The image features a low-angle shot of the United States Capitol building's dome, which is white with a series of arched windows. Atop the dome is a statue of an eagle. In the foreground, the bronze Lion of Liberty statue is prominently displayed, looking towards the left. The sky is a clear, bright blue with a few wispy clouds. The text is overlaid on the right side of the image.

Social Security Administration  
Office of the Inspector General  
***Semiannual Report to Congress***  
April 1, 2014 - September 30, 2014



# Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

## Who We Are

The Office of the Inspector General (OIG) is responsible for meeting the statutory mission of promoting economy, efficiency, and effectiveness in the administration of Social Security Administration (SSA) programs and operations; and preventing and detecting fraud, waste, abuse, and mismanagement in such programs and operations. To accomplish this mission, we conduct and supervise a comprehensive program of audits, evaluations, and investigations. We also search for and report systemic weaknesses in SSA programs and operations, and make recommendations for needed improvements and corrective actions.

## What We Do

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

## Reach Us



@TheSSAOIG



/OIGSSA



/TheSSAOIG



/TheSSAOIG



<http://oig.ssa.gov>

## Report Fraud

Reporting is easy, safe, and secure. You can reach us online, or by mail, phone, or fax.

**Internet:** <http://oig.ssa.gov/report>

**U.S. Mail:** Social Security Fraud Hotline  
P.O. Box 17785  
Baltimore, Maryland 21235

**FAX:** (410) 597-0118

**Telephone:** (800) 269-0271 from 10:00 a.m. to 4:00 p.m. Eastern Standard Time

**TTY:** (866) 501-2101 for the deaf or hard of hearing

## Feedback

After reading our *Semiannual Report to Congress*, we encourage you to take a brief, anonymous survey to let us know how we're doing. The survey is available on our website listed above. We appreciate any feedback that can help us improve our publication.

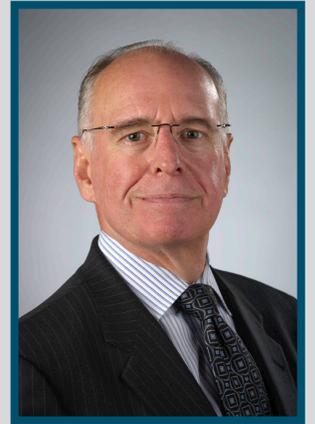
*\*Cover photo by Jeffrey Brown, Division Director, Office of Audit - Information Systems Division*

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## A MESSAGE FROM THE INSPECTOR GENERAL

In January, Social Security Subcommittee Chairman Sam Johnson requested that my office conduct a “top-to-bottom” review of the Social Security Disability Insurance program, specifically to determine how recently uncovered fraud schemes in Puerto Rico and New York could have occurred. As part of that request, Chairman Johnson asked my office to identify what the Social Security Administration (SSA) needs to do to prevent such fraud schemes in the future.



In our special report, *The Social Security Administration's Ability to Prevent and Detect Disability Fraud*, issued in September, we documented efforts SSA has already made to improve fraud prevention and detection since the revelation of the Puerto Rico and New York disability schemes. However, we also outlined vulnerabilities that still exist, and ways SSA can address them, with broad systems enhancements and significant policy changes. I encourage you to review the report on our website, <http://oig.ssa.gov>.

This is only one of the many anti-fraud initiatives we have completed—and initiated—during this semiannual reporting period, April 1, 2014 – September 30, 2014. The Office of the Inspector General (OIG), of course, is an invested partner with SSA in identifying and preventing fraud and abuse in its programs, and we strive to stay ahead of current challenges and fraud trends to provide an exceptional return on the taxpayer funds invested in our operations. During the past 6 months, we have focused our efforts on advising SSA on innovative ways to continue the fight against fraud; and assisting the Agency as it re-dedicates itself to improving program integrity.

As this report details, our auditors and investigators come to work every day dedicated to this mission, approaching it from different, yet equally important, perspectives.

For example, during this reporting period:

- As SSA addresses challenges related to its development and implementation of the Disability Case Processing System (DCPS), we were asked by two Congressional committees to provide audit and investigative expertise to ensure informed decision-making on the best use of these valuable taxpayer dollars. We also have two DCPS reviews planned to evaluate project costs and performance goals, and the potential of this initiative to allow for data analysis and fraud detection.
- In an effort to quantify the amount of disability benefit overpayments caused by fraud and abuse, we began an update to our 2006 report, *Overpayments in the Social Security Administration's Disability Programs*. While we previously focused on identifying all overpayments, regardless of the cause, our auditors are now reviewing the same beneficiary sample to identify overpayments that may involve potential fraud or negligence. Our auditors will then refer all potential fraud cases to our investigators for criminal investigation and potential prosecution.

My office remains committed to working with SSA and the Congress to help fulfill our duty to the millions of Americans who depend on Social Security's vital programs. I invite you to read more about what we do and how we do it in the pages that follow.

A handwritten signature in blue ink that reads "Patrick P. O'Carroll, Jr." The signature is fluid and cursive.

Patrick P. O'Carroll, Jr.  
Inspector General

## EXECUTIVE SUMMARY

<b>Key Accomplishments</b> April 1, 2014 through September 30, 2014	
<b>Audit Reports Issued</b>	51
<b>Questioned Costs</b>	\$535 million
<b>Funds Put to Better Use</b>	\$4.9 billion
<b>Allegations Received</b>	63,210
<b>Investigations Opened</b>	4,147
<b>Investigations Closed</b>	4,266
<b>Arrests</b>	270
<b>Indictments/Informations</b>	613
<b>Criminal Convictions</b>	707
<b>Civil Actions/Civil Monetary Penalties</b>	242
<b>Cooperative Disability Investigations</b>	
<b>Confirmed Fraud Cases</b>	1,952
<b>SSA Savings</b>	\$171,195,987
<b>Non-SSA Savings</b>	\$129,724,349

This report presents the significant activities of the SSA OIG from April 1, 2014 through September 30, 2014, documenting the achievements of the OIG's Offices of Audit, Investigations, Counsel, and OIG's support components.

### Audit

During this reporting period, we issued 51 reports and made recommendations on a variety of challenges facing SSA. We also identified more than \$535 million in questioned costs and almost \$5 billion in Federal funds that could be put to better use. We have focused on evaluating SSA's efforts to maintain and improve disability program integrity. Among our noteworthy reports:

- *The Social Security Administration's Completion of Program Integrity Workloads*, in which we found that despite improvements, SSA was performing less program integrity work than it had in the past, missing opportunities for potential savings. SSA performed about half the number of full medical continuing disability reviews (CDR) in FY 2014 than it did in FY 2002. We also found that under different funding scenarios, SSA would likely not be able to reduce a large existing CDR backlog over the long term.
- *Work CDRs for Disabled Title II Beneficiaries with Earnings*, in which we estimated that almost 120,000 disabled beneficiaries received \$1.02 billion they were not eligible for, due to their work activity. SSA had identified approximately \$872.58 million of these overpayments, but had not detected \$146.43 million. We estimate that, as of April 2014, SSA recovered about \$489.37 million in overpayments.

## Investigative

During this reporting period, we received 63,210 allegations from SSA employees, the Congress, the public, law enforcement agencies, and other sources. Our agents closed more than 4,266 criminal investigations, resulting in 270 arrests, 613 indictments and informations, 707 criminal convictions (including pretrial diversions) and 242 civil judgments/civil monetary penalty (CMP) assessments.

In the second half of FY 2014, we are reporting over \$296 million in monetary accomplishments, with over \$80 million in SSA recoveries, restitution, fines, settlements, and judgments; and over \$215 million in projected savings from investigations resulting in the suspension or termination of benefits. In addition, we participated in multi-agency investigations that resulted in over \$18 million in savings, restitution, and recoveries for other agencies.

Our Cooperative Disability Investigations (CDI) Program continues to be one of our most successful initiatives, contributing to the integrity of SSA's disability programs. The efforts of our CDI Units during this reporting period contributed to more than \$171.2 million in projected SSA program savings, and over \$129.7 million in projected savings to other programs such as Medicare.

## Legal

During the reporting period, our attorneys successfully resolved 235 CMP actions against individuals who made false statements, representations, or omissions to obtain or retain Social Security benefits (violations of Section 1129 of the *Social Security Act*). OIG attorneys imposed more than \$12.6 million in penalties and assessments through the CMP program. We also pursued actions to protect the public from fraudulent schemes that make use of the SSA's well-known name and good reputation (violations of Section 1140). During this reporting period, we achieved voluntary compliance in 24 Section 1140 cases, and deterred future violations through aggressive outreach and enforcement efforts.

## Outreach

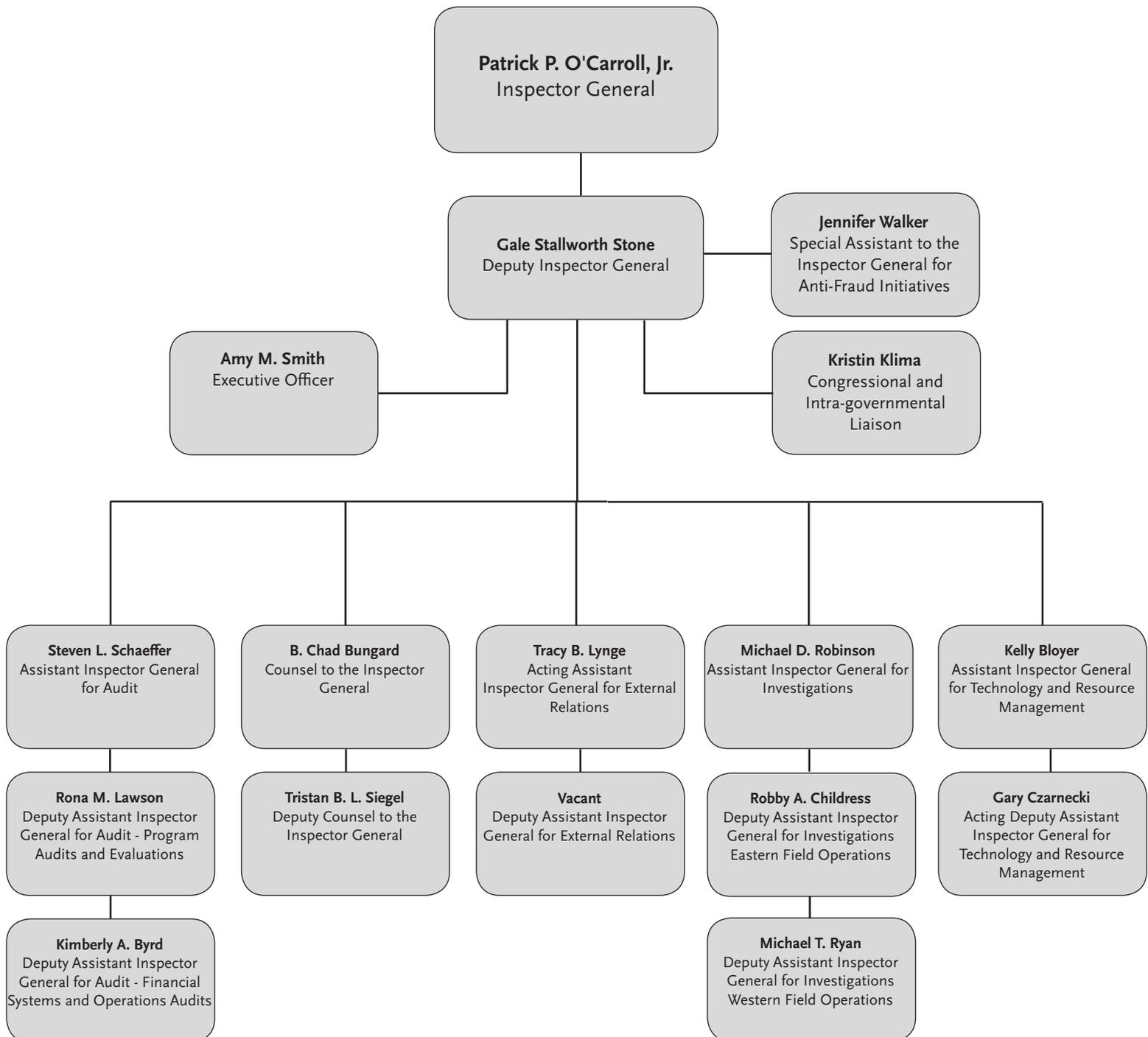
During the reporting period, Inspector General O'Carroll testified before the House Committee on Oversight and Government Reform, Subcommittee on Energy Policy, Health Care, and Entitlements, on SSA's management of the disability programs.

