

A bald eagle is shown in flight, its wings spread wide, against a dramatic sunset sky. The eagle is positioned on the left side of the frame, flying towards the right. The sky is filled with layers of clouds, illuminated from below by the setting sun, creating a warm, golden glow. The eagle's feathers are detailed, showing the texture of its wings and tail. The overall scene conveys a sense of strength and forward movement.

Social Security Administration
Office of the Inspector General

Semiannual Report
to Congress

Forging New Partnerships

October 1, 2006 thru March 31, 2007



Social Security Administration Office Of The Inspector General

Mission Statement

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

Vision and Values

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



A MESSAGE FROM THE INSPECTOR GENERAL

On January 3, 2007, the 110th Congress convened for the first time. One month later, it confirmed Michael J. Astrue as the new Commissioner of Social Security. Since the Office of the Inspector General is responsible to the Congress and reliant on the cooperation of Social Security's Commissioner, these changes give rise to important new partnerships. However, they in no way alter our focus and dedication to our core mission of preventing and detecting fraud, waste, and abuse in Social Security programs and operations.



An Inspector General can only be as effective as his or her relationships with Congress and with the head of the establishment allow. Throughout my first 2 years as Inspector General for the Social Security Administration, I have been fortunate in both regards, enjoying a productive relationship with former Commissioner Jo Anne Barnhart and benefiting from unwavering Congressional support.

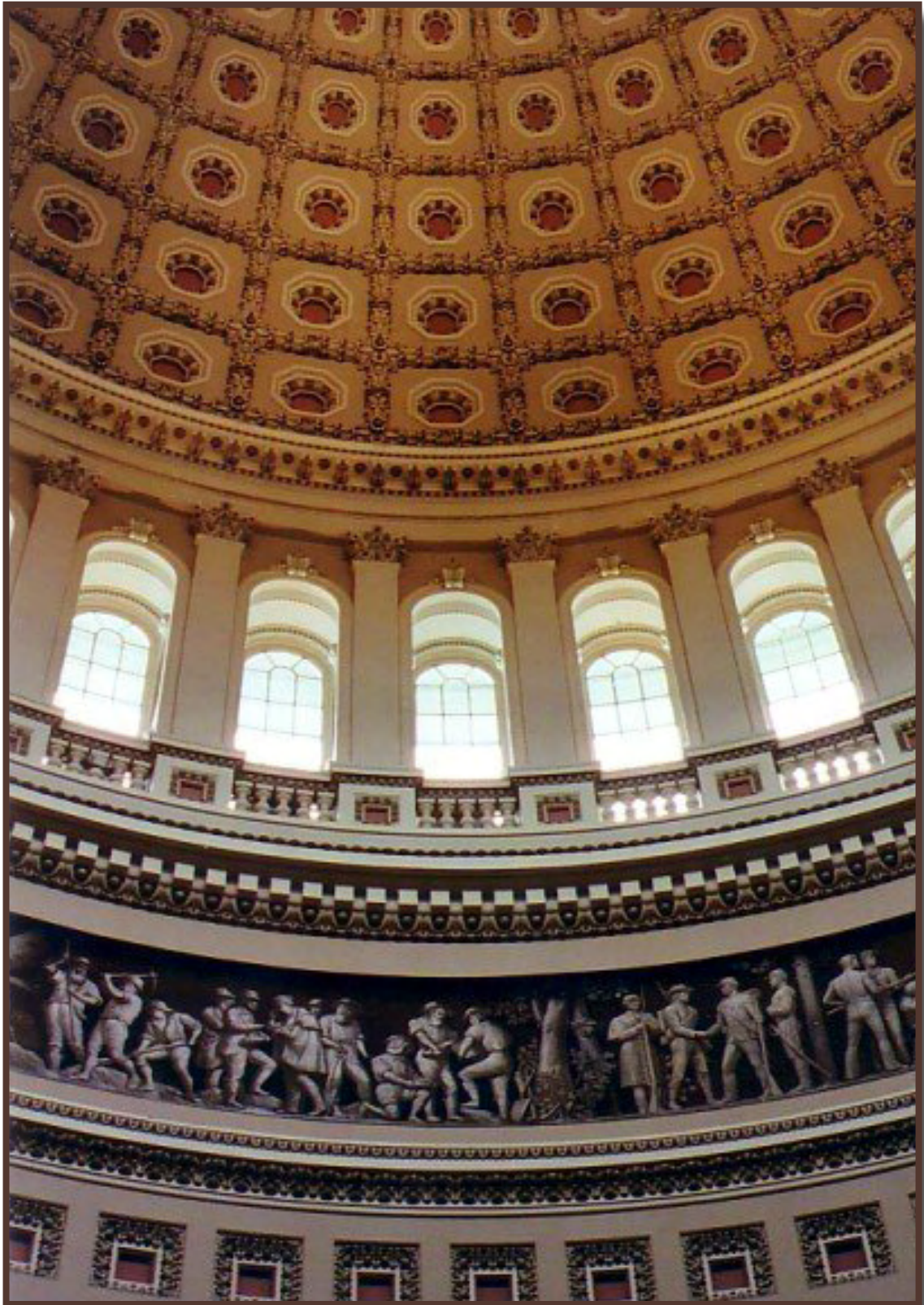
In the few short months since the new Congress convened and the new Commissioner took office, we have quickly forged new partnerships that promise to be equally productive and rewarding, not just for the men and women of the Office of the Inspector General, but for the Social Security Administration and the American people. We are already working closely with new Committee chairmen and staff to make improvements in the Social Security programs upon which millions of Americans rely, and Commissioner Astrue has provided nothing but support for and cooperation with our efforts.

President John F. Kennedy said that "a rising tide lifts all the boats. And a partnership, by definition, serves both partners. . ." I hope that our efforts serve our partners as well as theirs serve the Office of the Inspector General, and I look forward to the accomplishments that this rising tide might carry.

Sincerely,

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

Patrick P. O'Carroll, Jr.
Inspector General





SEMIANNUAL REPORT TO CONGRESS FORGING NEW PARTNERSHIPS

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EXECUTIVE SUMMARY

With this report, the Social Security Administration (SSA) Office of the Inspector General (OIG) proudly presents its accomplishments from October 1, 2006 – March 31, 2007. During this reporting period, we have begun to forge productive relationships with new partners in Congress and SSA. Significant changes within these organizations have provided OIG the opportunity to gain new perspectives on the continuing challenge of ensuring the integrity and reliability of SSA's programs and operations. We look forward to working together with these new partners in the upcoming months and years for the benefit of the American people.

The sections of this report correspond to the three major goals—impact, value, and people—set forth in the *OIG Strategic Plan: Fiscal Years 2006 – 2010*. Highlights of our noteworthy achievements appear in each of these categories as follows:

IMPACT

We work to have a positive impact on SSA programs and operations by enhancing their integrity, efficiency, and effectiveness. Toward this goal, we received more than 57,000 allegations from SSA employees, Congress, the public, law enforcement agencies, and other sources during the first half of Fiscal Year (FY) 2007. From those allegations, we closed more than 5,300 criminal investigations, resulting in over 1,700 arrests, over 800 indictments, and more than 1,900 convictions, civil monetary penalty (CMP) assessments, and illegal alien apprehensions. Our Cooperative Disability Investigations (CDI) program continues to be one of our most successful

initiatives, contributing to the integrity of SSA's disability programs. During this reporting period, the efforts of our CDI units resulted in almost \$92 million in SSA program savings.

Our auditors also had a significant impact during this reporting period, issuing 44 reports and making recommendations on a wide variety of challenges facing the Agency. Our audit work over the past 6 months notably includes efforts to improve the integrity of the Social Security number (SSN) and evaluate initiatives aimed at protecting it from misuse. For example, we released two Congressional Response Reports in which we assessed the accuracy of SSA's Numident records and evaluated employer verification programs. Our auditors also evaluated the financial impact of improper payments, addressing issues ranging from timely age-18 redeterminations for Supplemental Security Income (SSI) recipients to the accurate identification of deceased representative payees.

VALUE

Our organization strives to provide quality products and services of value in a timely manner to Congress, SSA and other key decision-makers while sustaining a positive return for each tax dollar invested in OIG activities. During this reporting period, our auditors identified more than \$443 million in questioned costs and over \$2.8 billion in Federal funds that could be put to better use. Highlighted audits include Texas school district employees' exemption from the Government Pension Offset (GPO); the accuracy of Title II disability payments to individuals receiving workers' compensation (WC) benefits; and SSA's collection of court-ordered restitution.



In the first half of FY 2007, we are reporting over \$179 million in investigative accomplishments, with over \$38 million in SSA recoveries, restitution, fines, settlements, and judgments, and over \$140 million in projected savings from investigations resulting in the suspension or termination of benefits. In addition, we participated in multi-agency investigations that resulted in over \$46 million in savings, restitution, and recoveries for other agencies. Highlighted investigations in this section revealed evidence of disability program fraud, representative payee fraud, and SSN misuse.

During this reporting period, our attorneys initiated 173 CMP cases, which involve false statements or representations made in connection with obtaining or retaining benefits or payments under Titles II and XVI of the *Social Security Act* (*the Act*). Included in our investigative accomplishments above is nearly \$1.3 million in penalties and assessments that our attorneys imposed through our CMP program.

PEOPLE

OIG strives to promote a positive and rewarding work environment and maintain a skilled, diverse, and motivated workforce. During this reporting period, we continued to encourage our personnel to take advantage of training opportunities. We also worked to pursue and retain the best employees possible. Toward that end, we implemented an automated system to process and maintain information related to vacancy announcements and hiring of new employees. We also continue to enhance our National Investigative Case Management System, providing increased functionality to our investigators and attorneys.

As is reflected in our significant accomplishments during this reporting period, we never waver in our dedication to our core mission of inspiring public confidence by detecting and preventing fraud, waste, and abuse in SSA's programs and operations. We will continue to work with our new partners in Congress and SSA to ensure the integrity and reliability of the Social Security programs upon which so many Americans depend for their economic security.



INTRODUCTION TO OUR ORGANIZATION

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

IMMEDIATE OFFICE OF THE INSPECTOR GENERAL (IO)

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

OFFICE OF AUDIT (OA)

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

OFFICE OF INVESTIGATIONS (OI)

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

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

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

OFFICE OF RESOURCE MANAGEMENT (ORM)

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



IMPACT

We are committed to enhancing SSA's effectiveness and efficiency through our investigations, audits, and legal activities. Through our best efforts, we strive to have maximum impact on SSA's programs and operations to ensure their continued integrity and reliability.

During this reporting period, we completed numerous audits, investigations, and legal initiatives covering major SSA program and management areas, which had a significant impact on the detection and prevention of fraud, waste, and abuse. The summaries presented below are indicative of our work over the past 6 months.

Audit Impact Initiatives

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

SSA Operations: Childhood Continuing Disability Reviews and Age 18 Redeterminations

Title XVI of *the Act* requires SSA to: (1) perform continuing disability reviews (CDR) at least every 3 years on SSI recipients under age 18; (2) determine whether child recipients receive appropriate medical treatment; and (3) redetermine SSI eligibility using adult criteria within 1 year of the child's 18th birthday. In this review, we assessed whether SSA complied timely with these statutory requirements.

