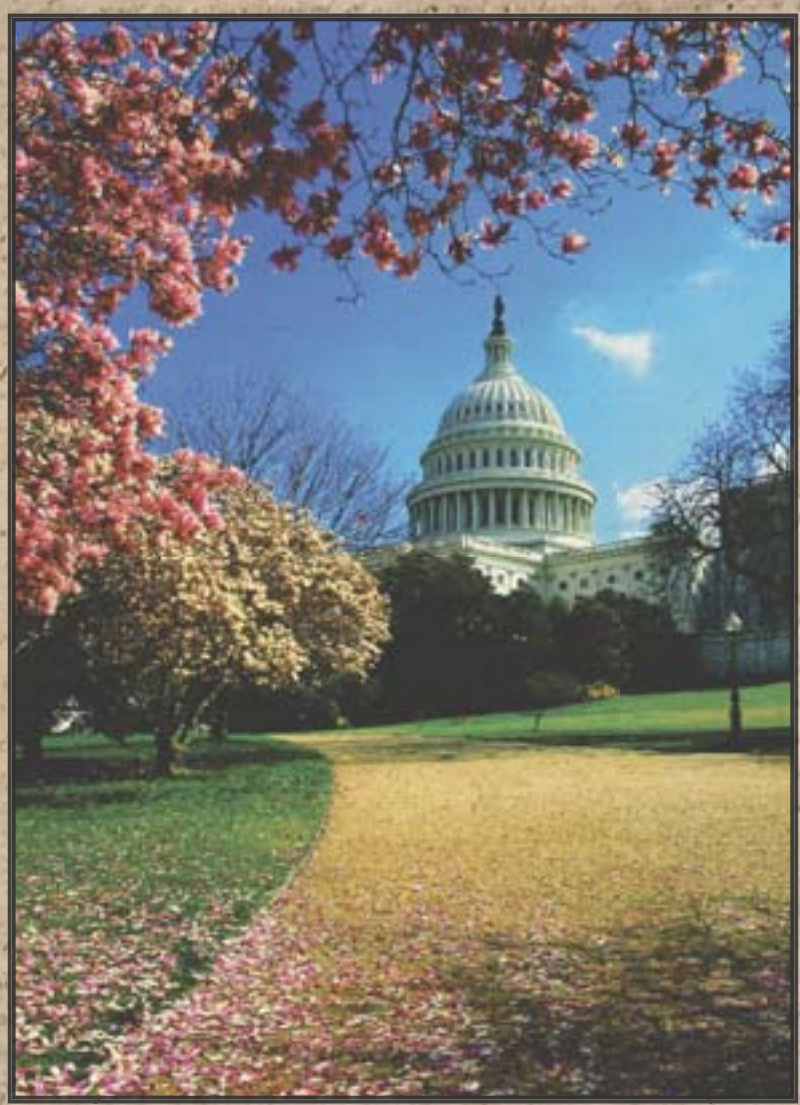


IN CONGRESS, JULY 4, 1770.

Unanimous Declaration of the thirteen united States of America

Semiannual Report to Congress
The Realities We Face:
Continuity Amid Change

April 1, 2004 thru September 30, 2004



Social Security Administration - Office of the Inspector General



Office of the Inspector General

Mission Statement

By conducting independent and objective audits, evaluations, and investigations, we improve the SSA 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 are agents of positive change striving for continuous improvement in SSA's programs, operations, and management by proactively seeking new ways to prevent and deter fraud, waste, and abuse. We are committed to integrity and to achieving excellence by supporting an environment that encourages employee development and retention, and fosters diversity and innovation, while providing a valuable public service.



Message from the Inspector General

The Social Security Administration's (SSA) Office of the Inspector General (OIG) continues to serve SSA and the American people vigilantly. Our charge is to protect SSA and its programs from fraud, waste, and abuse. We conduct criminal investigations, audits, and legal analyses to help make Social Security programs and operations more efficient, effective, and secure. We also contribute to homeland security efforts cutting across the Federal Government.

No program touches more lives than Social Security. Today SSA serves over 50 million beneficiaries and manages annual expenditures of over \$500 billion. While SSA is consistently ranked among the best in Government for service, the stakes are too high for either the Agency or OIG to rest on its laurels. We at OIG serve as agents of positive change for SSA and the American people, working to maintain and improve the Agency's consistent ranking among the best in Government.

This second Semiannual Report to the Congress for fiscal year (FY) 2004 focuses on our accomplishments for the period of April 1, 2004 through September 30, 2004, and provides a summary of FY 2004 statistical accomplishments. It delineates our mission, describes our significant activities, explains our assessment of the top management issues facing SSA, and summarizes our work on these challenges.

We are continuing to work as stewards of this sacred trust with SSA to achieve measurably improved results, and to anticipate future challenges as we achieve our own goals.

Sincerely,

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.
Inspector General





Executive Summary

We built upon our record of successes in FY 2004—combating fraud, waste and abuse in SSA’s programs and operations, and providing strong support to America’s homeland security with other Federal agencies.



In this reporting period, our investigators reported over \$124 million in investigative accomplishments with over \$25 million in SSA recoveries, restitution, fines, settlements, and judgments and over \$98 million in projected savings. As part of our civil monetary penalty (CMP) program, our attorneys also reported over \$200,000 in penalties and assessments. And finally, our auditors issued 56 reports with recommendations identifying nearly \$1½ billion in questioned costs and nearly \$350 million in Federal funds that could be put to better use. We returned nearly \$25 for every dollar invested in our operations in FY 2004, based on our dollar savings and appropriation of \$87.6 million.

Significant Activities

This section details our most important activities during this reporting period. We continue making major strides to help SSA accomplish its service and stewardship responsibilities, while we face the challenges and opportunities of a leadership transition. This report highlights these accomplishments and identifies areas where improvement is necessary.

Homeland Security Efforts

The Social Security number (SSN) is no longer simply used to track workers’ earnings and pay social insurance benefits. It is recognized as a widely-used identifier or a key to social, legal, and financial assimilation into our Nation. Protecting the SSN’s integrity is a critical part of homeland security efforts.

We have several initiatives under way to improve homeland security:

- We work with congressional committees to address the threats to SSN integrity and advocate measures we believe can significantly reduce those threats. In FY 2004, OIG testified on homeland security and SSN integrity issues before 4 congressional hearings.
- We participate in a range of anti-terrorism task forces, including operations at critical infrastructure sites conducted across the country.
- We established an SSN Integrity Protection Team to identify patterns and trends to better target audit work, refer cases for investigation, and ensure efficient, effective liaison with other relevant public and private sector entities.



- We work closely with Agency representatives as participants in SSA's Enumeration Response Team (ERT) to recommend and develop initiatives to strengthen the integrity of the SSN and SSA's enumeration process.
- We conduct audits and make recommendations for areas in which SSA can further strengthen the integrity of the SSN.
- We work with SSA to safeguard and protect Agency employees and facilities.

Cooperative Disability Investigations Program

We manage the Cooperative Disability Investigations (CDI) program in cooperation with SSA to obtain evidence that can resolve questions of fraud in SSA's disability programs.

The Government Accountability Office (GAO) acknowledged the CDI program's successes by noting that we have increased the level of resources and staff devoted to investigating disability fraud and abuse. Our CDI teams identify fraud and abuse before benefits are approved and paid.

Eighteen units have been opened in 17 States since FY 1998. In FY 2004, the CDI units saved SSA almost \$133 million. SSA hopes to add more CDI units in FY 2005, depending on available resources.

Civil Monetary Penalty Program

We administer the CMP enforcement statutes under a delegation of authority from SSA's Commissioner, which allows OIG to use CMPs against certain violators of the Social Security Act. Our investigative work provides an important contribution to these cases.

The enactment this year of the *Social Security Protection Act of 2004* will significantly expand our ability to utilize this valuable tool against such violators, including representative payees who misuse benefits paid on behalf of their clients.

Significant Management Issues Facing SSA

This report describes our annual assessment of the most significant management issues facing SSA. This assessment is valuable in focusing congressional attention on mission-critical management problems, and serves as a catalyst for resolving significant issues across the Agency. Based on legislative mandates and our audit and investigative work, we believe the most significant management issues currently facing SSA are those described below.



Issue 1: Improper Payments

Improper payments are payments that should not have been made or were made for incorrect amounts. In FY 2004, SSA issued approximately \$523 billion in payments to over 50 million individuals. Even the slightest error in the overall process can result in millions of dollars in overpayments or underpayments. Working with SSA, we have made great strides in combating this problem, but more needs to be done.

SSA and OIG are working to improve the Agency's ability to prevent over- and underpayments by obtaining beneficiary information from independent sources sooner and/or using technology more effectively. The Agency is continuing efforts to prevent payments after a beneficiary dies. Also, SSA identifies and prevents payments to beneficiaries who are no longer eligible for disability benefits.

Several FY 2004 reviews focused on improper payments undetected by SSA processes. We have greatly reduced improper payments to prisoners and Supplemental Security Income (SSI) payments to fugitive felons. However, other improper payments—such as those related to Workers' Compensation (WC)—continue to diminish the Social Security trust funds. Passage of the *Social Security Protection Act of 2004* poses new challenges in preventing and recovering improper payments, such as OASDI benefits to fugitives.

Issue 2: Management of the Disability Process

Management of the disability process is another major management challenge for SSA. This includes the Disability Insurance (DI) and SSI programs, which provide payments to individuals based on disability. Our concerns were echoed by GAO when it added Federal disability programs—including SSA's—to its 2003 high risk list.

The Commissioner's long-term strategy for improving the Agency's disability process relies on a combination of process modifications and automation, which SSA expects to shorten disability processing times. We will continue to evaluate these initiatives to determine their effectiveness and report to Congress on the Agency's progress once data is available.

Issue 3: SSN Protection

The importance placed on SSNs and the magnitude of SSA's enumeration function provides a tempting motive to acquire SSNs fraudulently and use them for illegal purposes. In FY 2004, SSA issued over 17.5 million original and replacement SSN cards, and received approximately \$545 billion in employment taxes related to earnings under the SSNs it has issued.



Protecting the SSN and properly posting the wages reported under each SSN is critical to ensuring that eligible people receive their benefits correctly. Unfortunately, criminals can improperly obtain and misuse SSNs, causing innocent individuals years of difficulty. SSN misuse also damages financial and commercial institutions, which ultimately pass costs on to consumers. Worse yet, SSN misuse can threaten our homeland security by disguising a dangerous felon or a would-be terrorist as a law-abiding citizen.

SSA has a duty to the American public to safeguard the integrity of the enumeration process. Given the magnitude of SSN misuse, we believe SSA must continue to employ and enhance effective front-end controls in issuing SSNs. Likewise, additional techniques, such as data mining, biometrics, and updated systems processes are critical in the fight against SSN misuse. We have made several recommendations and the Agency has taken steps to improve procedures for ensuring SSN integrity and to strengthen its link in the homeland security chain.

Issue 4: Critical Infrastructure Protection and Systems Security

The Government has a major responsibility to protect public health and safety. Dramatic and widespread harm would result should its systems be compromised. Therefore, it is imperative that the Nation's critical information infrastructure, which is essential to the operations of the economy and Government, be protected.

SSA's information security challenge is to understand and mitigate system vulnerabilities. At SSA, this means ensuring its critical information infrastructure, such as access to the Internet and the networks, is secure. By improving systems security and controls, SSA will be able to use current and future technology more effectively to fulfill the public's needs. The public will not use electronic access to SSA services if it does not believe those systems are secure.

Issue 5: Internal Control Environment and Performance Measures

Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal controls help safeguard assets and prevent and detect errors and fraud. Assessing the internal control environment is important since internal control is a critical part of performance-based management. The *Chief Financial Officer Act of 1990* (CFO Act), the *Government Management Reform Act of 1994*, and the *Government Performance and Results Act* (GPRA) were passed to create an environment of greater accountability within Federal agencies.

In accordance with GPRA, SSA sets forth its mission and strategic goals in strategic plans, establishes yearly targets in its annual performance plan,



and reports on its performance annually. Each year, we conduct audits to assess the reliability of SSA's performance data and evaluate the extent to which SSA's performance plan describes its planned and actual performance meaningfully.

Issue 6: Service Delivery

Service delivery to the American people poses a significant challenge that SSA is compelled to address. The Agency's goal of "service" encompasses traditional and electronic services to applicants for benefits, beneficiaries, and the general public.

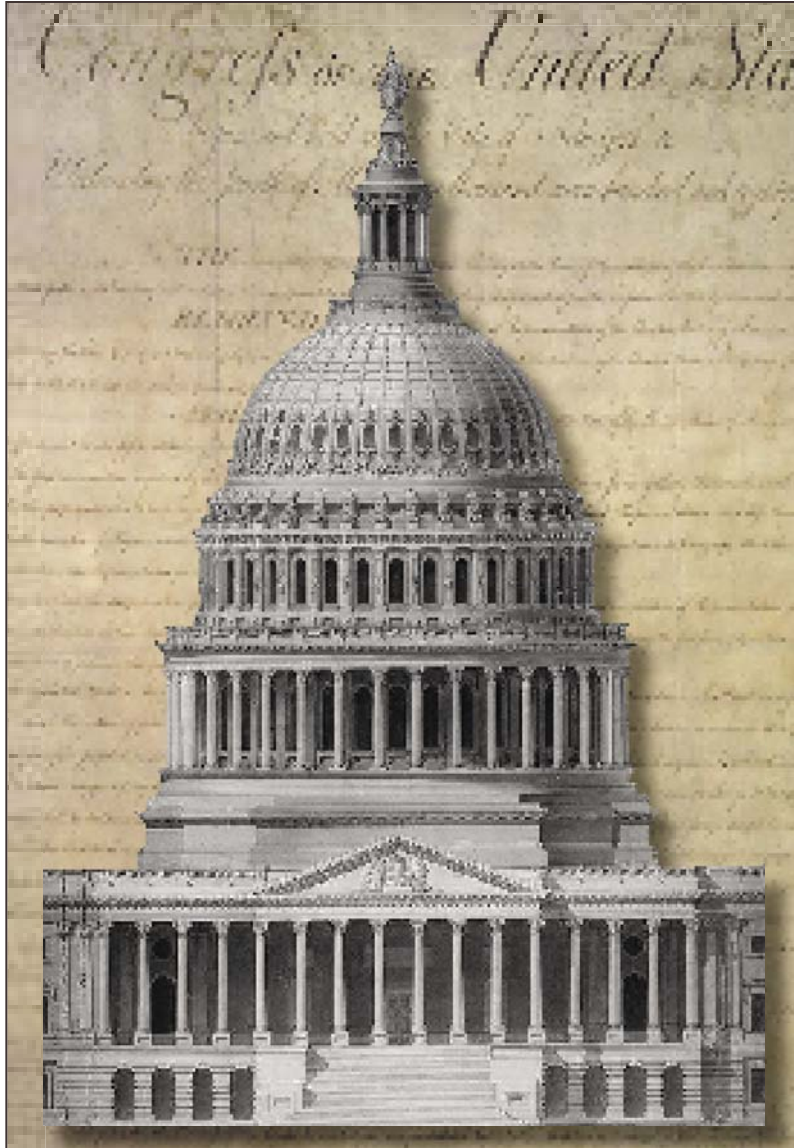
We consider electronic service delivery and the integrity of the representative payee process to be the two most significant concerns related to SSA's Service Delivery. Within the next 5 years, SSA expects to provide E-government services that will give citizens, businesses and other Government agencies the ability to easily and securely transact most of their business with SSA electronically. The Agency will need to ensure that its information systems and networks are accurate, reliable and secure. We will continue to review the Agency's progress.

Another area of concern is the Representative Payment Program. SSA reported that there are about 5.4 million representative payees who manage about \$44.8 billion in benefits for about 6.9 million beneficiaries. SSA must provide appropriate safeguards, and we must monitor and enforce them.

We provided information to Congress during its development of the *Social Security Protection Act of 2004*, which will significantly strengthen the Representative Payee Program and our ability to deal with dishonest representative payees. Its provisions allow imposing CMPs against representative payees who misuse benefits paid on behalf of their clients, and bar fugitive felons from serving as representative payees.

We Face New and Old Challenges Today

The challenges of change and continuity in 2004 are numerous. We are pressed by new legislative mandates, growing demands for services, and increasing budget constraints across the Federal Government. Notwithstanding these challenges, we will step forward aggressively and work with SSA to combat fraud, waste and abuse, as well as to support America's homeland security.





The Realities We Face: Continuity Amid Change





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Introduction to Our Organization

The Office of the Inspector General (OIG) is comprised of our Office of Investigations (OI), Office of Audit (OA), Office of the Chief Counsel to the Inspector General (OCCIG), and Office of Executive Operations (OEO). To ensure compliance with policies and procedures, internal controls, and professional standards, we also have a comprehensive Professional Responsibility and Quality Assurance program.

Office of Investigations

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, third parties, or SSA employees performing their official duties. This office serves as OIG liaison to the Department of Justice (DOJ) on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.



Office of Audit

OA conducts and/or supervises financial and performance audits of SSA programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess 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 projects on issues of concern to SSA, Congress, and the general public.



Office of the Chief Counsel to the Inspector General

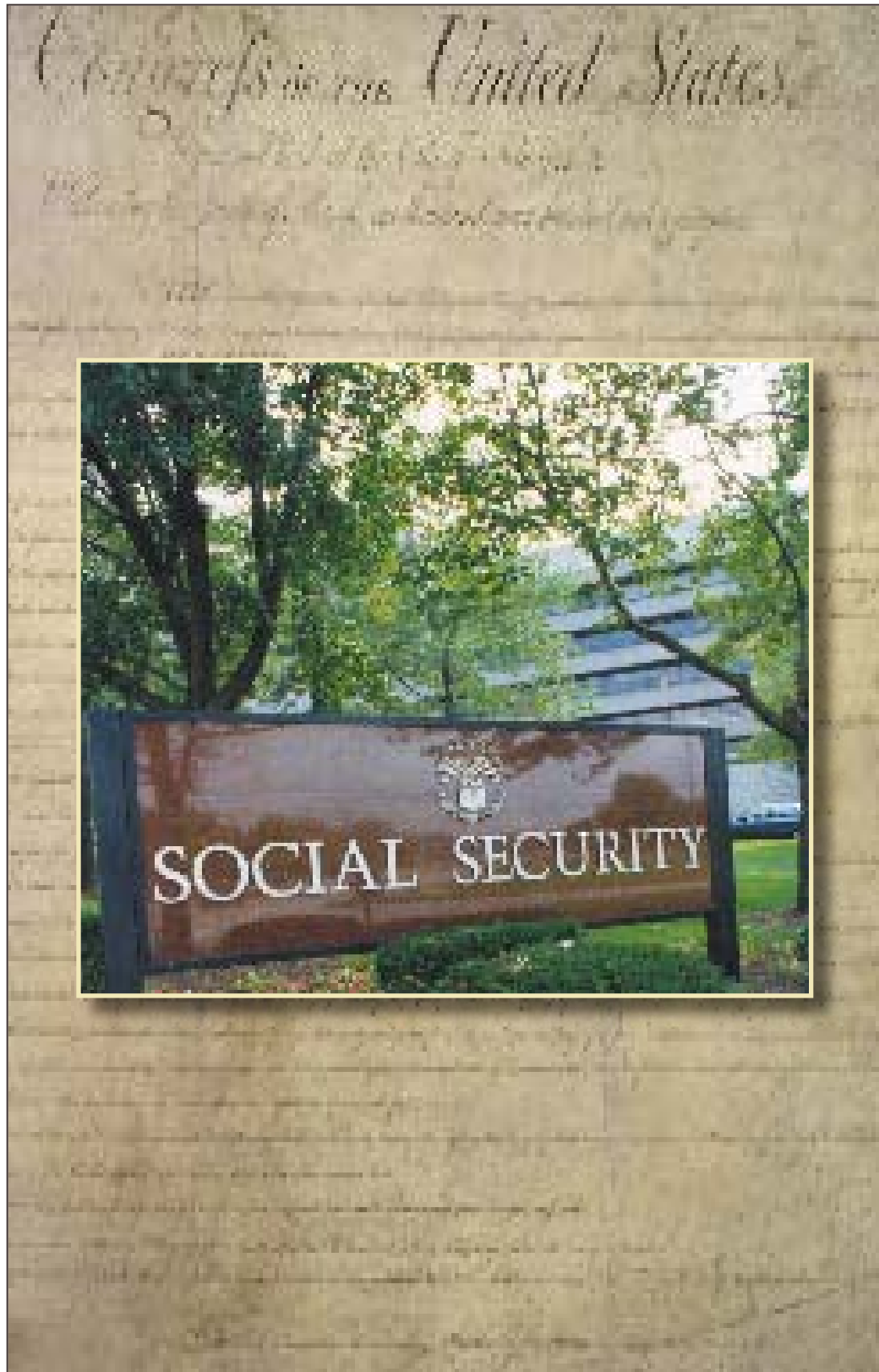
OCCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Finally, OCCIG administers the civil monetary penalty (CMP) program.



Office of Executive Operations

OEO supports OIG by providing information resource management and systems security. OEO also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OEO is the focal point for OIG's strategic planning function and the development and implementation of performance measures required by GPRA.







