
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**THE SOCIAL SECURITY ADMINISTRATION'S
COMPLIANCE WITH PRESIDENTIAL
EXECUTIVE ORDER 13224
PROHIBITING TRANSACTIONS WITH
PERSONS WHO COMMIT, THREATEN TO
COMMIT, OR SUPPORT TERRORISM**

September 2005

A-08-05-15093

AUDIT REPORT



Mission

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



SOCIAL SECURITY

MEMORANDUM

Date: September 9, 2005

Refer To:

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Compliance with Presidential Executive Order 13224 Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism (A-08-05-15093)

OBJECTIVE

Our objective was to determine what actions the Social Security Administration (SSA) had taken to ensure it was not making payments to individuals or organizations on the Department of the Treasury's (Treasury) list of persons who commit, threaten to commit, or support terrorism.

BACKGROUND

In September 2001, President Bush signed Executive Order 13224 (EO 13224), *Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism*, giving the Government a means to impede terrorist funding. On December 18, 2002, Treasury issued *Financial Manual, Bulletin No. 2003-04*, notifying Federal agencies of the implementation of EO 13224. The Bulletin states Federal agencies must not make payments or draw checks or warrants payable to an individual or organization listed on the Office of Foreign Assets Control's (OFAC)¹ website of persons who commit, threaten to commit, or support terrorism.

¹ OFAC, within Treasury, administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign countries, terrorists, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction.

To accomplish our objective, we interviewed officials from SSA's Office of the Chief Information Officer and obtained OFAC's list of Specially Designated Nationals (SDN) as of June 2004.² From this list, we identified a population of 1,376 individuals and 1,102 companies. We divided the individuals into 2 groups: 894 individuals for whom a partial or complete date of birth was available and 482 individuals for whom a partial or complete date of birth was not available. We randomly selected 50 individuals (25 from each group) and 25 companies to explore the complexities of matching OFAC data with SSA payment records. In addition, we attempted to determine whether SSA had made payments to these individuals and companies. We also contacted several public and private organizations to obtain information on their experiences matching payment records with OFAC's file. See Appendix B for additional information on our audit scope and methodology.

RESULTS OF REVIEW

Despite EO 13224, SSA had not taken all of the necessary steps to ensure it was not making payments to individuals or organizations who committed, threatened to commit, or supported terrorism. Officials from SSA's Office of the Chief Information Officer told us the Agency had not matched payment records for its Title II and XVI programs³ or its Third Party Payment System (TPPS)⁴ with OFAC's file. These officials expressed concerns about the complexities of performing such a match and told us that (1) identifying information in OFAC's file is not always complete or formatted to facilitate retrieval and processing and (2) SSA's voluminous records complicate matching. However, to its credit, SSA uses the Excluded Parties Listing System (EPLS), a database that incorporates OFAC information, to screen potential contractors and grantees.⁵

² OFAC publishes a list of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programs that are not country-specific. Collectively, such individuals and companies are called SDNs. Their assets are blocked, and U.S. persons are generally prohibited from dealing with them.

³ SSA makes monthly payments to about 47 million individuals under the Old-Age, Survivors and Disability Insurance program (Title II) and about 7 million individuals under the Supplemental Security Income program (Title XVI).

⁴ SSA uses TPPS to pay vendors for goods and services, reimburse employees, and provide emergency funds to beneficiaries.

⁵ EPLS identifies those parties excluded from receiving Federal contracts or certain subcontracts and from certain types of Federal financial and nonfinancial assistance and benefits.

Match of OFAC Records with SSA Records

To explore the complexities of matching OFAC data with SSA payment records, we reviewed 50 individuals and 25 companies from OFAC's file. For individuals having partial or complete dates of birth, we identified two potential name matches based on a search of SSA's Alphident database.⁶ Upon further review, we determined that none of these individuals matched current Title II or Title XVI recipients. For OFAC records without partial or complete dates of birth, we identified numerous name matches, but we did not perform additional reviews because of the high volume of names. For example, we identified over 500 potential name matches for 1 individual. We believe SSA should contact Treasury to clarify the Agency's responsibility for matching against OFAC records without partial or complete dates of birth. We did not identify any instances in which SSA made payments to the 25 companies we reviewed.

Although our review of the 50 individuals and 25 companies did not identify any instances in which SSA made payments to these individuals or organizations, we believe SSA should develop a process to match its payment records with OFAC's file. We recognize the complexity of such matching; however, given the importance of preventing payments to known terrorists and terrorist organizations, such a challenge should not discourage SSA from taking steps to match all of its payment records with OFAC's file.