We analyzed a file of about 1.2 million individuals receiving SSI in June 2005, and identified 534,155 recipients under age 18 who had been receiving SSI for at least 4 years, and 48,097 recipients between the ages of 19 – 20 who were receiving SSI prior to their 18th birthday. For each group of recipients, we randomly selected 275 sample cases, for a total of 550 cases.

We found that although SSA generally made determinations regarding appropriate medical treatment, the Agency did not complete all CDRs or age-18 redeterminations in a timely manner. Specifically, we found that 39 percent of CDRs and 12 percent of age-18 redeterminations were not completed timely. As a result, we estimated that SSA made about \$194.7 million in SSI payments to approximately 205,900 recipients under age 18 who were no longer eligible, and the Agency will continue to pay an additional \$96.9 million annually until these reviews are completed. We estimated that SSA paid about \$4.5 million in SSI payments to approximately 5,600 recipients who did not have an age-18 redetermination completed by age 20, and will continue to pay an additional \$8.7 million annually until these reviews are completed.

SSA, while noting that insufficient resources prevented it from doing all CDRs timely, agreed with our recommendations to: (1) conduct childhood CDRs at least every 3 years for children under age-18 whose impairments are likely to improve; (2) conduct age-18 redeterminations by the time recipients attain age 20; and (3) continue to seek special funding for CDR workloads. SSA disagreed, however, with our analysis that certain CDRs were not completed timely, stating that those reviews were not performed due to budget constraints.



Congressional Response Report: Employer Feedback on SSA's Verification Programs

On April 7, 2006, we received a request from Chairman Jim McCrery of the House Committee on Ways and Means, Subcommittee on Social Security, to assist the Subcommittee in its understanding of employee verification programs. In particular, the Chairman asked for information on the experiences of employers who had used: (1) SSA's Social Security Number Verification Service (SSNVS), an online employee verification program; and (2) the Department of Homeland Security's (DHS) Basic Pilot, a program that uses SSA data to verify newly-hired employees' authorization to work in the United States.

We interviewed program users at 100 employers—50 each from SSNVS and the Basic Pilot—to assess their satisfaction with the programs. The 100 employers were in industries such as temporary employment, food, retail, and government. We found that 92 percent of the SSNVS users and 100 percent of the Basic Pilot users interviewed rated the programs as “Excellent,” “Very Good,” or “Good.” In addition, at least 98 percent of the users from both programs indicated their employers were very likely to continue using the programs.

About 14 percent of the SSNVS users and 10 percent of the Basic Pilot users we interviewed reported experiencing minor problems using the two programs. In most of these cases, the users reported that SSA and/or DHS staff were able to resolve their problems timely. We also found that approximately 42 percent of the Basic Pilot users we interviewed were not using the program as intended. The program is intended to verify the work authorization of newly-hired employees within 3 days after they are hired; however, some employers conducted verifications for longstanding employees or individuals who were not yet hired. We could not determine whether these employers misunderstood the Basic Pilot requirements, or

simply ignored the policy. If DHS determines that these other types of verifications should be allowed, legislative changes may be needed.

SSN Integrity: Effectiveness of the Young Children's Earnings Records Reinstatement Process

In 1992, SSA began checking the date of birth on the record of SSNs under which wages are reported to determine if the SSNs belong to children under age 7. Wages that appear to belong to children are placed in the Earnings Suspense File (ESF), which holds earnings items that cannot be matched to SSA records. These wages are assigned a Young Children's Earnings Record (YCER) indicator, and the Agency notifies employers or employees to resolve the discrepancy and, if appropriate, reinstate earnings to the appropriate individual's record.

We initiated this audit to assess the effectiveness of this YCER reinstatement process in resolving suspended earnings, reducing the size of the ESF, and detecting potential fraud. Our review of the Tax Year 2002 YCER file found that while the process was effective in suspending YCER-identified earnings, SSA was often not able to reinstate earnings to the correct individual's record. From a sample of 250 YCER earnings items, we found that 72 percent were not reinstated. The majority of these appeared to involve potential SSN misuse. Of the items that were reinstated, we determined that about one in four were questionable, because the earnings may still have involved SSN misuse. Since SSA's employee verification services do not require employers to submit employees' dates of birth, employers who use these services may not be aware that verified SSNs belong to children under age 7.

SSA agreed with our recommendations to: (1) review and correct the questionable reinstated earnings; (2) ensure that staff receives additional guidance and training in



the reinstatement process; and (3) modify the Agency's employee verification services to detect SSNs for children under age 7.

Congressional Response Report: Accuracy of SSA's Numident File

Beginning in November 1971, only original SSN requests from individuals **over age 55** required proof of identity. In October 1972, legislation amended Section 205 (c) (2) of *the Act* to require evidence to establish age, true identity, and citizenship or alien status from *all* SSN applicants. SSA's Numident file contains relevant information about Social Security numberholders, including name, date of birth, place of birth, and citizenship status. These data are used in the Basic Pilot, a DHS program that uses SSA data to verify employment eligibility. The House Ways and Means Committee's Subcommittee on Social Security asked us to assess the accuracy of SSA Numident fields that are relied on by the Basic Pilot for each of the following U.S. populations: native-born citizens, foreign-born citizens, and non-citizens.

We reviewed 810 randomly-selected Numident records for each of the three populations, for a total of 2,430 records. Although we found SSA's information to be generally accurate, we identified some discrepancies that could result in incorrect feedback to employers attempting to determine the employment eligibility of their workers. Of the 2,430 Numident records we reviewed, 136 contained discrepancies in the name, date of birth, or citizenship status of the numberholder, or we determined that the numberholder may be deceased. As a result, we estimated that discrepancies in approximately 17.8 million (4.1 percent) of the 435 million Numident records could result in incorrect feedback when submitted through the Basic Pilot.

Our review showed that the overall accuracy of SSA's records is noteworthy. Because

our sample included SSNs that were assigned decades ago, we recognize that some numberholders are no longer working and will not attempt to correct their SSA records. However, if use of the Basic Pilot becomes mandatory, SSA's workload would significantly increase if even a portion of the estimated 17.8 million individuals whose records contained discrepancies were required to visit an SSA office to correct their information.

SSN Integrity: The Las Vegas Social Security Card Center

In this review, we evaluated SSA's compliance with policies and procedures when processing SSN applications at the Las Vegas Social Security Card Center (LVSSCC). Since its opening in April 2005, the LVSSCC has processed requests for original and replacement Social Security cards for residents of the Las Vegas Valley and greater Southern Nevada area.

We reviewed a random sample of 200 original and replacement SSNs issued by the LVSSCC, and found that the center generally complied with SSA policies and procedures. However, we did identify several areas for improvement. We found that the LVSSCC staff did not complete the "relationship to applicant" field on the application form for 40 individuals (20 percent). We also determined that from April 2005 through February 2006, 2,816 individuals residing within the Las Vegas and North Las Vegas field offices' servicing areas applied for, and received, original or replacement cards from those field offices, rather than LVSSCC as required by SSA policy. Finally, we found that LVSSCC did not provide adequate safeguards over Social Security cards mailed to its office. Specifically, LVSSCC could not verify whether the 981 Social Security cards mailed to its office were received, picked up by the applicant or destroyed.



SSA agreed with our recommendations, including that SSA: (1) ensure that LVSSCC staff comply with SSA policy when processing applications for Social Security cards; (2) monitor controls to ensure that SSN applications for individuals residing in the LVSSCC servicing area are processed by the card center; and (3) monitor procedures to ensure that Social Security cards mailed to LVSSCC are properly safeguarded.

SSA Operations: Management’s Use of Workload Status Reports at Hearing Offices

When SSA denies a disability claim, the claimant may appeal the decision and present his or her case at a hearing with an administrative law judge (ALJ). In this review, we assessed the effectiveness of timeliness benchmarks used in the SSA Office of Disability Adjudication and Review’s (ODAR) Case Processing and Management System (CPMS) to identify bottlenecks in the hearing process. SSA’s average processing time for hearings in FY 2006 was 483 days.

CPMS is designed to control and process hearing claims and produce management reports to monitor workloads. To identify bottlenecks in the hearing process, we reviewed the No Status Change report. Its purpose is to ensure that pending claims are processed timely. As of June 2006, ODAR had approximately 725,000 pending claims in CPMS. Our review found that 419,000 (58 percent) of these were not being tracked on the No Status Change report¹. Of the 306,000 pending claims that were being tracked, about 118,500 (39 percent) exceeded timeliness benchmarks. Of those claims exceeding the benchmarks, we found that 74,231 (63 percent) were “untimely,” meaning that they exceeded the benchmarks by more than 100 percent.

While the No Status Change report is designed to improve hearing office timeliness, we could not find a link between the No Status Change

¹The majority of these claims were in Unassigned Workup status code, indicating they had been received in the hearing office but were awaiting processing.

benchmarks and SSA’s average processing time goal for hearing claims. Greater correlation between timeliness benchmarks used in the No Status Change report and SSA’s stated goals in its accountability reports could improve the overall timeliness of the hearing process. SSA agreed with our recommendations, including that SSA: (1) ensure that No Status Change benchmarks include all relevant steps in the hearing process; (2) ensure that all hearing offices use the same coding procedures; and (3) establish provisions to handle situations affecting the scheduling of hearings.