Significant Activities

In FY 2004 we made major strides in helping the Social Security Administration (SSA) accomplish its service and stewardship responsibilities. This report highlights these accomplishments and identifies areas where SSA can improve further. Since SSA's Office of the Inspector General (OIG) was created in 1995, we have focused on a number of significant issues in the fight against fraud, waste, and abuse at SSA. We also play an essential role in protecting our Nation's homeland security along with other Federal agencies.

The following section details several of the most significant activities in this reporting period, including:

- Homeland Security Efforts
- Investigative Data

Homeland Security Efforts

The SSN is no longer simply used to track workers' earnings and pay social insurance benefits. It has become recognized as a national identifier, a key to social, legal, and financial assimilation into our Nation. Protecting the SSN's integrity is a critical part of our homeland security.

Our ongoing involvement in homeland security efforts that cut across the Federal Government is required by the role the SSN plays in establishing false identities and facilitating financial crimes that can be used to finance terrorism. Our central functions in this area are to protect the integrity of the enumeration process and to ensure the accuracy of SSA's records.

The dramatic growth in computer interconnectivity carries with it risks that operations can be disrupted, sensitive data can be compromised, and key processes can be interrupted. People and organizations have more tools than ever to disrupt or sabotage important operations. Our role is vitally important to homeland security in assisting SSA to protect its critical infrastructure and systems security.

With that in mind, we have several initiatives under way to improve homeland security:

- We work with congressional committees to address the threats to SSN integrity and advocate measures we believe can reduce those threats significantly.
- We participate in a range of anti-terrorism task forces, including operations conducted at critical infrastructure sites across the country.





- We established an SSN Integrity Protection Team to identify patterns and trends to better target audit work, refer cases for investigation, and ensure efficient, effective liaison with other relevant public and private sector entities.
- We work closely with Agency representatives as participants in SSA's Enumeration Response Team (ERT) to recommend and develop initiatives to strengthen SSN integrity and the enumeration process.
- We conduct audits and report on areas where SSA can further strengthen the integrity of the SSN.

Working With Congress

We continue to provide Congress with our assessment of developing threats to the SSN's integrity. Our body of audit and investigative work permits us to give Congress our evaluation of suggested legislative changes and new techniques to improve SSN security and to decrease identity theft crimes.

In FY 2004, OIG testified on homeland security and SSN integrity issues before 4 congressional hearings. We have stressed the importance of interagency data verification and data-matching agreements between Federal and State agencies in our testimony and other responses to Congress. While SSA issues the SSN, we all share responsibility for protecting its integrity. SSA has come very far in its efforts to protect the SSN and is willing to do more, but other Federal, State and local jurisdictions, as well as the private sector, must each do their part, too. With everyone's participation, we can protect the SSN and ultimately our homeland.



Conducting Audits

We have performed several important audits to strengthen SSN integrity, a vital component of homeland security. The reviews with the most direct bearing on homeland security focused on SSA enumeration procedures in general and on enumeration issues involving foreign students. We followed up a December 2003 review of SSA's procedures for enumerating foreign students with a report on universities' issuance of temporary SSNs to such students. We identified numerous instances of universities referring to temporary 9-digit identification numbers they issued to foreign students as temporary SSNs, which could easily create SSN integrity issues. SSA shared our concern and initiated a national review to identify and educate universities engaging in this practice, but we found the risk remained.

We also followed up on an August 2002 audit to determine how often SSA's records show that more than one individual has been provided with



the same SSN. We believe SSA's current enumeration procedures should minimize future occurrences of individuals sharing the same SSN. However, past enumeration problems may still lead to payment errors in the future. SSA agreed to take appropriate action.

In 3 parallel audits, we evaluated SSA's compliance with policies and procedures when processing non-citizen SSN applications. Beginning in July 2002, SSA implemented a policy requiring field office personnel to independently verify the authenticity of all non-citizen evidentiary documents with the issuing or responsible agency. However, these policies and procedures can be effective only if personnel processing SSN applications comply with the controls. Based on our reviews of SSN applications processed by SSA field offices, foreign service posts and SSA's Office of International Operations, we estimate that over 30 percent contained some compliance errors. Additionally, our review of SSA's Enumeration Center in Brooklyn, New York revealed a non-compliance rate of 15 percent for SSN applications processed.

We also evaluated SSA's internal safeguards to protect the confidentiality of its employees' SSNs. SSA agreed with our recommendations, noting that Executive Order 9397 and 1961 Civil Service Commission directives mandating the use of SSNs as the identifier of Federal employees require the Agency to use SSNs as the employee identifying number.

Our audit work involving SSN integrity and protection is discussed at greater length under Significant Management Issues Facing SSA.

The following cases illustrate our efforts against terrorism in this reporting period:

Investigation: Alien Smuggler, SSA Employee Jailed in Card Fraud

Our Atlanta Field Division, along with DHS Immigration and Customs Enforcement (ICE), Department of Labor OIG, and the United States Postal Inspection Service (USPIS), investigated an alien smuggling operation that resulted in 28 people being indicted by a Federal Grand Jury. Our investigators found that smugglers charging as much as \$1,500 were sending undocumented aliens to an SSA employee to process applications for illegal Social Security cards. She received up to \$2,000 per week and other inducements for helping funnel more than 2,000 Social Security cards to illegal aliens for over 3 years. The SSA employee lost her job and was sentenced to 71 months in prison. The man convicted of bribing her was sentenced to 46 months' incarceration, ordered to pay a \$300 fine, and ordered to be deported after the completion of his sentence. Many of the other defendants indicted for this Social Security card scheme have been deported.



Investigation: Counter-Terrorist Probe Finds Bogus Documents

U.S. Customs agents detained a resident of the Kyrgyz Republic found carrying what appeared to be \$610 million in suspicious letters of credit during a routine check at Detroit Metro Airport. Our Chicago Field Division, working jointly with the U.S. State Department, and the U.S. Attorney's Office Counter Terrorism Unit in Detroit, determined the letters of credit were bogus documents, and charged him with possession of a fraudulently obtained U.S. visa and a Social Security card issued under the assumed identity of another person. He was sentenced to 6 months' incarceration.

Investigation: Fraudulent Documents Bring Prison, Deportation

Our Boston Field Division and ICE investigated a Massachusetts man for fraudulent document sales. During the course of this investigation, our agents monitored the sale of 16 sets of counterfeit Social Security cards and Alien Registration cards by the suspect and his coconspirators to a confidential informant. He was arrested without incident and pleaded guilty to a 5-count indictment charging him with transferring false ID documents and aiding and abetting. He was sentenced to 36 months in prison, and will be returned to DHS for deportation after serving his sentence.

Investigation: Task Force Cracks Document Ring in Virginia

Our Philadelphia Field Division participated with ICE, the Federal Bureau of Investigation (FBI), USPIIS and local police in a 9-month investigation into a fraudulent document ring in Virginia. Task force investigators determined the ring produced counterfeit Social Security cards, green cards, and work permits for sale to illegal immigrants. A task force operation targeting a fraudulent document mill arrested 7 ring members for counterfeiting documents and immigration violations. Two counterfeiters have been sentenced to 27 months' incarceration, and one will forfeit \$15,000. Five others were arrested for immigration violations. ICE is working on deportation proceedings for all of them.



Investigation: Repeated Fraud Nets Sentence, Deportation

Our Chicago Field Division and ICE investigated a man who failed to appear for sentencing for tax evasion. A citizen of Nigeria, he claimed he was born in the United States and provided a fraudulently-obtained SSN. Our investigators ascertained he obtained and used a second SSN fraudulently. He was given 152 months in prison. After serving his sentence he will be returned to DHS for deportation.



Investigative Data

Our Office of Investigations (OI) is the enforcement arm of SSA OIG. In this reporting period, our investigators closed nearly 4,500 criminal investigations, resulting in nearly 2,000 arrests and indictments and over 1,300 convictions, CMPs, and apprehensions of illegal aliens. They also reported over \$124 million in investigative accomplishments with over \$25 million in SSA recoveries, restitution, fines, settlements, and judgments and over \$98 million in projected savings from investigations resulting in suspension or termination of benefits.

For example, the Cooperative Disability Investigations (CDI) program obtained evidence that resolved questions of fraud in SSA disability programs, saving SSA over \$69 million. Data provided by our Fugitive Felon Program contributed to the arrest of 2,550 fugitives in this reporting period. Our CMP program, which OCCIG administers using OI's investigative work, reported over \$200,000 in penalties and assessments.



In the same period, we received over 37,000 allegations from various sources, cutting across SSA programs. More than half of these were received by our Allegation Management Division, which operates our Fraud Hotline.

The following tables represent the collective efforts of our OI Headquarters and Field Divisions, including our SSA OIG Fraud Hotline. In addition, we worked on multi-agency investigations that resulted in over \$127 million in savings, restitution and recoveries for those agencies. Non-SSA monies claimed for joint investigations are not included in the following charts.



| SSA Funds Reported | | |
|---------------------------|---|---|
| | October 1, 2003 - March 31, 2004 | April 1, 2004 - September 30, 2004 |
| Scheduled Recoveries | \$20,044,724 | \$12,661,929 |
| Fines | \$315,517 | \$255,334 |
| Settlements/Judgments | \$578,509 | \$522,612 |
| Restitution | \$12,075,852 | \$12,233,800 |
| Estimated Savings | \$103,805,060 | \$98,410,866 |
| TOTALS | \$136,819,662 | \$124,084,541 |
| FY 2004 TOTAL | \$260,904,203 | |

| Investigative Results | | | |
|-------------------------------|---|---|---------------------------------|
| | October 1, 2003 - March 31, 2004 | April 1, 2004 - September 30, 2004 | FY 2004 Grand Totals |
| Allegations Received | 37,524 | 37,549 | 75,073 |
| Cases Opened | 4,774 | 4,535 | 9,309 |
| Cases Closed | 5,093 | 4,462 | 9,555 |
| Arrests/Indictments | 2,293 | 1,947 | 4,240 |
| Total Judicial Actions | 1,428 | 1,325 | 2,753 |
| Criminal Convictions | 1,214 | 1,114 | 2,328 |
| Civil/CMP | 43 | 22 | 65 |
| Illegal Alien Apprehensions | 171 | 189 | 360 |



| Allegations Received by Category | | | |
|---|---|---|---------------------------------|
| | October 1, 2003 - March 31, 2004 | April 1, 2004 - September 30, 2004 | FY 2004 Grand Totals |
| SSN | 5,070 | 4,419 | 9,489 |
| SSI Disability | 17,251 | 16,147 | 33,398 |
| Disability Insurance | 10,866 | 12,534 | 23,400 |
| Old Age and Survivors Insurance | 2,571 | 2,703 | 5,274 |
| SSI Aged | 219 | 262 | 481 |
| Employee | 353 | 569 | 922 |
| Other | 1,194 | 915 | 2,109 |
| TOTALS | 37,524 | 37,549 | 75,073 |

| Allegations Received by Source | | | |
|---------------------------------------|---|---|---------------------------------|
| | October 1, 2003 - March 31, 2004 | April 1, 2004 - September 30, 2004 | FY 2004 Grand Totals |
| Private Citizens | 7,586 | 9,378 | 16,964 |
| Anonymous | 9,691 | 9,869 | 19,560 |
| SSA Employees | 7,678 | 8,101 | 15,779 |
| Law Enforcement | 11,479 | 8,725 | 20,204 |
| Public Agencies | 457 | 871 | 1,328 |
| Beneficiaries | 628 | 598 | 1,226 |
| Other | 5 | 7 | 12 |
| TOTALS | 37,524 | 37,549 | 75,073 |

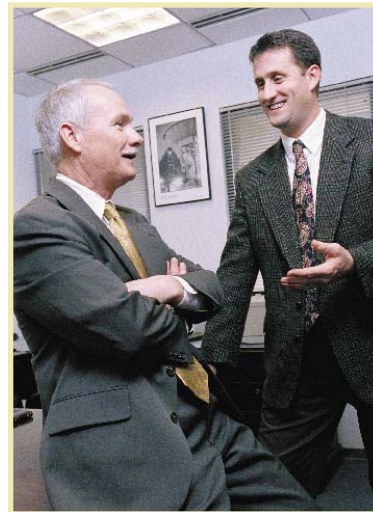


Significant Management Issues Facing SSA

Every year we assess the most significant management issues facing SSA. This process is valuable in focusing congressional attention on mission-critical management problems and serves as a catalyst for resolving significant issues across the Agency. Based on legislative mandates and our audit and investigative work, we believe the most significant management issues currently facing SSA are:

1. Improper Payments
2. Management of the Disability Process
3. Social Security Number Protection
4. Critical Infrastructure Protection and Systems Security
5. Internal Control Environment and Performance Measures
6. Service Delivery

We have discussed these issues with SSA and acknowledge that the Agency has made progress in these areas. The following section discusses each of these critical management issues, as well as our related audit and investigative work for this reporting period.





Issue 1: Improper Payments

SSA issues benefit payments under the Old-Age, Survivors and Disability Insurance (OASDI) and SSI programs. Since SSA is responsible for issuing timely benefit payments to about 50 million individuals, even the slightest error in the overall process can result in millions of dollars in over- or underpayments.

Improper payments are defined as payments that should not have been made or were made for incorrect amounts. Examples of improper payments include inadvertent errors, payments for unsupported or inadequately supported claims, or payments to ineligible beneficiaries. Furthermore, the risk of improper payments increases in programs with

- A significant volume of transactions.
- Complex criteria for computing payments.
- An overemphasis on expediting payments.

The President and Congress have expressed interest in measuring the universe of improper payments within the Government. In August 2001, the Office of Management and Budget (OMB) published the FY 2002 President's Management Agenda (PMA), which included a Government-wide initiative for improving financial performance. In November 2002, the *Improper Payments Information Act of 2002* was enacted, and OMB issued guidance in May 2003 on implementing this law.

Patrick P. O'Carroll, Jr. testified on May 20, 2004 before a House Committee on Ways and Means Subcommittee on Human Resources hearing on fraud and waste in the SSI program. He discussed our office's evaluation of several important actions the Agency has taken to meet the challenge of strengthening SSI.

Under the *Improper Payments Information Act*, agencies that administer programs where the risk of improper payments is significant must estimate their annual amount of improper payments and report this information in their Annual Performance and Accountability Reports. OMB works with each agency to establish goals for reducing improper payments for each program.

SSA and OIG have had discussions on such issues as detected versus undetected improper payments and avoidable versus unavoidable overpayments that are outside the Agency's control and a cost of doing business. In August 2003, OMB issued specific guidance to SSA to only include avoidable overpayments in its improper payment estimate because these payments could be reduced through changes in administrative actions.



Unavoidable overpayments that result from legal or policy requirements are not included in SSA's improper payment estimate.

SSA has been working to improve its ability to prevent over-and underpayments by obtaining beneficiary information from independent sources sooner and/or using technology more effectively. For example, the Agency is continuing its efforts to prevent payments after a beneficiary dies through the use of Electronic Death Registration information. Also, the Agency's CDR process identifies and prevents payments to beneficiaries who are no longer eligible for disability benefits. Additionally, SSA has increased its efforts to identify replacement check fraud and to recover the overpayments that result from a beneficiary cashing 2 checks for the same month. SSA reports that it has developed and pursued additional policies and procedures based on "best practices" to address the replacement check fraud problem. Further, SSA reported that from April 1, 2003 to March 31, 2004, the number of replacement check fraud cases has been reduced overall by 7.3 percent from the period of March 2002 to March 2004.

In FY 2004, we focused on improper payments that go undetected by SSA's normal processes. For instance, in one review of disabled beneficiaries who work, we found that SSA had assessed overpayments for numerous individuals. However, we estimated the Agency did not detect overpayments to several thousand beneficiaries. SSA is implementing eWork, a new initiative to strengthen controls in this area.

Working with SSA, we have made great strides in reducing benefit payments to prisoners and SSI payments to fugitive felons, and these efforts continue. However, our work has shown that improper payments—such as those related to Workers' Compensation (WC)—continue to diminish the Social Security trust funds. Additionally, with the passage of the *Social Security Protection Act of 2004*, SSA faces new challenges in preventing and recovering improper payments, such as OASDI benefits to fugitives.

Our audit work on improper payments in this reporting period has included the following.

Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File

Our objective was to determine whether SSA evaluated earnings reported to the Master Earnings File (MEF) for disabled individuals receiving benefits under Title II of the Social Security Act.

An individual is considered disabled if he or she is unable to engage in any substantial gainful activity (SGA). Generally, individuals receiving disability benefits may test their ability to return to work during a 9-month trial



work period. After the trial work period and a three month grace period are completed, individuals may not receive benefits for any months during which they engage in SGA.

Although disabled Title II beneficiaries are required to report work activity, individuals often fail to report their earnings. Consequently, SSA compares earnings reported on the MEF to the benefit rolls. This enforcement process alerts the Agency to beneficiaries with potentially unevaluated substantial earnings after the individuals' disabilities began. SSA conducts medical or work-related CDRs to determine whether beneficiaries continue to be disabled and entitled to benefits.

SSA evaluated the earnings reported on the MEF for some beneficiaries receiving benefits as of March 2002. However, we found that the Agency did not evaluate a substantial portion of the earnings. Based on the results of our sample, we estimate that approximately 171,620 beneficiaries were overpaid \$3.15 billion in disability benefits because of work activity. Further, we estimate that SSA had identified \$1.78 billion in overpayments for about 117,320 beneficiaries. However, we estimate another \$1.37 billion in overpayments to approximately 63,000 beneficiaries went undetected by the Agency.

Additionally, we estimate that about 39,100 beneficiaries (of the 63,000 beneficiaries described above) were actually no longer entitled to benefits because of their substantial work. SSA was unaware that approximately 34,760 disabled beneficiaries (of about 245,480 beneficiaries) engaged in trial work. Because a significant amount of Title II funds have been overpaid, we believe additional attention should be devoted to this important workload. We recommended that SSA:

- Review past cases where significant earnings are present on the MEF and no determination has been made regarding trial work and/or SGA.
- Ensure that future earnings enforcements are adequately controlled by management and resolved in a timely manner.
- Ensure that earnings reported on the MEF or disclosed on beneficiary-completed forms are evaluated when medical CDRs are performed or mailer CDR forms are received.
- Ensure that earnings resulting in benefit increases are evaluated to determine whether trial work activity and/or SGA were performed.

The Agency agreed with our recommendations.



SSI Overpayments

Our objective for this audit was to assess SSA's efforts to identify, prevent, and recover SSI overpayments.

Title XVI of the Social Security Act established the SSI program in 1972 as a nationwide Federal cash assistance program administered by SSA that provides a minimum level of income to financially needy individuals who are aged, blind or disabled. SSA relies heavily on recipient self-disclosure of all financial resources—as well as computer matching with other Federal and State agencies—to ensure payment accuracy. Since individuals' income, resources and living arrangements may change often, the SSI program is prone to overpayments.

According to SSA, between FY 1996 and FY 2002, \$11.6 billion in SSI overpayments was subject to recovery efforts. Of this amount, SSA collected \$4.5 billion, deemed \$2.3 billion uncollectible, waived \$1.0 billion, and continued to pursue recovery of \$3.8 billion at the end of FY 2002.

To strengthen SSA's overpayment recovery efforts, additional collection tools were authorized through the *Foster Care Independence Act of 1999*. The Agency is considering or developing the tools authorized through this legislation that have not yet been implemented, such as Federal salary offset, charging interest, and using private collection agencies. These collection tools may assist SSA in reducing overpayments in the SSI program—such as the \$71.5 million we estimated the Agency was unsuccessful in recovering from fugitives based on a September 2003 OIG audit.

We did note that SSA has made significant efforts to identify, prevent, and recover SSI overpayments over the past several years. To assist the Agency in achieving its strategic objective of improving debt management, we recommended that SSA continue to evaluate the recovery tools that have not yet been implemented, but which were authorized through legislation.

SSA agreed with our recommendation.

Payments to Student Beneficiaries Beyond the Maximum Age of Entitlement

Our objective was to determine the effectiveness of SSA's controls to detect and prevent payments to student beneficiaries beyond the maximum age of entitlement.

From September 2001 to August 2002, SSA disbursed 1 or more benefit payments to 258,530 student beneficiaries. Of this amount, we found that 4,284 students (1.7 percent) were over 19 years and 2 months. Based on a random sample of 100 students over the age of 19 years and 2 months who were in terminated pay status, we found the Agency disbursed \$110,797



in incorrect payments to 70 students and \$5,435 in unsupported payments (i.e. SSA had not retained sufficient information—either in paper or electronic form—to support its basis for awarding benefits) to 7 students. Projecting these results to the population of 4,056 students, we estimated that SSA disbursed about \$4.5 million in incorrect payments to 2,839 students and \$0.2 million in unsupported payments to 284 students. During the audit, we referred an additional 228 students in current pay status or beyond their end of school year to the Agency for corrective action. As of December 2003, SSA established about \$1.2 million in overpayments for these students.