The Inspector General also made presentations to large national audiences, increasing awareness of the OIG's work and accomplishments. He joined Counsel to the Inspector General B. Chad Bungard in conducting fraud awareness workshops at an Alliance for Retired Americans national convention; participated in a panel discussion on improper payments at an Association of Government Accountants national training conference; and joined SSA and State of Michigan officials to mark the opening of a new CDI Unit in Detroit.

We have also increased awareness of the OIG's mission and accomplishments through interaction with the news media. The Inspector General sat for an interview with Federal News Radio, as well as with ABC's "Nightline" for a news feature on our efforts to prevent and identify disability fraud. Finally, Special Agent-in-Charge Edward Ryan of the New York Field Division and Boston Audit Director Judith Oliveira were also interviewed by Federal News Radio for a feature on the OIG's priorities and accomplishments.

## INTRODUCTION TO OUR ORGANIZATION

SSA OIG comprises the Immediate Office of the Inspector General and five major components: the Offices of Audit, Counsel, External Relations, Investigations, and Technology and Resource Management.



### Immediate Office of the Inspector General

The Immediate Office of the Inspector General (IO) assists the Inspector General with the full range of his responsibilities. IO staff also coordinates with SSA, congressional committees, the Social Security Advisory Board, and the Council of the Inspectors General on Integrity and Efficiency (CIGIE). IO also includes the Office of Quality Assurance and Professional Responsibility (OQAPR), which reviews OIG component offices to ensure compliance with Federal laws and regulations, Agency policies, and relevant professional standards; and conducts investigations into allegations of OIG employee misconduct.

## Office of Investigations

The Office of Investigations (OI) conducts investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, and third parties, as well as by SSA employees. This office serves as the OIG's liaison to the Department of Justice (DOJ) on all investigative matters. OI also conducts joint investigations with other law enforcement agencies, and shares responsibility with the Department of Homeland Security's (DHS) Federal Protective Service (FPS) for investigating threats or violence against SSA employees and facilities.

## Office of Audit

The Office of Audit (OA) conducts financial and performance audits of SSA programs and operations, and makes recommendations to ensure that SSA achieves program goals effectively and efficiently. Financial audits determine whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management and program evaluations on issues of concern to SSA, the Congress, and the public.

## Office of External Relations

The Office of External Relations (OER) disseminates information about the OIG's work to Congress, the media, and the public. OER prepares presentations for OIG executives, publishes informational materials, prepares the *Semiannual Report to Congress*, and represents the OIG in the news media. OER also maintains the OIG presence on the Internet, and supports OIG components with respect to external communications.

## Office of the Counsel to the Inspector General

The Office of the Counsel to the Inspector General (OCIG) provides independent legal advice and counsel to the Inspector General on a wide range of issues, including statutes, regulations, legislation, and policy directives. OCIG also administers the CMP program, and advises the Inspector General on investigative procedures and techniques, as well as on the legal implications of audit and investigative activities.

## Office of Technology and Resource Management

The Office of Technology and Resource Management (OTRM) provides administrative support to the Inspector General and OIG components. OTRM formulates and executes the OIG budget, and is responsible for strategic planning, performance reporting, and facility and property management. OTRM manages OIG human resources and develops administrative policies and procedures. OTRM also maintains hardware, software, and telecommunications networks to support the OIG's mission. Finally, OTRM manages the OIG's Fraud Hotline and fugitive enforcement program.

## SSA MANAGEMENT CHALLENGES

OIG annually identifies the most significant management issues facing SSA based on legislative mandates and its audit and investigative work. A summary of each issue is below:

### Strengthen Planning, Transparency, and Accountability

The Agency has developed multiple-year strategic plans in the past, which included general descriptions of the programs, processes, and resources needed to meet its mission and strategic objectives. While planning for the next few years is important, SSA needs a longer-term vision to ensure it has the programs, processes, staff, and infrastructure required to provide needed services 10 to 20 years from now and beyond. A recent report by the National Academy of Public Administration determined that SSA must expand and enhance its virtual service delivery channels and accelerate introduction of new technologies to effectively meet customer needs 2025-2030. It also concluded that SSA should provide personal service delivery for those customers, or for those transactions for which face-to-face interaction is necessary and appropriate. SSA is using the National Academy of Public Administration's report, along with input from internal and external stakeholders, to develop its long-term vision. Per SSA, its Vision 2025, which it plans to release soon, will explain the type of agency it needs to be to meet customers' expectations in the next 10 years and beyond. We have recommended that SSA develop more outcome-based performance measures and goals, including performance targets that are aligned more with SSA's long-term goals than with expected annual appropriations. With regard to accountability, the FY 2013 Independent Auditor's Report contained two significant deficiencies in internal control. First, the auditor identified three deficiencies in internal control that, when aggregated, were considered to be a significant deficiency in internal controls related to calculation, recording, and prevention of overpayments. Second, the auditor identified four deficiencies that, when aggregated, were considered to be a significant deficiency in the area of information systems controls. The Acting Commissioner has made addressing both the material weakness and significant deficiency a priority.

### Improve Customer Service

SSA faces several challenges, such as increasing workloads and representative payee oversight, as it pursues its mission to deliver services that meet the public's changing needs. In FY 2014, SSA expected to complete over 5.4 million retirement, survivor, and Medicare claims; 2.9 million Social Security and SSI disability claims; and 278,000 SSI aged claims. In addition, SSA completes numerous other workloads. One of SSA's greatest challenges is the loss of its most experienced employees. From FYs 2011 to 2013, nearly 11,000 SSA employees found other employment or retired. SSA's projected retirement of its employees continues to present a challenge to its customer service capability. SSA estimates that about 45 percent of its employees, including 54 percent of its supervisors, will be eligible to retire by FY 2022. The public also expects responsive service from multiple service delivery channels. At the same time, the nation is becoming more diverse. As SSA enhances its service delivery strategies, it must continue to consider the increasing multilingual and multicultural population it serves. Further, GAO noted SSA struggles to effectively administer its Representative Payment Program. The projected growth in the aged population, as well as the incidence of individuals with dementia, will require that SSA spend more resources recruiting and monitoring representative payees.

### Improve the Timeliness and Quality of the Disability Process

SSA needs to address receipt of millions of initial disability and reconsideration claims and backlogs of initial disability claims and CDRs, while also protecting its disability programs from fraud. While initial claims receipts have declined in recent years, SSA had a large number of initial claims pending completion. As of August 2014, SSA had over 658,000 initial disability claims pending. In November 2010, SSA released its *Strategy to Address Increasing Initial Disability Claim Receipts*, through which it aimed to reduce the initial claims backlog to a pre-recession level of 525,000 by FY 2014. However, in our April 2014 report, *SSA's Progress in Reducing the Initial Disability Claims Backlog*, we found SSA no longer expected to achieve its pending level goal of 525,000, and it had not established a new goal. In our August 2014 report, *The Social Security Administration's Completion of Program Integrity Workloads*, we stated that SSA had a backlog of 1.3 million full medical CDRs at the end of FY 2013. SSA had a backlog because it has not completed all full medical CDRs when they become due. Recently, high-profile fraud schemes have highlighted the vulnerability of SSA's disability programs to fraud. The schemes revealed that numerous individuals, assisted by the same claimant representative, or other

facilitator could allege similar physical and/or mental impairments, provide similar fabricated or exaggerated medical documentation certified by a common physician or medical facility, and receive disability benefits. This year, SSA began anti-fraud initiatives including predictive analytics and Fraud Prevention Units (FPU) in New York, Kansas City, and San Francisco; and expanded the CDI program by two units, to a total of 27.

### **Invest in Information Technology Infrastructure to Support Current and Future Workloads**

SSA faces the challenge of how best to use technology to meet its increasing workload with limited budgetary and human resources. Further, SSA will not be able to manage its current and future workloads without the proper IT infrastructure. The Agency uses a variety of technologies to deliver service to its customers, including telephone, the Internet, and videoconferencing. We have concerns regarding the Agency's IT physical infrastructure, development and implementation of secure electronic services, logical access controls and security of information systems, and management of major IT projects. While expanding its inventory of electronic services to meet its customers' growing needs, the Agency needs to ensure its existing and future electronic services are secure. In January 2013, SSA expanded its *my Social Security* online portal; however, thousands of fraudulent accounts were established to redirect Social Security benefits to unauthorized bank accounts. In August 2014, SSA implemented fraud prevention enhancements to secure *my Social Security* transactions, including applications for benefits and changes of address and direct deposit. SSA also faces challenges in executing and implementing major IT projects, and delivering expected functionalities on-schedule and within budget.

### **Reduce Improper Payments and Increase Overpayment Recoveries**

SSA must be a responsible steward of the funds entrusted to its care and minimize the risk of making improper payments. SSA strives to balance its service commitments to the public with its stewardship responsibilities. However, given the size and complexity of the programs the Agency administers, some payment errors will occur. SSA is responsible for issuing over \$800 billion in benefit payments per year, to about 60 million people. Given the large overall dollars involved, even the slightest error in the process can result in millions of dollars in over- or underpayments. OASDI overpayments are most often caused by beneficiaries who fail to report earnings timely, or by SSA's failure to withhold monthly benefit payments from beneficiaries who are engaging in substantial gainful activity. SSA developed a statistical model that predicts the likelihood of beneficiaries being at risk of receiving large earnings-related overpayments and implemented it nationwide in June 2013. A major cause of improper payments in the SSI program is recipients' failure to provide accurate and timely reports of new or increased wages. In response, SSA developed a monthly wage reporting system incorporating touch-tone and voice-recognition telephone technology.

### **Reduce the Hearings Backlog and Prevent its Recurrence**

While SSA has emphasized the need for quality, consistency, and timeliness in its disability decisions, this continues to remain a challenge as the hearings backlog approaches 1 million cases and timeliness continues to worsen. Since FY 2010, the pending hearings backlog has increased annually. While the number of new receipts has declined over the past 4 years, they have exceeded dispositions. The backlog was about 705,000 cases in FY 2010 and grew to about 961,000 pending cases by the end of July 2014. SSA made progress in reducing hearing waiting time to an average of 353 days in FY 2012. However, timeliness increased to an average of 416 days per case through July 2014. In our audits, we have attempted to assist the Agency as it reviews outlier activity and provides meaningful feedback to adjudicators and staff. In our December 2013 report, *Analysis of Hearing Offices Using Key Risk Factors*, we provided SSA with an additional model to evaluate the performance of individual hearing offices using multiple criteria. Moreover, in our July 2014 report, *Subsequent Appellate Actions Taken on Denials Issued by Low-Allowance ALJs*, we highlighted additional ways the Agency can provide case quality data to its adjudicators.

### Strengthen the Integrity and Protection of the Social Security Number

The Social Security number (SSN) is heavily relied on as an identifier in American society and is valuable as a commodity misused for illegal purposes. Given the frequency of SSN misuse and identity theft in American society, we continue to believe SSA must take steps to protect the integrity of this critical number, even though the Agency has no authority to control SSN collection, use, and protection by other public and private entities. Because the SSNs of deceased individuals are vulnerable to misuse, the public release of SSA's Death Master File (DMF) has raised concerns. More recently, the *Bipartisan Budget Act of 2013* restricted public access to the DMF. The public will have access only to a file containing deaths that occurred at least 3 calendar years before the request. To the extent possible, we believe SSA should limit public access to the DMF to only what is required by law and take all possible steps to ensure its accuracy. It is critical that SSA properly assign SSNs only to those individuals authorized to obtain them, protect SSN information once it assigns the numbers, and accurately post the earnings reported under SSNs. SSA's programs depend on accurate earnings information to determine if an individual is eligible for benefits, and what benefit amount is due.