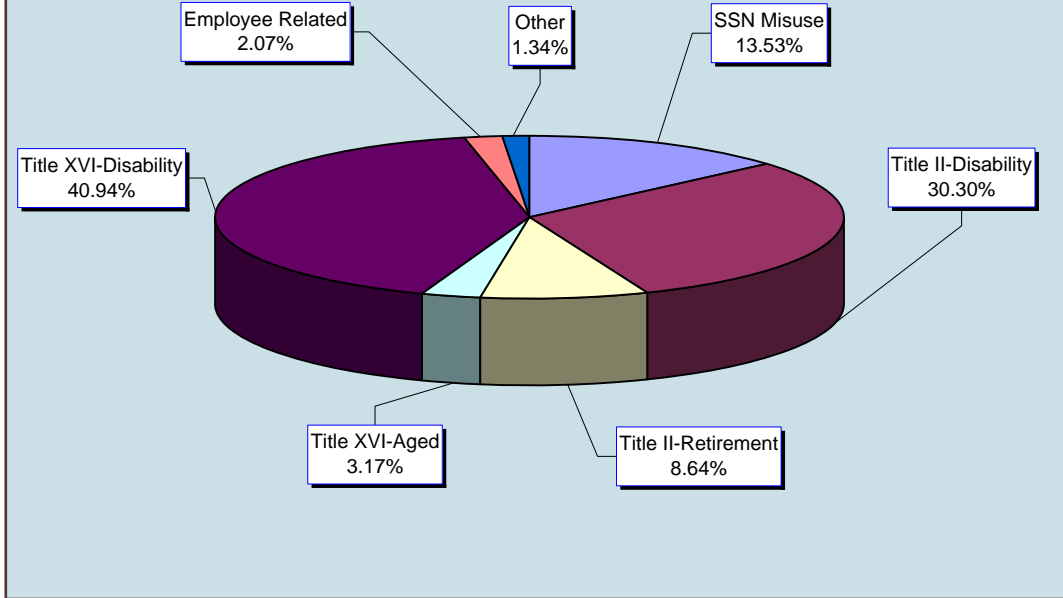
Investigative Impact Initiatives

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

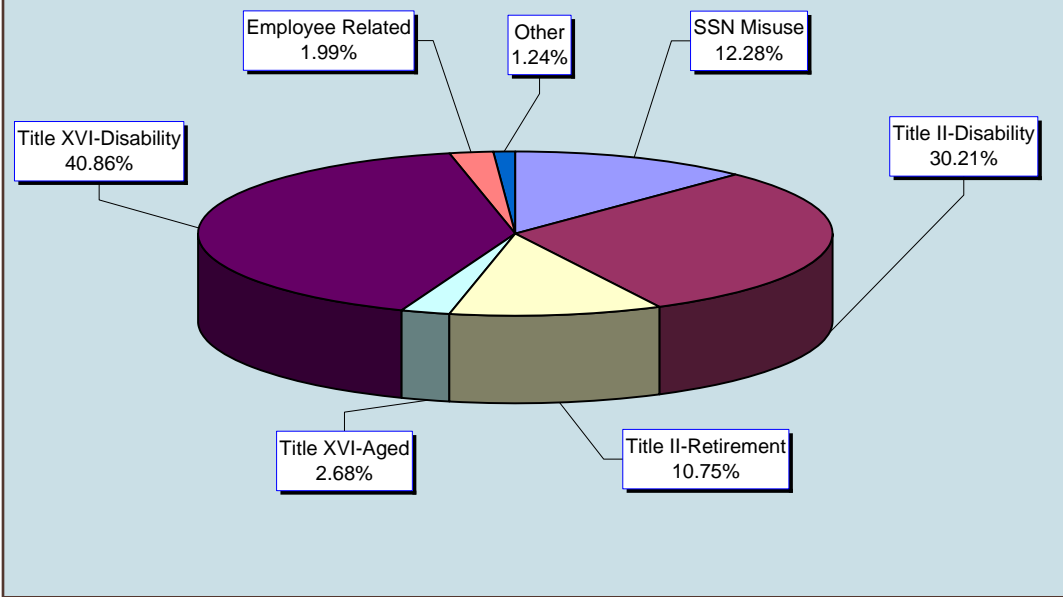
Investigative Results (10/01/06– 3/31/07)	
Allegations Received	57,309
Cases Opened	5,449
Cases Closed	5,340
Arrests	1,709
Indictments/Informations	850
Total Judicial Actions	2,120
Criminal Convictions	1,087
Civil/CMPs	149
Illegal Alien Apprehensions	884



Cases Opened by Program Category
(10/01/2006 - 3/31/2007)



Cases Closed by Program Category
(10/01/2006 - 3/31/2007)





Allegations Received by Source (10/01/06 – 3/31/07)	
Law Enforcement	21,234
Private Citizens	8,766
Anonymous	9,075
SSA Employees	13,318
Other	3,459
Beneficiaries	964
Public Agencies	493
TOTAL	57,309

Allegations Received by Category (10/01/06 – 3/31/07)	
SSI Disability	20,464
Disability Insurance	21,466
SSN	5,587
Old-Age, Survivors Insurance	3,159
Other	5,525
Employee	607
SSI Aged	501
TOTAL	57,309



Employee Fraud: SSA Employee Appoints Boyfriend as Representative Payee for SSI Recipients

Agents in our Detroit, Michigan office conducted an investigation that revealed that an SSA employee used SSA's computer systems to appoint her boyfriend as the representative payee for various SSI recipients without their knowledge. The employee then directed future SSI payments to her residence and to a rental property owned by her boyfriend. Our investigation also indicated that the employee and her boyfriend cashed the checks and then processed a claim of non-receipt of those checks, generating duplicate checks that the boyfriend cashed as well. To avoid detection, the employee waived any overpayments placed on the recipients' records.

Our agents executed a search warrant and seized evidence of the fraud as well as several firearms belonging to the boyfriend, a convicted felon. In January 2007, after pleading guilty to wire fraud, the employee was sentenced to 12 months' incarceration and 2 years' supervised release, and was ordered to pay restitution of \$21,418 to SSA. Additionally, SSA terminated the employee in March 2006. The boyfriend pled guilty to possessing a firearm as a convicted felon and was sentenced in November 2006 to 67 months' incarceration and 2 years' supervised release.

Employee Fraud: SSA Employee Makes Improper Payments to SSI Recipients Totaling \$267,884

Agents from our Houston office investigated an SSA employee who used his position to cause improper payments to be made to SSI recipients who were ineligible for payments or were eligible for a lesser amount than that which he disbursed to them. The employee, a supervisor who asked subordinates to make fraudulent inputs to SSA's computer

systems, caused a fraud loss of \$267,884. Our investigation did not indicate, however, that he profited financially from his actions, or that the SSI recipients were aware of the fraudulent nature of the payments. The employee sometimes even provided funds to SSI recipients from money orders that he purchased with his own funds. The employee resigned from his position in November 2004, after becoming aware of our investigation. He later pled guilty to misapplication of fiduciary property and was sentenced in January 2007 to 11 years' incarceration.

Bankruptcy Fraud Project: Man Uses Fraudulently Issued SSNs to Conceal Assets While Declaring Bankruptcy

In cooperation with the Internal Revenue Service (IRS) Federal Bureau of Investigations (FBI), and New York State Police, agents from our Batavia, New York office investigated a 34-year-old Syracuse, New York man who filed false applications for SSNs for both his wife and himself. The suspect changed their parents' names and dates of birth and stated that neither he nor his wife had previously been assigned SSNs. The suspect used the falsely issued SSNs to conceal assets and bank accounts when he filed for personal bankruptcy.

The man was charged with making a false application for an SSN and providing false statements in a bankruptcy proceeding. He was sentenced in February 2007 to 5 months' incarceration, to be followed by 2 years' supervised release. In addition, he forfeited to the Government \$110,000 that was found in his residence during the execution of a search warrant.

Fugitive Felon Program

The OIG's Fugitive Felon Program identifies fugitive felons and parole and probation violators via automated data matches between SSA's beneficiary rolls and Federal



and State warrant databases. The impact of this program reaches beyond Social Security to local communities nationwide. Our efforts contributed to the arrest of over 6,500 fugitives during this reporting period—and a total of over 51,500 arrests since the program's inception in 1996. The following are highlights of fugitive felon investigations during the past 6 months.

Fugitive Felon Program: Father Arrested for Committing Sexual Assault on Child

In January 2007, agents from our Denver office, working with the Denver Fugitive Location and Apprehension Group, arrested a 34-year-old Title II disability beneficiary and SSI recipient. He was arrested based on a felony warrant issued by the Denver Police Department after they investigated a complaint that the man participated in a sexual assault on his own 5-year-old child. He was taken into custody as he left the City of Denver Family Court, where he was answering a petition filed by family members to terminate his parental rights to the child he is accused of assaulting. The man was transported to the Denver County Jail, where he remains in custody on a \$75,000 cash bond. SSA has taken action to suspend the man's benefits.

Fugitive Felon Program: SSI Recipient Arrested for Sexual Assault

Agents from our Columbia, South Carolina office, working with the United States Marshals Service (USMS) Fugitive Task Force, arrested a 64-year-old SSI recipient in February 2007, based on two outstanding felony arrest warrants for 1st-degree sexual assault and failure to appear. These warrants were issued against the suspect in November 1996 by the Providence, Rhode Island Police Department.

We initiated this case when the USMS contacted us for investigative assistance. We identified the man as an SSI disability recipient, with a residential address in Sumter,

South Carolina. Further research showed that the man made a monthly withdrawal of his SSI payment from the Safe Federal Credit Union in Sumter. We arrested the man when he visited the credit union to withdraw his SSI payment, and he remains detained in the Sumter-Lee Regional Detention Center, awaiting extradition to Rhode Island. SSA has determined that the man was overpaid \$35,270 as a result of his fugitive status.

Fugitive Felon Program: 16-Year-Old SSI Recipient Arrested for Attempted Murder

Agents from our Baltimore, Maryland office participated in the recent "Baltimore Sweep Operation," coordinated by the United States Attorney's Office. The operation was initiated as a result of recent shootings of law enforcement officers and an increase in the number of homicides in Baltimore. In February 2007, we arrested a 16-year-old SSI recipient, in coordination with law enforcement personnel from the U.S. Department of Housing and Urban Development, USMS, and local police. The boy was subsequently charged as an adult with attempted 2nd-degree murder, 1st-degree assault, and 2nd-degree assault with a deadly weapon.

Cooperative Disability Investigations

Our Cooperative Disability Investigations (CDI) program continues to be one of our most successful initiatives, contributing to the integrity of SSA's disability programs. CDI is a joint effort of the OIG, SSA, State Disability Determination Services, and State and local law enforcement personnel. Our 19 CDI units in 17 States work to obtain sufficient evidence to identify and resolve issues of fraud and abuse related to initial and continuing disability claims. The following table highlights the successes of the CDI program, which yielded almost \$92 million in SSA program savings during this reporting period.



Cooperative Disability Investigations Program Results

(October 1, 2006 – March 31, 2007)

State	Allegations Received	Confirmed Fraud Cases	SSA Savings ¹	Non-SSA Savings ²
Arizona	59	40	\$2,645,040	\$842,920
California ³	401	262	\$16,481,952	\$12,476,406
Colorado	64	51	\$3,391,500	\$1,436,688
Florida	52	47	\$3,052,150	\$2,493,663
Georgia	86	75	\$5,120,832	\$1,427,562
Illinois	40	48	\$2,990,785	\$1,182,465
Louisiana	36	28	\$1,678,080	\$752,241
Massachusetts	56	31	\$1,937,304	\$869,240
Missouri	95	55	\$3,574,240	\$1,257,320
New Jersey	99	94	\$6,282,240	\$5,661,985
New York	76	71	\$4,631,948	\$4,431,960
Ohio	257	126	\$7,963,680	\$4,129,300
Oregon	162	144	\$9,451,760	\$7,250,195
Tennessee	85	49	\$3,217,011	\$1,570,702
Texas ⁴	170	108	\$6,782,221	\$3,576,173
Virginia	65	41	\$2,746,856	\$2,374,899
Washington	163	147	\$9,469,114	\$7,420,805
Total	1966	1417	\$91,416,713	\$59,154,524

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

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

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

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



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

CDI: Woman Uses Twin Sister's Identity to Conceal Employment

Our Chicago CDI unit received an allegation from the Hillside, Illinois SSA office that a Title II disability beneficiary was concealing work activity. Our investigation revealed that although the subject was determined to have been disabled in May 1997, wages were routinely posted to her SSA earnings record, showing steady employment. When SSA questioned the woman, she claimed that she was still disabled and unable to work, and asserted that her twin sister was using her SSN to work.

Our investigation revealed that the woman's twin sister died more than 50 years ago. Further investigation revealed that the beneficiary had worked for a health care organization for the last 6 years. When investigators interviewed the woman at her place of employment, she admitted she provided false information to SSA.