During the audit period, the Agency was in the process of redesigning its automated system for student entitlement. SSA has incorporated many systems modifications into Release 3.0 of its Title II Redesign project, which was implemented in June 2004. While we acknowledge that these systems modifications should reduce the potential for payments beyond the maximum age of entitlement, we believe additional actions are necessary to strengthen program integrity and deter fraud, waste, and abuse.

We recommended that the Agency:

- Take corrective action for the incorrect and unsupported payments identified by our audit.
- Revise the form to request school officials to identify and certify the operating basis of the school.
- Ensure documentation is retained to support payments to students.

SSA agreed with all our recommendations.

Overpayments in the OASDI Program

Our objective was to assess SSA's efforts to identify, prevent, and recover OASDI overpayments.

According to SSA's records, between FYs 1996 and 2002, \$14 billion in OASDI overpayments was subject to recovery efforts. Of that amount, the Agency collected \$8.1 billion, deemed \$0.7 billion uncollectible, waived \$1.4 billion, and continued to pursue recovery of \$3.8 billion at the end of FY 2002.

Further, additional tools were authorized through the *Social Security Domestic Employment Reform Act of 1994* and the *Debt Collection Improvement Act of 1996* that may strengthen SSA's ability to recover overpayments. While we acknowledge that the Agency is considering or developing the tools that have been authorized through legislation, it has not yet implemented such tools as Federal salary offset, charging interest, and using private collection agencies.



SSA has made significant efforts to identify, prevent, and recover OASDI overpayments over the past several years. To assist the Agency in achieving its strategic objective of improving debt management, we recommend that SSA continue to evaluate the recovery tools that have not yet been implemented, but which were authorized through legislation.

SSA agreed with our recommendation.

Investigative Project: Replacement Check Fraud

Some people receiving Social Security payments attempt to cash their Social Security checks, and then ask for replacement checks to be issued, falsely claiming they never received the original checks. SSA has revised its procedures to improve controls over replacement checks and its recovery of related overpayments. We have recommended additional actions be taken to deter people from cashing both original and replacement checks in the same month. The Agency needs to improve its monitoring of replacement check requests and its overpayment recovery actions. SSA also needs to implement more forceful deterrents, such as sanctions for replacement check abusers. We are continuing our aggressive replacement check fraud project, resulting in prosecution of numerous cases with a significant fraud loss to the Agency.

The following are examples of our successful replacement check fraud investigations during this reporting period:

Investigation: Operation Payback Nabs Dishonest SSI Recipient

As part of our Batavia, NY replacement check fraud project, Operation Payback, our New York Field Division investigated a suspicious SSI recipient. Our investigators determined that he made false reports to the Agency that he had not received 9 of his original SSI checks. Replacement checks were issued and he had cashed them. He pleaded guilty to theft of Government funds, for which he was sentenced to 9 months in prison and ordered to pay SSA restitution of \$4,853.

Investigation: Buffalo Woman Gets 30 Days' Incarceration

A Buffalo woman reported that she had not received 4 SSI checks. Our New York Field Division investigators determined she cashed 4 duplicate checks totaling \$2,372 after cashing the original checks and having replacements issued. SSA recovered \$2,111 by withholding part of her monthly SSI check. She was ordered to pay restitution of the remaining \$261 to SSA and sentenced to 30 days' incarceration.



Investigation: Niagara Falls Man Pays for Check Fraud

Our New York Field Division also investigated a Niagara Falls man who cashed 6 duplicate SSI checks totaling \$2,793 between August 1999 and December 2001. The man had falsely reported to SSA that he had not received his original SSI checks, though he had already cashed them. Pleading guilty to a misdemeanor charge for theft of Government funds, he was sentenced to 3 years' supervised probation, 2 months' home confinement, 50 hours of community service, and ordered to pay restitution of \$2,793 to SSA.

Investigative Project: Payments to Deceased Persons

In conjunction with SSA, we are currently conducting aggressive national operations to stop erroneous payments to deceased individuals. This includes front-end detection of such payments and controls to prevent them, as well as detailed investigations to locate wrongdoers when the system breaks down. We believe that paying the right person the right amount of benefits is paramount. Payments made to deceased individuals undermine public trust and confidence in SSA's programs.

The following are examples of our successful investigations to halt payments to deceased beneficiaries in this reporting period:

Investigation: Landlord Steals Benefits for 19 Years

Our New York Field Division investigated retirement insurance benefits paid to a deceased beneficiary, and determined that the beneficiary's landlord had assumed the dead tenant's identity. The landlord accessed her bank account and applied for numerous credit cards over a 19-year period. The landlord was sentenced to 18 months in prison and ordered to pay restitution of \$165,944 to SSA.

Investigation: Texas Women Cash Dead Woman's Checks

A Houston Social Security Office reported that a beneficiary had died in 1983 but benefits checks continued to be released to her. Our Dallas Field Division investigators identified two Texas women who forged and negotiated the checks released to the dead woman. The woman who posed as the deceased beneficiary to cash the checks received 15 months' incarceration and was ordered to pay restitution of \$36,925 to SSA. Her colleague was given 5 months in prison and ordered to pay SSA restitution of \$36,925.

Investigation: Son Takes Deceased Mother's Benefits

Our Los Angeles Field Division investigators ascertained that a Phoenix woman who died in 1988 continued to receive SSA retirement benefit checks mailed to her residence until 2002. Her son lived at this residence.



Further investigation disclosed he cashed her SSA and Civil Service Fund annuity checks, and deposited the money first into a joint account he and his mother held, then transferred funds into his own bank account. The total fraud loss was \$153,022 to SSA and the Office of Personnel Management. He was sentenced to 6 months in prison, and ordered to pay restitution of \$88,583 to SSA.

Investigation: OIG Project Identifies Daughter's Theft

Our national project to identify currently paid beneficiaries whose deaths are posted on their Agency records identified a North Carolina woman who died in 1982. Atlanta Field Division agents found that her daughter cashed the checks mailed after the mother's death. We directed SSA to stop making these payments. The daughter was sentenced to 6 months' imprisonment and ordered to pay SSA full restitution totaling \$148,347.

Investigation: Man Hides Death, Uses Grandmother's Benefits

An anonymous complaint to the OIG Hotline alleged a man was receiving his grandmother's retirement benefits under his own SSN. Our Chicago Field Division investigated an anonymous complaint to the OIG Hotline alleging a man's grandmother died in February 1994 and the grandson concealed her death from SSA to continue using her benefits. When confronted by our investigators, he admitted to concealing his grandmother's death and using the money for his personal needs. He was sentenced to 5 months in prison and ordered to pay restitution of \$81,599 to SSA.

Investigation: Two Decades of Theft Lands Son in Prison

Our Atlanta Field Division investigated a referral from our Strategic Enforcement Division involving benefits payments to a South Carolina woman whose SSA records indicated she had died in 1980. Our investigation revealed that her son received and cashed his deceased mother's Social Security benefit checks until May 2001. He was sentenced to 15 months in prison and ordered to pay restitution of \$146,484 to the Agency.

Investigative Project: Fugitive Felon Program

The *Welfare Reform Act*, Public Law (P.L.) 104-193, enacted on August 22, 1996, denies SSI for fugitive felons and for probation and parole violators, and provides for the exchange of certain SSI information with law enforcement agencies under specified conditions. Such fugitives are denied Federal assistance, and relevant information is also provided to law enforcement for their apprehension. The apprehension of such a person



who is fleeing either prosecution or punishment can be as important as a new conviction in other kinds of cases.

The Fugitive Felon Program uses automated data matches to compare warrant information from the National Crime Information Center, the FBI, the United States Marshals Service (USMS) and State agencies with SSA's SSI rolls. SSA currently has data-matching agreements with numerous States and police departments, and is still pursuing such agreements with other States. We continue working with SSA to further refine and enhance the automated process.

SSA data contributed to the arrest of 2,550 fugitives in this reporting period—and a total of over 22,600 arrests since the fugitive program's inception in August 1996.

In September, the Commissioner recognized this year's recipients of the SSA Honor Awards, presenting the Commissioner's Team Award to our Fugitive Felon Team in recognition of their outstanding effort in providing information to SSA and Congress as they pursued legislation to strengthen Agency programs by prohibiting OASDI payments to fugitive felons. The following are examples of our successful investigations involving fugitive felons during this reporting period:

Investigation: Task Force Apprehends Parole Violator

Our New York Field Division helped a New York/New Jersey task force apprehend a fugitive felon who had an outstanding warrant for a parole violation after being convicted for criminal sale of a controlled substance. Our investigators determined that the fugitive had a prior offense involving sexual abuse and attempted rape. We helped task force agents arrest him as he attempted to retrieve his SSI check at the General Post Office in Manhattan. He was transported to the Department of Corrections and held pending his parole hearing.

Investigation: Fugitive Felon Project Nets Violent Fugitive

Our Fugitive Felon Project identified an SSI recipient wanted on a felony warrant for violating a protection/restraining order, burglary, breaking and entering to commit domestic violence, and possession of several loaded firearms and other weapons. We located him in Providence, RI, where Boston Field Division agents and Providence police officers arrested him. They found credentials identifying the fugitive as a Justice of the Peace, along with a knife and a bag containing valium. Our investigators found he exceeded the income/resources limit for SSI, as the owner of an auto sales company. Besides facing the charges he fled, he is now the subject of an OIG criminal investigation into his alleged concealment of income/resources.



Investigation: Long-Time Fugitive Arrested in California

Our Los Angeles Field Division investigated a long-time fugitive felon wanted in Florida for aggravated battery. OIG agents and officers from the Los Angeles Police Department's Fugitive Unit arrested the man in Los Angeles over 11 years after the warrant was issued, due to data-sharing efforts between OIG and the National Crime Information Center.





Issue 2: Management of the Disability Process

SSA administers the Disability Insurance (DI) and SSI programs, which provide benefits based on disability. Most disability claims are initially processed through a network of Social Security field offices (FO) and State Disability Determination Services (DDS). SSA representatives in the FOs are responsible for obtaining applications for disability benefits, disability report forms and authorization for disclosure of information forms as well as verifying non-medical eligibility requirements, which may include age, employment, marital status, or Social Security coverage information. After initial processing, the field office sends the case to a DDS to develop medical evidence and evaluate disability.

Once SSA establishes an individual is eligible for disability benefits under either the DI or SSI program, the Agency turns its efforts toward ensuring the individual continues to receive benefits only as long as SSA's eligibility criteria are met. For example, a CDR may show the individual no longer meets SSA's disability criteria or has demonstrated medical improvement.

If an individual disagrees with the Agency's decision on his/her claim or CDR, the claimant can appeal to SSA's Office of Hearings and Appeals (OHA). OHA's field structure consists of 10 regional offices and 140 hearing offices. OHA's administrative law judges hold hearings and issue decisions. In FY 2004, SSA processed 497,379 hearings. OHA's average processing time has increased significantly from 297 days in FY 2000 to 391 days in FY 2004. Further, the hearings pending workload was 635,601 cases on September 30, 2004, whereas on September 30, 2000 it was 346,756 cases. We have focused our attention on weaknesses within OHA—such as the backlog of cases, safeguards for sensitive information in case files, and shredding documents.

GAO added modernizing Federal disability programs—including SSA's—to its 2003 high-risk list due, in part, to outmoded concepts of disability, lengthy processing times, and decisional inconsistencies. In September 2003, the Commissioner of Social Security proposed a new approach to improving the disability determination process, which includes several initiatives that emphasize timely and accurate disability decisions. For example, a quick-decision step would initially sort claims based on information provided by claimants to identify people who are obviously disabled. Additionally, the Commissioner proposed an in-line quality review process and a centralized quality control unit. The long-term proposal builds on SSA's accelerated efforts to transition to an electronic disability folder, the linchpin of SSA's efforts to modernize disability processes from application to allowance, or through the appeals process.



In addition to her long-term proposal, the Commissioner has accelerated the Agency's transition to the electronic disability folder. The electronic disability folder will allow for disability claims information to be stored electronically and transmitted electronically between FOs, DDSs, and OHA.

Disability Fraud

Fraud is an inherent risk in SSA's disability programs. Some unscrupulous people view SSA's disability benefits as money waiting to be taken. A key risk factor in the disability program is individuals who feign or exaggerate symptoms to become eligible for disability benefits or who, after becoming eligible to receive benefits, knowingly fail to report medical improvements.

We are working with SSA to address the integrity of the disability programs through the CDI program. The CDI program's mission is to obtain evidence that can resolve questions of fraud in SSA's disability programs.

Cooperative Disability Investigations Program

OIG manages the CDI program in a cooperative effort between SSA's Office of Operations, OIG, and the Office of Disability Programs. There are 18 CDI units operating in 17 States.

CDI units are composed of OI special agents and personnel from SSA's Office of Operations, the States' DDSs, and State or local law enforcement. They use their combined skills and specialized knowledge to:

- Provide the DDS with investigative evidence so it can make timely and accurate disability eligibility determinations.
- Seek criminal and/or civil prosecution of applicants and beneficiaries and refer cases for consideration of civil monetary penalties (CMP) and administrative sanctions as appropriate.
- Identify, investigate, and seek prosecution of doctors, lawyers, interpreters, and other third parties who facilitate disability fraud.

Our CDI units identify fraud and abuse before benefits are approved and paid. GAO acknowledged the CDI program's successes by noting that we have increased the level of resources and staff devoted to investigating SSI fraud and abuse. In FY 2004, the CDI units saved SSA almost \$133 million, at an estimated cost of approximately \$10.9 million. SSA hopes to add more CDI units in FY 2005, depending on available resources.

The following cases and table highlight the successes of the CDI Program in this reporting period.



| Cooperative Disability Investigations Program Results April 1, 2004 - September 30, 2004 | | | | |
|---|---------------------------------|----------------------------------|----------------------|----------------------------|
| State | Allegations Received | Confirmed Fraud Cases | SSA Savings | Non-SSA Savings |
| Arizona | 38 | 17 | \$1,332,650 | \$155,570 |
| California | 180 | 110 | \$6,254,493 | \$4,909,030 |
| Colorado | 54 | 20 | \$1,078,496 | \$813,252 |
| Florida | 76 | 54 | \$3,485,298 | \$2,289,590 |
| Georgia | 139 | 101 | \$6,423,258 | \$2,000,689 |
| Illinois | 76 | 28 | \$1,666,040 | \$741,330 |
| Louisiana | 64 | 52 | \$2,785,056 | \$1,106,335 |
| Massachusetts | 66 | 36 | \$2,069,970 | \$947,360 |
| Missouri | 108 | 68 | \$3,991,536 | \$1,518,040 |
| New Jersey | 125 | 41 | \$2,652,204 | \$2,161,375 |
| New York | 104 | 91 | \$4,982,815 | \$6,380,460 |
| Ohio | 213 | 102 | \$6,681,936 | \$4,127,530 |
| Oregon | 187 | 97 | \$5,865,280 | \$3,819,865 |
| Tennessee | 71 | 40 | \$2,581,744 | \$1,415,023 |
| Texas | 160 | 114 | \$6,236,928 | \$3,036,077 |
| Virginia | 88 | 68 | \$4,443,260 | \$2,314,650 |
| Washington | 174 | 121 | \$6,786,588 | \$6,084,315 |
| Totals | 1,923 | 1,160 | \$69,317,552 | \$43,820,491 |
| October 1, 2003- March 30, 2004 | 1,896 | 1,071 | \$63,598,643 | \$39,955,486 |
| FY 2004 GRAND TOTALS | 3,819 | 2,231 | \$132,916,195 | \$83,775,977 |

Investigation: Partners in \$2.5 Million Scheme Imprisoned

Two New Jersey business partners filed for disability benefits in 1990, both claiming physical and mental conditions. After being awarded Title II benefits and private disability insurance payments, they launched several business ventures, including a restaurant specializing in gourmet soups. Our Iselin CDI unit found that one partner told *Forbes* magazine in September 2000 the restaurant had \$700,000 in sales since opening in June 1996 and they intended to open 60 other locations. Both pleaded guilty to theft by deception and falsifying records. They were sentenced to 3 and 4 years imprisonment respectively, and ordered to pay combined restitution of \$2,744,426 to SSA and a life insurance company.

**Investigation: SSA/VA Disability Recipient Jailed for Fraud**

An anonymous source reported that a man who filed for disability benefits based on AIDS and other health problems used his deceased father-in-law's SSN to conceal earnings from January 1994 to February 2002, and was also receiving VA benefits. Our Nashville CDI Unit found that the man claimed he was unable to stand or work for long periods, but was employed as a truck driver most of that time, described as an "extremely hard worker," averaging 50-60 hours a week and rarely absent. He was sentenced to 14 months in prison and ordered to pay SSA restitution of \$48,349 and the VA restitution of \$19,066.

Investigation: Claimant Representative Jailed for Fraud

SSA staff recognized a claimant representative, whose client was applying for disability benefits, as a claimant who was also receiving disability benefits under an alias. Our Baton Rouge CDI investigators determined she had been receiving disability benefits for 10 years, claiming agoraphobia, a fear of public places. The investigation revealed that she owned and operated a corporation representing thousands of applicants for Federal benefits for 3 years. She was representing applicants before administrative law judges (ALJ) and Agency officials during the entire time she alleged agoraphobia. She was sentenced to 5 months in prison and ordered to pay restitution of over \$76,000 to SSA.

Investigation: Bizarre Behavior Clue to Exposing Claim

The Texas DDS asked our Dallas CDI Unit to investigate a 22-year-old woman whose bizarre behavior during her psychological examination for disability benefits—telling examiners she had an imaginary friend and played with toys, teddy bears, and blocks—suggested she was malingering. She claimed she was unable to clean a house, drive a car, pay bills, visit family, or enjoy leisure activities. When CDI investigators interviewed the woman, she admitted driving, paying her own bills, and completing employment applications. She had a pre-employment interview at a retail store the day before meeting with investigators, and said she wanted to become a Certified Nurses Aide because they make good money. The woman's claim was denied.

Investigation: Horsewoman's Vigor Belies Disability Claims

An anonymous report alleged a woman receiving disability for a back condition was not disabled but very active, riding a horse vigorously for prolonged periods. She alleged her condition made her unable to stand and walk for over 2 hours a day. Though she claimed she had not ridden since 1997 except for a 5-minute attempt the previous year which produced



intolerable pain, our Salem CDI Unit investigators determined that the woman and her husband rode on a regular basis and were seen riding a month before her CDR. We found she provided her 3 horses normal horse care, and was involved in a riding club and rode in competition in 2001. She also participated in endurance riding for an average of 20 miles over varied terrain. Her disability benefits were halted.

Investigation: Cosmetologist Kept From Clipping SSA

Our Denver CDI unit investigated a 49-year-old cosmetologist who filed for disability benefits, alleging limited use of both arms, and said that pain in her lower back, hips, and feet kept her from bathing and dressing. Our investigators determined she renewed her cosmetologist license on May 1, 2003 and had a full salon attached to her residence. A CDI team member made an appointment for a haircut, during which the claimant boasted she had completely renovated the salon herself, including new paint and a new floor. She said she had been cutting hair over 30 years. Her claim was denied.



Our audit work on SSA' management of the disability process has included the following.

Congressional Response Report: SSA Chicago Regional Office's DDS Net Accuracy Rate

In a letter dated January 27, 2004, Congressman E. Clay Shaw, Jr., Chairman of the House Ways and Means Subcommittee on Social Security, asked OIG to review the allegations from a former medical consultant that the Chicago SSA Regional Office (RO) may have manipulated its calculation of the DDS net accuracy rate by discouraging medical reviewers from finding errors. Congressman Shaw requested an evaluation of the degree to which the DDS net accuracy rate performance indicator is being manipulated or has the potential to be manipulated by SSA employees.

The Agency assures the quality of initial State disability determinations by reviewing a random sample of allowances and denials from each State. A random stratified sample of initial allowances and denials is selected from each State by an automated sample selection process at the time of DDS input to the National DDS System. The basic design is to obtain a sample of 70 allowances and 70 denials per quarter per State. Sample cases are sent to the Office of Quality Assurance and Performance Assessment Disability Quality Branch in each region for quality assurance review. The review process replicates the DDS' disability determination process to the extent possible.



The quality assurance review process results in the calculation of DDS net accuracy, which is defined as the percentage of correct initial disability determinations. The net accuracy rate is based on the net error rate, which is defined as the number of corrected deficient cases with changed disability decisions, plus the number of deficient cases that are not corrected within 90 days from the end of the calendar quarter, divided by the number of cases reviewed.

We found no evidence to support allegations that the Chicago SSA RO manipulated its DDS net accuracy rate. Furthermore, the DDS net accuracy rate calculation does not appear to be vulnerable to manipulation because of existing management controls over the net accuracy rate calculation.

No recommendations were made.

Management Advisory Report: Office of Hearings and Appeals Case File Assembly Contracts

As a follow-up to our report, *Congressional Response Report: Review of File Assembly Contracts at Offices of Hearings and Appeals*, and to inquire as to whether similar problems existed in other OHA offices, Congressman E. Clay Shaw, Jr., Chairman of the House Ways and Means Subcommittee on Social Security, requested in a letter dated October 14, 2003 that we review additional file assembly contracts. We issued our report to Congressman Shaw on March 3, 2004.