## AUDIT

During this reporting period, we issued 51 reports and made recommendations on a variety of challenges facing SSA. We also identified more than \$535 million in questioned costs<sup>1</sup> and almost \$5 billion in Federal funds that could be put to better use<sup>2</sup>. During FY 2014, we generated a return of \$64 for every dollar invested in us by the taxpayer. This rate of return was bolstered by 3 audit reports:

- *The Social Security Administration's Completion of Program Integrity Workloads*
- *Representative Payee Selections Pending in the Representative Payee System*
- *Supplemental Security Income Recipients with Excess Unstated Income*

In these reports, we identified over \$4.8 billion in funds put to better use and over \$717 million in questioned costs. Over the last 6 months, we have focused heavily on evaluating SSA's efforts to maintain and improve disability program integrity. Also, the Inspector General has encouraged and fostered increased collaboration between the OIG's Offices of Audit and Investigations. When our auditors identify fraud trends and patterns in their audit reports, they refer potential instances of fraud, waste, or abuse to our investigators for review.

## Significant Audit Activities

### Non-receipt of Social Security Benefits Due to Unauthorized Direct Deposit Changes

In 2011, OIG investigators began tracking allegations that individuals other than beneficiaries or their representatives had fraudulently redirected benefit payments to bank accounts the individuals controlled. As of May 2013, we had received over 36,000 reports concerning unauthorized changes to, or attempts to change, a beneficiary's direct deposit information. As we tracked this fraud scheme through multiple criminal investigations, we also conducted this review, which assessed the impact of the fraud on victims as well as SSA, by quantifying the cost of replacing the missing benefit payments.

OIG investigators coordinated with auditors to identify the population of direct deposit fraud allegations for the audit period. We identified 23,192 beneficiaries who had multiple changes to their direct deposit information and who reported that they did not receive 25,728 Social Security payments, totaling \$28.3 million, between September 2, 2011 and June 11, 2012. SSA sent replacement payments to many, but not all, beneficiaries who reported being victims of this type of fraud. In total, SSA sent replacement payments totaling \$17.4 million to 13,380 individuals. However, SSA charged 2,452 of the beneficiaries who received replacement payments with overpayments totaling \$3 million.

We recommended SSA: (1) provide beneficiaries replacement payments for missed payments due to unauthorized changes to their direct deposit information; (2) implement a consistent policy to refund overpayments collected from beneficiaries for replacement payments received after unauthorized changes to their direct deposit information; and (3) ensure beneficiaries with outstanding overpayments for replacement payments after unauthorized changes to their direct deposit information are not held liable for repaying them. The Agency disagreed with Recommendations 1 and 2, and agreed with Recommendation 3.

While it disagreed with Recommendations 1 and 2, the Agency agreed to review and correct the cases we identified as being erroneously processed after the date it revised its policy on processing non-receipt of benefit reports. We continue to believe that SSA should replace all missing payments due to unauthorized changes to direct deposit information regardless of when the unauthorized changes occurred. Similarly, SSA should not treat beneficiaries charged overpayments differently because of the date their overpayments were inaccurately assessed.

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<sup>1</sup> These are costs we question because of a) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; b) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or c) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

<sup>2</sup> These are funds for which we have told SSA management that taking action to implement the recommendations would result in more efficient or effective use of funds. Such actions could include reducing outlays, de-obligating funds, or avoiding unnecessary expenditures.

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## **The Social Security Administration's Completion of Program Integrity Workloads**

In this review, we evaluated SSA's progress in completing program integrity work despite congressional appropriations that were generally lower than the Agency requested during the annual budget process

SSA's budget appropriation increased each year from FYs 2002 through 2010 but decreased from FYs 2011 through 2013. Further, SSA's funding levels were lower than it requested almost every year since FY 2002. Also, SSA did not receive any dedicated funding for program integrity work during FYs 2003 through 2008. Since FY 2009, when SSA began receiving dedicated program integrity funding, the Agency had generally begun increasing its program integrity efforts. In FY 2014, SSA received approximately \$1.2 billion in dedicated funding to perform 510,000 full medical CDRs and more than 2.4 million non-medical redeterminations.

Despite improvements, we found that SSA was performing less program integrity work than it had in the past. In FY 2013, SSA performed about half the number of full medical CDRs than it did in FY 2002. Further, SSA had performed non-medical redeterminations for nearly 30 percent of SSI recipients since FY 2010, but this amount was still less than the 36 percent it performed in FY 2003. Therefore, SSA missed opportunities for potential savings; if SSA had performed full medical CDRs and redeterminations at historic levels in FY 2014, it would have realized savings of almost \$4.9 billion.

We found that SSA might only be able to temporarily reduce the full medical CDR backlog based on the Agency's plans for program integrity workloads under different funding scenarios. Under only one of four scenarios we analyzed would SSA be able to prevent the backlog from returning through FY 2023. We recommended that SSA prioritize resources toward medical CDR and non-medical redeterminations to ensure that only eligible individuals continue receiving benefits and are receiving the correct payment amounts. SSA agreed with our recommendations, but stated that it would continue to employ a systematic strategy of prioritizing resources to accomplish program integrity workloads based on the annual appropriation it receives.

## **The Medical Improvement Review Standard During Continuing Disability Reviews**

Our objective was to (a) determine whether SSA would consider beneficiaries disabled using the Initial Disability Standard, rather than the Medical Improvement Review Standard (MIRS), during CDRs and (b) evaluate data on the MIRS exceptions. Under MIRS, an individual's disability continues unless the (1) disabling condition has improved since the last favorable disability determination and (2) the individual can engage in substantial gainful activity (SGA). SSA may apply an exception to MIRS. The exceptions allow a finding that disability ceased in limited situations without showing medical improvement occurred, but evidence clearly showed the person should no longer be, or should never have been, considered disabled.

We estimated, after all appeals, SSA will pay about \$269 million in benefits until the next CDR due date to about 4,000 adult beneficiaries who would not be disabled if SSA used the Initial Disability Standard, rather than MIRS, during a CDR. Additionally, although the cessation determinations were correct, we found issues with the reason coded for cessation for some types of MIRS exceptions. SSA should identify and correct the cause of the MIRS exception coding issues so the Agency will have accurate information on how often the exceptions are used. SSA agreed with the recommendation.

### **Work CDRs for Disabled Title II Beneficiaries with Earnings**

In this review, we determined that SSA did not always evaluate earnings reported to the Master Earnings File for disabled individuals receiving OASDI benefits.

An individual is considered disabled under OASDI of the Social Security Act if he/she is unable to engage in SGA because of a medically determinable impairment that (1) can be expected to result in death or (2) has lasted (or can be expected to last) for a continuous period of at least 12 months. SSA defines SGA as work activity that involves significant physical or mental activities performed for pay or profit.

For our review, we identified 27,383 DI beneficiaries in current pay status as of July 2012 (from one SSN segment) with earnings reported between 2007 and 2011 that might have affected their eligibility for benefits. From analyzing a sample from this population, we estimated that about 119,500 disabled beneficiaries were overpaid approximately \$1.02 billion because of work activity. SSA identified approximately \$872.58 million of these overpayments to about 107,500 beneficiaries; however, we estimate SSA did not detect approximately \$146.43 million in overpayments to about 13,900 beneficiaries. (We estimate that, as of April 2014, SSA had recovered about \$489.37 million in overpayments.)

Of the 275 beneficiaries in our sample,

- 60 (22 percent) were overpaid \$511,680 because of work activity; and
- 215 (78 percent) were not overpaid despite having earnings posted to SSA's records.

Nevertheless, we found that SSA made improvements to the work CDR process. The average overpayment was \$8,114 for 9 months, as compared to \$18,331 for 19 months in a 2009 audit. Therefore, SSA should continue allocating resources to timely perform work-related CDRs and assess all overpayments resulting from work activity. We provided the status of recommendations from prior reports on this subject in an Appendix.

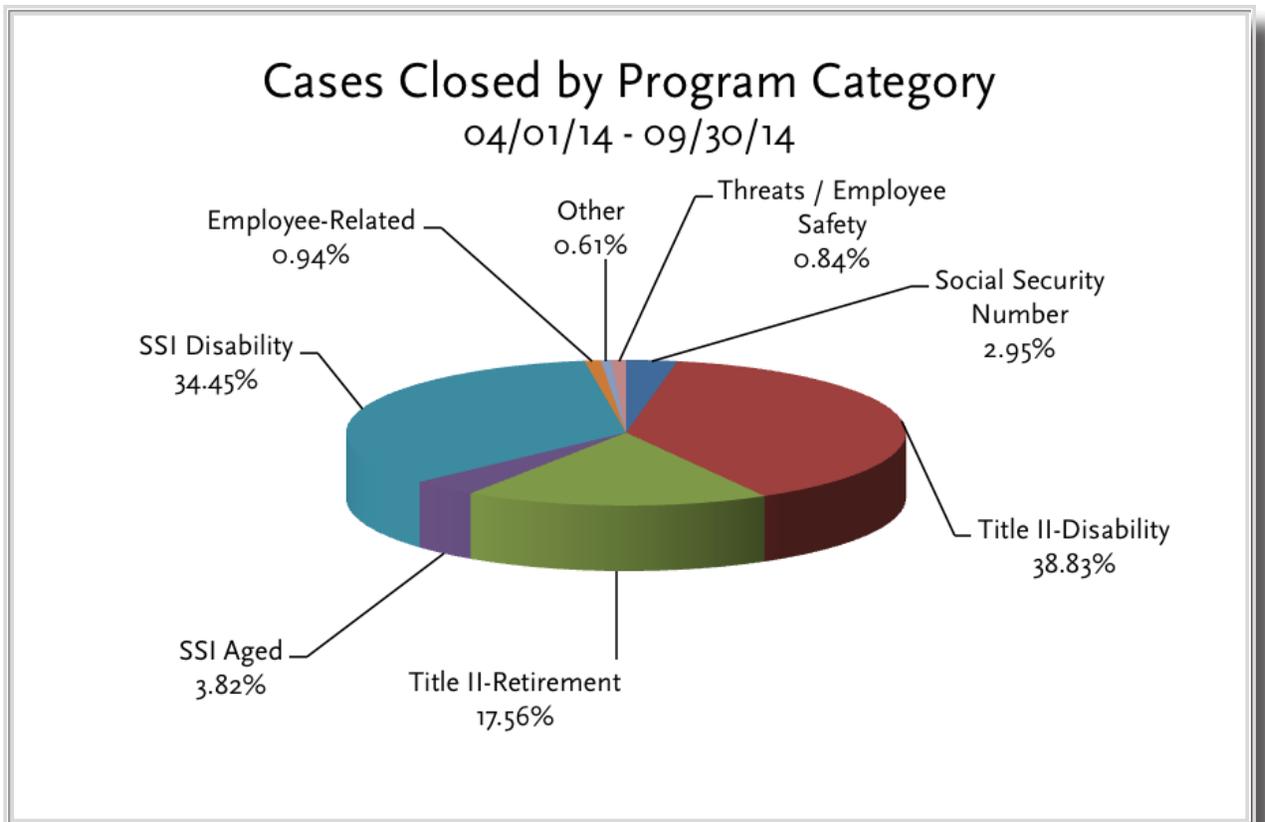
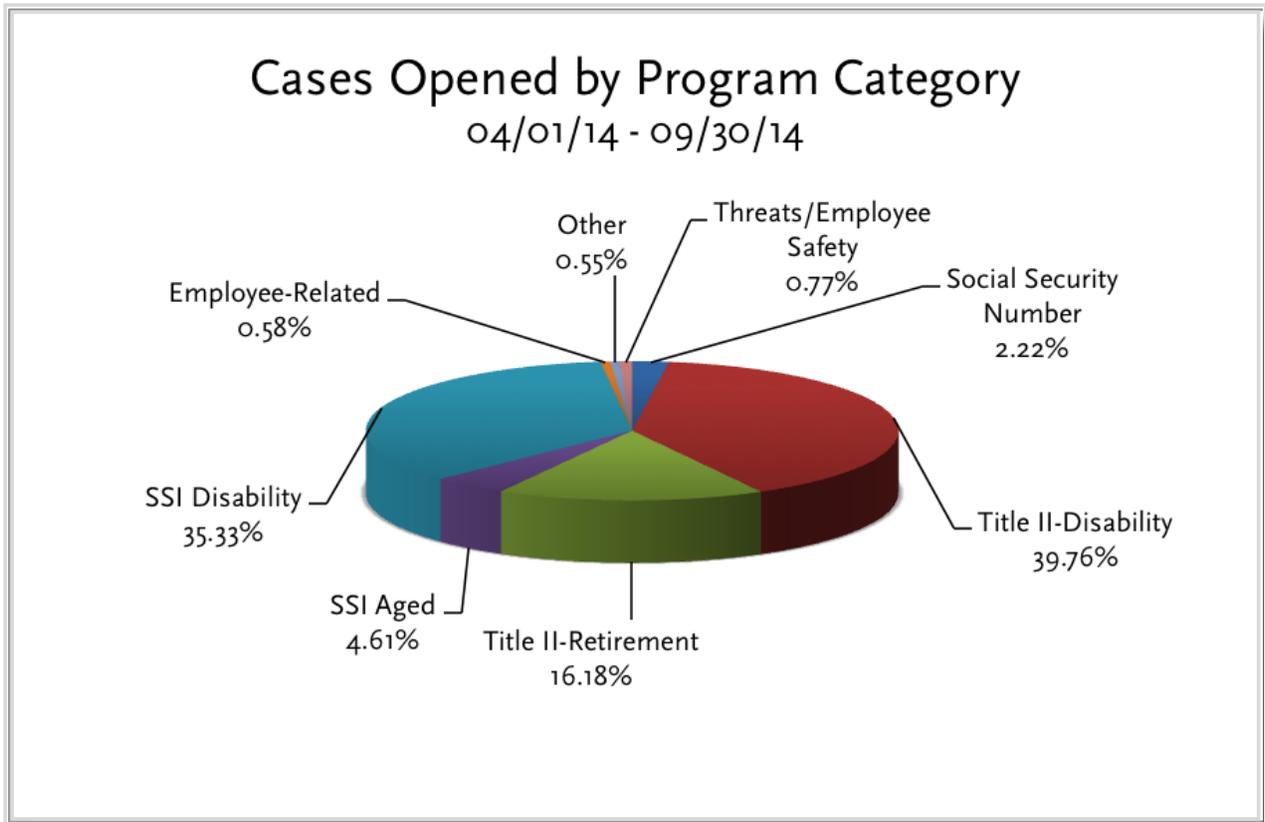
## INVESTIGATIONS