The woman pled guilty to theft of Government funds and was sentenced in February 2007 to 2 years' probation, 5 months' home detention, and 200 hours of community service, and was ordered to pay restitution of \$89,314 to SSA. The woman also submitted a new application for Title II disability benefits, which SSA denied.

CDI: Man Runs Metal Fabrication Business while Receiving Title II Disability Benefits

The Salem, Oregon CDI Unit investigated a 35-year-old man who began receiving Title II disability benefits in 2002 for

partial paralysis of his lower extremities. The case was referred to the CDI unit by the Oregon City SSA office which had received information indicating that the man owned and operated his own business.

During a previous SSA work review, the man had indicated that although he did spend his days at his wife's business, he was not working. Our investigation revealed that in fact, the man was actively running his own metal fabrication shop. Surveillance and interviews showed the man was working 40 hours per week, managing nine employees, and planning to expand his business. The man, who had previous work experience as a metal fabricator, had registered the business in his wife's name to prevent SSA from becoming aware of his earnings as well as to circumvent the State child support system, to which the man was in arrears. SSA ceased the man's disability benefits and assessed an overpayment, including benefits to his children, of \$53,315.

CDI: Man Claiming Broken Leg and Ankle Rides Bicycle

Our Iselin, New Jersey CDI Unit investigated a 47-year-old man who applied for SSI disability payments after the New Jersey Disability Determination Services forwarded the case for being at high risk for fraud or similar fault. The man alleged that he was disabled due to a broken leg and a broken ankle.

He also alleged having a severe spinal injury, severe headaches, back pain, and shortness of breath.



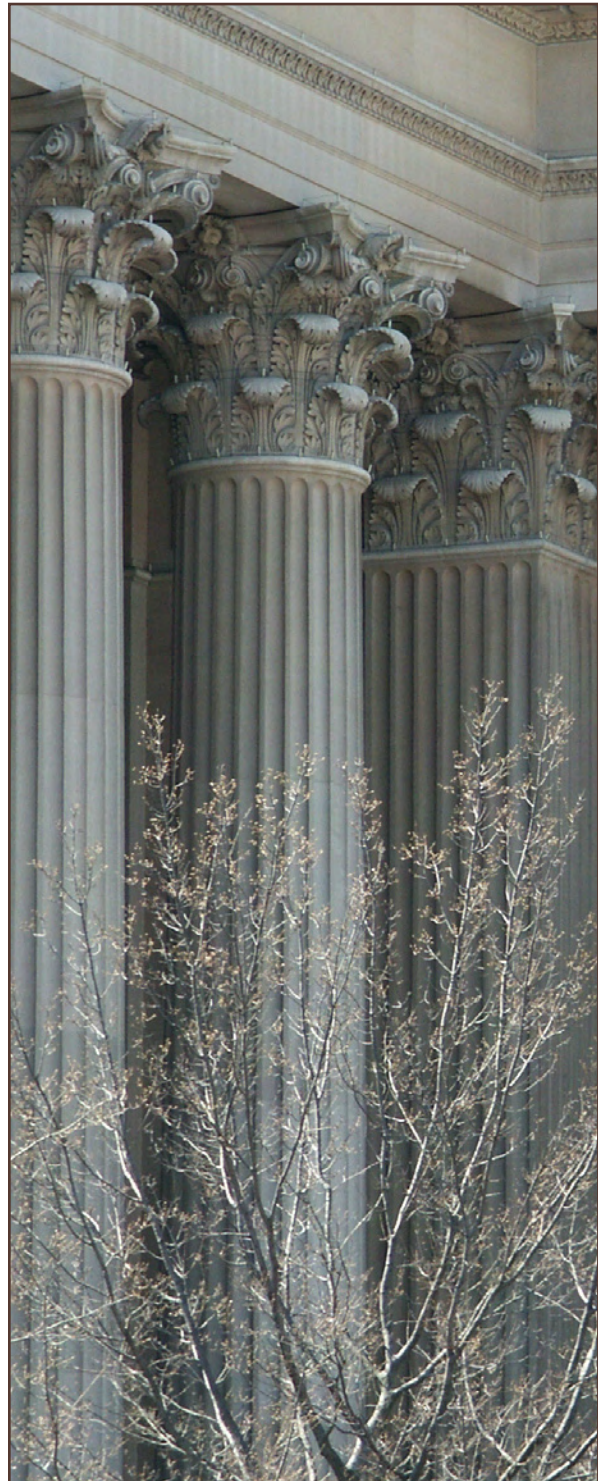


CDI unit investigators observed the man walking at a normal pace without the use of an assistive device. He walked down a ramp to a bicycle, bent over to open the lock, and walked down three steps with the bike in his hands. Our investigators then followed the man as he rode the bike for approximately one mile down a busy street, at one point pedaling up a hill.

The man's SSI claim was denied.

Legal Impact Initiatives

OCCIG improves SSA program integrity from a different perspective, through its administration of the CMP provisions of Section 1140 of the Act. This section prohibits the use of SSA's program words, letters, symbols, or emblems in advertisements or other communications in a manner that falsely implies SSA's approval, endorsement, or authorization. An individual or entity that violates this provision is subject to a maximum penalty of \$5,000 for each misleading communication. Our nationwide enforcement efforts serve as a meaningful deterrent in this area and continue to positively impact SSA's mission. In fact, as a result of our many successful CMP actions to date, we have seen a significant decline in complaints and cases over the years as it has become clear that this type of misleading activity will be met with a swift response.





VALUE

All OIG initiatives strive to provide value to SSA, the Congress, other key decision-makers, and the public by delivering timely and reliable audit, investigative, and legal products and services. To achieve the intended value, these products and services must effectively meet the needs of all whom we serve while maximizing our available resources. To do this, we integrate best-practice strategies and the newest technologies to increase our productivity and maximize our return on investment to the public. Taken together, our audits, investigations, and legal efforts generated a positive return during the first half of FY 2007.

Value Attained Through Audits

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

During this reporting period, our auditors issued 44 reports with recommendations identifying over \$443 million in questioned costs and over \$2.8 billion in Federal funds that could be put to better use. Some of our most notable audits are summarized below.

Benefit Payment Audit: Government Pension Offset Exemption for Texas School Districts' Employees

The GPO provides for a reduced Social Security spousal benefit for individuals who receive a pension from a Federal, State or local government based on work where Social Security taxes were not paid. However, until recently, the GPO did not apply if the

individual's last day of employment was in a position covered by both Social Security and a State or local government pension plan. The *Social Security Protection Act of 2004* amended GPO provisions to require that after July 1, 2004, only those employees who were covered by Social Security during their last 5 years of employment will be exempt from the GPO. We conducted this review based on an allegation that approximately 22,000 individuals had paid fees to 15 Texas school districts to spend their last day of employment as non-professional employees, in order to be exempted from the GPO reduction.

We found that the school districts re-hired the 1-day workers primarily to generate revenue for their districts, and that the fees paid by the workers to participate in the program far exceeded a single day's wages. Although the school districts hired these individuals as "full-time" employees to qualify them for Social Security coverage, the vast majority worked for only 1 day. Thus, we determined that the individuals in our review did not appear to meet the requirements for a GPO exemption. Unless SSA changes its policies and procedures for evaluating individuals who are eligible for GPO exemptions, we estimate that these 22,000 individuals will receive \$128 million annually in spousal benefits to which they may not be entitled. Over their lifetimes, these individuals could cost the Social Security Trust Funds \$2.5 billion.

We made several recommendations to SSA, including that the Agency reevaluate the decisions to grant GPO exemptions to the individuals identified in this allegation. SSA agreed to ensure that appropriate agreements are in force for the school districts and take appropriate action if it identified any problems. However, SSA feels that it has properly applied the "last day" exemption based on existing statutes and regulations.



Benefit Payment Audit: Title II Disability Insurance Benefits with Workers Compensation Offset

We recently conducted an audit to determine the accuracy of payments of Title II Disability Insurance (DI) claims with WC offsets. Workers injured on the job may qualify for State and Federal WC benefits in addition to DI benefits. To prevent workers from earning more while disabled than while working, Congress enacted the WC offset provision, which requires SSA to reduce DI payments by the amount of WC benefits.

We identified 234,968 DI claims in which SSA records indicated that a WC offset began between 1998 – 2004, and reviewed a random sample of 250 claims. Although the payment accuracy of WC offset claims improved in comparison to the error rates reported in our previous WC reviews, some payment errors continue to exist. Of the 250 claims, 43 (17 percent) had payment errors. Of these errors, 27 were directly related to the WC offset calculation, and these errors totaled \$158,590. Based on our sample results, we estimated that approximately 25,377 DI claims totaling about \$149.1 million had payment errors related to the WC offset.

Though we found that most payment mistakes resulted from human error, we were encouraged by a software enhancement which automated some aspects of the process. However, accuracy still depends on SSA staff decisions and the data they record when processing claims. SSA agreed with all of our recommendations, including that SSA: (1) support legislation that would simplify and standardize the WC offset calculations; (2) explore the feasibility of electronic data exchanges with States; and (3) increase management oversight of the WC offset calculation.

Benefit Payment Audit: Impact of Statutory Benefit Continuation on Disability Insurance Benefit Payments Made During the Appeals Process

In this review, we evaluated the financial impact on the DI Trust Fund when beneficiaries continue to receive DI benefits while appealing a medical cessation decision. CDRs are performed on DI beneficiaries to assess whether individuals remain medically eligible for DI payments. If an individual is found to be no longer medically eligible and SSA terminates benefits, he or she may appeal the decision. *The Act* provides the option for benefit continuation during the appeal process; however, payments made during the appeals process are considered overpayments if the cessation is upheld.

We reviewed 500 cases from a file of all individuals who received an ALJ decision from October 1, 2002 – September 30, 2004 in cases where a CDR initially determined that disability had ceased. Based on our review, we estimated that SSA paid approximately \$86.4 million in continuing DI payments during this time period to beneficiaries who appealed the cessation decision to an ALJ. We project that about \$43.9 million of these continuing benefits became overpayments when an ALJ affirmed the decision that the beneficiary was no longer eligible to receive DI benefits. Of the overpayments, we projected that only about 18.7 percent (\$8.2 million) were collected or are in the process of being collected; the remaining 81.3 percent (\$35.7 million) were either waived or suspended, or SSA had not yet decided what action to take.

Our findings showed that continuing benefits during appeals results in such large overpayments because SSA's business process for making appeals decisions was not as efficient as it could be. For beneficiaries in our sample who received a cessation



decision from an ALJ, overall average processing time was 648 days. SSA agreed with our recommendation that SSA make more timely decisions on medical cessation appeals to lessen the financial impact of benefit continuation.

In response to our report, ODAR stated that it will provide additional guidance and direction to its field managers to identify statutory benefit continuation cases upon receipt in the hearing office and develop procedures for accelerated movement within the hearing office. The hearing office will alert the appropriate SSA component to cease benefits as soon as an affirmation is issued.