The objectives of our review were to determine whether:

- OHA file assembly contractors followed the terms of the contracts.
- File assembly contractors had controls in place to safeguard sensitive information contained in the case files.
- OHA provided adequate oversight of file assembly contractor activities.



Within SSA, OHA is responsible for conducting hearings and issuing decisions as part of determining whether a person may receive disability benefits. When a claimant requests a hearing, an ALJ conducts the hearing and issues a written decision.

Some OHA offices use contractors to prepare case files for review by ALJs. The contractors organize medical documents chronologically, arrange documents in appropriate sections of the case files, number documents, identify and retain duplicate documents, and ensure all pertinent documents are appropriately labeled.

In this review, we found that:



- The file assembly contractor in the Boston region inappropriately removed documents from case files, contrary to the terms of the contract.
- Training instructions given to contractors by some OHA offices were not consistent with the terms of the contracts.
- Some OHA offices did not have controls in place to safeguard case files.

We recommended that SSA:

- Ensure the Boston contractor is following the correct procedures for case file assembly.
- Ensure that the case files assembled by the Boston contractor contain complete evidence to render an accurate disability decision.
- Develop standardized guidelines for file assembly contractors to ensure consistent and accurate training in all OHA regions.
- Issue guidelines that ensure the security of case files at all file assembly locations.

SSA agreed with our recommendations.

DDS Claims Processing Performance

Our objective was to identify factors that may have resulted in differing levels of performance at selected DDSs. To accomplish our objective, we identified groups of DDSs based on initial case clearances for FYs 2000 through 2002. We ranked the DDSs within each group according to performance on four indicators: production, timeliness, accuracy, and cost. We selected the higher- and lower-performing DDS in each stratum and collected and analyzed information from 10 DDSs to identify factors that may have resulted in differing levels of performance between the higher- and lower-performing DDSs.

We found that, generally, the lower-performing DDSs had higher rates of disability examiner attrition, fewer examiners in relationship to total staff, and purchased consultative exams (CE) on more claims than their higher-performing DDS counterparts. In addition, State restrictions on hiring staff and high rates of claimants who missed scheduled CE appointments may have negatively affected the claims processing performance of both higher- and lower-performing DDSs. We acknowledged that there are other factors that most likely also influenced the performance of the DDSs in the review and, accordingly, do not suggest that the factors identified in the report are all inclusive.



We noted that the DDSs are responsible for providing an organizational structure and qualified personnel to process disability claims and to obtain evidence needed to make disability determinations. However, SSA is required to work with DDSs to provide and maintain an effective system for processing disability claims, including providing leadership and oversight.

We recommended that SSA:

- Continue to work with State governments to resolve the factors that result in high DDS examiner attrition and difficulties in hiring staff.
- Initiate development of an optimal staff mix model.
- Establish outreach efforts with providers who are historically unwilling to submit medical evidence in a timely manner.
- Assist DDSs to establish innovative processes that will lower the high rates of claimants who miss their CE appointments.

SSA commented on our draft report stating it generally agreed with our findings and conclusions. However, the Agency said it could not develop an optimal DDS staff mix model at this time because staffing mix requirements for the electronic folder and the Commissioner's new disability process are unknown. However, SSA stated that it will evaluate the staffing requirements as it transitions into the new processes.

Best Practices in Highest Producing Hearing Offices

Our objective was to identify potential factors and practices at hearing offices that result in differing levels of performance in the areas of productivity and timeliness.

To understand how best practices are being used in the hearing offices, we contacted 12 of OHA's highest producing hearing offices in both dispositions per day per ALJ and processing time.

We found that OHA released numerous best practice ideas to hearings offices over the years to improve their disposition rates and timeliness. Recent best practice releases have been less useful due to:

- A lack of focus.
- Inability to determine the effectiveness of the best practices.
- Conflicting messages.

We commended OHA for examining best practices as another tool to help increase dispositions and meet processing time goals. However, we believe OHA would benefit from a more focused approach. We identified 3 best practices for increasing dispositions and 5 best practices for meeting the



processing time goal that are being used at 12 of OHA's highest producing hearing offices we selected.

We recommended that SSA:

- Consider developing a process similar to the earlier Practice and Procedures Exchange model in future development and releases of best practice ideas to the regional offices and hearing offices.
- Share the eight best practices identified in our review with all hearing offices.

SSA agreed with our recommendations.

The following are examples of our successful disability fraud investigations during this reporting period:

Investigation: Illinois Couple Get 5 Years in SSA, VA Fraud

The Department of Veterans Affairs (VA) OIG asked our Chicago Field Division for assistance investigating a husband and wife for veterans benefits fraud. Our joint investigation provided such a substantial amount of evidence that they committed fraud against both SSA and VA disability programs that the jury deliberated just 15 minutes before returning a guilty verdict on all 7 criminal counts. The husband and wife each received 5 years in prison. They were ordered to pay joint restitution of \$185,114 (80 percent to VA and 20 percent to SSA).

Investigation: Beneficiary Holds 3 Jobs Too Many

Our Atlanta Field Division took part in a joint investigation of a U.S. Postal Service (USPS) employee who concealed work activity from the USPS, the Department of Labor (DOL) and SSA while she received pay from the USPS, worker's compensation from DOL, and disability benefits from SSA after being injured while working. Our investigators determined that while receiving these benefits, she opened and operated a restaurant and became an independent contractor for a package delivery service. Found guilty on 34 criminal counts, she lost her postal job, was sentenced to 18 months in prison, and was ordered to pay restitution of \$111,063.

Investigation: Florida Man Faked Disability to Receive Benefits

VA OIG informed our Atlanta Field Division that a disability beneficiary might not be disabled. Our investigation documented on videotape that the allegedly wheelchair-bound man walked without assistance. Additionally, when pulled over for a traffic violation, he resisted arrest by throwing his cane and running from law enforcement officers. He was sentenced to 7 months' incarceration and ordered to pay restitution of \$384,934.



Issue 3: Social Security Number Protection

In FY 2004, SSA issued over 17.5 million original and replacement Social Security cards, and received approximately \$545 billion in employment taxes related to earnings under assigned Social Security numbers (SSN). Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full benefits due them.



Efforts to Protect the SSN

The SSN has become a key to social, legal, and financial assimilation in this country. Because the SSN is so heavily relied upon as an identifier, it is also valuable as an illegal commodity. Criminals improperly obtain SSNs by:

- Presenting false documentation.
- Stealing another person's SSN.
- Purchasing an SSN on the black market.
- Using the SSN of a deceased individual.
- Creating a nine-digit number out of thin air.

To ensure SSN integrity, SSA must employ effective front-end controls in its enumeration process. We believe SSA should:

- Establish a reasonable threshold for the number of replacement Social Security cards an individual may obtain during a year and over a lifetime.
- Continue to address identified weaknesses in its information security environment to better safeguard SSNs.
- Consider revising its policies to require that field offices obtain independent verification of the birth records for U.S. citizens under age 1 before SSN assignment.

SSA has taken steps to improve controls within its enumeration process, including establishing the Enumeration Response Team. As a result of the Team's efforts, SSA now performs full collateral verification of all immigration documents before assigning SSNs to non-citizens. SSA requires mandatory interviews for all applicants for original SSNs who are over age 12 (lowered from age 18) and requires evidence of identity for all children, regardless of age. In addition, SSA has established an Enumeration Center in Brooklyn, New York, that focuses exclusively on assigning SSNs and issuing SSN cards.

The Agency also initiated a new policy for enumerating foreign students. Specifically, SSA will no longer assign an SSN to any foreign student with



an "F-1" immigration classification, unless the student has evidence of on-campus work from the designated school official and on-campus employer.

The Agency implemented new enhancements to its Modernized Enumeration System (MES) that will interrupt the issuance of SSN cards when parents claim to have an improbably large number of children, and add a special code to an individual's record as an alert that the SSN was used for the purpose of establishing a fictitious identity. SSA also implemented the MES Workload Management Information (WMI) application, which provides field office managers with better data to identify employee non-compliance with enumeration policies and allows them to better focus training resources. Other system enhancements planned by SSA include the SS-5 Assistant, which will be available to all SSA field offices in FY 2005. This system will simplify the interpretation of and compliance with the Agency's complex enumeration policies, determine what documents and proofs the SSN applicant must present and prompt the employee to ask for and input data in mandatory fields.

The SSN and Reported Earnings

Properly posting earnings ensures eligible individuals receive the full retirement, survivor and/or disability benefits due them. If earnings information is reported incorrectly or not reported at all, SSA cannot ensure all eligible individuals are receiving the correct payment amounts. In addition, SSA's disability programs depend on earnings information to determine whether an individual is eligible for benefits and to calculate the amount of benefit payments.

SSA spends scarce resources correcting earnings data when incorrect information is reported. The Earnings Suspense File (ESF) is the Agency's record of annual wage reports for which wage earners' names and SSNs submitted by employers do not match SSA's records. As of October 2004, SSA had posted 9 million wage items to its ESF for Tax Year 2002, representing about \$56 billion in wages. This was before some planned edits, which may have further reduced this number.

While SSA has limited control over the factors that cause the volume of erroneous wage reports submitted each year, there are still areas where the Agency can improve its processes. SSA can improve wage reporting by educating employers on reporting criteria, identifying and resolving employer reporting problems, and encouraging greater use of the Agency's SSN verification programs. SSA also needs to coordinate with other Federal agencies with separate, yet related, mandates. For example, the Agency now collaborates with the Internal Revenue Service to achieve more accurate wage reporting.



SSA has taken steps to reduce the size and growth of the ESF. For example, SSA has expanded its Employee Verification Service by piloting an online service called the Social Security Number Verification Service, which allows employers to verify the names and SSNs of employees before reporting their wages to SSA. The Agency has also modified its automated processes to better identify the numberholder related to suspended items. Whereas previous internal edits used only the name and SSN related to the suspended wage, SSA stated the new processes would use information stored on the earnings and benefits records.

The SSN and Unauthorized Work

SSA assigns non-work SSNs to non-citizens without DHS authorization to work only if they have valid non-work reasons; i.e., (1) reside either in or outside the U.S. and are entitled to federally-financed benefits that require an SSN, or (2) are legally present in the U.S. and entitled to a State or local public assistance benefit which requires an SSN. In recent years, SSA has strictly limited the assignment of such numbers. Furthermore, SSA monitors non-citizens who show earnings under a non-work SSN and reports this information to DHS. Nonetheless, our audits have noted a number of issues related to non-work SSNs, including:

- The type of evidence provided to obtain a non-work SSN.
- The reliability of non-work SSN information in SSA's records.
- The significant volume of wages reported under non-work SSNs,
- The payment of benefits to non-citizens who qualified for their benefits while working in the country without proper authorization.

The *Social Security Protection Act of 2004* prohibits the payment of Title II benefits based on the earnings of any individual who is not a U.S. citizen or national and who has never been issued an SSN to work in the United States for all benefit applications based on an SSN issued on or after January 1, 2004. To implement this new law, we believe increased coordination between SSA and DHS will be required to ensure SSA has the correct work status information in its systems.

In this reporting period, we conducted the following reviews in this area.

SSNs with More Than One Owner

Our objective was to determine how often SSA's records show that more than one individual has been provided with the same SSN.

In an August 2002 audit, *Effectiveness of the Social Security Administration's Earnings After Death Process*, we reported on two Numident records where



more than one person appeared to share the same SSN. At the time, we referred the cases to the Agency for resolution. SSA staff explained to us that such errors may occur when identifying information for one person is erroneously posted to the Numident record of another individual.

In this audit, we reviewed 100 records taken from a subset of Numident records in which more than one date of birth or place of birth appeared on the file. Based on our review, we identified 3 instances of 2 individuals sharing the same SSN, with 1 case leading to a \$49,100 overpayment of benefits. Furthermore, we reviewed another 3 similar cases from an earlier audit and identified another \$223,200 in payment errors caused by 2 individuals sharing 1 SSN. The majority of the enumeration input errors we reviewed during this audit occurred prior to improvements made to the Modernized Enumeration System (MES).

In summary, we believe that SSA's current enumeration procedures should minimize future occurrences of individuals sharing the same SSN. However, we also believe that past enumeration problems may still lead to payment errors in the future. We recommended that SSA take appropriate action on the cases with improper payments discussed in this report. SSA agreed with our recommendation.

Management Advisory Report: Review of Universities' Issuance of Temporary SSNs to Foreign Students

In June 2003, we notified SSA of our concerns regarding some Florida universities' practice of issuing temporary SSNs to foreign students. We found that some universities began this practice as a result of delays foreign students were experiencing in obtaining an SSN based on SSA's policy change to verify evidentiary documents of all noncitizens with DHS before issuing an SSN. While our initial focus was on Florida universities, this report included an analysis of other universities nationwide. Our objective was to evaluate universities' policies and procedures for issuing temporary SSNs to foreign students.

Based on our interviews with various university personnel and reviews of Internet web sites, we were concerned about universities' issuance of temporary SSNs to foreign students. We identified numerous instances in which universities issued temporary 9-digit identification numbers to foreign students and improperly referred to them as temporary SSNs. We were concerned that foreign students could easily construe these temporary numbers as legitimate SSNs and potentially misuse them, creating SSN integrity issues. SSA personnel with whom we spoke shared our concern, and SSA initiated a national review to identify universities engaging in this practice. Despite SSA's efforts to educate universities about



their improper references to temporary SSNs, we found the risk of exposure to this practice remained.

We recognize the challenge of educating such a large number of universities. However, given the potential magnitude of the problem and threats to SSN integrity, such a challenge should not discourage SSA from taking additional steps to safeguard SSNs. Given the potential risks for foreign students to misuse temporary identification numbers, we believe SSA can better safeguard SSN integrity by educating all universities about the proper issuance of SSNs to foreign students.

Accordingly, we recommended that SSA:

- Contact the universities we identified that issued temporary SSNs and educate them about the potential risks of this improper practice.
- Coordinate with national educational associations and foreign student organizations to educate the university community about the potential risks of referring to student identification numbers as temporary SSNs.

SSA agreed with our recommendations.

Congressional Response Report: Survey of Educational Institutions' Issuance of Work Authorization Documents to Foreign Students

At the request of staff members for the Senate Committee on Governmental Affairs, we conducted a survey of educational institutions' policies and procedures for assisting foreign students in obtaining SSNs by issuing them work authorization letters.

Almost 600,000 foreign students were enrolled in educational institutions in the U.S. during the 2002-2003 academic year. Students are admitted under 3 non-immigrant classifications. Our survey focused on students with F-1 classifications because they are eligible to work on campus without obtaining specific approval from DHS. For an F-1 student's SSN application to be approved, the student had to provide SSA evidence of age, identity, legal alien status, full-time enrollment, and (DHS or school issued) authorization to work. We interviewed representatives at 25 institutions with a diverse mixture of student populations and academic subjects. Specifically, the interviews were designed to determine the schools' policies and practices for:

- Issuing work authorization letters to facilitate F-1 students' attainment of SSNs.



- Monitoring the enrollment, attendance and employment of these students.

We found that schools have a variety of policies governing the issuance of work authorization letters to assist F-1 students in obtaining SSNs. Of the 25 educational institutions we contacted, 10 provided work authorization letters to F-1 students because they were eligible to work on campus as a condition of their immigration status and 5 provided the letters because students indicated they planned to pursue on-campus employment. We found that 7 educational institutions only issued work authorization letters after students provided evidence they had found on-campus employment. The remaining 3 institutions did not issue work authorization letters.

We understand foreign students' concerns regarding their ability to effectively function and integrate while studying in the U.S. As such, we believe more should be done to limit the use of the SSN to only legally-sanctioned purposes. However, we also believe the assignment of SSNs should be limited to only those individuals who plan to work or receive benefits in the United States. Accordingly, we support SSA's new regulation which will limit the assignment of SSNs to only F-1 students with evidence of on-campus or DHS-approved job offers.

Enumeration of Children Under Age 1: Opportunity to Reduce the Risk of Improper SSN Attainment

Our objective was to assess SSA's vulnerability to invalid birth records when assigning original SSNs to children under age 1.

SSA requires that all U.S. citizens who apply for original SSNs provide evidence of age, identity, and U.S. citizenship. Generally, SSA uses birth records to establish an applicant's age. Until 2002, SSA required independent verification of birth records for U.S.-born, first-time SSN applicants age 18 and over. As of June 1, 2002, SSA began requiring FO personnel to independently verify birth records for U.S. citizens age 1 and older before assigning them an original SSN. Currently, however, SSA does not independently verify the birth of a child under age 1 unless FO personnel believe the evidence presented is invalid.

Despite SSA's commitment to combat SSN fraud and misuse, the Agency's exposure to such activity remains. We identified three instances in which SSA assigned original SSNs to children under age 1 based on invalid birth records. In addition, our investigators have identified numerous cases in which individuals used invalid documents to obtain SSNs for young children. GAO investigators also proved the ease with which individuals can obtain SSNs for children under age 1 using counterfeit documents.



We recommended that SSA:

- Consider revising its policies to require that FOs obtain independent verification of the birth records for U.S. citizens under age 1 before SSN assignment.
- Place a special indicator code on the 3 SSNs that FO personnel assigned based on invalid birth records.

SSA agreed with our recommendations.

Field Offices, Foreign Service Posts, and Brooklyn Social Security Card Center's Compliance with Policies and Procedures When Processing Non-citizen SSN Applications

Our objectives in these 3 audits were to evaluate SSA's compliance with policies and procedures when processing non-citizen SSN applications at FOs, Foreign Service Posts (FSP), and the Brooklyn Social Security Card Center (BSSCC).

Non-citizens can apply for SSNs at any of SSA's 1,300 FOs around the country, at one of the Department of State (DOS) FSPs around the world, or at the BSSCC (mandatory for Brooklyn residents). When a non-citizen applies for an original SSN, he or she must complete, sign, and submit an *Application for a Social Security Card* to SSA and provide acceptable documentary evidence of:

- Age.
- Identity.
- Work authorized lawful alien status and/or a valid non-work reason.

Because of SSN integrity concerns, SSA reevaluated its policies and procedures for assigning SSNs to non-citizens. Accordingly, effective September 2002, Agency personnel began verifying non-citizen evidentiary documents with DHS and/or DOS before SSN assignment. In addition, SSA personnel record a description of non-citizens' immigration documents and the verification of these documents on the SSN application. This information serves as an audit trail by documenting Agency personnel's actions taken during SSN application processing.

Based on our reviews of SSN applications processed by SSA field offices, foreign service posts and SSA's Office of International Operations, we estimate that over 30 percent contained some compliance errors. Additionally, our review of SSA's Enumeration Center in Brooklyn, New York revealed a non-compliance rate of 15 percent for SSN applications processed.



The most common occurrence of non-compliance was failure to document the verification of immigration status with DHS.

SSA agreed with our recommendations to:

- Reemphasize the importance of following all policies and procedures when processing SSN applications from non-citizens.
- Conduct periodic studies to assess compliance with policies and procedures for processing non-citizen SSN applications.
- Consider MES enhancements that would prevent SSN assignment to non-citizens when FO personnel do not comply with policies and procedures.

We commended SSA for its efforts to strengthen the integrity of the SSN. We especially acknowledge the New York Region's recently developed automated application enhancements. We believe these applications will serve as valuable tools to ensure compliance with SSA enumeration policies and procedures.

SSA's Internal Use of Employees' SSNs

Our objectives were to determine the extent of SSA's internal use of employees' SSNs, and to evaluate the safeguards used within the Agency to protect the confidentiality of these SSNs.

We reported the SSN is used extensively within SSA's systems and documents to identify its employees. Further, the Agency has some safeguards in place to protect the confidentiality of its employees' SSNs. However, the Agency needs to enforce current policies to ensure these SSNs are protected.

SSA's extensive use of employee SSNs in its systems and documents increases the risk that the employee SSN may be accessed by unauthorized personnel. The Agency has mitigated this through some safeguards, but additional actions are needed. With the increasing impact of identity theft on the public and economy, SSA—as the issuer of SSNs—should be the model for both the public and private sectors by taking the leadership role in protecting SSNs, including those of its employees.

We recommended SSA:

- Remind employees to secure any system or document containing employee SSNs when not being used.
- Consider using asterisks to hide the employee SSN.
- Identify the forms that request the employee's SSN, and if the SSN is not required, eliminate its use on these forms.



- Determine if it is cost beneficial to use an alternative primary identifier for its employees for all future SSA systems.
- Consider and use encryption where feasible.

SSA agreed with our recommendations. Further, the Agency agreed that it needed to exercise due diligence in protecting employee SSNs. SSA noted that unlike the private sector, it is bound by Executive Order 9397 and 1961 Civil Service Commission directives mandating the use of SSNs as the identifier of Federal employees. As a result, the Agency says that until such time as both directives are rescinded or modified, it is required to use the SSN as the employee identifying number.

