1998 Through September 30, 1998	Total
Cases Opened	2,444	3,847	6,291
Cases Closed	2,122	3,326	5,448
Convictions	1,195	1,567	2,762
Funds Reported	\$39,532,261	\$54,692,314	\$94,224,575

Note: FY 1997 statistics were adjusted from our previous Semiannual Report because of an administrative error. The actual FY 1997 figures are: cases opened—5,250, cases closed—2,144, convictions—2,506, and funds reported—\$63,931,253.

REPRESENTATIVE PAYEE FRAUD

SSA generally appoints representative payees for beneficiaries who are under the age of 18, have been declared legally incompetent, or have a mental or physical disability that impedes their ability to manage their own benefits. There are about 4.4 million representative payees receiving payments on behalf of such beneficiaries. Representative payees defraud SSA's benefit programs by filing fraudulent applications for persons not in their care, misusing benefits received on behalf of another, or concealing factors that affect the beneficiary's continuing eligibility (for example, incarceration or death).

Chief Executive Officer Indicted for Converting SSA and SSI Funds for Her Own Use

A recent investigation disclosed that, during a 14-month period, a woman received about \$1.25 million in SSA and SSI benefit funds that should have been used for 330 SSA/SSI beneficiaries. During that time, the woman converted \$274,000 for her own use. The woman was the Chief Executive Officer and Chairman of a fee-for-service representative payee that operated in Arizona and Colorado. The woman was charged with 26 counts including *Mail Fraud*, *Conversion of Social Security Insurance Benefits by a Representative Payee*, and *Conversion of Supplemental Security Income Payments by a Representative Payee*.

Parents Misuse Children's SSI Benefits

The Michigan State Police referred a case to the Office of Investigations alleging that the parents of minor children had misused three of their children's SSI benefits, which totaled \$42,639. The father was the children's representative payee. Specifically, the parents conspired to defraud SSA by having their children lie to SSA's medical consultant about their medical condition. Our investigation disclosed that the three children lived in the basement of their home, the door to which was usually locked. In addition, the parents physically abused the children and forced the children to steal for them. On November 19, 1997, the father was sentenced to 15 to 30 years' incarceration. On May 14, 1998, the mother was sentenced to 8 to 15 years' incarceration.

INITIAL CLAIMS FRAUD

Initial claims is the process by which SSA determines an individual's eligibility for and entitlement to benefits. The process begins with an individual's initial contact with SSA and continues through payment or the administrative appeals process. The process for determining eligibility for benefits involves certain basic functions across each of the programs SSA administers: outreach and information, intake, collection of evidence, determination of eligibility or entitlement, notification of award or denial, and initial payment.

Man Acts as Middleman to Fraudulently Obtain \$1 Million in Benefits

A Washington State man acted as the middleman for about 50 SSI recipients. He helped these individuals fraudulently obtain about \$1 million in benefits from SSA and the State of Washington welfare. The man worked out of a Buddhist temple that he founded and charged up to \$3,000 for assisting in applying for these fraudulent SSI claims. The man was sentenced to immediate custody for 7 years with an additional 3 years probation. In addition, the man must pay \$370,000 in restitution, a \$12,500 fine, and a \$1,600 special assessment.

Couple Conceals Unearned Income While Collecting Benefits

From May 1992 to February 1998, a Massachusetts couple collected SSI benefits while also collecting \$2,500 a month in rental income. When the couple applied for the benefits, they stated that the property was not being rented. The couple voluntarily agreed to pay SSA \$30,781 by having SSA withhold \$100 each month from their SSA Retirement Benefits.

POST-ENTITLEMENT FRAUD

Once individuals become eligible for Social Security or SSI benefits, any changes in circumstances must be reflected in SSA's records. The post-entitlement process encompasses actions that SSA takes after claims have been processed as initial awards. This process contributes to timely and accurate payment of benefits.