Our Office of Investigations (OI) evaluates and pursues allegations of fraud, waste, abuse, and mismanagement in SSA programs and operations. These allegations may involve issues such as benefit fraud, SSN misuse, violations by SSA employees, or fraud related to grants and contracts. Our investigations often result in criminal or civil prosecutions or the imposition of CMPs against offenders. These investigative efforts improve SSA program integrity by recovering funds and deterring those contemplating fraud against SSA in the future. Our work in the areas of program fraud, enumeration fraud, SSN misuse, and other Social Security-related fraud ensures the integrity of SSA programs.

During the reporting period, OI expanded efforts to prevent and detect Social Security disability fraud, through various anti-fraud initiatives. Our Disability Fraud Pilot (DFP) continues to focus on pursuing disability fraud allegations involving medical providers, claimants' representatives, and other third-party facilitators; about 25 investigations involving potential third-party facilitator fraud are ongoing as a result of DFP analysis of fraud allegations and SSA records. OI also partnered with SSA's Office of Information Security (OIS) to test and evaluate the effect of using predictive analytics to screen disability claims and flag those that are potentially fraudulent. Additionally, SSA established Fraud Prevention Units (FPU) in New York, Kansas City, and San Francisco this year, and OI is working with disability examiners assigned to the FPUs to review and identify potentially fraudulent claims.

OI also, during the reporting period, investigated and closed several high-dollar cases of electronic Social Security fraud; identity thieves have used stolen personally identifiable information to create fraudulent online profiles in beneficiaries' names and then redirect Social Security payments to alternate bank accounts. We are working closely with OIS to review these cases and develop predictive analytics tools that will flag potentially fraudulent activity associated with beneficiaries' online profiles and payment information.

<b>Investigative Results</b>			
	<b>10/1/13-3/31/14</b>	<b>4/1/14-9/30/14</b>	<b>FY 2014</b>
<b>Allegations Received</b>	58,251	63,210	<b>121,461</b>
<b>Cases Opened</b>	4,188	4,147	<b>8,335</b>
<b>Cases Closed</b>	3,756	4,266	<b>8,022</b>
<b>Arrests</b>	233	270	<b>503</b>
<b>Indictments/Informations</b>	631	613	<b>1,244</b>
<b>Criminal Convictions</b>	584	707	<b>1,291</b>
<b>Civil Actions/CMPs</b>	170	242	<b>412</b>



<b>Allegations Received by Source</b>			
	<b>10/1/13-3/31/14</b>	<b>4/1/14 – 9/30/14</b>	<b>FY 2014</b>
<b>SSA Employees</b>	31,768	26,514	<b>58,282</b>
<b>Private Citizens</b>	14,552	20,789	<b>35,341</b>
<b>Anonymous</b>	8,556	11,337	<b>19,893</b>
<b>Law Enforcement</b>	1,595	1,917	<b>3,512</b>
<b>Beneficiaries</b>	1,019	1,454	<b>2,473</b>
<b>Public Agencies</b>	753	1,184	<b>1,937</b>
<b>Other<sup>1</sup></b>	8	15	<b>23</b>
<b>TOTAL</b>	<b>58,251</b>	<b>63,210</b>	<b>121,461</b>

<sup>1</sup> Other includes allegation sources such as: Congressional, Financial Institutions, Contractors/Grantees, White House, Employee of Contractor, and Employee of Subject.

<b>Allegations Received by Category</b>			
	<b>10/1/13-3/31/14</b>	<b>4/1/14 – 9/30/14</b>	<b>FY 2014</b>
<b>Disability Insurance</b>	18,839	24,695	43,534
<b>SSI Disability</b>	10,338	13,297	23,635
<b>SSN Misuse</b>	7,792	7,369	15,161
<b>Old-Age and Survivors Insurance</b>	16,404	11,600	28,004
<b>Other</b>	2,830	3,719	6,549
<b>Threats/Employee Safety</b>	666	649	1,315
<b>Employee-Related</b>	681	1,033	1,714
<b>SSI Aged</b>	701	848	1,549
<b>TOTAL</b>	<b>58,251</b>	<b>63,210</b>	<b>121,461</b>

## Significant Investigative Activities

### Disability Program Fraud

#### Disability Beneficiary Operates Psychologist Practice

Based on a referral from the Internal Revenue Service (IRS), our San Francisco office investigated a 59-year-old beneficiary in Berkeley, California. In 2002, the man, who received DI benefits for arthritis, started a private practice as a psychologist and failed to notify SSA of his work and earnings. From 2005 through 2009, the man filed false tax returns and earned over \$1,000,000. After he was convicted of theft of government funds, he was sentenced in July 2014 to 30 months in prison and 3 years' supervised release. He was also ordered to repay \$80,615 to SSA and \$512,898 to the IRS.

#### Social Worker Defrauds SSA and Medicaid

Acting on information from the Kentucky Attorney General's Office, our Lexington office investigated a 52-year-old licensed clinical social worker and former SSI recipient. From 2007 to 2011, the woman concealed her employment at a managed care facility and participated in a \$7 million Medicaid fraud scheme, while receiving disability benefits for obesity. The woman billed the State of Kentucky for mental health services that she did not provide. After the woman was convicted of theft of government funds, SSA fraud, false statements, bankruptcy fraud, and money laundering, she was sentenced in August to 7 years in prison and 3 years' supervised release. She was also ordered to repay \$59,865 to SSA.

#### Disability Beneficiary Neglects to Inform SSA of 16 Years' Employment

After receiving information from an anonymous source, our Baton Rouge, Louisiana office investigated a 52-year-old DI beneficiary. Since 1997, the Louisiana man concealed his earnings as a waiter from SSA and, in April 2012, provided false statements during an SSA review. After the man pled guilty to making a false statement to SSA, he was sentenced in May 2014 to 12 months in prison and 3 years' supervised release. He was also ordered to repay \$199,007 to SSA.

#### Private Detective Conceals Disability Entitlement

Acting on information received from the Easton, Pennsylvania SSA office, our Iselin, New Jersey office investigated a 47-year-old disability beneficiary. While receiving DI benefits, the man, working as a private detective, performed surveillance for various clients, marketed his business through personal appearances on "The Maury Povich Show," testified on behalf of his clients before the New York State and Delaware Workers' Compensation Boards, and applied to renew his New Jersey Private Detective's license and to purchase a handgun. After the man pled guilty to theft of government funds, he was sentenced in April 2014 to 23 months in prison and 2 years' supervised release. He was also ordered to repay \$144,000 to SSA and was fined \$5,000.

### Representative Payee Fraud

#### Representative Payee Fails to Report Mom's Death for 19 Years

After receiving a report from the Silver Spring, Maryland SSA office, based on the SSA Centenarian project, our Baltimore office investigated a 49-year-old representative payee. The investigation found that the mother of the representative payee, a Title II retirement beneficiary, died in October 1994. From November 1994 through October 2013, the representative payee converted to her own use the deceased's SSA benefits. After the woman pled guilty to theft of government funds, she was sentenced in August 2014 to 1 year in prison and 3 years' supervised release. She was also ordered to repay \$335,197 to SSA.

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### **Representative Payee Neglects Child Beneficiary, Spends Benefits at Casinos**

After receiving a request for assistance from the Fayette County, Kentucky Commonwealth Attorney's Office, our Lexington office investigated a representative payee and his wife. From September 2011 through June 2013, the couple converted their disabled adult children's DI benefits and SSI payments to their own use (to include gambling at area casinos). In addition to misusing their benefits, their neglect of their children resulted in the death of one child from starvation, and severe malnutrition of the other two. After the husband pled guilty to charges including manslaughter, knowing abuse/neglect of an adult, and theft, he was sentenced in June 2014 to 20 years in prison and ordered to repay \$55,796 to SSA. His wife pled guilty to knowing abuse/neglect of an adult, and was sentenced to 10 years in prison. The children were removed from their parents' care and placed in a residential facility.

### **Representative Payee Fails to Report Child is No Longer in His Care**

After receiving an allegation from the Manchester, New Hampshire SSA office, our Manchester office investigated a 43-year-old DI beneficiary and representative payee. From August 2012 through May 2013, the man, who received benefits due to affective disorders, concealed that his child was living with her mother and no longer in his care, and converted the child's benefits to his own use. The child was entitled to benefits based on his disability. The man pled guilty to theft by deception, as well as other unrelated charges for a separate incident. He was sentenced in April 2014 to 10 years in prison and was ordered to repay \$5,685 to SSA.

## **SSA Fraud**

### **SSI Recipient Hides Common-law Marriage and Household Income**

Based on information from the Missoula, Montana SSA office, our Helena office investigated a northwestern Montana SSI recipient. Between March 1980 and March 2011, the woman failed to disclose to SSA and to the Montana Office of Public Assistance her common-law marriage and her true household income; both of which would have rendered her ineligible for SSI. After the woman pled guilty to theft, she was sentenced in June 2014 to 18 months in prison and 3 years' supervised release. She was also ordered to repay \$130,733 to SSA and \$980,945 to the Montana Department of Health and Human Services.