The following are examples of our successful SSN misuse investigations during this reporting period:

Investigation: Attempted Murder Suspect Caught for SSN Fraud

Investigating an alert that a number of new Social Security cards were sent to a single address, our Atlanta Field Division investigators found the cards were issued based on fraudulent applications. The investigation exposed an interstate organization responsible for distributing counterfeit identification documents and fraudulently-obtained Social Security cards. SSA processed at least 120 fraudulent applications and sent the cards to numerous addresses, mostly post office boxes. Additionally, we determined that the ringleader was wanted for attempted murder, and used identity fraud to evade apprehension. Sentenced to 46 months in prison, he was also ordered to pay restitution of \$8,587.



Investigation: SSN/SSI Fraud Leads to Arrest of Drug Ring

The Quad City Metropolitan Enforcement Group in Davenport, Iowa asked our St. Louis Field Division for help on an investigation begun in early 1990s involving a mother, her son and her daughter selling illegal drugs. Our investigators determined the mother was using 2 SSNs she had been issued by SSA—one to collect SSI benefits and the other to register vehicles and open bank accounts. A joint investigation was opened that included the Drug Enforcement Administration, Internal Revenue Service, and the Iowa Department of Inspections and Appeals. We found the family concealed the drug distribution operation by operating a restaurant and purchasing a Picasso print, high-priced cars and motorcycles, several properties in Iowa and two ocean-front condominiums in California to launder drug money. The mother also obtained SSI benefits, claiming total disability, fraudulently receiving \$24,391 in SSI benefits and over \$50,000 in Medicaid. She was sentenced to 151 months in prison and ordered to pay a court-imposed CMP totaling \$900 plus full restitution of \$24,391 to SSA and \$66,681 to the



Department of Health and Human Services. The son was given 360 months' incarceration with an \$800 CMP, and the daughter received 121 months' imprisonment with a \$600 CMP.

Investigation: Grandmother Jailed for Child Theft in SSN Fraud

Police in Kansas asked our St. Louis Field Division to help investigate inconsistencies in a runaway child case. Our investigators learned the girl's grandmother had taken the 1-year-old from the child's mother and fled with her to another state. For the past 13 years, the girl's grandmother and child lived under fake identities that the grandmother created through SSA with forged birth certificates for twins. The woman was sentenced to one year in prison for aggravated interference with parental custody. The child is currently in foster care and the child's mother is attempting to gain custody.

Investigation: SSN Fraud, Stolen Mail Lead Two Men to Jail

Our Denver Field Division and USPIIS investigated mail stolen from private mailboxes and U.S. Postal receptacles in South Dakota. Our investigators found that two men extracted checks, banking information, SSNs and other personal identifiers which they used to create false identification documents, bank accounts and payroll checks. Each was sentenced to 27 months' incarceration for bank fraud, conspiracy to commit mail theft, and possession of embezzled mail, and ordered to pay restitution of \$13,028.

Investigative Challenge -- Employee Fraud and SSN Integrity

It only takes a few corrupt employees to compromise the integrity of the Social Security system and undermine the public's confidence in SSA's programs. Although the vast majority of SSA's over 60,000 employees are trustworthy, dedicated civil servants, OIG remains vigilant. As the illicit demand for SSNs increases the profitability of taking part in schemes to provide genuine Social Security identification illegally to fraudulent applicants, our investigators and auditors have found that occasionally SSA employees have succumbed to this temptation. The detection of employees committing SSN fraud for personal gain is an investigative priority, although it comprises very few allegations and cases.

Examples of our successful investigations in this area during this reporting period include the following:

**Investigation: "Fast Track to Citizenship" Scam Halted**

Our Los Angeles Field Division halted an elaborate scheme promising immigrants a package deal consisting of a Social Security card and U.S. citizenship for up to \$75,000 per person. We learned that the woman who ran the operation, an incorrigible criminal with two prior convictions for immigration fraud, told victims that she was a Central Intelligence Agency (CIA) officer who could bypass normal channels and naturalize people directly. She staged naturalization ceremonies along with a co-defendant posing as a Federal judge, fraudulently obtaining genuine Social Security cards through a 15-year SSA employee. A fourth co-defendant recruited victims. The ringleader—who also fraudulently received \$36,820 in Title II benefits paid to her deceased ex-husband—was sentenced to 121 months in prison, and ordered to pay a special assessment of \$2,500 and restitution of \$349,065 to the victims of her scheme. The fraud loss was fully recovered. The bogus judge received 3 years' probation and was ordered to pay \$46,550 in restitution. The SSA employee, who provided substantial assistance to the Government, resigned in lieu of termination and was sentenced to 2 months of incarceration. The "broker" who recruited victims was given 2 years of probation.

Investigation: Employee Fired, Jailed in Card Scheme

An illegal alien told Atlanta Field Division investigators in a post-arrest statement that he had purchased a Social Security card for \$1,300 from an individual claiming to know a corrupt SSA employee in the South Florida area. Our investigators found that a State of Florida investigator, an SSA employee and others conspired to produce and distribute genuine Social Security cards to 423 undocumented aliens. The Florida investigator was sentenced to 24 months in prison, fined \$1,000, and terminated for his role in the fraud. The SSA employee was also terminated and sentenced to 30 months of incarceration. Two other co-conspirators have not yet been charged.

The SSN Integrity Protection Team

There is a great deal of illicit money to be made in SSN misuse, and the costs to all of us are very high. To help combat and prevent such crimes, OIG created its SSN Integrity Protection Team. This team provides an integrated approach to addressing SSN misuse, combining the talents of our auditors, investigators, computer specialists, analysts, and attorneys. The team approach allows OIG to more effectively address this growing problem and provide assistance to SSA, Congress, the public, and other law enforcement entities.



Specifically, the Team focuses its efforts on identifying patterns and trends indicative of SSN misuse that will help us better target audit work, refer cases for investigation, and ensure efficient and effective liaison with other relevant public and private sector entities. In FY 2004, the Team provided assistance in responding to numerous Congressional and media inquiries. Additionally, the Team drafted testimony on identity theft and SSN misuse for hearings before the U.S. House of Representatives' Committee on Government Reform, the Committee on Ways and Means Subcommittee on Social Security, and the Subcommittee on Oversight. To improve safeguards in the enumeration process, the Team also provided assistance in developing legislative proposals, audit recommendations and investigative trend analyses for OIG stakeholders including SSA, Congress and the law enforcement community. Further, as a form of outreach to the public, the Team developed an Identity Theft brochure, which provides information on how to prevent identity theft and what steps to take if it does occur.





Issue 4: Critical Infrastructure Protection and Systems Security



Today, the growth in computer interconnectivity brings a heightened risk of disrupting or sabotaging critical operations, reading or copying sensitive data, and tampering with critical processes. Those who wish to disrupt or sabotage critical operations have more tools than ever. The United States works to protect the people, economy, essential services, and national security by ensuring that any disruptions are infrequent, manageable, of minimal duration, and cause the least damage possible. The Government must continually strive to secure information systems for critical infrastructures. Protection of these systems is essential to telecommunications, energy, financial services, manufacturing, water, transportation, health care, and emergency services.

SSA's information security challenge is to understand and mitigate system vulnerabilities. At SSA, this means ensuring the security of its critical information infrastructure, such as access to the Internet and its networks. By improving systems security and controls, SSA will be able to use current and future technology more effectively to fulfill the public's needs. The public will not use electronic access to SSA services if it does not believe those systems are secure. SSA addresses critical information infrastructure and systems security in a variety of ways. For example, it has created a Critical Infrastructure Protection work group that works toward compliance with various directives, such as the Homeland Security Presidential Directives and the *Federal Information Security Management Act of 2002* (FISMA). SSA has several other components throughout the organization that handle systems security, including the Office of Information Technology Security Policy within the Office of the Chief Information Officer.

Homeland Security Presidential Directive 7 requires that all Federal departments and agency heads identify, prioritize, assess, remediate, and protect their respective critical infrastructure and key resources. OMB provided guidance to Federal departments and agencies on how to prepare plans to protect physical and cyber critical infrastructure and key resources and to complete these plans by July 31, 2004. We have worked closely with SSA to help meet these requirements. The Agency plans must address identification, prioritization, protection, and contingency planning, including the recovery and reconstitution of essential capabilities.

One important issue in systems security is restricting physical access to the Agency's systems and data. We reported on physical security problems at several hearing offices and noted that non-SSA employees were allowed inappropriate access to secured areas. Though the managers at these sites took prompt action to remedy the security breaches, we believe the



same security concerns may be present at other hearing offices. However, because our observations were limited to only a few offices, we do not know how pervasive these security breaches may be. We plan to better assess OHA's vulnerabilities in this area.

In addition, under FISMA, we independently evaluate SSA's security program. We also monitor the Agency's efforts and progress on the Expanded Electronic Government initiative of the PMA. Systems security is a key component of this initiative, and we are working with the Agency to resolve outstanding issues so it can get to green on the Electronic Government Scorecard.

Our audit work on critical infrastructure and systems security issues in this reporting period included the following.

FY 2004 Evaluation of SSA's Compliance with FISMA

Our objective was to determine whether SSA's overall security program and practices complied with the requirements of the FISMA. We also reviewed the Agency's efforts to reach green on the security portion of the expanded electronic Government (eGovernment) initiative of the PMA. Our analysis included an evaluation of SSA's plan of action and milestones, certification and accreditation (C&A), and systems inventory processes.

FISMA requires Federal agencies to create protective environments for their information systems. It does so by creating a framework, which includes annual information technology (IT) security reviews, vulnerability reporting, and remediation planning.

During our FY 2004 FISMA evaluation, we determined that SSA has generally met the requirements of FISMA and the security portion of the PMA eGovernment initiative. SSA has made improvements over the past year to further strengthen its compliance with FISMA. The Agency has worked diligently to reach green on the PMA's eGovernment initiative.

We recommended SSA:

- Continue to ensure that the Automated Security Self-Evaluation and Remediation Tracking system is in compliance with the Agency's policies and properly identifies, tracks, and reports system deficiencies.
- Create policy to ensure that the systems inventory is maintained and accurately reflects the current systems and subsystems operated by SSA.
- Continue to ensure that C&As are properly updated every 3 years or when a significant change occurs and new C&As are prepared for any new major system.



- Continue to implement a methodology to track and monitor IT security training and awareness.
- Continue to implement a complete and coordinated continuity of operations plan for the Agency, which is tested on a regular basis.

Congressional Response Report: Security of SSA's National Computer Center Back-up Tapes and Records

At the request of Congressman Earl Pomeroy, Ranking Minority Member, Subcommittee on Oversight, House Committee on Ways and Means, we initiated a review of the security SSA's National Computer Center (NCC) back-up tapes and records located at an off-site vault facility. His specific concerns were:

- Security in the storage of SSA back-up tapes and records.
- The current contractor's compliance with established SSA and industry security standards.
- The process recently used by SSA to award the off-site storage of magnetic media contract to the incumbent contractor.

Our objective was to address the issues raised by Congressman Pomeroy regarding SSA's arrangement for storing NCC back-up tapes and records at an off-site vault facility. As a result of the review, we determined that the level of security afforded SSA's back-up tapes stored at a vendor's off-site vault storage facility is sufficient, and the current contractor is in compliance with established SSA and industry security standards. Additionally, SSA followed applicable laws, regulations, and policies and procedures in awarding the contract to the incumbent contractor. We provided no recommendations.

SSA's Monitoring of Potential Employee Systems Security Violations

Our objectives were to examine the processes that SSA has in place to review potential employee system security violations in a timely and proper manner and to limit the Agency's exposure to employee misuse of its systems. We also examined the process used to refer violations to OIG.

We found that SSA has a process in place to review potential employee systems security violations and has taken steps to limit its exposure to employee misuse of its systems. These steps include, but are not limited to:

- Establishment of Sanction Penalties.



- Establishment of policies and procedures for reviewing potential employee systems security violations in the Information Systems Security Handbook and the Integrity Review Handbook.
- Development of the Comprehensive Integrity Review Process system to alert managers of potential problems.
- Efforts to analyze trends in applying sanctions.
- Referring cases to OIG.
- Periodic training and reminders for the reviewers.

While we believe that the Agency, and in particular SSA's Office of Operations, is making a concerted effort to address employee systems security violations, there are areas within the integrity review process that need improvement. During our review we found:

- Certain potential security violation cases were not referred to OIG.
- Certain violations were not addressed in a timely manner in conformance with the integrity review process.
- There is no centralized system or existing process to track employee systems security violations.
- Sanction documentation was not located for all cases.

To strengthen SSA's integrity review process and reduce its vulnerability to employee systems security violations, we recommended that SSA:

- Establish policies and procedures on retaining supporting documentation for potential misuse or potential fraud employee systems security violations.
- Maintain supporting documentation for all potential misuse or potential fraud employee systems security violations.
- Provide OIG periodic access to the potential misuse or potential fraud employee systems security violations.
- Continue to ensure all integrity reviews are conducted in a more timely and in-depth manner.

SSA agreed with our recommendations.



The Impact on Network Security of SSA's Operating Systems' Conversion

Our objective was to determine if SSA's conversion from the Windows NT operating system, increased, maintained, or decreased network security.

SSA migrated its network environment from one based on Windows NT to one based on Windows 2000. SSA decided to migrate ahead of schedule to the next operating systems, Windows 2003/XP. With each conversion, the Agency has tried to take advantage of newer, improved, and more developed operating systems to increase network security.

We found that SSA continues to migrate its network environment from one based on the Microsoft Windows NT operating system to one based on the newer Microsoft operating systems, Windows 2003 and Windows XP. While each of the conversions has increased network environment security, the problems the Agency encountered during these conversions prevented network security from reaching the full potential available in its newer operating systems.

We recommended and SSA agreed to require:

- New application programs installed on SSA's network structure be developed to operate under the high security configuration settings originally intended for SSA's network environment.
- Applications carried over from older operating system environments be replaced or modified when incompatible with newer, more stringent security configurations.
- Network applications to undergo adequate Integration and Environmental testing to meet security requirements under operating systems using high security configuration settings.

Investigative Challenge -- Systems Security

The protection of critical SSA systems security also requires constant investigative vigilance. Though the vast majority of SSA employees are reliable and committed public servants, even small amounts of employee misuse of SSA systems could undercut their integrity. During this reporting period, the Electronic Crimes Team of OI's Critical Infrastructure Division investigated several instances of potentially compromising misuse of Agency systems of varying degrees of severity. The following case is an example of our successful investigative work:



Investigation: SSA Employee Creates, Pays Fake Claimants

SSA suspected an employee was creating fraudulent claimants so she could collect benefit payments. Our Dallas Field Division investigators determined that she created 37 fictitious identities over a 10-year period, assigned them SSNs, and authorized \$1,266,825 in SSA benefits to be paid to them. A co-conspirator controlled bank accounts and Post Office boxes used in the scheme, and they split the proceeds. The employee lost her job and pleaded guilty to conspiracy to commit wire fraud. In her plea agreement, she forfeited the entire balance of her Federal Employment Retirement System account. She was sentenced to 46 months in prison and ordered to pay \$1,266,825 in restitution to SSA. Her accomplice pleaded guilty to conspiracy to defraud the Government, and is awaiting sentencing.





Issue 5: Internal Control Environment and Performance Measures

Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal controls help safeguard assets and prevent and detect errors and fraud. Assessing the internal control environment is important since internal control is a critical part of performance-based management. SSA's internal control environment helps its managers achieve desired results through effective stewardship of public resources.



SSA is responsible for implementing policies for the development of disability claims under the DI and SSI programs. Disability determinations under both DI and SSI are performed by DDSs in each State in accordance with Federal regulations. In carrying out its obligation, each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations. To assist in making proper disability determinations, each DDS is authorized to purchase medical examinations, x-rays, and laboratory tests on a consultative basis to supplement evidence obtained from the claimants' physicians or other treating sources. There are 52 DDSs located in each of the 50 States, the District of Columbia, and Puerto Rico. SSA reimburses the DDS for 100 percent of allowable expenditures up to its approved funding authorization. In FY 2003, SSA allocated over \$1.6 billion to fund DDS operations.

During FYs 2000 through 2003, we conducted 15 DDS administrative cost audits. In 13 of the 15 audits, internal control weaknesses were identified. For example, we reported that improvements were needed to ensure Federal funds were properly drawn and payments to medical providers were in accordance with Federal regulations. The lack of effective internal controls can result in the mismanagement of Federal resources and increase the risk of fraud.

In 6 of the 15 DDS administrative cost audits, we reported unallowable indirect costs totaling about \$12.3 million. As a result, we initiated a separate review of SSA's oversight of indirect costs. We reported that SSA needed to improve its oversight of indirect costs claimed by DDSs to ensure SSA funds obligated by DDSs through the indirect cost process benefited SSA's disability programs and the costs were equitably distributed to its programs.

Congress, external interested parties, and the general public need sound data to monitor and evaluate SSA's performance. SSA relies primarily on internally-generated data to manage the information it uses to administer its programs and report to Congress and the public. The necessity for good internal data Government wide has resulted in the passage of several laws,



including the *Government Performance and Results Act*. In addition to the legislation calling for greater accountability within the Government, the PMA has focused on the integration of the budget and performance measurement processes. The PMA calls for agencies, over time, to identify high quality outcome measures, accurately monitor the performance of programs, and begin integrating this presentation with associated cost.

SSA sets forth its mission and strategic goals in strategic plans, establishes yearly targets in its annual performance plan, and reports on its performance annually. Each year, we conduct audits to assess the internal control environment over SSA's performance measures. The objective of this work is to assess the reliability of SSA's performance data and evaluate the extent to which SSA's performance measures describe its planned and actual performance meaningfully.

Assessing the control environment over DDSs and SSA's performance measures helps to ensure that the Agency is properly managing its resources to meet its mission.

Management Advisory Report: Summary of Single Audit Oversight Activities for May 2003 through April 2004

Our objective was to summarize categories of internal control weaknesses at DDSs reported in single audits and identified during our single audit oversight activities. To accomplish our objective, we reviewed 54 single audits covering 51 DDSs and categorized findings that were identified as directly affecting DDS operations and crosscutting findings that potentially affect DDS operations. Of the 54 single audits, 12 reported direct findings and 46 reported crosscutting findings.

Nine of the 12 single audits with direct findings reported States' noncompliance with the terms of the *Cash Management Improvement Act* (CMIA). For example:

- The Georgia Department of Labor drew funds in excess of allowable expenditures.
- The Illinois Department of Human Services (IDHS) did not review or recertify the accuracy of clearance patterns identified in the CMIA agreement for SSA disability programs. Failure to evaluate and recertify the clearance pattern could result in the inaccurate calculation of IDHS interest obligation to the Department of the Treasury or the Federal interest liability to the State.
- The New Hampshire State Treasury Department improperly excluded the SSI program from the CMIA agreement. Therefore, formal



procedures for drawing funds were not established and could result in interest obligations not being properly reported.

In addition, between August 1998 and April 2004, 78 single audits reported findings that directly impacted DDS operations. Of the 78 single audits, 40 audits (or 51 percent) reported cash management findings. The frequency of cash management findings reported in the single audits indicates a systemic weakness in the States' management controls over Federal cash draws. The lack of proper cash management controls can result in unallowable cash draws and/or improper payment of interest liabilities from SSA's disability trust fund. The lack of State controls over cash management warrants the Commissioner's attention. Therefore, we recommended that the Agency remind DDSs and their State parent agencies to ensure proper controls are in place for cash draws of Federal funds.

SSA agreed with our recommendation.

Disability Determination Administrative Cost Audits

During this reporting period, we performed DDS administrative cost audits for the States of Massachusetts, Michigan, Minnesota, Montana, Nevada, Wyoming and the District of Columbia. The objectives of these audits were to evaluate internal controls over the accounting and reporting of administrative costs, to determine whether costs claimed were allowable, and funds were properly drawn. We also performed separate audits of indirect costs claimed by the Connecticut, New York, and Puerto Rico DDS.

We had findings and made recommendations on:

- Ineffective cash management practices.
- Excessive consultative examination payments.
- Unallowable office space costs.
- Internal control weaknesses involving accounting for and reporting of administrative costs.

We also completed a summary of 15 State DDS administrative cost audits performed in FYs 2000 through 2003. The objective was to summarize common findings and recommendations reported by 15 DDS administrative cost audits. Two of the 15 audits did not contain any findings. In the remaining 13 audits, we reported issues, which directly impact the efficiency and effectiveness of the DDS fiscal and administrative operations. These findings concern unallowable administrative costs and noncompliance with Federal regulations and SSA's Program Operations Manual System. The previously reported findings were summarized by dollar impact on SSA's funding. They were:



- Indirect costs.
- Cash management.
- Consultative Examination.
- All other non-personnel costs.
- Crosscutting issues.

The audit findings and recommendations in the Summary of State DDS Administrative Cost Audits completed in FY 2000 through 2003 reaffirm the need for improvement in SSA's oversight of the DDS fiscal operations. As a result, we plan to conduct an oversight audit in FY 2005, to assist SSA management with improving the Agency's oversight capability.

Performance Indicator Audits: Audits of SSA's Performance Data

We contracted with PricewaterhouseCoopers, LLP (PwC) to evaluate SSA's performance indicators established to comply with GPRA. For each performance indicator, PwC's objectives were to do the following:

- Test critical controls over the data generation and calculation processes for the specific performance indicator.
- Assess the overall adequacy, accuracy, reasonableness, completeness, and consistency of the performance indicator and supporting data.
- Determine whether each performance indicator provides meaningful measurement of the program and the achievement of its stated objectives.