Woman Forges Another's Retirement Checks for 31 Years

Our OIG suboffice in Cincinnati, Ohio, was informed that SSA retirement benefits were still being paid to a man's SSN although the man died in 1966. A joint investigation with the U.S. Secret Service found that an Ohio woman had forged the man's signature on the retirement checks for 31 years and used the funds for her own benefit. The woman had fraudulently endorsed checks totaling \$161,600. She was sentenced to home detention and ordered to pay \$161,600 in restitution.

Investigation Results in the Arrest of Two Individuals for Murder

A County Sheriff in Idaho alerted the OIG that an informant had stated that a man had bragged that he and his mother had killed a man and were collecting his Social Security Retirement Benefits. The benefits totaled \$78,198. We assisted in the investigation by determining that the man had filed no Medicare claims since 1986 and in locating the man's daughter in California. The daughter had not heard from her father since 1986. The mother was sentenced to life in prison for 1st degree murder and 14 years in prison for grand theft of SSA benefits. The son was sentenced to 20 years in prison for 2nd degree murder.

Resolving Office Of The Inspector General Recommendations

REPORTS WITH QUESTIONED COSTS

For the Reporting Period October 1, 1997 Through March 31, 1998

The following charts summarize SSA's responses to the 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 IG Act of 1978, as amended.

	Number	Value Questioned	Value Unsupported
A. For which no management decision had been made by the commencement of the reporting period.	2 ¹	\$398,011	\$0
B. Which were issued during the reporting period.	2 ²	\$702,880	\$0
Subtotal (A+B)	4	\$1,100,891	\$0
Less:			
C. For which a management decision was made during the reporting period:	2 ³	\$475,859	\$0
i. dollar value of disallowed costs.	2	\$475,859	\$0
ii. dollar value of costs not disallowed.	0	\$0	\$0
D. For which no management decision had been made by the end of the reporting period.	2 ⁴	\$625,032	\$0

¹ *Audit of Administrative Costs Claimed by the New Jersey Department of Labor for its Division of Disability Determinations* (Report Number A-02-95-00002, June 20, 1997); *State of Arkansas' Disability Determination for the Social Security Administration* (Report Number A-07-97-52005, September 29, 1997)

² See list of Audit Reports Issued—Questioned Costs on page 143 of this Report.

³ *State of Arkansas' Disability Determination for the Social Security Administration* (Report Number A-07-97-52005, September 29, 1997); *Audit of Tennessee's Disability Determination Services Administrative Costs for Fiscal Years 1993 Through 1995* (Report Number A-04-96-54001, March 24, 1998).

⁴ *Audit of the Costs Claimed by the New Jersey Department of Labor for its Division of Disability Determinations* (Report Number A-02-95-00002, June 20, 1997), *Incentive Payments Claimed by the Colorado Department of Human Services for its Disability Determination Services* (Report Number A-07-97-52004, January 20, 1998).

REPORTS WITH QUESTIONED COSTS

For the Reporting Period April 1, 1998 Through September 30, 1998

	Number	Value Questioned	Value Unsupported
A. For which no management decision had been made by the commencement of the reporting period.	2 ¹	\$625,032	\$0
B. Which were issued during the reporting period.	8 ²	\$13,958,198	\$0
Subtotal (A+B)	10	\$14,583,230	\$0
Less:			
C. For which a management decision was made during the reporting period:	8 ³	\$14,193,043	\$0
i. dollar value of disallowed costs.	8	\$14,193,043	\$0
ii. dollar value of costs not disallowed.	0	\$0	\$0
D. For which no management decision had been made by the end of the reporting period.	2 ⁴	\$390,187	\$0

¹ *Audit of Administrative Costs Claimed by the New Jersey Department of Labor for its Division of Disability Determinations* (Report Number A-02-95-00002, June 20, 1997), *Incentive Payments Claimed by the Colorado Department of Human Services for its Disability Determination Services* (Report Number A-07-97-52004, January 20, 1998).

² See List of Audit Reports Issued—Questioned Costs on page 145 of this Report.