### **Maryland Woman Forges Deceased Beneficiary's Checks**

Based on a referral from our Office of Audit, our Baltimore, Maryland office investigated a Maryland woman for theft. Between November 2003 and March 2008, the woman forged the signature on checks issued to a Title II retirement beneficiary who died in September 2000. In addition, the woman misused the identity of over 100 individuals and businesses/corporations (creditors). After the woman pled guilty to conspiracy to commit bank fraud and aggravated identity theft, she was sentenced in June 2014 to 72 months in prison and 5 years' supervised release. She was also ordered to repay \$50,635 to SSA and \$409,305 to victims.

## **Employee Fraud**

### **Employee Convicted of Fraudulently Providing New Identities to Family**

Acting on information from the Minnesota Department of Public Safety, based on its Driver and Vehicle Services facial recognition program, our St. Paul office investigated an SSA service representative. In May 2001, the employee fraudulently processed SSN cards for an area man, his wife, and his daughter. The employee pled guilty to conspiracy. In July 2014, she was sentenced to time-served 8 months in prison and 3 years' probation. She was also ordered to pay \$16,332 to the Department of Housing and Urban Development for a Federal rental housing subsidy and ordered to repay \$1,841 to a major credit card company for unpaid credit attributed to the family, but for which the employee was held jointly accountable. Since her sentencing, SSA has terminated the woman's employment.

### **SSA Employee Solicits/Accepts Bribes to Erroneously Issue Additional Benefits**

Based on information received from our Fraud Hotline, our Washington, D.C. office investigated an SSA claims representative. The employee solicited cash tips and bribes of approximately \$54,662 from SSI recipients to improperly change their SSA records to generate retroactive underpayments. In May 2014, SSA terminated the man's employment. In July 2014, after the man pled guilty to receipt of a bribe by a government official, he was sentenced to 18 months in prison and 3 years' supervised release. He was also ordered to repay \$54,662 to SSA.

### **Employee Diverts SSA Benefits into Own Bank Accounts**

After receiving information from the Birmingham, Alabama SSA Teleservice Center, our Birmingham office investigated an SSA teleservice representative who diverted an SSA beneficiary's monthly benefit into his personal bank account, and further diverted or attempted to divert 11 other beneficiaries' payments into accounts he controlled. In May 2013, the man resigned from SSA. In July 2014, after pleading guilty to theft of government funds, wire fraud, and aggravated identity theft, he was sentenced to 30 months in prison and 3 years' supervised release. He was also ordered to repay \$2,768 to SSA.

## **Deceased Payee Fraud**

### **Father's Death Concealed for 24 Years**

After receiving a referral from the Miami (Allapattah), Florida SSA office, our Fort Lauderdale office investigated a woman who was the representative payee for her father who died in August 1990. The woman concealed her father's death and converted to her own use his retirement benefits. After the woman pled guilty to theft of government funds, she was sentenced in July 2014 to 18 months in prison and 1 year of supervised release. She was also ordered to repay \$268,210 to SSA.

### **Man Conceals Mother's Death for 29 Years**

Acting on a referral from the Vicksburg, Mississippi SSA office, based on SSA's Centenarian project, our San Antonio, Texas office investigated a 54-year-old Texas resident for concealing that his mother died in May 1983. From May 1983 through June 2012, the man converted the deceased's Title II widow's benefits to his personal use. After the man pled guilty to theft of government funds, he was sentenced in April 2014 to 5 years in prison and 3 years' supervised release. He was also ordered to repay \$165,356 to SSA.

## **SSN Misuse**

### **Fugitive Flees Following Conviction in 1970s, Assumes Brother's Identity for 35 Years**

After receiving a request for assistance from the U.S. Attorney's Office and the Bureau of Alcohol, Tobacco, Firearms, and Explosives, our Manchester, New Hampshire office investigated a Maine man. Following his conviction of charges including rape, assault, and kidnapping in the summer of 1978, the man fled the State of Massachusetts and assumed the identity and SSN of his younger brother to facilitate his escape. In July 2014, after the man pled guilty to identity theft, he was sentenced to 81 months in prison and 3 years' supervised release.

### **Mexican Citizen Assumes Identity of U.S. Citizen**

Acting on information from the Huntington Park, California SSA office, our Los Angeles office investigated a Los Angeles resident and Mexican citizen. From April 1995 through December 2011, the woman concealed her use of the name and SSN of a U.S. citizen, so she could obtain Title II retirement and SSI aged benefits. The woman pled guilty to possession of false identity documents. She was sentenced in April 2014 to 3 years' probation and ordered to repay \$147,140 to SSA.

## Threats and Assaults Against SSA Employees

Employee safety is of paramount concern to SSA and OIG, as the number of threats and assaults against Government employees has increased in recent years. We share the responsibility for investigating reports of threats or violence against Agency employees with the Department of Homeland Security's Federal Protective Service, which has jurisdiction over physical property owned or leased by the Federal government; and with local law enforcement if the activity occurs off federally owned or leased property.

During the fiscal year, we received more than 1,300 allegations nationwide related to employee safety issues, of which over 300 involved assault or harassment, and almost 900 were associated with threats against SSA employees or buildings. We opened and closed over 60 cases nationwide related to employee safety.

During the reporting period, we received more than 600 allegations nationwide related to employee safety issues, of which over 100 involved assault or harassment, and over 400 were associated with threats against SSA employees or buildings. We opened and closed over 30 cases nationwide related to employee safety.

The following case summaries highlight significant investigations we conducted during this reporting period in which SSA employees were threatened by members of the public.

### **SSI Recipient Sentenced for Throwing Coffee at Guard**

Based on a report from the Temple, Texas SSA office, our Dallas office investigated an SSI recipient. During a visit to the SSA office, the woman became disruptive and threw a cup of hot coffee at the Protective Security Officer. In May 2014, after the woman pled no contest, she was sentenced to 3 years in prison.

### **Disability Applicant Verbally Threatens State DDS Employee**

Based on a report from the St. Louis, Missouri Disability Determination Services (DDS) office, our St. Louis CDI unit investigated a 44-year-old woman who applied for DI benefits and SSI. In October 2012, during a telephone conversation with the DDS, the St. Louis woman threatened to "blow the head off" the DDS employee with whom she was speaking when she became frustrated over answers the employee was giving her about her claim. After the woman pled guilty to threatening a DDS employee, she was sentenced in May 2014 to 3 months in prison and 1 year of probation.

### **Benefit Recipient Threatens to Kill SSA Employee**

Based on information from the Sherman, Texas SSA office, our Dallas office investigated a 27-year-old SSI recipient. During a telephone conversation with an SSA employee concerning an overpayment issue, the man threatened to kill the employee. The man pled guilty to making terroristic threats. He was sentenced in May 2014 to 5 years in prison.

### **Disability Beneficiary Threatens Death Due to No Increase in Benefits**

Acting on information received from the Malden, Massachusetts SSA office, our Boston office investigated a 56-year-old Massachusetts-area DI and SSI beneficiary. The man threatened to kill the families of Malden SSA office personnel because his benefit payment was not increased. The man pled guilty to threatening to commit a crime. He was sentenced in April 2014 to 6 months in prison with the sentence suspended until April 2015. In addition, the man was ordered to write a letter of apology to SSA and to have no further direct contact with SSA.

## Cooperative Disability Investigations Program

The CDI program continues to be one of our and SSA's most successful initiatives, contributing to the integrity of the disability programs. CDI is a joint effort among the OIG, SSA, State DDS, and State/local law enforcement agencies. The units work to obtain sufficient evidence to identify and resolve issues of fraud and abuse related to initial disability claims and CDRs. Established in FY 1998 with units in just five states, the CDI program currently consists of 27 units covering 23 states and the Commonwealth of Puerto Rico. During the reporting period, we and SSA opened CDI units in Detroit and Baltimore, and plans are ongoing to open five additional units by the end of 2016, to bring CDI to 32 total units.

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

### Washington Man Falsifies Impairments on Disability Application

The Seattle CDI Unit investigated a 52-year-old Washington man who applied for DI benefits due to a brain tumor and a cervical spine fracture. The man reported that he was unable to work, unable to sit or stand for extended periods, and suffered from migraine headaches due to degenerative disc disease in his spine. The case was referred to the unit after the Seattle DDS found inconsistencies in his claims file.

CDI investigators conducted surveillance and engaged in undercover interviews with the man, as well as many interviews with additional witnesses, and found that he co-owned and operated a coffee shop with his fiancée who was a disability recipient. The man and his fiancée admitted to lying to both SSA and the State of Washington to receive assistance to which they were not entitled.

In June 2014, following the man's jury trial conviction of conspiracy, mail fraud, and making false statements, he was sentenced to 15 months in prison and 3 years' supervised release. He was also ordered to pay joint restitution with his fiancée of \$42,088. The man's fiancée pled guilty to mail fraud and in February 2014, she was sentenced to 366 days in prison and joint restitution of \$42,088 with her fiancée. ABC's "Nightline" highlighted this case in a May 2014 feature on the OIG's efforts to prevent and detect disability fraud.

### Houston Woman Falsifies Disability Claim

The Houston CDI Unit investigated a 48-year-old Texas woman who applied for SSI benefits due to scoliosis, high blood pressure, myasthenia gravis, anxiety, and depression. The Houston, Texas DDS referred the claim due to suspected malingering and exaggeration. The DDS noted that during her consultative exam, the woman was tearful, incoherent, child-like, and chewing on a stuffed animal that she carried under her coat.

Investigators interviewed the woman and found her to be alert, focused, and able to answer questions with appropriate responses. She did not exhibit any of the bizarre behavior previously shown at the consultative exam, nor did she display any signs of discomfort or obvious pain. In April 2014, based on the CDI unit's investigation, the DDS denied the woman's claim for benefits.

### Georgia Hair Stylist Conceals Employment to Collect Disability Benefits

The Atlanta CDI Unit investigated a 41-year-old Georgia man who received Title II disability benefits due to Post Traumatic Stress Disorder and major depression with severe psychotic features, as well as other alleged impairments. According to SSA records, the man had not worked since 2004. The case was referred to the unit after a private citizen contacted the Georgia Bureau of Investigation and reported that the man was concealing his self-employment as a photographer and videographer for hair models by using an alias.

The CDI investigation found that the man was working under an assumed name while conducting hairstyle seminars, attending tradeshows, selling hair care products, and working as a photographer and videographer for hair models. CDI investigators interviewed witnesses who reported that the man did not use a cane or any assistance to walk, nor did he display any unusual behavior. The Georgia DDS terminated the man's DI benefits in April 2014. In June 2014, he was charged a \$5,000 CMP.

The following table highlights the successes of the CDI program, which yielded almost \$171.2 million in projected SSA program savings during this reporting period:

Cooperative Disability Investigations Program Results				
April 1, 2014 through September 30, 2014				
State	Allegations Received	Cases Denied/ Ceased	SSA Savings <sup>1</sup>	Non-SSA Savings <sup>2</sup>
Arizona	167	64	\$5,004,680	\$4,110,961
California <sup>3</sup>	573	132	\$10,154,237	\$9,318,042
Colorado	116	81	\$7,132,967	\$4,626,527
Florida	177	81	\$6,709,853	\$4,503,767
Georgia	182	90	\$6,714,722	\$4,692,351
Illinois	117	89	\$6,401,942	\$4,352,373
Kentucky	127	54	\$4,020,881	\$2,853,926
Louisiana	76	67	\$5,287,201	\$3,953,343
Maryland <sup>4</sup>	3	0	\$0	\$0
Massachusetts	124	57	\$5,137,125	\$4,604,469
Michigan <sup>5</sup>	32	0	\$0	\$0
Mississippi	73	37	\$3,046,226	\$1,814,902
Missouri <sup>6</sup>	331	169	\$12,922,665	\$10,292,584
New York	61	46	\$3,623,792	\$3,430,517
Ohio	361	169	\$13,733,739	\$12,551,633
Oklahoma	114	56	\$4,928,139	\$2,844,189
Oregon	231	192	\$16,760,096	\$11,775,064
Puerto Rico	84	0	\$0	\$0
South Carolina	275	200	\$16,039,116	\$10,767,453
Tennessee	83	48	\$4,289,480	\$3,390,412
Texas <sup>7</sup>	268	199	\$16,291,961	\$13,101,873
Utah	170	62	\$5,281,194	\$3,692,344
Virginia	125	80	\$7,102,314	\$5,447,837
Washington	186	131	\$10,613,657	\$6,599,782
<b>Total (10/1/13-3/31/14)</b>	<b>3,382</b>	<b>2,022</b>	<b>\$165,340,379</b>	<b>\$123,514,017</b>
<b>Total (4/1/14-9/30/14)</b>	<b>4,056</b>	<b>2,104</b>	<b>\$171,195,987</b>	<b>\$128,724,349</b>
<b>FY 2014</b>	<b>7,438</b>	<b>4,126</b>	<b>\$336,536,366</b>	<b>\$252,238,366</b>

<sup>1</sup> SSA program savings are reported at a flat rate of \$90,125 for initial claims that are denied as a result of CDI investigations. When a CDI Investigation supports the cessation /termination of an in-pay case, SSA program savings are calculated using a formula that takes into account the average number of years that SSA has determined that a person remains on its rolls, as well as the total percentage of CDRs that resulted in a suspension, termination, or reduction in benefits due to CDI investigations.