During FY 2004, we released 4 audit reports that contained the results of PwC's work. The reports include the following:

- Performance Indicator Audit: Management Information Systems Development and Protection
- Performance Indicator Audit: President's Management Agenda Related Initiatives
- Performance Indicator Audit: Earnings Suspense File
- Performance Indicator Audit: Employment for Disabled Beneficiaries

These 4 reports contained the results of audits of 10 SSA performance measures. PwC noted areas for improvement in all 4 reports. Several of the findings involved the lack of policies and procedures:

- Used to prepare and disclose the results of the individual performance indicators on a consistent basis.



- Related to the retention of data used to calculate indicator results.
- That require indicator owners to ensure each performance indicator is fully described in a complete, accurate, and explicit manner within the Performance and Accountability Report.

In response to our audit reports, the Agency agreed with 17 of 20 recommendations and is preparing corrective action.





Issue 6: Service Delivery

One of SSA's goals is to deliver high-quality "citizen-centered" service. This goal encompasses traditional and electronic services to applicants for benefits, beneficiaries and the general public. It includes services to and from States, other agencies, third parties, employers, and other organizations, including financial institutions and medical providers. This area includes basic operational services, and two of the greatest challenges in the area are the representative payee process and managing human capital.

Representative Payee Challenges

A specific challenge in this area is maintaining the integrity of the representative payee process. When SSA determines a beneficiary cannot manage his/her benefits, SSA selects a representative payee, who must use the payments for the beneficiary. Another area of concern is the Representative Payment Program. SSA reported that there are about 5.4 million representative payees who manage about \$44.8 billion in benefits for about 6.9 million beneficiaries. SSA must provide appropriate safeguards to ensure they meet their responsibilities to the beneficiaries they serve.

Since FY 2001, we have completed numerous audits of representative payees. Our audits identified:

- Deficiencies with the financial management of, and accounting for, benefit receipts and disbursements.
- Vulnerabilities in safeguarding of beneficiary payments.
- Poor monitoring and reporting to SSA of changes in beneficiary circumstances.
- Inappropriate handling of beneficiary-conserved funds.
- Improper charging of fees.

Human Capital Challenges

SSA, like many other Federal agencies, is being challenged to address its human capital shortfalls. In January 2001, GAO added strategic human capital management to its list of high-risk Federal programs and operations. In addition, Strategic Management of Human Capital is one of five Government-wide initiatives contained in the PMA.

By the end of 2012, SSA projects its DI and Old-Age and Survivors Insurance (OASI) benefit rolls will increase by 35 percent and 18 percent, respectively. Further, SSA's Retirement Wave Analysis 2004-2013 report indicates that



57 percent of its employees will be eligible to retire by 2013. This retirement wave will result in a loss of institutional knowledge that may affect SSA's ability to deliver quality service to the public.

Along with the workload increase, the incredible pace of technological change will have a profound impact on both the public's expectations and SSA's ability to meet those expectations. In the face of these challenges, technology is essential to achieving efficiencies and enabling employees to deliver the kind of service that every claimant, beneficiary and citizen needs and deserves.

The critical loss of institutional skills and knowledge, combined with greatly increased workloads at a time when the baby-boom generation will require its services must be addressed by succession planning, strong recruitment efforts, and the effective use of technology.

SSA continues to score "green" in progress in Implementing the President's Management Agenda" on the OMB Scorecard. In June 2004, SSA improved its Strategic Management of Human Capital rating status from "yellow" to "green".

Our audit work on service delivery issues in this reporting period included the following.

SSA's Representative Payee Selection Process

In the course of our representative payee work, we conducted an audit of SSA's representative payee selection process to determine whether the Agency's procedures ensured that beneficiaries who were incapable of managing or directing the management of their finances were paid through representative payees.

A representative payee is a person, agency, organization, or institution selected to receive and manage benefits on behalf of a beneficiary. Based on a review of the medical, legal and lay evidence (including contact with the beneficiary and information from individuals familiar with the beneficiary), SSA will determine if a beneficiary needs a representative payee.

Our review found that SSA adequately determined that representative payees were not needed and direct payment was appropriate in about 89.5 percent of our sample cases. However, we found that about 9 percent of the cases were not worked properly. The Agency's procedures did not ensure that all beneficiaries who were incapable of managing or directing the management of their finances were paid through representative payees. If incapable beneficiaries are paid directly, their basic needs (food, clothing, and shelter) may not be met. We did not find a process in place to ensure that capability determinations were made for every case in which there was



an indication that the beneficiary was not able to manage his or her own benefits.

Also, we did not find a process in place to ensure that beneficiaries' claims were updated when representative payees were appointed. Based on our review of 200 sample cases, we estimate that at least 17,035 beneficiaries were paid at least \$342 million, which should have been paid through representative payees.

Generally, SSA agreed with our recommendations.

Creative Alternatives – An Organizational Representative Payee for SSA

Our objectives were to determine whether Creative Alternatives (CA):

- Had effective safeguards over the receipt and disbursement of Social Security benefits.
- Ensured Social Security benefits were used and accounted for in accordance with SSA policies and procedures.

We determined CA generally had effective safeguards over the receipt and disbursement of benefit payments and ensured the payments were used and accounted for in accordance with SSA's policies and procedures. However, we identified the following 3 areas where CA could improve its performance as a representative payee:

- Interest earned was not allocated to 13 beneficiaries.
- Separate bank accounts were not established for beneficiaries.
- Direct deposit was not used.

We also found that 2 beneficiaries for whom CA served as the representative payee were not recorded in SSA's Representative Payee System (RPS). However, these beneficiaries were receiving payments according to SSA's records and had selected CA as their representative payee.

We recommended that SSA:

- Request that CA allocate interest to the conserved funds of SSA beneficiaries.
- Request that CA establish a separate bank account for beneficiary payments.
- Request that CA establish direct deposit for all beneficiaries in its care.



- Correct RPS to include all beneficiaries for whom CA was selected as a representative payee.

Both SSA and CA agreed with our recommendations.

Mental Health Center of Boulder County, Inc. – An Organizational Representative Payee for SSA

Our objectives were to determine whether Mental Health Center of Boulder County, Inc. (MHCBC):

- Had effective safeguards over the receipt and disbursement of Social Security benefits.
- Ensured that Social Security benefits were used and accounted for in accordance with SSA policies and procedures.

We determined MHCBC generally had effective safeguards over the receipt and disbursement of benefit payments and ensured the payments were used and accounted for in accordance with SSA's policies and procedures. However, we identified the following areas where MHCBC could improve its performance as representative payee:

- Administration of the beneficiary collective bank account.
- Timely cancellation of unnegotiated checks issued on behalf of beneficiaries.
- Notifying SSA that it received Social Security payments on behalf of individuals for whom MHCBC was not the designated representative payee.
- Notifying SSA of changes in beneficiary circumstances.
- Notifying SSA when SSI beneficiaries' conserved funds exceed resource limits.

We also determined that information in SSA's RPS was not always accurate and that SSA was not able to provide us with all Representative Payee Reports for the beneficiaries included in our review.

We recommended that SSA:

- Direct MHCBC to establish a collective bank account.
- Ensure that MHCBC cancels unnegotiated checks issued during Calendar Year (CY) 2002.
- Ensure that MHCBC no longer negotiates Social Security payments to beneficiaries for whom MHCBC is not the representative payee.



- Direct MHCBC to establish procedures to identify and report changes in beneficiary circumstances to SSA in a timely manner.
- Direct MHCBC to develop procedures to identify and report to SSA any SSI recipients with excess resources in a timely manner.
- Correct the RPS to consolidate MHCBC's multiple listings and account for all individuals for whom MHCBC is listed as the representative payee.

Both SSA and MHCBC agreed with our recommendations.

Collection of OASDI Overpayments to Representative Payees for Deceased Beneficiaries

Our objective was to assess the effectiveness of SSA's OASDI overpayment collection efforts for payments issued to representative payees after the beneficiary's death. We also reviewed overpayments made to these same representative payees before the beneficiary's death.

SSA relies on the representative payees to report events to SSA that may affect the individual's entitlement. These events can include marriage, a change in living arrangements, death, or incarceration. Overpayment of benefits may occur due to the representative payee's failure to notify SSA of events that affect a beneficiary's payment. It is the Agency's responsibility to identify the overpayment and pursue recovery of the debt. Recovery of beneficiaries' payments becomes more difficult when they are issued to representative payees.

SSA has used debt collection tools to recover millions in OASDI overpayments from beneficiaries. However, we found SSA did not refer delinquent OASDI representative payee overpayment debts totaling \$2.3 million to the Department of the Treasury's (Treasury) Financial Management Service. Additionally, SSA was not reporting this type of delinquent debt to credit bureaus. Moreover, the Agency has established overpayment control records for individual representative payees where payment of more than the correct amount is made after the beneficiary's death, as required by law.

To improve SSA's controls over collecting OASDI overpayments, we made 6 recommendations to the Agency regarding:

- Referring delinquent debt to Treasury and credit bureaus.
- Assessing delinquent representative payees' suitability to continue to serve as payees.
- Linking the Representative Payee System to other SSA records.



SSA agreed to take action on all our recommendations.

SSA's Regional Office Procedures for Addressing Employee-Related Allegations

SSA receives various types of allegations related to its programs, the misuse of SSNs and employee conduct. Some examples of employee-related allegations include time and attendance, service issues, and theft of Government property. SSA receives allegations from employees, the public, and OIG. Allegations concerning SSA employees are significant because of the potential monetary losses to SSA's programs and the corresponding negative public impact.

SSA has management controls in place with respect to the development and resolution of employee related allegations. To determine the validity of allegations, SSA is required to obtain sufficient evidence to support or remove suspicion that criminal violations may have been committed.

During this reporting period, we completed reviews of procedures for addressing employee-related allegations in Regions II, III, IV, V, VIII, and IX, and made a total of 23 recommendations for corrective action. The objectives of these reviews were:

- To evaluate the adequacy of SSA's policies and procedures for addressing employee-related allegations.
- To determine how well SSA complied with these policies and procedures.
- To determine whether SSA referred all employee-related allegations warranting further investigation to the OIG.

Our findings and recommendations related to:

- Lack of maintenance of documentation supporting the recording, investigation, and resolution of employee-related allegations.
- Instances where potential criminal violations were not forwarded to OIG .

In response to our recommendations, SSA management agreed to take action to address the issues we identified.

The Effectiveness of Policies and Procedures Used to Identify Incarcerated Representative Payees

Our objective for this review was to determine the effectiveness of policies and procedures used to identify incarcerated representative payees. SSA has policies and procedures in place that address the suitability of



incarcerated representative payees. An incarcerated individual is most likely not in a position to serve, or continue to serve, as a representative payee. SSA staff are required to verify prisoner information and whether the individual is serving as a representative payee. Additionally, in March 2004, President Bush signed the *Social Security Protection Act of 2004*, which when implemented, will authorize SSA to disqualify an individual from serving as a representative payee if he or she has been convicted of an offense resulting in more than 1 year of imprisonment.

We found that SSA personnel were not effectively implementing policies and procedures established to identify incarcerated representative payees. Based on our review of a sample of 200 representative payees identified in the Prisoner Update Processing System as being incarcerated, we estimated there were approximately 8,809 representative payees who were incarcerated as of December 2003. We calculated that these representative payees were responsible for managing approximately \$53 million on behalf of the beneficiaries they represented while they were incarcerated. Further, if these incarcerated individuals continued serving as representative payees, we projected that they would manage at least \$37.1 million during CY 2004.

We recommended and SSA agreed to:

- Ensure staff complies with existing policies to identify all representative payees who have been incarcerated.
- Complete and document suitability reviews when it determines a representative payee has been incarcerated.
- Take measures to ensure that the release date information is complete.

The following are examples of our successful investigations involving representative payees during this reporting period:

Investigation: Sons Kill Father, Mother Claims Survivor Benefits

The Lexington SSA office reported that a mother filed a fraudulent claim for survivor benefits for her two children. An investigation by our Atlanta Field Division revealed that the woman had falsely stated the boys were in her care—they were actually incarcerated for the murder of their father. She was charged with four counts of theft by deception and given 5 years' incarceration to be served consecutively with any sentence she might receive in connection with her probation revocation. Restitution was not ordered because she had already repaid the \$13,921 fraud loss to SSA.

**Investigation: Bogus Caregiver Jailed for False Statement**

Our Dallas Field Division investigated an allegation received from the Corsicana, Texas Social Security office. Our investigators found a Texas woman had filed for and received Title II benefits on behalf of a stepchild she falsely claimed was in her care. After pleading guilty to making a false statement, the woman was sentenced to a year in prison and ordered to pay SSA full restitution of \$22,795.

Investigation: Representative Payee Sentenced for Fraud

A Mesa, Arizona man applied for children's auxiliary benefits for his daughter, claiming he was her legal guardian and she lived with him. Our Los Angeles Field Division investigators determined that the daughter lived with her biological mother and stepfather in Dallas and had been adopted in 1993, terminating the suspect's parental rights. He received \$41,286 on behalf of his daughter between 1998 and 2003 when no payment was due. His sentence was 5 months in prison, and he was ordered to make full restitution to SSA.

Investigation: Jailed Representative Payee Takes Children's Money

The Honolulu SSA office reported that a representative payee did not have custody of his four minor children and may have misused their survivors benefits. Our Los Angeles Field Division investigators revealed the man was appointed representative payee for his children's benefits after their mother died in an automobile accident. He had a lengthy criminal history, was currently serving a 6 year state prison sentence for assault, and SSA had suspended his own disability benefits because of his incarceration. His four minor children were removed from his care by Hawaii Child Protective Services, but he continued to receive and misuse their benefits. He was sentenced to 5 years in prison and ordered to pay SSA full restitution of \$9,160.





Civil Monetary Penalty and SAUSA Programs

OIG's OCCIG administers the civil monetary penalty (CMP) enforcement statutes under a delegation of authority from SSA's Commissioner, which allows OIG to impose CMPs against violators of sections 1129 and 1140 of the Social Security Act. Based on this delegation, we drafted and published regulations, trained legal and investigative staff, and established a case screening structure to implement this successful enforcement program. OI's investigative work provides an important contribution to these cases.

Using our CMP enforcement tools, we have imposed over \$2.8 million in penalties and assessments since FY 1998. Enactment of the *Social Security Protection Act of 2004* will expand CMP authority into additional areas when its provisions go into effect in FY 2005.

False Statements Under Section 1129

Section 1129 prohibits making false statements or representations of material facts in connection with obtaining or retaining benefits or payments under Titles II, VIII, or XVI of the Act. We are authorized to impose penalties of up to \$5,000 for each false statement or representation, as well as an assessment of up to twice the amount of any resulting overpayment.

The following cases and table highlight our Section 1129 accomplishments for this reporting period.

| False Statements Under Section 1129 Results | | | |
|--|---|---|---------------|
| | October 1, 2003 - March 31, 2004 | April 1, 2004 - September 30, 2004 | Totals |
| Cases Received | 26 | 35 | 61 |
| CMP Cases Initiated | 19 | 17 | 36 |
| CMP Cases Closed | 65 | 24 | 89 |
| CMP Penalties and Assessments | \$309,458 | \$213,776 | \$523,234 |
| Number of Hearings Requested | 3 | 3 | 6 |

**Investigation: SSI Beneficiary Lies to Keep Benefits**

A California home health aide worked for three different employers after being granted SSI benefits. SSA confronted her with documentation confirming that she was employed as a household employee during an SSI redetermination interview. Nevertheless, the woman signed statements continuing to misrepresent her employment so she could still receive SSI benefits. During the CMP action, she failed to cooperate with financial disclosure. OCCIG imposed a \$15,000 CMP.

Investigation: Woman Hides Marriage, Income to Collect Benefits

A Tulsa woman receiving SSI benefits filed documents with SSA claiming she was not married and her husband was just her neighbor. Later she acknowledged her husband but claimed that he had not worked for several years. Our investigation revealed she had assisted her husband in working under a different SSN to conceal his earnings. SSA is now collecting the \$41,000 overpayment, and OCCIG also imposed a \$16,000 CMP.

Investigation: \$106,024 Recovered From Long-term Beneficiary

A Wisconsin man, with a significant criminal history awarded SSI benefits for schizophrenia, failed to seek psychiatric treatment. SSA continued the benefits for 14 years without conducting a Continuing Disability Review (CDR). When a CDR was conducted, the subject, who owns a business, a house, an investment property and two vehicles, told the consulting psychologist he did not seek mental health treatment due to lack of transportation. He also said his representative payee was a friend—although she is his wife—knowing her income and his marital status would jeopardize SSI benefits. His attorney was unable to document that he suffered from schizophrenia. OCCIG imposed \$95,000 in CMPs and an \$11,024 assessment, for a total recovery of \$106,024.

Misleading Advertising Under Section 1140

Section 1140 prohibits the use of SSA's program words, letters, symbols, or emblems in advertisements or other communications in a manner that falsely conveys SSA's approval, endorsement, or authorization. Each misleading communication is subject to a maximum \$5,000 penalty.

Our nationwide enforcement efforts in this area continue to send a clear message to companies that deceive senior citizens and others under the name and reputation of Social Security. As a direct result of





OCCIG enforcement efforts, the number of Section 1140 complaints have substantially decreased.

The following cases and table highlight our Section 1140 accomplishments for this reporting period.

| Misleading Advertising Under Section 1140 Results | | | |
|--|---|---|---------------|
| | October 1, 2003 - March 31, 2004 | April 1, 2004 - September 30, 2004 | Totals |
| Complaints Received | 31 | 30 | 61 |
| New Cases Opened | 14 | 9 | 23 |
| Cases Closed | 15 | 6 | 21 |
| No Violation | 9 | 2 | 11 |
| Voluntary Compliance | 6 | 4 | 10 |
| Settlement Agreement (of cases/amount) | 0 | 0 | 0 |
| Penalty/Court Action (of cases/amount) | 0 | 0 | 0 |
| Hearings Requested | 0 | 0 | 0 |

Investigation: Company to Change Misleading Ads and Cards

A Bloomington, Indiana woman advertised her business—Social Security Disability Claim Services—using the image of a Social Security card in ads and business cards in a way that implied her company was connected with or authorized by SSA. In response to a cease and desist letter, she replied she was unaware she had been violating the Social Security Act. She also sent us a revised business card and advertisement. On review, we concluded Social Security Disability Claim Services was no longer in violation of Section 1140, but we will continue monitoring for further complaints.

Investigation: e-mail Programming Puts “ssa.gov” on Messages

Celent Communications programmed their marketing e-mails to display the suffix for whatever server the mail was sent. An SSA employee received an e-mail from Celent.Communications@ssa.gov advertising “New Banking Reports” linked to a web site for more information



and forwarded the e-mail to us. Celent promised to stop sending e-mails to SSA. We have received no other complaints about Celent's e-mails and do not anticipate that further action will be required in this case.

Investigation: "Social Security Claims" Signs Revised

When Benefit Team Services (BTS) opened a new business next to a Social Security office, it posted large signs reading "Social Security Claims and Appeals Center." Alert Agency employees complained that the signs could easily misdirect people seeking the SSA office to BTS instead. We issued a cease and desist letter under Section 1140. BTS altered the signs to read "BTS Claims and Appeals Center." We have received no other complaints.

Partnerships with U.S. Attorneys

Since 2001, OCCIG attorneys have served in several United States' Attorneys' Offices (USAO) as Special Assistant United States Attorneys (SAUSA). This partnership enables us to have cases that are developed by our investigators criminally prosecuted—cases that would normally be declined due to the limited resources of the various USAOs. OCCIG currently has a full-time SAUSA in Los Angeles, CA and part-time SAUSAs in New Haven, CT and Memphis, TN. In addition, OCCIG is wrapping up several criminal cases in Phoenix, AZ.

OCCIG will continue to explore the feasibility of the SAUSA program in other areas of the country, furthering our statutory mission through this teamwork among OI's investigative efforts, OCCIG attorneys, and the USAOs. SSA's Office of General Counsel also partners with U.S. Attorney's Offices in several major metropolitan areas further facilitating the successful prosecution of OIG fraud cases. Examples of our successful SAUSA prosecutions during this reporting period include the following:

SAUSA Prosecution: ATM Withdrawals Loot Bank Account

A Connecticut woman stole survivors benefits from her deceased mother's account and failed to report the death to SSA or to the bank. The defendant admitted she continued ATM withdrawals for more than a year and converted her mother's Social Security benefits to her own use. As a result of a Boston Field Division investigation and SAUSA prosecution in New York, she was sentenced to a 5-year term of probation and ordered to pay \$11,871 in restitution.

SAUSA Prosecution: Woman Steals Benefits After Mother's Death

As a result of an Atlanta Field Division investigation and SAUSA prosecution in Tennessee, a woman was identified in SSA records with a listed date



of death but was still receiving benefits. Our investigators determined that her daughter withdrew \$46,201 to which she was not entitled from a joint bank account where her deceased mother's benefits were deposited. After pleading guilty to bank fraud, she was sentenced to 4 months incarceration and ordered to pay full restitution.