³ *Incentive Payments Claimed by the Colorado Department of Human Services for its Disability Determination Services* (Report Number A-07-97-52004, January 20, 1998), *Audit of Administrative Costs at the Michigan Disability Determination Service* (Report Number A-05-96-51095, August 14, 1998), *Costs Claimed by the State of Illinois on the Social Security Administration's Contract Number 600-94-13524* (Report Number A-13-97-51024, September 24, 1998), *Costs Claimed by the State of Illinois on the Social Security Administration's Contract Number 600-95-22673* (Report Number A-13-98-81032, September 24, 1998), *The Social Security Administration's Control Over Master Beneficiary Record Special Payment Amounts* (Report Number A-01-96-62002, September 25, 1998), *Social Security Administration's Controls Over Retirement, Survivors, and Disability Insurance Installment Payments* (Report Number A-01-96-61038, September 28, 1998), *Effects of State Awarded Workers' Compensation Payments on Social Security Benefits* (Report Number A-04-96-61013, September 30, 1998), *Costs Claimed by the State of Michigan on the Social Security Administration's Contract Number 600-94-13780* (Report Number A-13-98-81033, September 28, 1998).

⁴ *Single Audit of the Commonwealth of Massachusetts FY 1996—DDS Portion* (Report Number A-07-98-52011, June 21, 1998), *Audit of the Costs Claimed by the New Jersey Department of Labor for its Division of Disability Determinations* (Report Number A-02-95-00002, June 20, 1997).

REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

For the Reporting Period October 1, 1997 Through March 31, 1998

	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	1	\$20,400,000 ¹
B. Which were issued during the reporting period.	3 ²	\$266,576,727 ³
Subtotal (A + B)	4	\$286,976,727
C. For which a management decision was made during the reporting period.		
i. dollar value of recommendations that were agreed to by management.		
(a) based on proposed management action.	1	\$262,100,000
(b) based on proposed legislative action.	0	\$0
Subtotal (a+b)	1	\$262,100,000
ii. dollar value of costs that were not agreed to by management.	1	\$1,544,211
Subtotal (i+ii)	2	\$263,644,211
D. For which no management decision had been made by the end of the reporting period.	2 ⁴	\$23,332,516

¹ *Effectiveness of the Social Security Administration's Procedures to Process Prisoner Information, Suspend Payments and Collect Overpayments* (Report Number A-01-96-61083, June 24, 1997).

² See list of reports issued—Reports With Funds Put to Better Use on page 143 of this Report.

³ This dollar amount has been modified because of developments that occurred after the issuance of OIG's reports entitled *Effectiveness in Obtaining Records to Identify Prisoners*—(Report Number 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*—(Report Number A-01-96-61083, June 24, 1997). SSA's Chief Actuary estimated a cost avoidance of about \$3.4 billion over 7 years, with \$260 million to be realized in Calendar Year 1998.

⁴ *Effectiveness of the Social Security Administration's Procedures to Process Prisoner Information, Suspend Payments and Collect Overpayments* (Report Number A-01-96-61063, June 24, 1997), *Southwest Tactical Operations Plan: Investigative Results* (Report Number A-06-97-22008, March 31, 1998).

REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

For the Reporting Period April 1, 1998 Through September 30, 1998

	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	2 ¹	\$23,332,516
B. Which were issued during the reporting period.	5 ²	\$2,073,631,115
Subtotal (A + B)	7	\$2,096,963,631
C. For which a management decision was made during the reporting period.		
i. dollar value of recommendations that were agreed to by management.		
(a) based on proposed management action.	3	\$27,028,680
(b) based on proposed legislative action.	0	\$0
Subtotal (a+b)	3	\$27,028,680
ii. dollar value of costs that were not agreed to by management.	5	\$2,069,934,951
Subtotal (i+ii)	7 ³	\$2,096,963,631
D. For which no management decision had been made by the end of the reporting period.	0	\$0

¹ *Effectiveness of the Social Security Administration's Procedures to Process Prisoner Information, Suspend Payments and Collect Overpayments* (Report Number A-01-96-61083, June 24, 1997). *Southwest Tactical Operations Plan: Investigative Results* (Report Number A-06-97-22008, March 31, 1998).

