

# Agency Actions After the Huntington Fraud Scheme

## A-12-19-50883



September 2020

Office of Audit Report Summary

### Objective

To assess the Social Security Administration's (SSA) actions to expand oversight of its hearing process after the Huntington fraud scheme, which involved an administrative law judge (ALJ).

### Background

A claimant who is dissatisfied with the initial decision on his/her SSA disability application can appeal the decision. SSA ALJs conduct hearings throughout the United States in person or through video conferencing (and, in limited situations, by telephone). A claimant may appoint a representative who acts on the claimant's behalf in matters before SSA. SSA policy requires that hearing-level cases be rotated among ALJs in the hearing office.

An Office of the Inspector General investigation revealed that a fraud scheme began in 2004 when David B. Daugherty, a former ALJ in SSA's Hearing Office in Huntington, West Virginia, assigned himself cases that listed Eric C. Conn, a former Kentucky attorney, as the claimant representative. ALJ Daugherty approved Conn's cases based on false medical evidence. ALJ Daugherty retired from SSA in July 2011. Both Daugherty and Conn pleaded guilty in Federal court for their roles in the scheme; a doctor was convicted following a jury trial.

### Findings

**Case Rotation** - SSA added system controls to prevent ALJs from assigning cases to themselves, which eliminated the control weakness that allowed ALJ Daugherty to assign Conn's cases to himself. SSA also added video capacity to minimize case-rotation issues, where a few ALJs decided all the cases from the same claimant representatives at remote hearing sites. Our analysis of Fiscal Year 2019 ALJ decisions did not find case-rotation issues among ALJs and claimant representatives or identify case-rotation issues, similar to the Conn-Daugherty scheme, among the top 25 claimant representatives, who represented at least 1,900 claimants in Fiscal Year 2019.

**Oversight** - SSA enhanced oversight of hearing offices and ALJs by identifying and monitoring multiple risk factors. If SSA identifies outlier performance, the Division of Quality in SSA's Office of Appellate Operations performs focused quality reviews. SSA uses the results of its reviews and studies to change its policies and procedures, develop training for ALJs and hearing office staff, and issue directives and discipline if needed.

**Quality ALJ Decisions** - SSA implemented pre- and post-effectuation quality reviews, an in-depth quality review process, and created other reviews to confirm hearing-level decisions were legally sufficient and policy compliant.

**Fraud Prevention and Detection** - SSA's *Fiscal Years 2018-2022 Agency Strategic and Annual Performance Reports* outline anti-fraud efforts, such as data analytics and predictive modeling, to identify high-risk transactions. SSA updated regulations on medical evidence and rules of conduct for claimant representatives. In Fiscal Year 2014, SSA began requiring that all employees take annual anti-fraud training.

### Conclusion

SSA added system controls so ALJs can no longer assign cases to themselves, implemented new measures to identify and take actions on outliers, enhanced its quality review process, and strengthened its fraud detection and protection activities.