Benefit Payment Audit: SSI Recipients Whose Medicare Benefits Were Terminated Due to Death

We conducted this audit based on a suggestion from an SSA employee who had identified several cases in which the Agency continued to make SSI payments to recipients whose Medicare benefits had been terminated for death. Using Medicare benefit information supplied by SSA, we identified 251 individuals whose SSI payments continued even though their Medicare records indicated they were deceased. Of these, we found that 86 (34 percent) were actually deceased, and SSA had stopped SSI payments timely for 19 of these individuals. However, SSA did not terminate SSI eligibility for the remaining 67 individuals, which led to a total of \$490,288 in incorrect payments. We estimated that SSA could save \$237,103 over the next 12 months by stopping payments to the deceased recipients.

We also found that 165 of the 251 individuals in our audit were alive and their Medicare benefits were incorrectly terminated. Of these, SSA had incorrectly terminated SSI payments to 85 individuals. Because the *Privacy Act* requires that SSA confirm

information resulting from computer matches before taking action to stop benefit payments, SSA policy is to verify death reports received from third parties—including the Centers for Medicare and Medicaid Services (CMS)—before stopping SSI payments. However, we found that the SSI payments to these 85 individuals were stopped without verification because of limitations in SSA's computer systems.

SSA agreed to our recommendations, including that SSA review the cases we identified in our audit and take appropriate action, and that SSA confirm deaths reported from CMS before terminating payments to SSI recipients.

Benefit Payment Audit: Follow-up on SSA's Procedures to Identify Representative Payees Who Are Deceased

Representative payees receive and manage Social Security benefits and/or SSI payments for beneficiaries and recipients who are not able to do so themselves. In our September 1999 report, *The Social Security Administration's Procedures to Identify Representative Payees Who Are Deceased*, we determined that SSA's procedures did not ensure that new representative payees were selected when current payees died. As a follow-up to our previous report, we conducted this audit to determine whether SSA now identifies all cases in which a new representative payee is needed when the current payee dies.

We identified records that were incomplete with regard to representative payee information, or where payees appeared to be deceased, and randomly selected 400 of these records for review. We found that SSA's current procedures still do not ensure that new payees are selected timely when the existing payees die. Based on our review, we estimate that 2,025 deceased payees received



\$20.9 million in Social Security benefits, and 837 deceased payees received \$4.6 million in SSI payments.

Even though most of the beneficiaries and recipients whose records we reviewed had their needs met while monies were being paid to deceased payees, some individuals could be at risk. We acknowledged that SSA had taken steps to improve its performance in this area, with plans to update computer systems in March 2007 to further address this issue. In addition, SSA agreed with our recommendations, including that the Agency: (1) ensure that the needs of the remaining beneficiaries and recipients in our population are being met and that all deceased payees are replaced with new payees; and (2) continue its efforts to upgrade systems to ensure that deceased payees are identified and replaced.

Benefit Payment Audit: SSA's Collection of Court-Ordered Restitution

In this review, we examined the records of individuals who were ordered by courts to pay restitution to SSA as part of a fraud conviction, to assess SSA's success in collecting these funds. We identified 488 individuals who were ordered in FY 2004 to pay restitution of more than \$10,000, totaling about \$23 million. We examined these individuals' records for evidence of court-ordered restitution, the related benefit overpayments, and any repayments made. We also reconciled SSA's recorded cases to those recorded with the DOJ.

We found room for improvement in SSA's efforts to collect overpayments related to court-ordered restitution. We found that SSA was actively receiving repayment from 82 (16.9 percent) of the 488 individuals

whose records we reviewed. For 259 individuals (53 percent), SSA records showed that they were ordered to pay restitution, but repayments were not being made at the time of our review. For the remaining 147 (30.1 percent) of the 488 individuals, we found no record of either an overpayment or repayment in SSA's electronic systems. These 147 individuals were ordered by courts to repay over \$7 million in restitution, which included overpayments, fines and penalties. In addition, we found that 53 of these 147 were not recorded on DOJ debt collection records either. Finally, our review found that SSA staff lacked updated procedures regarding how to recover overpayments related to court-ordered restitution.

SSA agreed with our recommendations, including that SSA record and/or pursue collection efforts for those individuals in our review who were not making restitution; and establish coordinated collection efforts with DOJ to ensure that all restitution-related overpayments are pursued.

Value Attained Through Investigations



During this reporting period, the efforts of our investigators yielded significant results arising from the successful prosecution of cases that we developed. Our investigators achieved over \$179 million in investigative accomplishments, with over \$38 million in SSA recoveries, restitution, fines, settlements, and judgments and over \$140 million in projected savings from investigations resulting in the suspension or termination of benefits.



The following table represents the efforts of OI personnel nationwide to recover SSA funds paid in fraudulent benefits or through other illegal actions.

The case summaries below are indicative of the more than 5,300 investigations that we closed during this reporting period. The cases we have highlighted illustrate the many instances where our investigative efforts have afforded a significant return on the investment of our staff and resources.

SSA Funds Reported (10/01/06 – 3/31/07)	
Recoveries	\$21,845,480
Fines	\$784,847
Settlements/Judgments	\$522,088
Restitution	\$15,115,742
Estimated Savings	\$140,814,075
Total	\$179,082,232

SSN Misuse: Man Defrauds 9/11 Grant Program of \$118,876

Agents from our New York City office opened this investigation based on a request for investigative assistance from the U.S. Department of Housing and Urban Development OIG. The investigation revealed that a man had misused other people’s SSNs to defraud the World Trade Center Business Recovery and Grant Program of \$118,876, and attempted to defraud the World Trade Center Small Firm Attraction and Retention Grant Program of \$50,000. These grant programs were established following the September

11 terrorist attacks to provide assistance to businesses in lower Manhattan that had been affected by the attacks. The man pled guilty to theft of government property, mail fraud, and SSN misuse. In November 2006, he was sentenced to 15 months’ incarceration and was ordered to make full restitution to the World Trade Center Business Recovery and Grant Program.

SSN Misuse: Grocery Chain Ordered to Pay Restitution to Locked-Out Employees

Our Los Angeles office initiated an investigation of a grocery store chain based upon information provided by the United States Attorney’s Office for the Central District of California. Our investigation revealed that the company conspired to rehire hundreds of employees it had locked out during a labor dispute by asking them to use false names and SSNs. The grocery store chain also failed to make proper and adequate contributions to employee benefit funds, and attempted to conceal this information from the Government.

In November 2006, the corporation pled guilty to conspiracy, false representation of an SSN, falsification and concealment of material facts, and making false statements. The corporation was sentenced to 3 years’ probation and was ordered to pay a \$20 million fine as well as restitution of \$50 million to the locked-out employees.

Disability Program Fraud: Woman Using Two SSNs Defrauds SSA of \$137,183

Our Indianapolis office initiated this investigation based on a referral received from SSA’s Center for Security and Integrity in Chicago. A Title II disability beneficiary was allegedly receiving SSA benefits under two different names and SSNs, and failed to



report her employment and income to SSA. Our investigation found that the woman had obtained a second SSN in a different name, and in April 1988, she applied for disability benefits using that name and SSN. She was awarded benefits, which she received until 2005. From 1989 – 2004, she was also employed under her real name, earning more than \$200,000.

In November 2003, the woman applied for and was awarded Title II disability benefits under her real name, falsely stating that she had not previously filed a benefit application with SSA. From 1992 – 2005, she received \$137,183 in Title II disability benefits under both identities. The woman admitted to our agents that she concealed her two identities from SSA because she needed the money to pay her own personal expenses. The woman pled guilty to making false statements to SSA, and was sentenced in November 2006 to 5 months' incarceration and 5 months' supervised release. She was ordered to pay full restitution to SSA.

Disability Program Fraud: Psychologist Fakes Mental Disorder to Receive Disability Benefits

Our Ft. Lauderdale office conducted this investigation based on a referral from the Florida Department of Financial Services, Division of Insurance Fraud. The referral alleged that a disabled man was working and receiving Social Security benefits. Our investigation revealed that a Title II disability beneficiary, receiving benefits for a mental condition, concealed his self-employment income as a psychologist. He also served as a psychologist in the military reserves while holding the rank of captain. Our investigation further revealed that on six occasions he falsely claimed nonreceipt of his benefit check, and then cashed both the original and replacement checks. In October 2006, after pleading guilty to theft of Government funds, the man was

sentenced to 5 months' incarceration and 3 years' supervised release, and was ordered to pay restitution of \$125,227 to SSA.

Disability Program Fraud: Construction Company Owner Conceals Work Activity

Our San Francisco office initiated this investigation upon receiving an allegation of work concealment from the Lodi, California SSA office. The investigation revealed that, in 2001, a man applied for and was awarded Title II disability benefits, but failed to advise SSA that he was still working. The man then continued to operate a construction company while collecting disability payments. As a result of our investigation, SSA determined that the man was ineligible for benefits from his date of entitlement, and terminated his and his children's benefits. The man pled guilty to failing to report an event affecting benefits, and was sentenced in February 2007 to 5 months' incarceration, 5 months' community confinement, and 3 years' supervised release. He was also ordered to pay restitution of \$107,678 to SSA.

Representative Payee Fraud: Daughter Cashes Deceased Mother's Social Security Checks

Agents from our Batavia, New York office investigated a representative payee who concealed her mother's death. Our investigation revealed that the woman, who acted as representative payee for her mother, an SSI recipient, continued to receive and negotiate her mother's checks after her mother's death. We determined that the checks were for the period of December 1993 – May 2005. In December 2006, after pleading guilty to theft of Government funds, the woman was sentenced to 5 years' supervised probation and was ordered to pay restitution of \$81,438 to SSA.



Representative Payee Fraud: Mother Fails to Notify SSA of Son’s Work

Agents in our Jackson, Mississippi office opened an investigation of a representative payee based on a referral from the SSA area director’s office. We determined that a woman who acted as representative payee for her son had failed to notify SSA when he returned to work. When interviewed by our agents, she admitted concealing her son’s employment activity, and converting his Title II disability benefits to her own personal use. The woman pled guilty to failing to report an event affecting benefits and was sentenced in December 2006 to 6 months’ home confinement and 5 years of supervised release. She was also ordered to pay restitution of \$52,070 to SSA.

Double Check Negotiation (DCN) Project: Woman Claims Non-Receipt of 17 Replacement SSI Checks

Our Pittsburgh, Pennsylvania office conducted this investigation as part of the national DCN project, which targets individuals who repeatedly allege non-receipt of SSI checks in order to receive a replacement check, and then cash both the original and replacement checks. This investigation, which originated as a referral from the Monroeville, Pennsylvania SSA office, revealed that an SSI recipient cashed 17 replacement checks for herself, her son, and her daughter after she had already cashed the original checks. These double-check negotiations, totaling \$8,934, occurred from August 2001 – December 2005. The woman entered into a pretrial diversion program in November 2006, agreeing to full restitution to SSA via a monthly reduction of her SSI payment.

Value Attained Through Legal Initiatives

Our efforts to administer that portion of the CMP program that deals with violators of Section 1129 of *the Act*, also maximize the resources available to us and create a positive return on investment. Section 1129 of *the Act* allows OCCIG to impose CMPs against those who make false statements or representations in connection with obtaining, or retaining benefits or payments under Titles II, VIII, or XVI of *the Act*. *The Social Security Protection Act of 2004* (Public Law 108-203) extended CMP authority to penalize representative payees for wrongful conversion of payments made under the Social Security programs, and to penalize individuals who knowingly withhold a material fact. After consultation with DOJ, OCCIG is authorized to impose penalties of up to \$5,000 against individuals for each false statement, representation, conversion, or omission. A person may also be subject to an assessment, in lieu of damages, of up to twice the amount of any overpayment.