Some Individuals in OFAC's File Had Earnings

We searched OFAC's file and identified seven individuals with a Social Security number (SSN). We determined that SSA had not made payments to these individuals. However, five of these individuals had worked in the United States. In fact, one individual had been employed by a college in a large northern city as recently as 2003. The college terminated his employment following a news report linking him to terrorist groups. To prevent these individuals from receiving SSA payments or benefits, we believe the Agency should flag the earnings and/or Numident⁷ records of such individuals. In addition, we believe SSA should explore sharing earnings information on known terrorists with the Department of Homeland Security (DHS). Earnings information on known terrorists could potentially assist DHS in its mission.

⁶ The Alphident database contains records that allow SSA to search the Agency's master file of all assigned SSNs based on name and date of birth information.

⁷ The Numident database contains records of SSN cards issued over an individual's lifetime, as well as identifying information such as age, place of birth, and parents' names.

Other Large Organizations Match Their Records with OFAC's File

While we recognize the challenge for SSA to match payment records with OFAC's file, other large public and private organizations have done so. For example, the General Services Administration, Treasury, DHS, and the Departments of Justice and State use OFAC's file in their operations. Although we did not attempt to identify all Federal agencies that match payment records with OFAC's file, use by the agencies cited above evidences the possibility and importance of such matches.

In addition, thousands of private organizations, such as insurance and mortgage companies, banks, and security firms match their records with OFAC's file. One large insurance company matches over 5 million payment records (health care members and providers, vendors, and employees) monthly with OFAC's file. The company purchased specialized software that helps the accuracy of matching names, addresses, and other personal identifying information. Another large insurance company performs a similar match on over 16 million payment records monthly. This company developed its own matching software because its information systems were unique.

CONCLUSIONS AND RECOMMENDATIONS

If SSA does not take steps to comply with EO 13224, the Agency remains at-risk of making payments to individuals or organizations in OFAC's file of persons who commit, threaten to commit, or support terrorism.

Accordingly, we recommend that SSA:

1. Coordinate with OFAC to ensure compliance with EO 13224. We encourage the Agency to explore all potential options, available under current law and regulations and consistent with the Social Security Act and other statutes, to prohibit payments to terrorists and terrorist organizations and, if necessary and appropriate, seek new legislative authority to prohibit such payments.
2. Discuss with OFAC officials, SSA's difficulty in, and responsibility for, matching against OFAC records without partial or complete dates of birth and, if necessary, request clarifying guidelines.
3. For individuals in OFAC's file, flag SSA records to alert field office personnel that these individuals are not eligible for payments or benefits.
4. Explore sharing earnings information on individuals in OFAC's file with DHS.

AGENCY COMMENTS AND OIG RESPONSE

While SSA agreed in principle with Recommendations 1, 2, and 3, it stated it believes the Agency is in full compliance with EO 13224 because it is taking all appropriate measures in its authority to carry out the provisions of this Order by precluding the payment of benefits to terrorists in certain situations authorized under the *Social Security Act*. SSA stated it generally verifies the immigration status of all noncitizen applicants for benefits with DHS. In addition, the Agency stated the *Social Security Act* generally precludes benefit payment to prisoners, fugitive felons, illegal aliens and aliens outside of the United States. Furthermore, SSA stated that neither EO 13224 nor the *Social Security Act* gives the Agency authority to withhold or stop the payment of Title II or XVI benefits simply because a person is identified on the OFAC list as a terrorist.

We are pleased that SSA fully supports EO 13224 and is committed to supporting initiatives to enhance homeland security. However, we believe the Agency's responses do not fully address our concerns regarding SSA's compliance with EO 13224.

We believe SSA's responses to Recommendations 1, 2, and 3 do not effectively address our concern that the Agency has not taken all of the necessary steps to ensure it is not making payments to terrorists or terrorist organizations. We acknowledge the steps SSA has taken to verify the immigration status of noncitizens and preclude payments to those who have violated criminal and immigration law. However, SSA has no assurance that these steps detect terrorists and terrorist organizations in OFAC's file. As discussed in this report, SSA has not matched payment records for its Title II and XVI programs or its Third Party Payment System with OFAC's file to ensure compliance with EO 13224.