² See page 145 of this report.

³ Management disagrees with part of the dollar amount for one of our recommendations.

Reports Issued From October 1, 1997 Through March 31, 1998

Reports With Non-Monetary Findings

Date Issued	Title	Report Number
October 1, 1997	Aliens Receiving Supplemental Security Income Payments (Confidential Report)	A-13-95-00614
October 6, 1997	Review of the Social Security Administration's Office of Acquisition and Grants Contract Preaward and Contract Close-Out Reviews	A-13-96-00609
October 31, 1997	Benchmarking Payment Accuracy Performance Measures	A-02-97-10201
November 10, 1997	Usefulness of the Social Security Administration's Region VII Quality Assurance Process to State Disability Agencies	A-07-97-61003
November 19, 1997	Internal Controls Over Critical Payments at the Pittsburgh District Office (Confidential Report)	A-05-96-12001
November 21, 1997	FY 1997 Financial Statement Audit	A-13-97-51012
December 4, 1997	Review of the Social Security Administration's Monitoring of Selected Facilities Management Projects	A-13-97-02005
December 29, 1997	Review of Selected Controls Over the Social Security Administration Initiated Personal Earnings and Benefit Estimate Statement	A-03-96-31004
December 30, 1997	Southwest Tactical Operations Plan: Lessons Learned (Confidential Report)	A-06-97-22010
January 8, 1998	Single Audit of Nevada	A-07-98-52003
January 8, 1998	Southwest Tactical Operations Plan: Impact on Field Office Operations	A-06-97-22009
January 20, 1998	Southwest Tactical Operations Plan: Demographic Characteristics of Sample Recipients	A-06-97-62001
January 20, 1998	National Aeronautics and Space Administration's Office of Inspector General Peer Review (Confidential Report)	A-13-97-81021
February 12, 1998	Supplemental Security Income Plans for Achieving Self-Support Prepared by For-Profit Organizations	A-07-96-61016
March 5, 1998	Follow-up Review of the Internal Controls Over the Modernized Enumeration System	A-04-96-44001
March 13, 1998	Payment of Benefits to Individuals Who Do Not Have Their Own Social Security Number	A-04-96-42000
March 16, 1998	Single Audit of Oklahoma	A-07-98-52008
March 17, 1998	Single Audit of Pennsylvania	A-07-98-52004
March 18, 1998	Review of the Social Security Administration's Fiscal Year 1996 Annual Report on Continuing Disability Reviews	A-01-97-91007
March 27, 1998	The Social Security Administration's 1996 Overtime Settlement	

Reports With Questioned Dollars

Date Issued	Title	Report Number	Dollar Amount
January 20, 1998	Incentive Payments Claimed by the Colorado Department of Human Services for its Disability Determination Services	A-07-97-52004	\$234,895
March 24, 1998	Audit of Tennessee’s Disability Determination Services Administrative Costs for Fiscal Years 1993 Through 1995	A-04-96-54001	467,985
		Total	<u>\$702,880</u>

Reports With Funds Put To Better Use

Date Issued	Title	Report Number	Dollar Amount
December 16, 1997	Special Joint Vulnerability Review of the Supplemental Security Income Program	A-04-95-06020	\$2,100,000
March 24, 1998	Audit of Tennessee’s Disability Determination Services Administrative Costs for Fiscal Years 1993 Through 1995	A-04-96-54001	1,544,211
March 31, 1998	Southwest Tactical Operations Plan: Investigative Results	A-06-97-22008	2,932,516
		Total	<u>2,932,516 (over 5 years) \$6,576,727</u>