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





Appendices





Appendix A

Resolving Audit Recommendations

The following chart summarizes Social Security Administration’s (SSA) 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 Public Law (P.L.) 96-304 (the Supplemental Appropriation and Recession Act of 1980) and the Inspector General Act of 1978, as amended.

| Reports with Questioned Costs for the Reporting Period April 1, 2004 through September 30, 2004 | | | |
|--|-----------------|-------------------------|--------------------------|
| | Number | Value Questioned | Value Unsupported |
| A. For which no management decision had been made by the commencement of the reporting period. | 8 | \$6,698,737 | \$3,365,938 |
| B. Which were issued during the reporting period. | 10 ^a | \$1,486,828,002 | \$432,825 |
| Subtotal (A + B) | 18 | \$1,493,526,739 | \$3,798,763 |
| Less: | | | |
| C. For which a management decision was made during the reporting period. | 14 ^b | \$17,034,002 | \$1,138,213 |
| i. Dollar value of disallowed costs. | 12 | \$16,380,381 | \$1,138,213 |
| ii. Dollar value of costs not disallowed. | 2 | \$653,621 | \$0 |
| D. For which no management decision had been made by the end of the reporting period. | 7 | \$1,476,492,737 | \$2,660,550 |

- a. See Reports with Questioned Costs in Appendix B of this report.
- b. Administrative Costs Claimed by the Michigan Disability Determination Services (A-05-03-13036, 5/7/04) contained dollars that were disallowed and dollars not disallowed. Additionally, a management decision was made for only a portion of the questioned costs contained in the reports, Administrative Costs Claimed by the Michigan Disability Determination Services (A-05-03-13036, 5/7/04) and Audit of the Community Counseling Centers of Chicago – A Fee-for-Service Representative Payee for the Social Security Administration (A-13-03-13002, 7/15/03).



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 for the Reporting Period April 1, 2004 through September 30, 2004 | | |
|---|----------------|---------------------|
| | Number | Dollar Value |
| A. For which no management decision had been made by the commencement of the reporting period. | 2 | \$108,609,861 |
| B. Which were issued during the reporting period. | 5 ^a | \$347,748,511 |
| Subtotal (A + B) | 7 | \$456,358,372 |
| 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. | 5 | \$114,179,024 |
| (b) Based on proposed legislative action. | 0 | \$0 |
| ii. Dollar value of costs not agreed to by management. | 1 | \$341,969,487 |
| Subtotal (i + ii) | 6 | \$456,148,511 |
| D. For which no management decision had been made by the end of the reporting period. | 1 | \$209,861 |

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, 2003 through March 31, 2004 | | |
|--|--|-------------------|
| CIN | Report | Issue Date |
| A-77-04-00001 | Management Advisory Report: Single Audit of the State of Maryland for the Fiscal Year Ended June 30, 2002 | 10/23/03 |
| A-77-04-00002 | Management Advisory Report: Single Audit of the State of Illinois for the Fiscal Year Ended June 30, 2002 | 10/23/03 |
| A-03-04-24049 | Congressional Response Report: Title II Beneficiaries with Military Earnings | 10/27/03 |
| A-03-03-13026 | Follow-Up Review of Employers with the Most Suspended Wage Items | 10/30/03 |
| A-02-04-14034 | Inspector General Statement on the Social Security Administration's Major Management Challenges | 11/6/03 |
| A-15-03-13068 | Oversight of the Fiscal Year 2003 Financial Statement Audit | 11/10/03 |
| A-13-03-23091 | Congressional Response Report: Operations at the Social Security Administration's Milwaukee, Wisconsin, Office of Hearings and Appeals | 11/14/03 |
| A-77-04-00003 | Management Advisory Report: Single Audit of the State of California for the Fiscal Year Ended June 30, 2002 | 11/19/03 |
| A-77-04-00004 | Management Advisory Report: Single Audit of the State of Colorado for the Fiscal Year Ended June 30, 2002 | 12/2/03 |
| A-03-02-22076 | Utility of Older Reinstated Wages from the Earnings Suspense File | 12/17/03 |
| A-05-03-23056 | Management Advisory Report: The Social Security Administration's Procedures for Enumerating Foreign Students | 12/17/03 |
| A-13-04-14055 | Management Advisory Report: Fiscal Year 2003 Quick Response Activities Summary Report | 12/17/03 |
| A-15-03-23043 | Performance Audit of the Social Security Administration's Main Complex Guard Contract | 12/17/03 |
| A-08-04-24079 | Management Advisory Report: Security Features on the Social Security Card | 12/18/03 |
| A-13-04-24045 | Congressional Response Report: Chicago Regional Office of Hearings and Appeals Claimant Medical Files | 1/5/04 |
| A-12-02-12015 | Appeals Council Process Improvement Action Plan | 1/21/04 |
| A-77-04-00005 | Management Advisory Report: Single Audit of the State of New York for the Fiscal Year Ended March 31, 2002 | 1/21/04 |
| A-15-03-23025 | Internal Control Review over the Processing of Social Security Number Cards (Limited Distribution) | 1/29/04 |
| A-04-04-24004 | Management Advisory Report: Current Practices in Electronic Records Authentication | 2/3/04 |



| Reports with Non-Monetary Findings October 1, 2003 through March 31, 2004 | | |
|---|---|-------------------|
| CIN | Report | Issue Date |
| A-12-03-13039 | Operations of the Office of Hearings and Appeals Megasite | 2/3/04 |
| A-14-03-23076 | Controls over the Social Security Administration's Processing Center Action Control System | 2/3/04 |
| A-77-04-00006 | Management Advisory Report: Single Audit of the State of New Hampshire for the Fiscal Year Ended June 30, 2002 | 2/4/04 |
| A-77-04-00007 | Management Advisory Report: Single Audit of the State of Georgia for the Fiscal Year Ended June 30, 2002 | 2/25/04 |
| A-07-04-24076 | Congressional Response Report: Review of File Assembly Contracts at Office of Hearings and Appeals | 3/3/04 |
| A-06-03-13075 | The Social Security Administration's Regional Office Procedures for Addressing Employee-Related Allegations in Region VI | 3/8/04 |
| A-08-03-13084 | Cabinet for Families and Children, Department for Community Based Services, Division of Protection and Permanency - An Organizational Representative Payee for the Social Security Administration | 3/10/04 |
| A-14-04-14057 | Evaluation of the Accelerated eDib System - Fifth Assessment | 3/10/04 |
| A-07-03-23086 | The Social Security Administration's Oversight of Indirect Costs Claimed by Disability Determination Services | 3/16/04 |
| A-13-03-23085 | Conserved Funds for Deceased Beneficiaries with Non-Related Representative Payees | 3/18/04 |
| A-77-04-00008 | Management Advisory Report: Single Audit of the State of Rhode Island for the Fiscal Year Ended June 30, 2002 | 3/18/04 |
| A-77-04-00010 | Management Advisory Report: Single Audit of the State of Maine for the Fiscal Year Ended June 30, 2002 | 3/24/04 |
| A-13-02-12039 | Interim Assistance Reimbursement to Los Angeles County, California, Under the Supplemental Security Income Program | 3/25/04 |
| A-14-04-24006 | Project Matrix Step Two: Analysis of the Social Security Administration's Headquarters Complex and the Office of Central Operations | 3/25/04 |
| A-77-04-00011 | Management Advisory Report: Single Audit of the State of West Virginia for the Fiscal Year Ended June 30, 2002 | 3/25/04 |
| A-13-04-24081 | Congressional Response Report: Allegations of Mismanagement at the Falls Church, Virginia Office of Hearings and Appeals | 3/26/04 |
| A-13-04-24083 | Congressional Response Report: The Social Security Administration's Relocation of the District Office in Jackson, Tennessee | 3/26/04 |
| A-77-04-00012 | Management Advisory Report: Single Audit of the State of West Virginia for the Fiscal Year Ended June 30, 2001 | 3/26/04 |



| Reports with Non-Monetary Findings April 1, 2004 through September 30, 2004 | | |
|--|---|-------------------|
| CIN | Report | Issue Date |
| A-77-04-00013 | Management Advisory Report: Single Audit of the Commonwealth of Puerto Rico Department of the Family, for the Fiscal Year Ended June 30, 2002 | 4/15/04 |
| A-01-04-24022 | Supplemental Security Income Overpayments | 4/16/04 |
| A-08-04-24018 | Management Advisory Report: Review of Universities' Issuance of Temporary Social Security Numbers to Foreign Students | 4/26/04 |
| A-13-04-24100 | Congressional Response Report: The Social Security Administration's Policies and Procedures Concerning the Rural Development Act of 1972 | 5/10/04 |
| A-09-04-14014 | The Social Security Administration's Regional Office Procedures for Addressing Employee-Related Allegations in Region IX | 5/17/04 |
| A-14-04-24101 | Congressional Response Report: Security of the Social Security Administration's National Computer Center Back-up and Recovery Tapes and Records | 5/28/04 |
| A-15-03-13061 | Summary of State Disability Determination Services Administrative Cost Audits Completed in Fiscal Years 2000 through 2003 | 6/18/04 |
| A-04-04-20425 | The Social Security Administration's Procedures for Addressing Employee-Related Allegations in Region IV | 6/22/04 |
| A-06-04-14075 | The Social Security Administration's Regional Office Procedures for Addressing Employee-Related Allegations in Region VIII | 6/22/04 |
| A-03-03-23003 | Social Security Numbers with More Than One Owner | 6/23/04 |
| A-02-04-14007 | The Social Security Administration's Procedures for Addressing Employee-Related Allegations in Region II | 6/24/04 |
| A-15-04-14033 | Creative Alternatives - An Organizational Representative Payee for the Social Security Administration | 6/25/04 |
| A-14-04-24011 | The Social Security Administration's Badge-Based Personnel Access Systems for Headquarters Buildings (Limited Distribution) | 7/12/04 |
| A-01-04-14032 | Administrative Costs Claimed by the Massachusetts Disability Determination Services | 7/13/04 |
| A-07-04-24094 | Congressional Response Report: Social Security Administration Chicago Regional Office's Disability Determination Services Net Accuracy Rate | 7/19/04 |
| A-03-03-13014 | Title II Underpayments for Deceased Beneficiaries | 7/21/04 |
| A-13-03-13064 | The Social Security Administration's Efforts to Address Its Future Workforce Needs | 7/21/04 |
| A-14-04-23004 | The Social Security Administration's Monitoring of Potential Employee Systems Security Violations | 7/27/04 |
| A-08-04-14043 | Enumeration of Children Under Age 1: Opportunity to Reduce the Risk of Improper Social Security Number Attainment | 7/30/04 |
| A-13-04-14067 | Management Advisory Report: Summary of Fiscal Year 2003 Office of the Inspector General Audits of Representative Payees | 8/2/04 |



| Reports with Non-Monetary Findings April 1, 2004 through September 30, 2004 | | |
|--|---|-------------------|
| CIN | Report | Issue Date |
| A-09-04-14009 | Administrative Costs Claimed by the Nevada Disability Determination Services | 8/10/04 |
| A-07-04-24092 | Management Advisory Report: Office of Hearings and Appeals Case File Assembly Contracts | 8/13/04 |
| A-15-04-14071 | Performance Indicator Audit: Management Information Systems Development and Protection | 8/13/04 |
| A-13-04-24046 | The Social Security Administration's Internal Use of Employees' Social Security Numbers | 8/19/04 |
| A-15-04-14069 | Performance Indicator Audit: Earnings Suspense File | 8/20/04 |
| A-01-04-24023 | Overpayments in the Old-Age, Survivors and Disability Insurance Program | 8/26/04 |
| A-05-04-14086 | The Social Security Administration's Procedures for Addressing Employee-Related Allegations in Region V | 8/30/04 |
| A-07-03-13054 | Disability Determination Services' Claims Processing Performance | 8/30/04 |
| A-08-04-14005 | Field Offices' Compliance with Policies and Procedures When Processing Noncitizen Social Security Number Applications | 8/30/04 |
| A-08-04-14060 | Compliance with Policies and Procedures When Processing Noncitizen Social Security Number Applications at Foreign Service Posts | 8/30/04 |
| A-08-04-14061 | Brooklyn Social Security Card Center's Compliance with Policies and Procedures When Processing Noncitizen Social Security Number Applications | 8/30/04 |
| A-12-04-14020 | Best Practices in the Highest Producing Hearing Offices | 8/31/04 |
| A-07-04-14063 | Management Advisory Report: Summary of Single Audit Oversight Activities May 2003 through April 2004 | 9/3/04 |
| A-15-04-14070 | Performance Indicator Audit: President's Management Agenda Related Initiatives | 9/3/04 |
| A-14-04-15005 | Evaluation of the Accelerated eDib System - Sixth Assessment | 9/10/04 |
| A-14-04-24019 | The Impact on Network Security of the Social Security Administration's Operating Systems' Conversions | 9/17/04 |
| A-02-04-14068 | Performance Indicator Audit: Employment for Disabled Beneficiaries | 9/20/04 |
| A-05-04-14036 | Administrative Costs Claimed by the Minnesota Disability Determination Services | 9/21/04 |



| Reports with Non-Monetary Findings April 1, 2004 through September 30, 2004 | | |
|--|---|-------------------|
| CIN | Report | Issue Date |
| A-03-04-14044 | The Social Security Administration's Regional Office Procedures for Addressing Employee-Related Allegations in Region III | 9/23/04 |
| A-06-04-14038 | Mental Health Center of Boulder County, Inc. - An Organizational Representative Payee for the Social Security Administration | 9/29/04 |
| A-08-04-24102 | Congressional Response Report: Survey of Educational Institutions' Issuance of Work Authorization Documents to Foreign Students | 9/30/04 |
| A-14-04-14040 | Fiscal Year 2004 Evaluation of the Social Security Administration's Compliance with the Federal Information Security Management Act | 9/30/04 |

| Reports with Questioned Costs October 1, 2003 through March 31, 2004 | | | |
|---|-------------------|---|----------------------|
| CIN | Issue Date | Report | Dollar Amount |
| A-06-03-13016 | 10/2/03 | Administrative Costs Claimed by the New Mexico Disability Determination Services | \$33,495 |
| A-09-03-13011 | 11/19/03 | San Francisco Department of Human Services – An Organizational Representative Payee for the Social Security Administration | \$179,831 |
| A-01-03-33020 | 11/26/03 | Impact on the Social Security Administration's Programs When Auxiliary Beneficiaries Have Incorrect Social Security Numbers | \$1,172,288 |
| A-07-03-23072 | 12/4/03 | Indirect Costs Claimed by the West Virginia Disability Determination Services | \$101,815 |
| A-15-03-13044 | 12/11/03 | Administrative Costs Claimed by the Colorado Disability Determination Services | \$2,683,614 |
| A-15-01-11021 | 2/6/04 | Administrative Costs Claimed by the Georgia Disability Adjudication Services | \$4,227,701 |
| A-02-03-23080 | 2/18/04 | Social Security Funds Held in Dormant Bank Accounts | \$1,145,893 |
| A-77-04-00009 | 3/5/04 | Management Advisory Report: Consulting and Professional Service Costs Claimed by Kansas Advocacy and Protective Services Incorporated | \$5,188 |
| A-15-02-12051 | 3/11/04 | Administrative Costs Claimed by the Texas Disability Determination Services | \$3,971,193 |
| Total: | | | \$13,521,018 |



| Reports with Questioned Costs April 1, 2004 through September 30, 2004 | | | |
|---|-------------------|--|------------------------|
| CIN | Issue Date | Report | Dollar Amount |
| A-05-03-13036 | 5/7/04 | Administrative Costs Claimed by the Michigan Disability Determination Services | \$1,354,485 |
| A-01-03-13019 | 7/12/04 | Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File | \$1,365,957,300 |
| A-07-04-14016 | 7/16/04 | Administrative Costs Claimed by the Montana Disability Determinations Services | \$4,128 |
| A-01-04-24067 | 7/30/04 | The Social Security Administration's Prisoner Incentive Payment Program | \$18,970,524 |
| A-09-04-14050 | 8/13/04 | Payments to Student Beneficiaries Beyond the Maximum Age of Entitlement | \$5,914,370 |
| A-15-04-14052 | 8/13/04 | Administrative Costs Claimed by the District of Columbia Disability Determination Division | \$13,683 |
| A-15-03-23041 | 9/7/04 | Indirect Costs Claimed by the Connecticut Disability Determination Services | \$287,442 |
| A-02-04-24017 | 9/13/04 | New York State Disability Determination Program Indirect Costs | \$5,240,845 |
| A-01-04-24078 | 9/16/04 | Individuals Receiving Multiple Childhood Disability Benefits | \$218,050 |
| A-02-04-14031 | 9/16/04 | The Effectiveness of Policies and Procedures Used to Identify Incarcerated Representative Payees | \$89,300,000 |
| Total Questioned Costs for April 1, 2004 through September 30, 2004: | | | \$1,487,260,827 |
| Total Questioned Costs for Fiscal Year 2004: | | | \$1,500,781,845 |



| Reports with Funds Put to Better Use October 1, 2003 through March 31, 2004 | | | |
|--|-------------------|---|----------------------|
| CIN | Issue Date | Report | Dollar Amount |
| A-06-03-13016 | 10/2/03 | Administrative Costs Claimed by the New Mexico Disability Determination Services | \$1,660,004 |
| A-02-03-13032 | 10/6/03 | Suitability of Individuals Acting as Representative Payees | \$7,630,392 |
| A-15-01-11021 | 2/6/04 | Administrative Costs Claimed by the Georgia Disability Adjudication Services | \$209,861 |
| A-07-04-20426 | 2/18/04 | Inventory Review at the National Records Center | \$34,563 |
| A-14-03-23005 | 3/3/04 | Social Security Administration Controls over the Taxation and Suspension of Payments to Foreign Beneficiaries | \$108,400,000 |
| Total: | | | \$117,934,820 |

| Reports with Funds Put to Better Use April 1, 2004 through September 30, 2004 | | | |
|--|-------------------|--|----------------------|
| CIN | Issue Date | Report | Dollar Amount |
| A-05-03-13036 | 5/7/04 | Administrative Costs Claimed by the Michigan Disability Determination Services | \$2,700,000 |
| A-01-04-14008 | 5/21/04 | The Social Security Administration's Representative Payee Selection Process | \$341,969,487 |
| A-07-04-14051 | 7/16/04 | Administrative Costs Claimed by the Wyoming Disability Determinations Services | \$20,453 |
| A-13-03-13049 | 7/21/04 | Collection of Old-Age, Survivors and Disability Insurance Overpayments to Representative Payees for Deceased Beneficiaries | \$2,278,241 |
| A-06-04-34035 | 9/16/04 | Puerto Rico Disability Determination Program Indirect Cost Review | \$780,330 |
| Total Funds Put to Better Use for April 1, 2004 through September 30, 2004: | | | \$347,748,511 |
| Total Funds Put to Better Use for Fiscal Year 2004: | | | \$465,683,331 |



Appendix C

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

To meet the requirements of the Omnibus Consolidated Appropriations Act for 1997, P.L. 104-208, we are providing requisite data for fiscal year (FY) 2004 from the Offices of Investigations and Audit in this report.

Office of Investigations

We are reporting \$25.6 million in funds collected 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 | 3rd Quarter | 4th Quarter | Total |
| Court Ordered Restitution | \$5,730,230 | \$6,345,622 | \$6,611,154 | \$5,622,646 | \$24,309,652 |
| Scheduled Recoveries | \$9,652,904 | \$10,391,820 | \$6,778,985 | \$5,882,944 | \$32,706,653 |
| Fines | \$175,754 | \$139,763 | \$201,495 | \$53,839 | \$570,851 |
| Settlements/Judgments | \$510,668 | \$76,841 | \$294,742 | \$227,870 | \$1,110,121 |
| TOTALS | \$16,069,556 | \$16,954,046 | \$13,866,376 | \$11,787,299 | \$58,697,277 |

Office of Audit

SSA management has informed us that it has completed implementing recommendations from 7 audit reports during this time period valued at over \$211 million.

Suitability of Individuals Acting as Representative Payees (A-02-03-13032, 10/6/03)

We recommended that SSA identify and correct all current cases of beneficiaries with Representative Payees who serve as Payees. The implemented recommendation is valued at over \$7.6 million.



Administrative Costs Claimed by the New Mexico Disability Determination Services (NM DDS) (A-06-03-13016, 10/2/03)

We recommended that SSA use standardized consultative examination (CE) fee schedules that consider the limits set by Federal regulations and monitor the adequacy of CE fees as required by the Program Operations Manual System. The State paid CEs in excess of Medicare rates for a projected \$467,035 for FY 2000 and \$245,781 for FY 2001. The implemented recommendation is valued at \$712,816.

We also recommended that SSA review unliquidated obligations at least once a month to cancel those no longer valid. The reviews should be conducted until all unliquidated obligations are resolved and the grant is closed. The NM DDS carried unliquidated obligations totaling \$234,545, \$135,933, and \$175,446 for FYs 1999, 2000, and 2001 respectively that were not needed for program operations. The implemented recommendation is valued at \$545,924.