We acknowledge SSA's desire to comply with the *Social Security Act*. However, such a position should not detract from SSA's obligation to prevent payments to terrorists and terrorist organizations. Given homeland security implications, we continue to believe SSA should coordinate with OFAC to ensure SSA is complying to the fullest extent possible with EO 13224 and, if necessary and appropriate, seek new legislative authority to prohibit payments to terrorists and terrorist organizations. Accordingly, we ask the Agency to reconsider its response to these recommendations.

In response to Recommendation 4, SSA stated it may not have sufficient authority under existing laws to share earnings information on individuals in OFAC's file with DHS. Instead, it deferred to the Internal Revenue Service on this issue. In addition, SSA indicated that, even if it determined it had sufficient authority to make such disclosures, it would have to perform further analysis to determine whether the Executive Order provides enough authority to share the information under the *Privacy Act*. We did not intend to suggest that SSA should act contrary to current law and regulations. Rather, our intent was to urge the Agency to be proactive and explore all potential disclosure options under current law and regulations before seeking new legislative authority. We believe that seeking legislative authority, if necessary, to remove barriers that would allow the Agency to share earnings information with DHS is important for homeland security. Accordingly, we ask that SSA reconsider its response to this recommendation.

The full text of SSA's comments is included in Appendix C.

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr.", with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

Appendices

[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope and Methodology

[APPENDIX C](#) – Agency Comments

[APPENDIX D](#) – OIG Contacts and Staff Acknowledgments

Acronyms

DHS	Department of Homeland Security
Treasury	Department of the Treasury
EO 13224	Executive Order 13224
EPLS	Excluded Parties Listing System
OFAC	Office of Foreign Assets Control
SSA	Social Security Administration
SSN	Social Security Number
SDN	Specially Designated Nationals
TPPS	Third Party Payment System

Scope and Methodology

To achieve our objective, we obtained the Office of Foreign Assets Control's (OFAC) list of Specially Designated Nationals from the OFAC website as of June 2004. From this list, we identified a population of 1,376 individuals and 1,102 companies.

Review of Individuals

We divided the population of individuals into 2 groups: 894 individuals for whom a partial or complete date of birth was available, and 482 individuals for whom a partial or complete date of birth was not available. We randomly selected 25 individuals from each group. For each of these 50 individuals, we performed the following steps.

- We searched the Social Security Administration's (SSA) Alphident database using the following personal identifying information from OFAC's file: primary name and alternate names, partial or complete date of birth, and place of birth.
- For name matches from the Alphident search, we queried SSA master files for Title II and Title XVI payments.
- Performed additional analysis of identifying information to determine the likelihood of a true match.

In addition, we searched OFAC's file and identified seven individuals with a Social Security number. For these individuals, we also queried SSA master files to determine whether they were receiving Title II and/or Title XVI payments. We also reviewed SSA's earnings histories for these individuals to determine whether they had worked in the United States.

Review of Companies

We randomly selected 25 companies from OFAC's file. For each of these companies, we performed the following steps.

- We searched the Central Contractor Registration database.¹
- We searched SSA's Master Representative Payee File.²
- At our request, SSA's Office of Financial Policy and Operations searched the Agency's Third Party Payment System and Accounts Payable Vendor Files.

Our primary SSA contact for this review was the Office of the Chief Information Officer. We relied on SSA's master program files, Third Party Payment System, and the Representative Payee Monitoring System to complete our review, as well as the Central Contractor Registration System. We determined the data obtained from these systems were sufficiently reliable given the audit objective and use of the data. We conducted our work from September 2004 through March 2005 in accordance with generally accepted auditing standards.

¹ The Central Contractor Registration is the primary vendor database for the Government. Current and potential Government vendors must be registered in this database to qualify for contracts awarded by the Government.

² The Master Representative Payee File stores information about organizations and individuals that receive payments on a beneficiary's behalf because they need help managing their funds. There are about 42,000 organizational representative payees.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

34258-24-1316

Date: August 26, 2005 **Refer To:** S1J-3

To: Patrick P. O'Carroll, Jr.
Inspector General

From: Larry W. Dye /s/
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "The Social Security Administration's Compliance with Presidential Executive Order 13224 Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism" (A-08-05-15093)--INFORMATION

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

Please let me know if you have any questions. Staff inquiries may be directed to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

Attachment:
SSA Comments

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
"THE SOCIAL SECURITY ADMINISTRATION'S COMPLIANCE WITH
PRESIDENTIAL EXECUTIVE ORDER 13224 PROHIBITING TRANSACTIONS WITH
PERSONS WHO COMMIT, THREATEN TO COMMIT, OR SUPPORT TERRORISM"
(A-08-05-15093)**

Thank you for the opportunity to review and comment on the draft report. The Social Security Administration (SSA) remains committed to providing support for initiatives to enhance Homeland Security. We are pleased that OIG recognizes our efforts to use the Excluded Parties Listing System, a database that incorporates Office of Foreign Assets Control (OFAC) information to screen potential contractors and grantees. Of course, we generally verify the immigration status of all non-citizen applicants for benefits with the Department of Homeland Security (DHS). In addition, the Social Security Act (Act) precludes payment of benefits to prisoners, fugitive felons, illegal aliens and aliens outside of the United States. Thus, convicted terrorists cannot receive Social Security benefits while incarcerated or fugitives.