Reports Issued From April 1, 1998 Through September 30, 1998

Reports With Non-Monetary Findings

Date Issued	Title	Report Number
April 20, 1998	Single Audit of New Mexico for FY 1996—DDS Portion	A-07-98-52009
April 23, 1998	Performance Measure Audit: Timely Issuance of Social Security Number Cards	A-02-97-93003
April 23, 1998	Single Audit of Oklahoma for FY 1995—DDS Portion	A-07-98-52010
April 27, 1998	Supplemental Security Income Stewardship Review	A-03-95-02610
May 7, 1998	Administrative Costs Claimed by the Pennsylvania State Department of Labor and Industry for its Bureau of Disability Determination	A-13-97-52019
June 9, 1998	Title II Software Redesign is Overdue	A-09-97-11001
June 30, 1998	Assessment of the Social Security Administration's Processing of Requests for Social Security Numbers in Emergency Situations (Confidential Report)	A-08-97-44001
July 9, 1998	The Social Security Administration's Internal Controls Over Its Time and Attendance Payroll Records	A-13-96-01001
July 10, 1998	Council 220 Union Representative and Manager Observations on the Use and Management of Official Time at SSA	A-02-97-72002
July 10, 1998	Use of Official Time for Union Activities at the Social Security Administration	A-13-98-72013
July 10, 1998	Partnership Activities at the Social Security Administration	A-13-98-72023
July 27, 1998	Survey Results for Identification of Fugitives Receiving Benefits	A-01-98-63002
August 19, 1998	Single Audit of Alabama for Fiscal Year 1996—DDS Portion	A-07-98-52012
August 27, 1998	The Social Security Administration's Process to Segregate Continuing Disability Review Costs	A-01-98-51001
August 28, 1998	Single Audit of Massachusetts for Fiscal Year 1997—DDS Portion	A-77-98-00001
August 31, 1998	Review of the Illinois Department of Children and Family Services' Effectiveness as a Representative Payee	A-05-96-82000
September 22, 1998	Single Audit of the State of Florida	A-77-98-00002
September 24, 1998	Single Audit of the State of New Hampshire	A-77-98-00003
September 28, 1998	Single Audit of the State of Minnesota	A-77-98-00004
September 29, 1998	Payment Accuracy Task Force—SSI Earned Income Issue Team	A-13-98-51010

Reports With Questioned Dollars

Date Issued	Title	Report Number	Dollar Amount
July 21, 1998	Single Audit of the Commonwealth of Massachusetts FY 1996—DDS Portion	A-07-98-52011	\$50
August 14, 1998	Audit of Administrative Costs at the Michigan Disability Determination Service	A-05-96-51095	\$352,233
September 24, 1998	Costs Claimed by the State of Illinois on the Social Security Administration's Contract Number 600-94-13524	A-13-97-51024	\$123,142
September 24, 1998	Costs Claimed by the State of Illinois on the Social Security Administration's Contract Number 600-94-22673	A-13-98-81032	\$267,483
September 25, 1998	The Social Security Administration's Controls Over Master Beneficiary Record Special Payment Amounts	A-01-96-62002	\$11,170,012
September 28, 1998	Costs Claimed by the State of Michigan on the Social Security Administration's Contract Number 600-95-13780	A-13-98-81033	\$13,004
September 28, 1998	Social Security Administration's Controls Over Retirement, Survivors, and Disability Insurance Installment Payments	A-01-96-61038	\$1,899,832
September 30, 1998	Effects of State Awarded Workers' Compensation Payments on Social Security Benefits	A-04-96-61013	\$132,442
		Total	\$13,958,198

Reports With Funds Put To Better Use

Date Issued	Title	Report Number	Dollar Amount
April 24, 1998	Accounting for Social Security Benefits by the County of Los Angeles, California	A-09-96-51002	\$72,000
May 8, 1998	Supplemental Security Income Underpayments Due To Deceased Recipients	A-01-97-52006	\$72,366,373
July 2, 1998	Inconsistent Beneficiary Entitlement Periods	A-09-97-21003	\$1,470,000,000
August 24, 1998	Pilot Project of Paperless Processing With Imaging of Title II Benefit Actions	A-05-96-11037	\$4,492,742
September 30, 1998	Effects of State Awarded Workers' Compensation Payments on Social Security Benefits	A-04-96-61013	\$526,700,000
		Total	\$2,073,631,115

Reporting Requirements Under the Omnibus Consolidated Appropriations Act for FY 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 FY 1998 from the Offices of Investigations and Audit.