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

False Statements Under Section 1129 Results (10/01/06 – 3/31/07)	
Cases Received	272
Cases Initiated	173
Cases Closed	255
Penalties and Assessments	\$1,296,251
Number of Hearings Requested	10



Retired Officer Penalized for Concealing Income and Resources to Receive SSI

In 2004, SSA began to receive IRS alerts regarding a retired Pennsylvania State police officer who was receiving SSI based on an injury he sustained in the line of duty. The IRS indicated that the man was also receiving a pension and earning wages. Between May 2004 – March 2006, SSA interviewed the man six times regarding these IRS alerts. Each time, the man denied that any of the earnings belonged to him, claiming instead that he had been the victim of identity theft.

An OIG investigation subsequently revealed that the man was, indeed, receiving a disability pension from the Commonwealth of Pennsylvania, and also that he held two jobs. He worked as a dog and horse trainer, frequently winning purses related to the animals he trained, and he taught a forensic science class at a local community college. Because he failed to report any of this income to SSA, the man fraudulently received more than \$50,000 in SSI payments.

In a CMP action, OCCIG identified each false statement made to facilitate this fraud scheme. Ultimately, OCCIG negotiated a settlement with the retired officer in which he agreed to pay an assessment in lieu of damages of \$51,000 and a penalty of \$15,000.

Massachusetts Woman Agrees to CMP of \$39,561 for Concealing Marriage

On five occasions from April 2002 – January 2005, a Massachusetts woman made false statements to SSA on forms used to determine SSI benefit eligibility. Specifically, the woman did not report that she had a husband who was living with her, a material fact which made her and her six minor children ineligible for benefits. An OIG investigation confirmed that the woman had lived with her husband since 1999. As a result of the woman's false statements, SSA overpaid the woman

\$29,561. OCCIG negotiated a settlement in which the woman agreed to pay \$39,561, which includes the overpayment as well as a \$10,000 penalty.

Denver Mother Falsely Claiming Custody of Son Assessed \$19,954 Penalty

In an attempt to increase her monthly SSI payment, a Denver woman made a false statement regarding her living arrangements. She reported to SSA that her son had been living with her since April 1999. However, our OI determined that the boy had been living with his father since at least February 1998.

OCCIG imposed an assessment in lieu of damages of \$14,954 in addition to a penalty of \$5,000 for making the false statement regarding her living arrangements. The subject failed to respond to any OCCIG correspondence regarding a settlement negotiation, and did not request a hearing to challenge the penalty and assessment. As a result, the \$19,954 CMP became final by default, the \$19,954 CMP became final by default, and is currently being collected by SSA.



PEOPLE

We credit our continued success to our employees. We are committed to maintaining a highly skilled and motivated workforce. OIG leadership fosters an environment where employees are strongly encouraged to take advantage of career-enhancing training opportunities and developmental assignments. The OIG Organizational Health Committee annually assesses employee satisfaction levels and seeks to address areas of concern. In addition, each OIG component conducts annual training conferences that serve the dual purposes of educating and promoting a sense of unity among its employees.

Budget

For FY 2007, our annual appropriation is \$92 million, which funds 605 full-time-equivalents and related support costs. Of this amount, approximately 84 percent goes toward the salaries and benefits of our employees. The remaining 16 percent pays for our support costs, rent and telecommunications, and, discretionary spending (travel, training and general operational procurements). This budget allocation supports our efforts to meet or exceed the expectations stipulated in our *Strategic Plan for Fiscal Years 2006-2010*. The goals and accomplishments measured in our Strategic Plan are also published in the *Annual Congressional Budget Justification*.

Human Capital Planning and Management

OIG managers monitor staffing throughout our organization to ensure that vacant positions are filled swiftly with qualified candidates. Our integrated budget and staffing plan forecasts employee departures based on historical trends and human resource

data. This allows us to determine optimal timeframes for recruiting new employees. We aggressively recruit to ensure that OIG components have the necessary resources to fulfill their respective missions.

We work diligently to pursue and retain the best employees possible. We use structured interviews to fairly and accurately assess job candidates. Our human capital specialists and recruiters participate in job and career fairs nationwide. These events target underrepresented groups in the labor market, allowing us to continue efforts toward creating and maintaining a diverse workforce.

Information Technology (IT)

We provide and maintain most of our own IT systems. We value state-of-the-art tools and place a high priority on ensuring that our employees have the latest proven technologies with which to perform their work.

To support our goal of maintaining a top-notch workforce, we recently implemented an automated system to allow the processing and maintenance of information related to vacancy announcements and hiring of new employees. We also continue to build a comprehensive administrative database which will allow for interconnectivity between all our components. We anticipate launching modules for budget, workflow processing and facilities management.

In support of the President's goal to expand electronic services, we maintain an Internet website which is informative and useful to the public. As more citizens interact with Federal agencies online, we realize the importance of creating and maintaining easy-to-understand web-based services. A workgroup comprised of auditors, investigative personnel, legal experts, and administrative technicians monitors every page and link on our website.



We are committed to ensuring that the public can obtain accurate and helpful information quickly and easily.

We keep abreast of industry trends to determine what new technologies may best be suited for enhancing our business processes. During this reporting period, we have begun to implement technology that will improve our disaster recovery capabilities. In addition, our software specialists and contract personnel continue to enhance and expand our National Investigative Case Management System, which serves as a model for case management across the Federal Government.

Outreach Efforts

We are always seeking new ways to reach out to the wider Federal community as well as to members of the public. In a variety of venues, we share our mission of promoting integrity and excellence in Social Security programs and operations. These occasions are important opportunities to exchange information and forge partnerships. They also give us the chance to educate and inspire public confidence in Federal programs.

Following are highlights of our outreach efforts during this reporting period:

- The Inspector General spoke to the Baltimore chapter of the Association of Government Accountants regarding "Safeguarding the Social Security Number" in November 2006.
- The Special Agent-in-Charge of our Philadelphia Field Division helped create a mentoring program in cooperation with the National Organization of Black Law Enforcement Executives and the Delaware Police Chiefs Foundation. The program is designed to connect graduates and college students with law enforcement executives, managers, supervisors, and line officers in

the law enforcement field, and allows the individual an opportunity to learn about an agency in their area of interest.

- In March 2007, the Special Agent-in-Charge of our Denver Field Division organized a conference for Federal and local law enforcement regarding the growing challenge of identity theft, in coordination with the Federal Trade Commission.

In addition, our External Relations Division has been working to deliver OIG's messages to the public through interviews with television and print media outlets across the country. In November 2006, our Deputy Chief Counsel for External Relations gave a live television interview to a local Fox affiliate warning the public about a scam in which individuals were posing as Social Security employees to steal benefit payments from elderly Baltimore residents. We have also provided information for newspaper articles concerning SSN misuse and fraudulent identity document rings.

Hurricane Response Efforts

We continue to be actively involved in pursuing investigations of fraud related to Hurricanes Katrina and Rita and helping SSA prepare for similar events in the future. Our auditors have completed three hurricane-related audits, assessing SSA's service delivery and its accountability over: 1) duplicate payments, equipment, and records; and 2) disaster relief funds. In addition, attorneys from our Office of the Chief Counsel have represented the OIG on the PCIE Homeland Security Roundtable, the collaborative effort for hurricane recovery oversight across Federal agencies.

Because the SSN is a key identifier for the various relief programs, SSA OIG is a critical partner in multi-agency investigations of hurricane-related fraud. At the close of this reporting period, our OI had opened



57 investigations and secured 42 indictments and 28 convictions of individuals for hurricane-related fraud. Following are highlights of our hurricane-related investigative activity during this reporting period.

Woman Fraudulently Claims Daughters Died in Hurricane

Agents from our Swansea, Illinois office investigated a 34-year-old SSI recipient who concealed information from SSA. The investigation revealed that the woman was receiving SSI because she failed to report her marriage and her husband's income. In addition, the woman obtained \$4,358 from the Federal Emergency Management Agency (FEMA) in September 2005 by using a false SSN to file for hurricane assistance through the internet. Before her scam was exposed, the woman presented a gut-wrenching account of how Hurricane Katrina's floodwaters washed away her two young daughters (ages 5 and 6) and displaced her, destroying everything she owned and forcing her to flee to Belleville, Illinois.

Our review of SSA records indicated that the woman actually had moved from Arkansas to Belleville in July 2004, and was not near the Gulf Coast when Hurricane Katrina came ashore. SSA records also showed no evidence that the woman had daughters. In January 2006, after pleading guilty to defrauding SSA, the woman was sentenced to 4 years in Federal prison and was ordered to pay restitution of \$24,000 for various offenses, including \$13,266 to SSA.

Man Applies for Hurricane Relief Funds Using Multiple False Identities

Agents from our Baton Rouge, Louisiana office, in coordination with the FBI, United States Secret Service, DHS OIG, and various other agencies, investigated a 41-year-old Orlando, Florida resident who fraudulently

received Disaster Unemployment Assistance funds. The man submitted numerous applications containing false identities and SSNs to the Louisiana Department of Labor, claiming that the identities were victims of Hurricane Katrina. As a result of his actions, he fraudulently received \$15,092 in hurricane relief monies. In October 2006, after pleading guilty to wire fraud and illegal use of an SSN, the man was sentenced to 18 months' incarceration and 5 years' supervised release, and was ordered to pay restitution of \$15,092 to FEMA.