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

<sup>3</sup> California has two units, one in Los Angeles, and the other in Oakland.

<sup>4</sup> The Baltimore, Maryland CDI Unit became operational on September 22, 2014.

<sup>5</sup> The Detroit, Michigan CDI Unit became operational on August 15, 2014.

<sup>6</sup> Missouri has two units, one in Kansas City and the other in St. Louis.

<sup>7</sup> Texas has two units, one in Dallas, and the other in Houston.

## Digital Forensic Cases

### **Conspirators Sell Personally Identifiable Information to a Tax Preparer**

Based on a request from our Philadelphia office, our Digital Forensics Team (DFT) assisted in the investigation of a Delaware woman and her co-conspirator, a Pennsylvanian woman, who sold personally identifiable information to a tax preparer, resulting in the filing of fraudulent tax returns in 2010 and 2011. Our agents, along with agents from IRS and the U.S. Postal Inspection Service, conducted search warrants and obtained computers from the conspirators' residences. DFT performed forensic analysis on the computers and identified numerous spreadsheets, emails, and images that substantiated the fraud. In July 2014, after the Pennsylvanian woman pled guilty to filing false claims, mail fraud, and Social Security fraud, she was sentenced to 42 months in prison and 3 years' probation. She was also ordered to repay \$872,443 to the IRS. Previously, in January 2014, the Delaware woman pled guilty to filing false claims, mail fraud, Social Security fraud, and aiding and abetting. She was sentenced to 63 months in prison and 3 years' probation. She was further ordered to repay \$872,443 to the IRS.

### **SSA Employee Accesses Confidential EEO Claims**

Based on a request from our Atlanta office, DFT assisted in the investigation of an SSA Office of Disability Adjudication and Review, Georgia Hearing Office, contact representative. The employee allegedly accessed, viewed, and printed confidential Equal Employment Opportunity (EEO) documents and emails related to other employees' EEO claims. The DFT conducted a forensic examination of the employee's computer and files, and substantiated the allegation by locating evidence of numerous access violations. In April 2014, SSA administratively terminated the employee.

### **SSA Employee Transmits Personally Identifiable Information to Personal Email Accounts**

Our Denver office requested DFT assistance in the investigation of an SSA Colorado Teleservice Center claims representative. The employee allegedly transmitted personally identifiable information to personal email accounts. Through computer forensics, the DFT uncovered evidence to substantiate the allegation, locating several sent emails that contained personally identifiable information. In August 2014, SSA took administrative action against the employee.



## LEGAL

### Section 1140 Enforcement and Case Highlights

Using authority delegated by the Commissioner of Social Security, we aggressively enforce Section 1140 of the *Social Security Act*. Section 1140 prohibits people or companies from misleading consumers by giving the false impression that they are associated with or endorsed by SSA when they advertise, solicit services, or otherwise communicate with the public. These communications can include SSA words and symbols to imply a connection with SSA or the Federal Government. They can take many forms, including mailed or televised advertisements, Internet sites, social media accounts, and most recently, mobile apps. Section 1140 also prohibits the reproduction and sale of Social Security forms without authorization. We can impose CMPs of up to \$5,000 for each violation and \$25,000 for each broadcast/telecast aired. Monies collected from the penalties we impose are deposited into SSA's Old-Age and Survivors Trust Fund.

During this reporting period, we focused our ongoing Section 1140 outreach and prevention efforts on the domain name and registrar services industry, meeting with GoDaddy and Rightside. We also met with Microsoft, one of our initial outreach partners, to discuss trends and emerging Internet technologies.

SECTION 1140			
	10/1/13-3/31/14	4/1/14-9/30/14	FY 2014
Cases Reviewed	34	36	70
Cases Closed - No Violation of Section 1140	18	12	30
Cases Successfully Resolved (Voluntary Compliance and Settlement Agreement)	16	24	40
Penalties Imposed	\$220,000	\$85,000	\$305,000

### Section 1140 Case Highlights

#### Professional Networking Company Pays CMP of \$50,000

BlueLine Grid, Inc., a company based in New York City, paid a CMP of \$50,000 to settle our claim that the company violated Section 1140. BlueLine Grid sent emails to the accounts of SSA employees that we claimed were misleading. Although BlueLine Grid claimed that it did not intend to mislead anyone, they voluntarily cooperated with our inquiry.

#### Arizona Internet Company Pays CMP of \$25,000

Brightbox Technologies, LLC, d/b/a as SocialSecurityOfficeLocation.net, of Goodyear, Arizona, agreed to pay a CMP of \$25,000 to settle our claim that the company violated Section 1140. The company voluntarily discontinued its use of the domain name, made modifications to its Internet operation, and asserted that any violation of Section 1140 was unintentional.

## Section 1129 Enforcement and Case Highlights

The OIG's CMP program, targeting violations of Section 1129 of the *Social Security Act*, maximizes available resources and creates a positive return on investment. Section 1129 authorizes a CMP against anyone who makes any false statements or representations in connection with obtaining or retaining benefits or payments under Titles II, VIII, or XVI of the *Social Security Act*. In addition, CMPs may be imposed against representative payees for wrongful conversion of payments, or against individuals who knowingly withhold a material fact from SSA. After consultation with DOJ, we are authorized to impose penalties of up to \$5,000 for each false statement, representation, conversion, or omission. A person may also be subject to an assessment, in lieu of damages, of up to twice the amount of any resulting overpayment.

We are committed to increasing the number of cases successfully resolved each year to ensure Section 1129 serves to punish wrongdoing in cases where criminal prosecution has been declined. In FY 2014, we successfully resolved 391 cases and imposed more than \$21 million in CMPs.

SECTION 1129			
	10/1/13-3/31/14	4/1/14-9/30/14	FY 2014
Penalties and Assessments Imposed	\$8,527,043	\$12,673,873	\$21,200,916
Number of Hearings Requested	29	28	57
Cases Successfully Resolved (settled case, favorable judgment, or penalty imposed)	156	235	391



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## Section 1129 Case Highlights

### **Michigan Woman Worked While Collecting Disability Benefits for Three Years**

While running a successful trucking company full-time, a Michigan mother collected disability benefits for three years, racking up nearly \$60,000 in overpayments for herself and her daughter. We negotiated a settlement, imposing a \$92,038 penalty on top of a \$57,962 assessment in lieu of damages, for a total CMP of \$150,000.

### **California SSI Recipient Failed to Report Gambling Winnings and Family Gifts**

A San Diego woman routinely failed to report her frequent gambling winnings at a casino in California, which we uncovered via a local gaming commission. She was also receiving income in the form of cash gifts from family members, which she also failed to report. We imposed a \$66,000 penalty and a \$33,683 assessment, for a total CMP of \$99,683.

### **Colorado Man Converts Social Security Benefits After Wife's Death**

A Denver man failed to notify SSA of his wife's death in 2007. Instead, as the joint account holder on the bank account into which her DI benefits and their three children's Child's Insurance benefits were deposited, he misused the benefits until OIG detected the fraud in December 2012. During this time, the man wrongfully withdrew \$73,907 in Social Security benefits. We entered into a settlement agreement for a CMP of \$78,907, which he paid in full at the time of settlement.

### **Michigan Man Fails to Report Business**

From 2005 to 2011, a Michigan man failed to notify SSA that he owned and operated a "trash-picking" resale thrift store – which he called a "scavenging enterprise" – while receiving DI benefits. After months of gathering discarded items, he had sufficient inventory to open a resale store, where he operated the cash register and supervised employees. His failure to report his work activity and earnings resulted in his improper receipt of \$55,455 in Social Security benefits. He appealed the proposed \$20,000 penalty and \$55,455 assessment in lieu of damages. However, in a decision on the record, the ALJ upheld our proposed CMP of \$75,455.

### **Maine SSI Recipient Conceals Assets and Makes False Statements**

A Maine woman failed to disclose more than \$250,000 in assets from an inheritance and a lawsuit settlement and made numerous false statements to SSA over a period of six years, which resulted in an overpayment of more than \$60,000. Based on her false statements and material omissions, we negotiated a settlement, imposing a \$130,000 penalty on top of a \$62,004 assessment in lieu of damages, for a total CMP of \$192,004.

### **Arizona Medical Office Manager Concealed Work Activity**

An Arizona woman concealed significant work activity at her husband's medical office for six years while collecting DI benefits. Though she reported to SSA in 2009 that she stayed at home and rarely left her house, an OIG investigation that included witness interviews, surveillance, and medical records revealed that the woman operated, managed, and financially benefited from her husband's practice. We imposed a \$70,000 penalty and a \$61,888 assessment, for a total CMP of \$131,888.

## SUPPORT

### Budget

For FY 2014, our annual appropriation is \$102.1 million, which supports an estimated end-of fiscal year staffing level of 555. Salaries and benefits of our employees account for 88 percent of overall spending. The remaining 12 percent provides for basic infrastructure needs such as rent, reimbursable work authorizations, fleet, and interagency service agreements, as well as necessary expenses for travel, training, communications, and general procurement. In support of the President's mandate to reduce the federal footprint and associated costs, we conducted a thorough analysis of our office space needs, focusing on creating a more flexible working environment. As a result, we have identified areas for potential rent savings that would allow us to maintain or improve productivity. We expend our appropriation each year supporting our responsibility to achieve the goals set forth in the *OIG Strategic Plan for Fiscal Years 2011 – 2015*. The goals and accomplishments measured in the Strategic Plan are also published in SSA's Annual Congressional Budget Justification.

### Human Resource Planning and Management

We actively pursue and work to retain the best possible employees and focus on creating a culture to ensure smart recruitment, tailored internal training, effective leadership transition efforts, and reciprocal developmental programs. During this reporting period, we prepared to implement a series of professional development opportunities in the form of competitive temporary assignments to utilize knowledge-transfer practices, bridge knowledge gaps, and drive innovation for organizational performance improvement.

### Information Technology

During this reporting period, OIG IT specialists continued working to update and improve the OIG systems environment. This includes migration to a new infrastructure platform to provide redundancy and failover for OIG applications and data including our National Investigative Case Management System as well as an upgrade of our Business Process Management software, which provides workflows and approval chains for automated OIG business processes.

Also during this reporting period, we made significant investments in our IT infrastructure including the procurement of multi-function printers that enabled us to consolidate copy, scan and print capabilities into one high-speed networked device. This effort resulted in cost savings and increased efficiency for OIG offices nationwide.

We continue to make improvements to our telework infrastructure for increased capacity and improved performance. The technologies we implemented allow for a productive remote workforce without sacrificing the security of sensitive information. These steps align the OIG with the goals and requirements of the *Telework Enhancement Act of 2010*.