We are reporting \$23,369,460 of SSA funds as a result of our Office of Investigations activities in this fiscal year, broken down as follows.

Types of Funds	10/1-12/31/97 Quarter 1	1/1-3/31/98 Quarter 2	4/1-6/30/98 Quarter 3	7/1-9/30/98 Quarter 4	Total
Court-Ordered Restitution	\$1,582,365	\$1,873,052	\$2,574,668	\$1,902,071	\$7,932,156
Scheduled Recoveries	974,632	3,502,080	6,562,732	4,118,705	15,158,149
Fines	7,475	8,225	23,225	14,350	53,275
Settlements/ Judgments	24,000	21,082	168,378	12,420	225,880
Totals	\$2,588,472	\$5,404,439	\$9,329,003	\$6,047,546	\$23,369,460

SSA management has informed the Office of Audit that it has completed implementing recommendations from four audit reports during this fiscal year valued at \$7,678,972.

Procedures for Collecting Social Security Administration Railroad Retirement Board Combined Benefit Payments Issued after Death, Report Number A-05-95-00017, March 13, 1997

We recommended SSA request the Railroad Retirement Board calculate and return to SSA its share of incorrect payments issued to beneficiaries totaling \$391,716. SSA implemented this recommendation in February 1998 and is expected to recoup this amount from the Railroad Retirement Board.

Review of Intergovernmental Personnel Act Assignments of Senior Staff, Report Number A-13-96-02001, September 30, 1997

We recommended and SSA agreed to implement the requirement that liability for nonsalary expenses be developed when an IPA assignee fails to complete his/her commitment. In our review, we examined the IPA's for four individuals. All four had failed to fulfill their commitment to the agreement and SSA lost \$1,543,000. Since management is now going to implement the recommendations, we can estimate that SSA can save at least \$1,543,000 on the next four assignments under the IPA for Senior Executive Service assignees.

Identification of Reported Name Changes that Affect Auxiliary Benefits Under Title II of the Social Security Act, Report Number A-01-94-02001, April 10, 1998

We recommended SSA conduct a one-time match to identify name changes on the Numident record that have been posted to the Master Beneficiary Record (MBR); redetermine eligibility for name changes caused by marriage or divorce; and schedule recovery overpayments. Implemented recommendations are valued at \$4,200,000.

Audit of Tennessee's Disability Determination Services Administrative Costs for Fiscal Years 1993 Through 1995, Report Number A-04-96-54001, March 24, 1998

We recommended that SSA decrease unliquidated obligations by \$1,544,211 for computer system upgrades not supported by outstanding purchase orders for FYs 1994 and 1995. SSA implemented this recommendation.

Reporting Requirements

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.

Reporting Requirement	Page
Section 4(a)(2): Review of Legislation and Regulations	120
Section 5(a)(1): Significant Problems, Abuses, and Deficiencies	121-137
Section 5(a)(2): Recommendations With Respect to Significant Problems, Abuses and Deficiencies	121-137
Section 5(a)(3): Recommendations Described in Previous Semiannual Reports on Which Corrective Actions Have Not Been Completed	149-150
Section 5(a)(4): Matters Referred to Prosecutive Authorities	121-137
Sections 5(a)(5) And 6(b)(2): Summary of Instance Where Information Was Refused	None
Section 5(a)(6): List of Audit Reports	142-145
Section 5(a)(7): Summary of Particularly Significant Reports	121-137
Section 5(a)(8): Statistical Table Showing the Total Number of Audit Reports and Total Dollar Value of Questioned Costs	138-139
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	140-141
Section 5(a)(10): Audit Recommendations More Than 6 Months Old for Which No Management Decision Has Been Made	None
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 OIG Disagrees	151

Appendixes

Appendix A

Significant Monetary Recommendations From Prior Reports for Which Corrective Actions Have Not Been Implemented

Southwest Tactical Operation Plan: Investigative Results, Report Number A-06-97-22008, March 31, 1998 Develop guidance on using locally determined characteristics warranting in-depth investigation to accurately determine residency status.