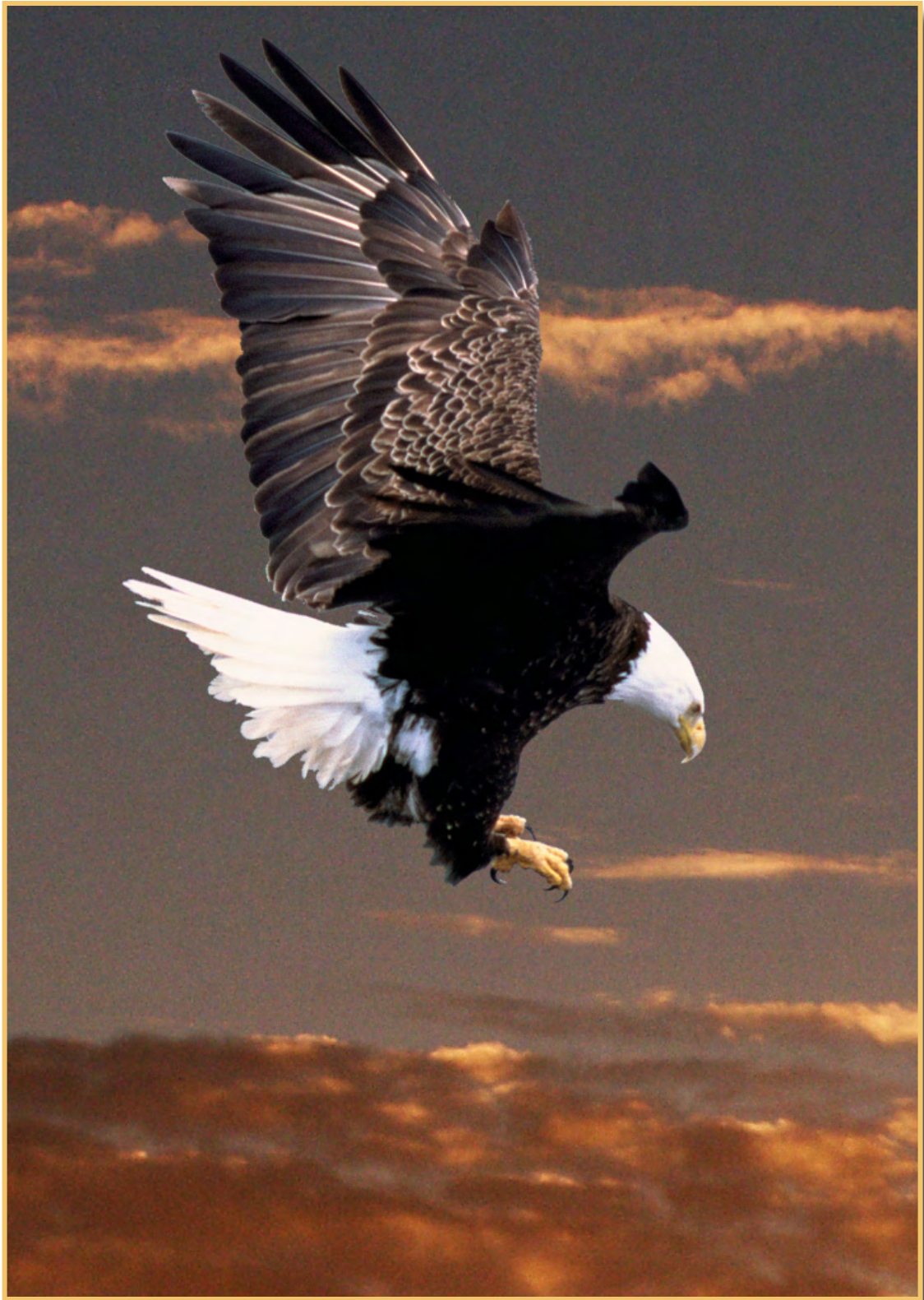
Woman Sentenced to 18 Months in Prison for Defrauding FEMA

In cooperation with the FBI, DHS OIG, United States Secret Service, and other agencies, agents from our Baton Rouge, Louisiana office investigated a 27-year-old Baton Rouge resident for making a fraudulent FEMA application. Our investigation revealed that the woman had filed a fraudulent FEMA application for hurricane disaster aid using a false New Orleans address and a false SSN. In October 2006, after pleading guilty to making a false claim, she was sentenced to 18 months' incarceration and 3 years' supervised release, and ordered to pay restitution of \$2,000 to FEMA.

A Special Thank You

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

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





REPORTING REQUIREMENTS AND APPENDICES



Reporting Requirements

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

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



Appendix A: Resolving Audit Recommendations

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

Reports with Questioned Costs for the Reporting Period October 1, 2006 through March 31, 2007			
	Number	Value Questioned	Value Unsupported
A. For which no management decision had been made by the commencement of the reporting period.	7	\$42,090,644	\$0
B. Which were issued during the reporting period.	14 ^a	\$443,275,795	\$75,384
Subtotal (A + B)	21	\$485,366,439	\$75,384
Less:			
C. For which a management decision was made during the reporting period.	10	\$458,499,979	\$333
i. Dollar value of disallowed costs.	8	\$241,518,027	\$333
ii. Dollar value of costs not disallowed.	2	\$216,981,952	\$0
D. For which no management decision had been made by the end of the reporting period.	12	\$26,866,460	\$75,051

a. See *Reports with Questioned Costs* in Appendix B of this report.



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

Reports with Recommendations that Funds Be Put to Better Use Reporting Period October 1, 2006 through March 31, 2007		
	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	1	\$4,600,155
B. Which were issued during the reporting period.	10 ^a	\$2,804,782,399
Subtotal (A + B)	11	\$2,809,382,554
Less:		
C. For which a management decision was made during the reporting period.		
i. Dollar value of recommendations that were agreed to by management.		
(a) Based on proposed management action.	4	\$110,407,498
(b) Based on proposed legislative action.	0	\$0
ii. Dollar value of costs not agreed to by management.	2	\$128,142,155
Subtotal (i + ii)	6	\$238,549,653
D. For which no management decision had been made by the end of the reporting period.	5	\$2,570,832,901

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



Appendix B: Reports Issued

Reports with Non-Monetary Findings October 1, 2006 through March 31, 2007		
Audit Number	Report	Issue Date
A-03-05-25009	Effectiveness of the Young Children's Earnings Records Reinstatement Process	10/20/2006
A-77-07-00001	Management Advisory Report: Single Audit of the State of Florida for the Fiscal Year Ended June 30, 2005	10/27/2006
A-77-07-00002	Management Advisory Report: Single Audit of the State of Maryland for the Fiscal Year Ended June 30, 2005	10/27/2006
A-02-07-17075	Inspector General Statement on the Social Security Administration's Major Management Challenges	11/3/2006
A-15-06-16099	Social Security Administration's Financial Report for Fiscal Year 2006	11/7/2006
A-77-07-00003	Management Advisory Report: Single Audit of the State of New York for the Fiscal Year Ended March 31, 2005	11/22/2006
A-77-07-00004	Management Advisory Report: Single Audit of the Commonwealth of Pennsylvania for the Fiscal Year Ended June 30, 2005	11/22/2006
A-15-07-17031	Costs Claimed by the Association of University Centers on Disabilities Contract Number 600-01-60127 (Limited Distribution)	12/1/2006
A-77-07-00005	Management Advisory Report: Single Audit of the State of South Carolina for the Fiscal Year Ended June 30, 2005	12/4/2006
A-03-06-26106	Congressional Response Report: Employer Feedback on the Social Security Administration's Verification Programs	12/14/2006
A-08-06-26100	Congressional Response Report: Accuracy of the Social Security Administration's Numident File	12/18/2006
A-14-05-14042	Impact of Unauthorized Employment on Social Security Benefits	12/21/2006
A-15-06-16091	MAXIMUS' Indirect Cost Rates for Fiscal Years 2002 and 2003 (Limited Distribution)	12/21/2006
A-14-06-16023	General Controls Review of the Florida Division of Disability Determinations Claims Processing System	1/10/2007
A-13-06-26097	Follow-up: Analysis of Information Concerning Representative Payee Misuse of Beneficiaries' Payments	1/18/2007
A-05-07-17058	Contract for the Meridian Management Corporation at the Great Lakes Program Service Center (Limited Distribution)	1/29/2007
A-77-07-00007	Management Advisory Report: Single Audit of the Hawaii Department of Human Services for the Fiscal Year Ended June 30, 2005	2/5/2007
A-09-06-16101	The Las Vegas Social Security Card Center	2/8/2007
A-15-06-16065	Controls over Representative Payee Accounting of Social Security Funds	2/26/2007
A-77-07-00008	Management Advisory Report: Single Audit of the Government of the District of Columbia for the Fiscal Year Ended September 30, 2005	2/27/2007



Reports with Non-Monetary Findings October 1, 2006 through March 31, 2007		
Audit Number	Report	Issue Date
A-15-06-16111	Performance Indicator Audit: Electronic Service Delivery	3/8/2007
A-15-06-16109	Performance Indicator Audit: Claims Processing	3/16/2007
A-06-06-26138	The Social Security Administration's Accountability of Federal Emergency Management Agency Funds Provided for Hurricane Relief Efforts	3/23/2007
A-77-07-00009	Management Advisory Report: Single Audit of the State of Illinois for the Fiscal Year Ended June 30, 2005	3/23/2007
A-77-07-00011	Management Advisory Report: Single Audit of the State of New Jersey for the Fiscal Year Ended June 30, 2005	3/23/2007
A-12-06-26130	Management's Use of Workload Status Reports at Hearing Offices	3/26/2007



Reports with Questioned Costs October 1, 2006 through March 31, 2007			
Audit Number	Issue Date	Report	Dollar Amount
A-01-06-16041	10/27/2006	Administrative Costs Claimed by the Vermont Disability Determination Services	\$3,362
A-01-06-26105	11/14/2006	Supplemental Security Income Recipients Whose Medicare Benefits Were Terminated Due to Death	\$490,288
A-04-05-15133	11/22/2006	Title II Disability Insurance Benefits with a Workers' Compensation Offset	\$216,278,326
A-01-06-26131	12/11/2006	Title II Beneficiaries in England	\$24,049
A-01-06-21093	12/20/2006	Childhood Continuing Disability Reviews and Age 18 Redeterminations	\$199,165,109
A-77-07-00006	1/18/2007	Management Advisory Report: Single Audit of the State of Washington for the Fiscal Year Ended June 30, 2005	\$76,021
A-13-06-16029	2/5/2007	Administrative Costs Claimed by the Maryland Disability Determination Services	\$151,641
A-02-06-26019	3/2/2007	The Social Security Administration's Collection of Court-ordered Restitution	\$18,340,375
A-02-06-25141	3/23/2007	Direct Deposits for Multiple Title XVI Recipients into the Same Bank Account	\$1,226,318
A-07-07-17045	3/23/2007	Kansas Department of Social and Rehabilitation Services, an Organizational Representative Payee for the Social Security Administration	\$8,840
A-15-06-16127	3/23/2007	Administrative Costs Claimed by the Florida Division of Disability Determinations	\$2,379,104
A-04-06-16053	3/30/2007	Administrative Costs Claimed by the Tennessee Disability Determination Services	\$2,449,320
A-15-07-27117	3/30/2007	Defense Contract Audit Agency's Audit of Lockheed Martin Services, Inc. Incurred Costs for Calendar Year Ending December 31, 2004 (DCAA Report Number 6501-2004B10100001)	\$2,551,124
A-77-07-00010	3/30/2007	Management Advisory Report: Single Audit of the Puerto Rico Department of the Family for the Fiscal Year Ended June 30, 2003	\$207,302
TOTAL			\$443,351,179



Reports with Funds Put to Better Use October 1, 2006 through March 31, 2007			
Audit Number	Issue Date	Report	Dollar Amount
A-01-06-16054	10/27/2006	Follow up on the Social Security Administration's Procedures to Identify Representative Payees Who Are Deceased	\$25,504,667
A-01-06-26105	11/14/2006	Supplemental Security Income Recipients Whose Medicare Benefits Were Terminated Due to Death	\$237,103
A-04-05-15133	11/22/2006	Title II Disability Insurance Benefits with a Workers' Compensation Offset	\$83,144,832
A-01-06-26131	12/11/2006	Title II Beneficiaries in England	\$17,628
A-01-06-21093	12/20/2006	Childhood Continuing Disability Reviews and Age 18 Redeterminations	\$105,552,612
A-07-05-15094	12/21/2006	Impact of Statutory Benefit Continuation on Disability Insurance Benefit Payments Made During the Appeals Process	\$44,997,323
A-09-06-26086	1/8/2007	Government Pension Offset Exemption for Texas School Districts' Employees	\$2,537,391,759
A-02-06-25141	3/23/2007	Direct Deposits for Multiple Title XVI Recipients into the Same Bank Account	\$264,390
A-06-06-16117	3/26/2007	Administrative Costs Claimed by the Commonwealth of Puerto Rico Disability Determination Program	\$1,107,250
A-04-06-16053	3/30/2007	Administrative Costs Claimed by the Tennessee Disability Determination Services	\$6,564,835
TOTAL			\$2,804,782,399



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

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

OFFICE OF INVESTIGATIONS

We are reporting over \$38 million in SSA funds as a result of our investigative activities in this reporting period. These funds are broken down in the table below.