Our comments on the specific recommendations are provided below.

Recommendation 1

Coordinate with OFAC to ensure compliance with Presidential Executive Order 13244. We encourage the Agency to explore all potential options, available under current law and regulations and consistent with the Social Security Act and other statutes, to prohibit payments to terrorists and terrorist organizations and, if necessary and appropriate, seek new legislative authority to prohibit such payments.

Comment

We agree. The Agency fully supports Presidential Executive Order (EO) 13224 to block property and prohibit transactions to persons who commit, threaten to commit, or support terrorism.

Although neither the EO nor the Act give the Agency per se authority to withhold or stop the payment of monthly Title II or XVI benefits simply because a person is identified on the OFAC list as a terrorist, there are specific situations where non-payment to otherwise eligible persons would be appropriate. Payment of Social Security benefits to such persons would not be made because of a number of provisions in the Act that generally preclude payment to those who have violated criminal and immigration law.

For example, all Social Security beneficiaries and Supplemental Security Income recipients who have been incarcerated for criminal offenses, including terrorists, lose their benefits while they are confined in a penal institution. The same is true for beneficiaries who are fleeing from law enforcement authorities because of an outstanding felony warrant for their arrest. The authority for the suspension of benefits in these cases, including parole violators, rests in section 202(x) of the Act. Similarly, section 202(n) of the Act requires the suspension of benefits payable to

Social Security beneficiaries who are non-citizens and who are deported by DHS. In addition, section 202(t) of the Act generally precludes payment of benefits to non-citizens who remain outside the United States for more than six months. Finally, section 202(y) of the Act precludes the payment of benefits to any otherwise eligible non-citizen who is not lawfully present in the United States.

We believe that because the Agency precludes the payment of benefits to terrorists in certain situations authorized under the Act, the Agency is in full compliance with the EO which “direct[s] agencies] to take all appropriate measures within their authority to carry out the provisions of this order.” (Emphasis added.) Finally, the Agency has evaluated, and continues to evaluate, the potential utility of the OFAC as a means of strengthening the administration of the Act relative to the above provisions.

Recommendation 2

Discuss with OFAC officials, SSA’s difficulty in, and responsibility for, matching against OFAC records without partial or complete dates of birth and, if necessary, request clarifying guidelines.

Comment

See comments on Recommendation 1; we have no additional comments.

Recommendation 3

For individuals in OFAC’s file, flag SSA earnings and/or Numident records to alert field office personnel that these individuals are not eligible for payments or benefits.

Comment

See comments on Recommendation 1; we have no additional comments.

Recommendation 4

Explore sharing earnings information on individuals in OFAC’s file with the DHS.

Comment

Earnings information, such as amounts of earnings and employer name and location, is collected by SSA as part of the combined annual wage reporting process and may be disclosed only as permitted by the Internal Revenue Code (IRC). See 26 U.S.C. § 6103 (defining return information), 42 U.S.C. § 432 (explaining combined annual wage reporting). Because the earnings information referenced by OIG is tax return information under the IRC, SSA would be limited by the provisions of 26 U.S.C. § 6103 in making disclosures. Section 6103 does not contain a provision permitting disclosure pursuant to an EO. However, we defer to the Internal Revenue Service as this issue is within its jurisdiction.

Even if SSA were able to determine that it had sufficient authority to make such disclosures consistent with the IRC, we would need to perform further analysis to determine if the EO provides enough authority to share the information under the Privacy Act (5 U.S.C. § 552a). In general, disclosures without consent under the Privacy Act are limited to those that are compatible with the reasons the Agency collected the records. As noted in our comments on Recommendation 1, the EO does not provide the Agency the proper authority to stop benefit payments. This may also limit our ability to share earnings information collected for that purpose.

OIG Contacts and Staff Acknowledgments

OIG Contacts

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Acknowledgments

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