Special Joint Vulnerability Review of the Supplemental Security Income Program, Report Number A-04-95-06020, December 16, 1997 Identify SSI recipients in the remainder of the 500 members of the extended Georgia family involved in fraudulent activities and conduct CDRs; evaluate the results, individually and collectively, to determine if there is any pattern or potential patterns of fraud that may warrant referral to the OIG Office of Investigations.

Overpayments Incurred by Representative Payees, Report Number A-02-96-61202, June 23, 1997 Take action to transfer from Special Payment Amount to the Beneficiary Overpayment/Underpayment Data field the \$3.8 million in overpayments identified by this study.

Potential for Contracting With Medical Provider Networks to Purchase Consultative Examinations, Report Number A-07-95-00828, May 14, 1997 Direct State DDSs to negotiate contracts with medical provider networks for volume discounts on consultative examinations to the maximum extent possible.

Appendix B

Significant Non-Monetary Recommendations From Previous Reports For Which Corrective Actions Have Not Been Completed

Follow-up Audit on Payments Under the Disability Determination Program for Medical Appointments Broken by Claimants of Disability Insurance and Supplemental Security Income Benefits, Report

Number A-01-95-02007, July 24, 1996 Institute a policy of paying only for services rendered and to implement that policy at all DDS units. Such a policy would allow payment when a review of medical records, but not to allow payment for broken medical appointments.

SSA Field Office Visitor Workload, Report Number OEI-05-92-00043, August 22, 1995 Eliminate the field office interview workload for noncitizens applying for an original SSN.

Actions Needed to Strengthen Controls to Deter Fraudulent Transactions at Program Service Centers, Report Number A-02-95-00003, September 23, 1996

Examine the feasibility of revising the Manual Adjustment Credit and Award Process to automatically generate a confirmation notice to the beneficiary of significant changes to his account, such as change from check payment to direct bank deposit or vice versa. Put in place controls over all prior month accrual payments until the proposed long-term solution is implemented. Selective reviews that are cost-effective should be made of nullified prior month accrual payments of \$2,000 and payments under \$3,000 that have not been nullified.

Appendix C

Significant Management Decisions With Which the Inspector General Disagrees

The Social Security Administration's Program for Monitoring the Quality of Telephone Service Provided to the Public, Report Number A-13-96-52001, July 31, 1997 SSA should take corrective actions to ensure it meets the legal requirements of 18 U.S.C sections 2510, et seq., and applicable regulations to ensure telephone monitoring is being used for intended purpose. SSA disagreed with the OIG on the issue of noncompliance with Federal laws and regulations. SSA advised OIG that the major conclusions reached in the report are not valid.

Audit of the Office of Program and Integrity Reviews' Special Studies, Report Number A-13-96-51142, February 19, 1997 SSA should establish the Office of Program and Integrity Reviews (OPIR) as a management control area in SSA's FMFIA program. SSA disagreed and engaged a consultant to review a number of issues related to OPIR's operation.

Review of Entitlement Determination Procedures for Unlocated Title II Disability Beneficiaries, Report Number A-06-95-00076, July 29, 1997 SSA should examine the entitlement status of all disability beneficiaries who are in suspended pay status because they cannot be located and terminate benefits in cases where a reasonable time period lapses (e.g., 90 days, from the date of suspension) to locate the beneficiary; and due process has been provided (e.g., notification letter to last known address). SSA disagreed with our interpretation of section 223(f) of the *Social Security Disability Benefits Reform Act of 1994*.