Investigative Activities			
	1st Quarter	2nd Quarter	Total
Court Ordered Restitution	\$7,012,788	\$ 8,102,954	\$15,115,742
Recoveries	\$11,082,762	\$ 10,762,718	\$21,845,480
Fines	\$225,727	\$559,120	\$784,847
Settlements/ Judgments	\$212,252	\$309,836	\$ 522,088
TOTAL	\$18,533,529	\$ 19,734,628	\$ 38,268,157

OFFICE OF AUDIT

SSA management has informed us that it has completed implementing recommendations from 5 audit reports during this time period valued at over \$185 million.

Assessment of the Enumeration at Entry Process (A-08-04-14093, 3/15/2005)

We recommended that SSA continue to work with the State and DHS to resolve data incompatibility issues, including name standardization. The implemented recommendation is valued at \$3,285,960.

The Social Security Administration's Controls over the Suspension of Title XVI Overpayment Collection Efforts (A-04-04-24029, 4/12/2005)

We recommended that SSA issue a reminder and, if necessary, further guidance to SSA debt collection staff requiring that they fully develop and document overpayment suspension decisions, as required by SSA policy. The implemented recommendation is valued at \$75,760,500.



*Childhood Continuing Disability Reviews and Age 18 Redeterminations
(A-01-06-21093, 12/20/2006)*

We recommended that SSA conduct childhood CDRs at least every 3 years for children under age 18 whose impairments are likely to improve in accordance with *the Act's* provisions. We also recommended that SSA conduct age-18 redeterminations by the time recipients attain age 20. The implemented recommendation is valued at \$105,552,612.

*Beneficiaries Paid Under More than One Social Security Number
(A-01-06-26022, 8/10/2006)*

We recommended that SSA continue to work with OI on cases identified during our audit and assess overpayments where appropriate. The implemented recommendation is valued at \$849,983.

Title II Beneficiaries in England (A-01-06-26131, 12/11/2006)

We recommended that SSA terminate benefits for two Title II beneficiaries based upon our review. The implemented value of this recommendation is \$17,628.

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

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



Appendix E: Collections From Investigations and Audits

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

OFFICE OF INVESTIGATIONS

Total Restitution Reported by DOJ as Collected for SSA			
FY	Total Number of Individuals Assigned Court Ordered Restitution	Court Ordered Restitution for This Period	Total Restitution Collected by DOJ
2005	661	\$22,292,757	\$1,753,601
2006	578	\$18,817,909	\$1,447,402
2007 ¹	349	\$15,115,742	\$309,386
TOTAL	1,588	\$56,226,408	\$3,510,389

¹Reflects collection for October 1, 2006– December 31, 2006

Recovery Actions Based on OI Investigations		
FY	Total Number of Recovery Actions Initiated	Amount for Recovery
2005	1,686	\$30,908,777
2006	1,865	\$35,492,314
2007 ¹	1,185	\$21,845,480
TOTAL	4,736	\$ 88,246,571

¹Reflects data for October 1, 2006– March 31, 2007



OFFICE OF AUDIT

The following chart summarizes SSA's responses to our recommendations for the recovery or redirection of questioned and unsupported costs. This information is prepared in coordination with SSA's management officials and is current as of March 31, 2007.

SSA's Responses to OIG's Recommendations Recovery or Redirection of Questioned and Unsupported Costs						
FY	Reports with Questioned Costs	Questioned/Unsupported Costs	Management Concurrence	Amount Collected or to be Recovered	Amount Written-Off/Adjustments	Balance
2005	24	\$374,930,433	\$363,916,161	\$173,530,234	\$120,328,421 ¹	\$75,538,490
2006	24	\$1,373,740,596	\$1,245,415,125	\$1,164,094,843	\$129,567,145	\$80,078,608
2007	14	\$443,351,179	\$201,006,283	\$1,347,524	\$216,278,326	\$225,725,329
TOTAL	62	\$2,192,022,208	\$1,810,337,569	\$1,338,972,601	\$466,173,892	\$381,342,427

¹This amount includes \$109,196,018 in adjustments that were contained in the report, *School Attendance by Student Beneficiaries Over Age 18 (A-09-04-14013, 1/31/05)*. We recommended that SSA evaluate the feasibility of establishing overpayments and initiating collection activities for the remaining incorrect and unsupported payments questioned by our audit. SSA agreed but, the probability of collecting any overpayments from these beneficiaries is very low. SSA has evaluated the feasibility of processing this workload and has determined that it does not have the resources needed to complete it, especially given the low rate of return. However, due to the audit, SSA is working with the processing centers to determine ways to make the student process less vulnerable to incorrect payments.



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

The Social Security Administration's Controls over the Old-Age, Survivors and Disability Insurance Waiver Approval Process (A-13-05-15027, 2/1/2006)

Recommendation: Alert employees to follow policies and procedures when approving waivers for Old-Age, Survivors and Disability Insurance (OASDI) overpayments that exceed \$500 regarding decisions of whether beneficiaries are without fault for the overpayment; and recovery of the overpayment would either defeat the purpose of Title II of *the Act* or be against equity and good conscience.

Valued at: \$11,146,465 in questioned costs.

Agency Response: SSA agreed with the recommendation but disagreed with the dollar amount.

Corrective Action: SSA was to issue a reminder in the form of an Administrative Message and to request that the Office of Training present it during one of the transmittal training broadcast sessions no later than March 2006. Operations continues activities to implement this audit recommendation. The Administrative Message is in the draft stage, comments from other components are being consolidated prior to publication for national use.

The Social Security Administration's Controls over the Write-off of Title XVI Overpayments (A-04-05-15041, 1/20/2006)

Recommendation: Issue a reminder to SSA field office personnel to fully develop and document overpayment write-off decisions, as required by Program Operations Manual System (POMS), and implement a mechanism to monitor their compliance.

Valued at: \$49,067,615 in questioned costs.

Agency Response: SSA agreed with the recommendation.

Corrective Action: The current POMS instructions were to be revised to provide the specific steps to be taken, detail the criteria that must be met, and clearly identify what documentation is required. SSA expected to complete the revisions and issue revised POMS by the end of the third quarter of 2006. Additionally, SSA was to ensure that the POMS revisions were presented to the field offices through a transmittal training broadcast. In terms of implementation of a mechanism to monitor compliance, SSA was developing a project known as "Discrete TAC Codes." When an overpayment determination is made, the "TAC Code" (this is referenced in the report as "transaction code") would be recorded to show the disposition of the overpayment. This enhancement, expected to be implemented in late FY 2006, would ensure better documentation of the overpayment disposition process. SSA believes the implemented 2-personal identification number (PIN) management approval process, along with updated POMS instructions, will be sufficient monitoring of the documentation used to support proper write-off of uncollectible funds. The initial implementation to provide TAC codes clarifying overpayment decisions was completed in July 2006. The Administrative Message addressing this recommendation is pending. POMS procedure is currently being revised for clarification.



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

The Social Security Administration's Controls over the Write-off of Title XVI Overpayments (A-04-05-15041, 1/20/2006)

Recommendation: We encouraged the Agency to issue a reminder and, if necessary, further guidance to SSA field office personnel on the proper disposition of overpayments resulting from Goldberg-Kelly type payments.

Agency Response: SSA agreed with the recommendation.

Corrective Action: Additional information to provide explicit direction was to be provided in the POMS. POMS SI 02301.310B requires the SSA representative to explain to the recipient that he "might" have to repay incorrect payments if he loses the appeal. This section was to be revised to include Goldberg-Kelly overpayment information so that field office personnel will be required to provide a recipient with an explanation and to emphasize the recipients' responsibility to repay incorrect payments made during the appeal period. The Agency was to clarify the POMS instructions and issue revisions by the end of the third quarter of 2006. Operations will continue their efforts to implement this audit recommendation.

Recommendation: Ensure that all uncollectible overpayment decisions exceeding established thresholds are reviewed and approved by appropriate SSA management officials, as required by POMS.

Agency Response: SSA agreed with the recommendation.

Corrective Action: The field offices were to be reminded that SSA policy requires management review even for those cases when numerous smaller overpayments may exceed the specified tolerance and the system does not automatically present the 2-PIN process. The Agency was to issue a reminder to field office personnel by February 2006. The POMS procedure is currently being revised for clarification.

The Social Security Administration's Controls over the Old-Age, Survivors and Disability Insurance Waiver Approval Process (A-13-05-15027, 2/1/2006)

Recommendation: Ensure required secondary peer review and sign-off occurs for waivers of overpayments greater than \$2,000.

Agency Response: SSA agreed with the recommendation.

Corrective Action: Based on the discussion of this issue during the entrance conference, it is only the paper documentation that lacked a "second signature" review based on the amount of overpayment. When a waiver approval is input into the Debt Management System (DMS), the program looks at the amount of the overpayment. If the debt amount is greater than \$2,000, the DMS holds the transaction until the Review Waiver Disposition is completed. Therefore, all of the waivers posted to the Recovery of Overpayments, Accounting and Reporting system obtained a "second PIN" signature signifying that the second review had been completed. However, SSA was to remind the field offices that the secondary peer reviewer needs to sign the SSA-635 Waiver Determination to ensure proper documentation. Operations continues activities to implement this audit recommendation.



GLOSSARY OF ACRONYMS

Abbreviation	Definition
ALJ	Administrative Law Judge
CDI	Cooperative Disability Investigation
CDR	Continuing Disability Review
CMP	Civil Monetary Penalty
CMS	Centers for Medicare and Medicaid Services
CPMS	Case Processing and Management System
DCN	Double Check Negotiation
DHS	Department of Homeland Security
DI	Disability Insurance
DMS	Debt Management System
DOJ	Department of Justice
ESF	Earnings Suspense File
FBI	Federal Bureau of Investigation
FEMA	Federal Emergency Management Agency
FY	Fiscal Year
GPO	Government Pension Offset
IO	Immediate Office
IT	Information Technology
IRS	Internal Revenue Service
LVSSCC	Las Vegas Social Security Card Center
OA	Office of Audit
OASDI	Old-Age, Survivors, and Disability Insurance
OCCIG	Office of the Chief Counsel to the Inspector General
ODAR	Office of Disability Adjudication and Review
OI	Office of Investigations
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OQAPR	Office of Quality Assurance and Professional Responsibility



Abbreviation	Definition
ORM	Office of Resource Management
PCIE	President's Council on Integrity and Efficiency
PIN	Personal Identification Number
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSNVS	Social Security Number Verification Service
<i>the Act</i>	<i>Social Security Act</i>
USMS	United States Marshals Service
WC	Workers' Compensation
YCER	Young Children's Earnings Record

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Published May 2007