Finally, our IT staff analyzes industry trends to find new technologies that may enhance our business processes. During this period, we have continued to expand the use of virtual technologies and have begun to pilot virtual desktop infrastructure for both internal and remote use, to reduce hardware and deployment costs, and enhance data security. We have also utilized virtualization to decrease the number of physical servers in use, which has reduced power consumption and increased system uptime. OIG IT specialists continue to meet the challenge of providing a variety of IT support services for more than 70 OIG offices throughout the country.

## Allegation Management and Fugitive Enforcement Division

The OIG's Allegation Management and Fugitive Enforcement Division (AMFED) manages the Social Security Fraud Hotline, which during this reporting period, received 34,470 allegations via telephone, correspondence, fax, and the Internet, from sources including public citizens, other government agencies, and the Congress. Hotline referrals to SSA offices resulted in the identification of \$1,615,532 in overpayments. Following are two notable investigations from the past 6 months that resulted from Hotline referrals:

- The Fraud Hotline received a telephone call alleging that a parent had served as representative payee for his children's benefits, but did not have custody of the children from 2009 to 2011. An OIG criminal investigation found evidence that the payee misused \$46,200 of the benefits while falsely claiming the children lived with him. The representative payee pled guilty to theft of Government funds, and was sentenced to 18 months in prison and 3 years' probation. He was also ordered to repay \$46,200 to SSA.
- The Fraud Hotline received an internet allegation alleging that a DI beneficiary concealed his income by reporting his wages under his wife's SSN for 20 years while receiving disability benefits. An OIG criminal investigation determined that the beneficiary was overpaid \$196,245. He pled guilty to theft of public money, aiding and abetting, and false statements; and was sentenced to 4 weeks in prison, 6 months' home confinement, and 3 years' probation. He was also ordered to repay \$196,245.

AMFED also manages the OIG's Fugitive Felon Enforcement Program, which identified 64,529 beneficiaries or recipients during this reporting period who had outstanding felony arrest warrants or outstanding warrants for parole and probation violations. SSA shares location information for wanted felons or parole/probation violators with local law enforcement agencies to assist in apprehending these individuals.

In turn, these agencies advise SSA on the disposition of felony warrants. SSA will suspend benefit payments to any individual who has an outstanding felony warrant for one of three specific violations: escape from custody, flight to avoid prosecution or confinement, or flight-escape.

Our data-sharing efforts with law enforcement agencies contributed to the arrest of 182 fugitive subjects during the reporting period, and more than 96,362 arrests since the program's inception in 1996. As one example from this reporting period, OIG special agents, along with the U.S. Marshals' Capital Area Regional Fugitive Taskforce, arrested an SSA beneficiary wanted on a warrant issued by the Baltimore Police Department in May 2011 for a parole violation. The beneficiary's original offense was first-degree murder, in June 1998.

## Outreach

During the reporting period, the Inspector General testified before the House Committee on Oversight and Government Reform, Subcommittee on Energy Policy, Health Care, and Entitlements, regarding SSA's management of the disability programs.

In September, the Inspector General and other senior OIG officials met with Social Security Subcommittee Chairman Sam Johnson to discuss the OIG's special report, *The Social Security Administration's Ability to Prevent and Detect Disability Fraud*. The Inspector General made several presentations to external audiences during the reporting period:

- He joined Counsel to the Inspector General B. Chad Bungard at the Alliance for Retired Americans national convention, to conduct fraud awareness workshops;
- He discussed the use of data analytics in fraud investigations with the Dallas Chapter of the Association of Government Accountants (AGA); and
- He participated in a panel discussion on reducing improper payments at the AGA Professional Development Training conference in Orlando.

The Inspector General also joined Social Security and State of Michigan officials to mark the opening of the Detroit CDI Unit; and he was interviewed by ABC's "Nightline" for a news feature on the OIG's efforts to prevent and identify disability fraud.

REPORTING REQUIREMENTS  
AND  
APPENDICES

## REPORTING REQUIREMENTS

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

Section	Requirement	Page(s)
Section 4(a)(2)	Review of legislation and regulations	Appendix I
Section 5(a)(1)	Significant problems, abuses, and deficiencies	P. 16
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	P. 16
Section 5(a)(3)	Recommendations described in previous Semiannual Reports on which corrective actions are incomplete	Appendix F & G
Section 5(a)(4)	Matters referred to prospective authorities and the prosecutions and convictions that have resulted	P. 16
Section 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	P. 11
Section 5(a)(8)	Table showing the total number of audit reports and total dollar value of questioned costs	Appendix A & B
Section 5(a)(9)	Table showing the total number of audit reports and total dollar value of funds put to better use	Appendix A & B
Section 5(a)(10)	Audit recommendations more than 6 months old for which no management decision has been made	Appendix A & B
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 D

## APPENDIX A: RESOLVING AUDIT RECOMMENDATIONS

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

Reports with Questioned Costs for the Reporting Period April 1, 2014 - September 30, 2014			
	Number	Value Questioned	Value Unsupported
A. For which no management decision had been made by the commencement of the reporting period.	13	\$911,713,688	\$0
B. Which were issued during the reporting period.	16 <sup>a</sup>	\$534,776,487	\$385,002
Subtotal (A + B)	29 <sup>b</sup>	\$1,446,490,175	\$385,002
Less:			
C. For which a management decision was made during the reporting period.	8	\$172,172,842	\$420
i. Dollar value of disallowed costs.	6	\$160,280,265	\$420
ii. Dollar value of costs not disallowed.	2	\$11,892,577	\$0
D. For which no management decision had been made by the end of the reporting period.	23	\$1,274,317,333	\$384,582

<sup>a</sup> See Reports with Questioned Costs in Appendix B of this report.

<sup>b</sup> Two reports each have multiple monetary recommendations; two recommendations are reflected in section Ci and Cii and two recommendations are reflected in section D.

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

Reports with Recommendations that Funds Be Put to Better Use Reporting Period April 1, 2014 - September 30, 2014		
	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	7	\$561,053,887
B. Which were issued during the reporting period.	7 <sup>a</sup>	\$4,914,646,760
Subtotal (A + B)	14	\$5,475,700,647
Less:		
C. For which a management decision was made during the reporting period.		
i. Dollar value of recommendations that were agreed to by management.	1	\$2,011,798
(a) Based on proposed management action.	1	\$2,011,798
(b) Based on proposed legislative action.	0	\$0
ii. Dollar value of costs not agreed to by management.	0	\$0
Subtotal (i + ii)	1	\$2,011,798
D. For which no management decision had been made by the end of the reporting period.	13	\$5,473,688,849

<sup>a</sup>. 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, 2013 - September 30, 2014		
Audit Number	Report	Issue Date
A-14-13-13042	Cost Savings Planned and Achieved Through the Social Security Administration's Information Technology Development Initiatives	10/1/2013
A-14-13-13050	The Social Security Administration's Process to Identify and Monitor the Security of Hardware Devices Connected to its Network	10/1/2013
A-01-13-13025	Sensitive Information at Social Security Administration Offices	10/18/2013
A-77-14-00001	Single Audit of the State of New Hampshire for the Fiscal Year Ended June 30, 2012	11/1/2013
A-04-13-13058	Administrative Costs Claimed by the Georgia Disability Adjudication Services	11/4/2013
A-02-13-13048	Representative Payees Residing in Foreign Countries or U.S. Territories Who Represent Beneficiaries Residing in the United States	11/8/2013
A-15-12-11290	Field Office Performance	11/8/2013
A-77-14-00002	Single Audit of the State of Utah for the Fiscal Year Ended June 30, 2012	11/25/2013
A-14-13-13086	The Social Security Administration's Compliance with the Federal Information Security Management Act of 2002 for Fiscal Year 2013	11/26/2013
A-77-14-00003	Single Audit of the State of New Jersey for the Fiscal Year Ended June 30, 2012	11/27/2013
A-02-14-14056	Fiscal Year 2013 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges	12/6/2013
A-15-13-13085	Fiscal Year 2013 Financial Statement Audit of the Social Security Administration	12/9/2013
A-77-14-00004	Single Audit of the Commonwealth of Pennsylvania for the Fiscal Year Ended June 30, 2012	12/13/2013
A-77-14-00005	Single Audit of the Hawaii Department of Human Services for the Fiscal Year Ended June 30, 2012	12/13/2013
A-12-13-13044	Analysis of Hearing Offices Using Key Risk Factors	12/20/2013
A-77-14-00006	Single Audit of the State of North Carolina for the Fiscal Year Ended June 30, 2012	12/23/2013
A-15-13-13115	The Social Security Administration's Reporting of High-dollar Overpayments Under Executive Order 13520 in Fiscal Year 2013	12/26/2013
A-77-14-00007	Single Audit of the State of Ohio for the Fiscal Year Ended June 30, 2012	1/10/2014

Reports with Non-Monetary Findings October 1, 2013 - September 30, 2014		
Audit Number	Report	Issue Date
A-13-14-14055	Fiscal Year 2013 Risk Assessment of the Social Security Administration's Charge Card Programs	1/30/2014
A-15-12-11233	Supplemental Security Income Telephone Wage Reporting	2/6/2014
A-14-13-13063	Security of the Social Security Administration's Wireless Networks (Limited Distribution)	2/11/2014
A-01-13-13097	Claimant Representatives at the Disability Determination Services Level	2/27/2014
A-12-13-13039	Request for Review Workloads at the Appeals Council	3/7/2014
A-05-12-11225	Bond and Financial Credit Risk Requirements for Non-governmental Fee-for-Service Representative Payees	3/28/2014
A-15-13-13103	Unused Facilities and Capacity at Social Security Administration Headquarters	3/28/2014
A-03-12-21269	Improper Use of Children's Social Security Numbers	3/31/2014
A-15-13-13101	MDRC Contract Close Out on Contract Number SS00-06-60075	4/3/2014
A-15-14-14074	The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Act of 2010 in the Fiscal Year 2013 Agency Financial Report	4/14/2014
A-01-13-23072	Congressional Response Report: Disability Denials in 2009 in Buchanan, Oklahoma, and Dallas Counties	4/25/2014
A-07-13-13073	The Social Security Administration's Progress in Reducing the Initial Disability Claims Backlog	4/28/2014
A-07-14-24001	Integrated Life Choices, an Organizational Representative Payee for the Social Security Administration	4/28/2014
A-08-13-13034	The Social Security Administration's Field Office Remittance Process	5/2/2014
A-07-13-23112	Administrative Costs Claimed by the Missouri Disability Determination Services	5/13/2014
A-01-13-23065	The Medical Improvement Review Standard During Continuing Disability Reviews	5/19/2014
A-77-14-00009	Single Audit of the State of Delaware for the Fiscal Year Ended June 30, 2013	5/20/2014
A-15-13-13113	Chicago Region Large Volume Individual Representative Payee for the Social Security Administration	5/23/2014
A-03-13-13015	Access Controls over the Business Services Online (Limited Distribution)	6/5/2014

Reports with Non-Monetary Findings October 1, 2013 - September 30, 2014		
Audit Number	Report	Issue Date
A-77-14-00011	Single Audit of the New Mexico Public Education Department for the Fiscal Year Ended June 30, 2013	6/11/2014
A-04-13-13090	The Social Security Administration's Information Technology Support Services Contract with Northrop Grumman Systems Corporation	6/13/2014
A-77-14-00012	Single Audit of the State of Florida for the Fiscal Year Ended June 30, 2013	6/25/2014
A-77-14-00013	Single Audit of the State of Tennessee for the Fiscal Year Ended June 30, 2013	7/1/2014
A-12-13-13084	Subsequent Appellate Actions on Denials Issued by Low-Allowance Administrative Law Judges	7/3/2014
A-77-14-00014	Single Audit of the Commonwealth of Puerto Rico Department of the Family for the Fiscal Year Ended June 30, 2013	7/23/2014
A-08-14-24096	Internet Social Security Number Replacement Card Project (Limited Distribution)	7/24/2014
A-14-14-14032	Hughes Network Systems, LLC Contract	7/24/2014
A-01-13-23082	Completeness of the Social Security Administration's Disability Claims Files	7/29/2014
A-77-14-00015	Single Audit of the State of New Hampshire for the Fiscal Year Ended June 30, 2013	8/5/2014
A-77-14-00016	Single Audit of the State of Utah for the Fiscal Year Ended June 30, 2013	8/5/2014
A-01-14-14039	The Social Security Administration's Reduction in Field Office Operating Hours	8/7/2014
A-77-14-00017	Single Audit of the State of New Jersey for the Fiscal Year Ended June 30, 2013	8/7/2014
A-14-13-13009	Information Technology Service Contract with Booz Allen Hamilton, Inc.	8/14/2014
A-08-14-14060	The Social Security Administration's Affordable Care Act- Health Insurance Exchange Social Security Number Verification Process (Limited Distribution)	8/28/2014
A-13-14-14033	Performance Indicator Audit: Recruiting and Employment Indicators	9/26/2014
A-14-14-14051	Mobile Device Security	9/26/2014
A-15-13-13092	Contractor Access to Social Security Administration Data (Limited Distribution)	9/26/2014
A-05-13-13061	Controls over Claimant Representative Fee Petition Payments	9/29/2014