Canada's Experience in Charging a User Fee for Social Insurance Number Cards, Report Number A-06-97-62003, May 22, 1997 SSA should charge a fee for replacement cards. We estimate that by charging fees, SSA could increase recoveries by \$142 million annually. SSA did not agree with several conclusions represented in this report. Included in that disagreement is the level of cost avoidance. Although SSA does not agree with all of our findings, it considered them in its final report to the Congress, which was issued in 1997. The final decision on OIG's recommendation is pending with the Commissioner of Social Security.

HOW TO REPORT FRAUD

<p>The SSA 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 Fraud Hotline.</p>	<p>Call</p>	<p>1-800-260-0271 410-597-0118 (Fax)</p>
	<p>Write</p>	<p>Office of the Inspector General Attention: SSA Fraud Hotline P.O. Box 17768 Baltimore, MD 21235</p>
	<p>E-Mail</p>	<p>Oig.hotline@ssa.gov</p>

Glossary of Acronyms

ACD	Automatic Call Distributors
AERO	Automatic Earnings Reappraisal Operation
AICPA	American Institute of Certified Public Accountants
ALJ	Administrative Law Judge
AO	Adjudication Officer
AP	Alternate Participant
ATS	Audit Trail System
AWR	Annual Wage Report
BL	Black Lung
CDR	Continuing Disability Review
CE	Consultative Examinations
CFO	Chief Financial Officer
CIRP	Comprehensive Integrity Review Process System
CPA	Certified Public Accountant
CPI-W	Consumer Price Index for Urban Wage Earners and Clerical Workers
CSRS	Civil Service Retirement System
DACUS	Death Alert, Control and Update System
DCIA	Debt Collection Improvement Act of 1996
DDS	Disability Determination Service
DERA	Domestic Employment Reform Act of 1994
DI	Disability Insurance
DOL	Department of Labor
DOS	Department of State
EFT	Electronic Funds Transfer
FASAB	Federal Accounting Standards Advisory Board
FECA	Federal Employees' Compensation Act
FERS	Federal Employees' Retirement System
FFMIA	Federal Financial Management Improvement Act of 1996
FICA	Federal Insurance Contributions Act
FMFIA	Federal Managers' Financial Integrity Act
FY	Fiscal Year
GAO	General Accounting Office
GPRA	Government Performance and Results Act of 1993
GSA	General Services Administration
HCFA	Health Care Financing Administration
HI/SMI	Health Insurance/Supplemental Medical Insurance
IG	Inspector General
INS	Immigration and Naturalization Service
IRS	Internal Revenue Service
IVT/IDL	Interactive Video Training/Interactive Distance Learning
IWS/LAN	Intelligent Workstation/Local Area Network
LAE	Limitation on Administrative Expenses
LAN	Local Area Network

MADCAP	Manual Adjustment Credit and Award Process
MBR	Master Beneficiary Record
MD&A	Management's Discussion and Analysis
MOU	Memorandum of Understanding
OASDI	Old-Age and Survivors and Disability Insurance
OASI	Old-Age and Survivors Insurance
OCIG	Office of the Counsel to the Inspector General
OD	Office of Disability
OGC	Office of General Counsel
OHA	Office of Hearings and Appeals
OIG	Office of the Inspector General
OIO	Office of International Operation
OLCA	Office of Legislation and Congressional Affairs
OMB	Office of Management and Budget
OQA	Office of Quality Assurance and Performance Assessment
PEBES	Personal Earnings and Benefit Estimate Statement
PIN	Personal Identification Number
PKI	Public Key Infrastructure
P.L.	Public Law
PM	Performance Measure
PMA	Prior Month Accrual
PPA	Prompt Payment Act
RAU	Remote Access Unit
RFP	Request for Proposal
RRB	Railroad Retirement Board
RRC	Retirement Research Consortium
RSDI	Retirement, Survivors and Disability Insurance
SECA	Self-Employment Contributions Act
SED	Strategic Enforcement Division
SIPEBES	SSA Initiated Personal Earnings and Benefit Estimate Statement
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
TOP	Treasury Offset Program
TRO	Tax Refund Offset
VR	Vocational Rehabilitation