Finally, we recommended that SSA reduce the Automated Standard Application for Payments funding authority by \$94,386 for FY 1999, \$138,282 for FY 2000, and \$168,596 for FY 2001. The implemented recommendation is valued at \$401,264.

Administrative Costs Claimed by the Hawaii Disability Determination Services (HI DDS) (A-09-03-13012, 9/4/03)

We recommended that SSA ensure HI DDS improves the methods used to record unliquidated obligations for medical costs so that future estimates more accurately reflect the amounts needed for valid expenditures. The implemented recommendation is valued at \$218,069.

Administrative Costs Claimed by the Illinois Bureau of Disability Determination Services (A-05-02-22019, 8/18/03)

We recommended that SSA improve its oversight of consultative examination fees and limit future payments to the highest rate allowable by Federal or other State agencies in Illinois. The implemented recommendation is valued at over \$1.2 million.

Pending Workers' Compensation (WC): SSA Can Prevent Millions in Title II Disability Overpayments (A-08-02-12064, 6/6/03)

We recommended that SSA take steps to reduce its backlog of title II disability cases having pending WC issues. The implemented recommendation is valued at over \$120.8 million.

SSA's Processing of Internal Revenue Service (IRS) Overstated Wage Referrals (A-03-02-22068, 3/18/03)

We recommended that SSA begin processing IRS referrals, starting with the referrals that are most likely to:

- Reduce overpayments, such as those related to individuals closer to retirement age.



- Minimize identity theft, such as those with higher disputed wages over multiple tax years.

The implemented recommendation is valued at over \$41 million.

**Old-Age, Survivors and Disability Insurance (OASDI) Benefits Paid to Fugitives
(A-01-00-10014, 8/29/00)**

We recommend that SSA pursue legislation prohibiting payment of OASDI benefits to fugitives similar to the provisions pertaining to Supplemental Security Income (SSI) payments under P. L. 104-193. The implemented recommendation is valued at over \$39 million.



Appendix D

Collections From Investigations and Audits

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

Office of Investigations

| Total Restitution Reported by the Department of Justice as Collected for the Social Security Administration | | | |
|--|---|--|---|
| Fiscal Year | Total Number of Individuals Assigned Court Ordered Restitution | Court Ordered Restitution for This Period | Total Restitution Collected by DOJ |
| 2002 | 600 | \$18,068,423 | \$2,643,872 |
| 2003 | 567 | \$22,354,434 | \$2,184,770 |
| 2004 | 700 | \$24,309,652 | \$2,307,487 |
| TOTALS | 1,867 | \$64,732,509 | \$7,136,129 |

| Funds Received by the Office of Investigations Based on Recovery Actions | | | |
|---|---|--------------------------------------|--|
| Fiscal Year | Total Number of Recovery Actions Initiated | Amount Scheduled for Recovery | Actual Amount Recovered at the Close of the Investigation |
| 2002 | 2,202 | \$29,434,025 | \$8,765,025 |
| 2003 | 2,442 | \$31,515,050 | \$9,025,423 |
| 2004 | 1,861 | \$32,706,653 | \$10,628,472 |
| TOTALS | 6,505 | \$93,655,728 | \$28,418,920 |



Office of Audit

The following chart summarizes the Agency's responses to our recommendations for the recovery or redirection of questioned and unsupported costs. This information is prepared in coordination with the Agency's management officials and is current as of September 30, 2004.

| Responses to OIG's Recommendations for the Recovery or Redirection of Questioned and Unsupported Costs | | | | | | |
|---|--|-------------------------------------|-------------------------------|--|---------------------------------------|------------------------|
| FY | Number of Reports with Questioned Costs | Questioned/Unsupported Costs | Management Concurrence | Amount Collected or to be Recovered | Amount Written-Off/Adjustments | Balance |
| 2002 | 13 | \$15,551,282 | \$7,515,730 | \$8,276,020 | \$8,041,929 | \$0 |
| 2003 | 18 | \$56,602,321 | \$53,002,556 | \$21,575,579 | \$3,100,326 | \$32,005,083 |
| 2004 | 19 | \$1,500,781,845 | \$17,365,406 | \$8,315,345 | \$5,026,681 | \$1,487,478,103 |
| TOTALS | 50 | \$1,572,935,448 | \$77,883,692 | \$38,166,944 | \$16,168,936 | \$1,519,483,186 |



Appendix E

Significant Monetary Recommendations From Prior Fiscal Years for Which Corrective Actions Have Not Been Completed

There are no significant monetary recommendations from prior FYs for which corrective actions have not been completed.



Appendix F

Significant Non-Monetary Recommendations From Prior Fiscal Years for Which Corrective Actions Have Not Been Completed

SSA's Management of Congressional Inquiries (A-13-02-12011, 9/23/02)

Recommendation: We recommended that SSA develop and implement an Agency-wide information system that incorporates current technology to control, monitor, and track all congressional inquiries.

Agency Response: SSA agreed with the recommendation.

Corrective Action: The project is being implemented in a phased approach. Phase 1, Assignment and Correspondence Tracking Release 1.0, is the replacement of the current Commissioner's Correspondence System. Vendor customization has been completed. The development process has entered the Integration Phase of the systems life cycle. This will be followed by the Training and Production Phase at which point a "Production Pilot" will begin and continue for 8 to 12 weeks. The pilot is scheduled to begin in the December/January 2005 time frame.

Additionally, classroom training for the Application Administrators began in September and will continue through the end of calendar year 2004. Deployment will begin at the end of the production pilot in a phased rollout. End user training will be given 1 week prior to each of the components' implementation date. The anticipated phase 1 completion date is September 2005.

Impact on the Social Security Administration's Programs When Auxiliary Beneficiaries Do Not Have Their Own Social Security Numbers (SSN) (A-01-02-22006, 9/20/02)

Recommendation: We recommended that SSA generate reports of auxiliary beneficiaries with missing Beneficiary's Own Account Number (BOAN) alerts that have not been cleared timely to a higher level of management.

Agency Response: SSA agreed with the recommendation.

Corrective Action: The reports will require systems programming. The Office of Operations has submitted an Information Technology (IT) template to the Office of Systems (DCS) to track the volume of missing BOAN alerts by region and field office. On April 9, 2003, the Offices of Operations and Systems met to discuss the planning and analysis for the template that will be used to implement this recommendation. On October 23, 2003, DCS submitted a Project Scope Agreement for Associate Commissioner signoff, which was approved by all components in December 2003.



Effective October 2004, a file with data on BOAN alerts sorted by field office and regional jurisdiction will be available to field offices and regional offices. This will allow managers to monitor the BOAN alert processing.

SSA Can Recover Millions in Medicare Premiums Related to Retirement or Disability Payments Made after Death (A-08-02-12029, 7/3/02)

Recommendation: We recommended that SSA establish a committee with Center for Medicare and Medicaid Services (CMS) officials to discuss procedures and practices for recovering Medicare premiums and work toward a joint resolution of the issue.

Agency Response: SSA agreed with the recommendation.

Corrective Action: The Office of Disability and Income Security Programs (ODISP) chaired an interagency videoconference in November 2002 with CMS executives and staff to discuss the OIG report and recommendations. SSA executives and staff were present at that meeting from the Office of Finance, Assessment and Management (DCFAM), DCS and the Office of the Actuary (OACT).

In July 2003, SSA and CMS staff met to discuss the methodology used by SSA to develop an estimate for the period 1966-2002. On October 31, 2003, SSA released letters to the Departments of Health and Human Services and the Treasury identifying the issue and SSA's intent to disclose the debt as a footnote on the FY 2003 financial statements, along with the intention of collecting the debt during FY 2004.

Recommendation: We recommended that if the transfer of unrecovered Medicare premiums is determined to be practical and feasible, SSA should establish an accounts receivable amount due from CMS for premiums remitted after beneficiaries' deaths. The amount should include premiums already remitted to CMS and those SSA may continue to remit after beneficiaries' deaths until a system is in place to prevent such occurrences.

Agency Response: SSA agreed with the recommendation.

Corrective Action: Systems changes, put in place January 2003, are identifying current unrecovered premium amounts which are netted against amounts transferred to CMS as current Supplemental Medical Insurance premiums. Further action on this recommendation is expected to be addressed.

Work Activity for SSNs Assigned for Nonwork Purposes in the State of Utah (A-14-01-11048, 3/29/02)

Recommendation: We recommended that SSA work with Immigration and Naturalization Service (INS), now incorporated into the Department of Homeland Security (DHS), to resolve data compatibility problems associated with the nonwork earnings file provided by SSA and involve employees familiar with the problem.

Agency Response: SSA agreed with the recommendation.



Corrective Action: Under the direction of the Enumeration Response Team, a subgroup is currently working on a proposal to expand the SSN electronic audit trail to capture information that could also be useful in resolving data compatibility problems between SSA and DHS. At this time, no milestone activities have been determined.

Recommendation: We recommended that SSA work to establish an agreement with the Office of Child Support Enforcement (OCSE) whereby SSA submits nonwork SSN records to OCSE each quarter, and OCSE associates quarterly earnings with the records before returning them to SSA.

Agency Response: SSA believes this recommendation may have merit.

Corrective Action: SSA no longer issues an SSN solely for the purpose of securing a driver's license or motor vehicle registration. This policy change closes opportunities for illegal work. In addition, SSA is continuing to work with U.S. Citizenship and Immigration Service (USCIS) on a number of fronts to improve the enumeration process. Once SSA has assessed the impact of these activities, SSA will revisit this recommendation and determine how to best proceed within the constraints of SSA's disclosure/privacy regulations and policies on working with and sharing information with OCSE and USCIS for the purposes of identifying persons who work illegally and employers who hire such persons.

Recommendation: We recommended that SSA use the quarterly wage information or other suitable methods to prevent the issuance of replacement Social Security cards when there is evidence of illegal employment and to advise employers of non-work status when verifying employee SSNs.

Agency Response: SSA agreed that there should be tighter controls for issuing replacement cards to aliens who are not authorized to work.

Corrective Action: SSA will investigate the best method for doing that, including the possibility of issuing revised instructions and reminders on the policy on issuing replacement cards and on updating Numident records. SSA will also explore appropriate mechanisms for helping BCIS monitor employment authorization.

We recommend that SSA match the quarterly non-work earnings file with the ESF to identify and report to DHS employers who consistently hire people who are not authorized for employment and individuals who use, for employment, nonwork SSNs and false identities.

Agency Response: SSA believes this recommendation may have merit.

Corrective Action: SSA will revisit this recommendation once an assessment of the impact of previously referenced activities that are underway or planned is complete.



Performance Measure Review: Reliability of the Data Used to Measure the Timely Processing of Disability Insurance Claims (A-02-99-11001, 10/2/01)

Recommendation: We recommended that SSA provide an adequate audit trail to document the processes involved in the generation and accumulation of the performance measure.

Agency Response: SSA agreed with the recommendation.

Corrective Action: DCS is addressing this issue as it transitions the Management Information Initial Claims Record (MIICR) functionality to the Title II Workload Management Information System. A General Project Scope Agreement was agreed upon.

There are three releases of the Title II Transition Project: Release 1.0, implemented October 2003, focused on capturing workload counts for Title II Initial Claims and Appeals from the Title II Operational Data Store (ODS); Release 2.0, implemented February 2004, focused on providing Title II workload information to the Processing Centers from the Title II ODS; and Release 3.0 focuses on populating the Work Measurement Data Warehouse with Title II Initial Claims completion information from the Title II ODS for processing time and performance measures reporting. This release replaces the last piece of MIICR still in use. It is scheduled for implementation in March 2005.

Audit of Enumeration at Birth Program (A-08-00-10047, 9/27/01)

Recommendation: We recommended that SSA re-invest some of the savings realized by the Enumeration at Birth (EAB) program. This could provide necessary funding, during future contract modifications, for the Bureau of Vital Statistics to perform periodic, independent reconciliations of registered births with statistics obtained from hospitals' labor and delivery units, and periodically verify the legitimacy of sample birth records obtained from hospitals.

Agency Response: SSA agreed in principle with the recommendation.

Corrective Action: On March 31, 2003, SSA met with the National Association for Public Health Statistics and Information System (NAPHSIS). NAPHSIS wants SSA to develop the complete audit plan for them including a complete statistically valid sampling plan based on the number of birthing hospitals in each State. Once the plan is developed, NAPHSIS would like SSA to tap into other sources for funding a full audit program in each State.

On June 17, 2003, an IT template was prepared for the EAB audit provisions. This plan must be approved and submitted for DCS review. SSA developed the complete audit plan at NAPHSIS' request to include a statistically valid sampling method based on the number of birthing hospitals in each State. DCO has shared the concept of this plan with NAPHSIS executives. NAPHSIS advised that SSA should drop the search for additional Federal funds since these were available on a State basis only. DCO recently submitted another IT plan for consideration and no decisions have been made to implement these plans at this time. NAPHSIS advised that SSA should drop the search for additional Federal funds since these were available on a State basis only.



This plan was submitted for System's review and was only ranked as medium priority. The medium priority ranking kept this plan from being developed and initiated in FY 2004. Discussions still continue between SSA and NAPHSIS to fine tune some of the plan's suggestions.

Recommendation: We recommended that SSA enhance its duplicate record detection and prior SSN detection routines to provide greater protection against the assignment of multiple SSNs.

Agency Response: SSA agreed on the issue of duplicate record detection. SSA also agreed that there are cases where a subsequent SSN application is not identified due to minor changes in names.

Corrective Action: For EAB cases, the duplicate record detection routine currently considers two SSN applications to be duplicate only if the required data fields match exactly, including birth certificate numbers. For example, if the birth certificate numbers for two records are different, the records are not treated as possible duplicates even if the other data fields are identical. Agreement has been reached to have the routine consider two SSN applications to be duplicate if all of the required data fields match exactly, even if the birth certificate numbers are different. The Office of Operations and DCS recently met on the IT plans and no decisions were made to implement the plans at this time.

For non-EAB cases, DCS staff met and discussed this recommendation and determined it would be possible to modify the automated enumeration screening process to detect variations in the spelling of applicant names. However, while this would provide greater protection against the assignment of multiple SSNs, there would be undesirable consequences. It would create delays in the processing of multiple birth cases. The envisioned routine would catch some, but not all, of the 93 multiple SSN examples we cited. The findings have been shared with the user community.

Payments Made to Selected Representative Payees after the Deaths of Social Security Beneficiaries (A-13-01-21028, 9/18/01)

Recommendation: We recommended that SSA resolve beneficiary date-of-death discrepancies we identified and develop and implement procedures for the timely and accurate recordation of dates of death.

Agency Response: SSA has already begun to correct the records containing date of death discrepancies.

Corrective Action: SSA has already begun to correct the records containing date of death discrepancies and will review the procedures to prevent future occurrences of this nature. In addition, a new Death Alert, Control and Update System (DACUS) process, which will identify deceased representative payees in the Representative Payee System, will be implemented in the DACUS Release II, which is not yet scheduled due to other systems priorities.



Approval of Claimant Representatives and Fees Paid to Attorneys (A-12-00-10027, 8/21/01)

Recommendation: We recommended that SSA collect each attorney's SSN, name and address information so IRS Form 1099 can be issued to attorneys.

Agency Response: SSA's Executive Task Force is addressing the issue of providing IRS Form 1099 to attorneys and is developing a business process for issuing these forms.

Corrective Action: The Executive Task Force has established a target of issuing Form 1099 to attorneys in January 2005 (representing attorneys fees received during tax year 2004). DCS is currently conducting planning and analysis sessions to plan and develop systems enhancements necessary to collect the appropriate attorney data and issue the Form 1099.

Audit of SSA's FY 2001 APP (A-02-00-10038, 6/18/01)

Recommendation: We recommended that SSA coordinate with the CMS to determine which Agency should establish performance goals for service to Medicare recipients.

Agency Response: SSA will explore the feasibility of establishing such a goal.

Corrective Action: The Deputy Commissioners for Disability and Income Security Programs; Finance, Assessment and Management; and Operations met on the development of a possible Government Performance Results Act (GPRA) performance measure on service to Medicare recipients for the 2005/2006 Annual Performance Plan (APP). The September APP submission to the Office of Management and Budget contained a placeholder for this measure, which is still under development pending final decisions on how the Medicare legislation will be enacted in SSA.



Appendix G

Significant Management Decisions With Which the Inspector General Disagrees

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



Appendix H

Reporting Requirements

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

| Section | Requirement | Pages |
|------------------------------------|--|------------------|
| Section 4(a)(2) | Review of legislation and regulations | N/A |
| Section 5(a)(1) | Significant problems, abuses, and deficiencies | 3-64 |
| Section 5(a)(2) | Recommendations with respect to significant problems, abuses, and deficiencies | 3-64 |
| Section 5(a)(3) | Recommendations described in previous Semiannual Reports on which corrective actions are incomplete | Appendices E & F |
| Section 5(a)(4) | Matters referred to prospective authorities and the prosecutions and convictions which have resulted | 3-64 |
| Sections 5(a)(5) & Section 6(b)(2) | Summary of instances where information was refused | N/A |
| Section 5(a)(6) | List of audits | Appendix B |
| Section 5(a)(7) | Summary of particularly significant reports | 20-64 |
| 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 | N/A |
| Section 5(a)(12) | Significant management decisions with which the Inspector General disagrees | Appendix G |



Appendix I

Glossary

| Abbreviation | Definition |
|--------------|--|
| ALJ | Administrative Law Judge |
| BOAN | Beneficiary's Own Account Number |
| BSSCC | Brooklyn Social Security Card Center |
| BTS | Benefit Team Services |
| C&A | Certification and Accreditation |
| CA | Creative Alternatives |
| CDI | Cooperative Disability Investigations |
| CDR | Continuing Disability Review |
| CE | Consultative Examination |
| CFO Act | Chief Financial Officers Act of 1990 |
| CIA | Central Intelligence Agency |
| CMIA | Cash Management Improvement Act |
| CMP | Civil Monetary Penalty |
| CMS | Center for Medicare and Medicaid Services |
| CY | Calendar Year |
| DCFAM | Office of Finance, Assessment and Management |
| DCS | Office of Systems |
| DDS | (State) Disability Determination Services |
| DI | Disability Insurance |
| DHS | Department of Homeland Security |
| DOJ | Department of Justice |
| DOL | Department of Labor |
| DOS | Department of State |
| EAB | Enumeration at Birth |
| eGovernment | electronic Government |
| ERT | Enumeration Response Team |



| | |
|---------|--|
| ESF | Earnings Suspense File |
| FBI | Federal Bureau of Investigation |
| FISMA | Federal Information Security Management Act of 2002 |
| FO | Field Office |
| FSP | Foreign Service Post |
| FY | Fiscal Year |
| GAO | Government Accountability Office |
| GPRA | Government Performance and Results Act |
| ICE | Immigration and Customs Enforcement (DHS) |
| IDHS | Illinois Department of Human Services |
| IG | Inspector General |
| INS | Immigration and Naturalization Service |
| IRS | Internal Revenue Service |
| IT | Information Technology |
| MEF | Master Earnings File |
| MES | Modernized Enumeration System |
| MHCBC | Mental Health Center of Boulder County, Inc. |
| MIICR | Management Information Initial Claims Record |
| NAPHSIS | Nat. Assn. for Public Health Statistics and Information System |
| NCC | National Computer Center |
| MIICR | Management Information Initial Claims Record |
| OA | Office of Audit |
| OACT | Office of the Actuary |
| OASDI | Old-Age, Survivors and Disability Insurance |
| OASI | Old-Age and Survivors Insurance |
| OCCIG | Office of the Chief Counsel to the Inspector General |
| OCSE | Office of Child Support Enforcement |
| ODISP | Office of Disability and Income Security Programs |
| ODP | Office of Disclosure Policy |
| ODS | Operational Data Store |
| OEO | Office of Executive Operations |
| OHA | Office of Hearings and Appeals |



| | |
|-----------|---|
| OI | Office of Investigations |
| OIG | Office of the Inspector General |
| OMB | Office of Management and Budget |
| P.L. | Public Law |
| PMA | President's Management Agenda |
| PwC | PricewaterhouseCoopers, LLP |
| RO | Regional Office |
| RPS | Representative Payee System |
| SAUSA | Special Assistant United States Attorney |
| SGA | Substantial Gainful Activity |
| SOR | Claims Folders System of Records |
| SSA | Social Security Administration |
| SSI | Supplemental Security Income |
| SSN | Social Security Number |
| Title II | Old-Age, Survivors and Disability Insurance |
| Title XVI | Supplemental Security Income |
| Treasury | Department of the Treasury |
| USCIS | U.S. Citizenship and Immigration Service |
| USMS | United States Marshals Service |
| USPIS | U.S. Postal Inspection Service |
| USPS | U.S. Postal Service |
| VA | Department of Veterans Affairs |
| WC | Workers' Compensation |



Report Fraud

The SSA OIG Fraud Hotline offers a means for you to provide information on suspected fraud, waste, and abuse. If you know of current or potentially illegal or improper activities involving SSA programs or personnel, we encourage you to contact the SSA OIG Fraud Hotline.

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Baltimore, MD 21235

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