Reports with Non-Monetary Findings October 1, 2013 - September 30, 2014		
Audit Number	Report	Issue Date
A-14-14-14043	Effectiveness of the Social Security Administration's Server Patch Management Process (Limited Distribution)	9/29/2014
A-15-14-14127	The Social Security Administration's Plan to Reduce Improper Payments Under Executive Order 13520, as Reported in April 2014	9/29/2014

Reports with Questioned Costs October 1, 2013 - September 30, 2014			
Audit Number	Issue Date	Report	Dollar Amount
A-13-11-21188	10/18/2013	Special Disability Workload Payments Made to Incarcerated Beneficiaries	\$1,022,032
A-03-13-13106	12/26/2013	Processing Internal Revenue Service Alerts for Supplemental Security Income Recipients	\$12,022,216
A-06-12-22131	1/14/2014	Concurrent Beneficiaries Improperly Receiving Payments in Excess of Federal Limits	\$3,370,643
A-09-12-22100	2/7/2014	Improper Payments Resulting from Unresolved Delayed Claimants	\$6,769,458
A-09-12-11252	2/27/2014	Representative Payee Selections Pending in the Representative Payee System	\$397,517,226
A-09-13-13087	3/11/2014	Adjustment of Monthly Benefits Under the Family Maximum Provisions	\$40,957,450
A-09-12-21292	3/11/2014	Spouses Eligible for Higher Retirement Benefits	\$59,755,628
A-13-12-12129	4/22/2014	Group and Boarding Homes Serving as Representative Payees	\$4,693
A-06-13-13070	4/28/2014	Indirect Costs and Applicant Travel Expenses Claimed by the Louisiana Disability Determination Services	\$420
A-13-11-21100	5/12/2014	Accuracy of Auxiliary Payments to Children after Divorce	\$3,091,999
A-01-12-12142	5/12/2014	Work Continuing Disability Reviews for Disabled Title II Beneficiaries with Earnings	\$146,429,740
A-02-13-23004	5/13/2014	Non-receipt of Social Security Benefits Due to Unauthorized Direct Deposit Changes	\$13,166,095
A-09-12-21288	5/20/2014	Title II Beneficiaries Receiving Benefits Under the Lawful Presence Payment Provisions	\$384,582
A-07-12-11206	5/20/2014	Supplemental Security Income Recipients with Excess Unstated Income	\$319,675,778
A-77-14-00008	5/20/2014	Single Audit of the State of Tennessee for the Fiscal Year Ended June 30, 2012	\$4,449
A-09-13-23049	5/27/2014	Spousal Beneficiaries Whose Government Pension Offset Has Stopped	\$9,147,832
A-77-14-00010	6/11/2014	Single Audit of the Commonwealth of Pennsylvania for the Fiscal Year Ended June 30, 2013	\$31,746
A-06-14-21416	8/14/2014	Payments to Individuals with Deaths Reported in California from 1980 to 1987	\$3,742,514

Reports with Questioned Costs October 1, 2013 - September 30, 2014			
Audit Number	Issue Date	Report	Dollar Amount
A-13-13-23029	8/14/2014	Benefit Payments Managed by Representative Payees of Children in California's Foster Care Program	\$1,036,701
A-09-14-14034	8/20/2014	Accrued Benefits Payable on Behalf of Deceased Beneficiaries	\$24,732,364
A-02-14-14044	8/27/2014	Representative Payees and Beneficiaries Who Were Residing in Different States	\$19,176
A-04-13-13014	8/27/2014	Payment Accuracy of Dually Entitled Title II Beneficiaries	\$13,557,247
A-01-14-14036	9/29/2014	Auxiliary Beneficiaries Who Do Not Have Their Own Social Security Number	\$136,153
Total			\$1,056,576,142

Reports with Funds Put to Better Use October 1, 2013 - September 30, 2014			
Audit Number	Issue Date	Report	Dollar Amount
A-06-12-22131	1/14/2014	Concurrent Beneficiaries Improperly Receiving Payments in Excess of Federal Limits	\$1,991,991
A-09-13-13087	3/11/2014	Adjustment of Monthly Benefits Under the Family Maximum Provisions	\$4,617,735
A-09-13-23023	4/7/2014	Supplemental Security Income Recipients Who Had Not Cashed Their Checks Within 1 Year	\$41,786,012
A-07-13-23019	4/25/2014	Full Medical Continuing Disability Review Cessations Reversed at the Reconsideration Level of Appeal	\$85,134
A-13-11-21100	5/12/2014	Accuracy of Auxiliary Payments to Children after Divorce	\$479,359
A-09-13-23049	5/27/2014	Spousal Beneficiaries Whose Government Pension Offset Has Stopped	\$2,011,798
A-13-13-23029	8/14/2014	Benefit Payments Managed by Representative Payees of Children in California's Foster Care Program	\$552,086
A-07-14-24071	8/18/2014	The Social Security Administration's Completion of Program Integrity Workloads	\$4,855,163,338
A-04-13-13014	8/27/2014	Payment Accuracy of Dually Entitled Title II Beneficiaries	\$14,569,033
<b>Total</b>			<b>\$4,921,256,486</b>

## APPENDIX C: REPORTING REQUIREMENTS UNDER THE OMNIBUS CONSOLIDATED APPROPRIATIONS ACT OF FY 1997

To meet the requirements of the *Omnibus Consolidated Appropriations Act of 1997*, P.L. 104-208, we are providing requisite data for FY 2014 from the Offices of Investigations and Audit in this report.

### OFFICE OF INVESTIGATIONS

We are reporting over \$80 million in SSA funds as a result of our investigative activities in this reporting period (4/1/14-9/30/14)

These funds are broken down in the table below.

Investigative Activities					
	1st Quarter 10/1/13-12/31/14	2nd Quarter 1/1/14-3/31/14	3rd Quarter 4/1/14-6/30/14	4th Quarter 7/1/14-9/30/14	Total
Court Ordered Restitution	\$9,922,709	\$8,258,421	\$10,193,695	\$11,135,993	<b>\$39,510,818</b>
Recoveries	\$14,258,391	\$20,518,168	\$30,731,012	\$22,970,961	\$88,478,532
Fines	\$2,292,668	\$2,259,991	\$2,483,891	\$2,811,091	\$9,847,641
Settlements/ Judgments	\$388,880	\$364,261	\$387,824	\$281,899	\$1,422,864
<b>TOTAL</b>	<b>\$26,862,648</b>	<b>\$31,400,841</b>	<b>\$43,796,422</b>	<b>\$37,199,944</b>	<b>\$139,259,855</b>

### OFFICE OF AUDIT

SSA management informed us that the Agency has completed implementing recommendations from 6 audit reports during this period valued at over \$89 million.

#### ACCURACY OF AUXILIARY PAYMENTS TO CHILDREN AFTER DIVORCE (A-13-11-21100, 5/12/2014)

We recommended that SSA review the benefits for the 11 stepchildren we identified, collect the Old-Age, Survivors and Disability Insurance overpayments, and initiate termination actions, as appropriate. The implemented value of this recommendation is \$31,060.

#### FULL MEDICAL CONTINUING DISABILITY REVIEW CESSATIONS REVERSED AT THE RECONSIDERATION LEVEL OF APPEAL (A-07-13-23019, 4/25/2014)

We recommended that SSA apply the appropriate policy to determine whether to reopen the case of the beneficiary whose cessation determination was inaccurately reversed at the reconsideration level. The implemented value of this recommendation is \$85,134.

#### DISABLED INDIVIDUALS WITH MENTAL IMPAIRMENTS ACTING AS REPRESENTATIVE PAYEES (A-07-12-21265, 9/23/2013)

We recommended that SSA review the synopsis of our interviews with the 23 representative payees who may no longer have been medically eligible for disability benefits and determine which representative payees should have a continuing disability review conducted. The implemented value of this recommendation is \$252,216.

**PAYMENTS RESULTING FROM DISABILITY INSURANCE ACTIONS PROCESSED VIA MANUAL ADJUSTMENT, CREDIT AND AWARD PROCESSES (A-04-11-01114, 6/28/2013)**

We recommended that SSA issue a reminder to program service center staff, and consider conducting additional training, regarding the unique requirements of Disability Insurance Manual Adjustment, Credit and Award Processes payment actions. Given the complexities of this workload, SSA should place emphasis on the importance of reviewing one's work before issuing the payments. The implemented value of this recommendation is \$56,740,267.

**ADJUSTMENTS TO WIDOW'S BENEFITS AT FULL RETIREMENT AGE (A-01-12-11299, 3/22/2013)**

We recommended that SSA review the 1,503 cases we identified that appear to be underpaid and take action to pay the additional amounts due these widows. The implemented value of this recommendation is \$30,461,596.

**INDIVIDUAL REPRESENTATIVE PAYEES WHO MISUSE BENEFITS (A-13-10-10182, 5/4/2012)**

We recommended that SSA use, when appropriate, benefit adjustment to obtain restitution from the 408 payees we identified to recover about \$2.1 million in misused funds. The implemented value of this recommendation is \$2,112,581.

## APPENDIX D: SIGNIFICANT MANAGEMENT DECISIONS WITH WHICH THE INSPECTOR GENERAL DISAGREES

**AUXILIARY BENEFICIARIES WHO DO NOT HAVE THEIR OWN SOCIAL SECURITY NUMBER (A-01-14-14036, 9/29/2014)**

Results of Review: Our current review identified fewer (80-percent decrease) Title II auxiliary beneficiaries who did not have their own Social Security number (SSN) on the Master Beneficiary Record (MBR) than our 2008 review identified. In addition, we determined—with SSA's assistance—that three auxiliary beneficiaries were deceased and improperly paid \$136,153 in benefits after death.

As of June 2014, SSA had updated 597 (5 percent) of the 12,370 auxiliary beneficiary records with an SSN. Of the 11,773 auxiliary beneficiaries without an SSN, 594 (5 percent) were first entitled to benefits after May 1989 and, according to the Social Security Act, required to have an SSN on the MBR or have applied for an SSN. The remaining 11,179 (95 percent) auxiliary beneficiaries without an SSN were entitled to benefits before June 1989 and therefore not required to have an SSN on the MBR or have applied for an SSN. However, having an SSN on the MBR—regardless of the date of entitlement—improves SSA's ability to prevent improper payments since the Agency bases most of its data matching on the SSN.

As of June 2014, more than 5,000 of the 11,773 auxiliary beneficiaries without an SSN were age 90 or older. These individuals will most likely continue receiving benefits until their deaths; and if the SSN is not on the MBR, SSA may not be able to timely identify and terminate benefit payments at the time of death.

Recommendation: Take additional steps to ensure aged auxiliary beneficiaries without a Social Security number (SSN) are alive.

Agency Response: SSA disagreed with the recommendation. SSA stated that aged auxiliary beneficiaries are subject to the same policies and full processing procedures as non-aged beneficiaries, such as benefit suspension for not responding or refusal to apply for an SSN. SSA agreed that it is important to ensure aged auxiliaries without an SSN are alive, which is why the Agency has well-established policies and programs in place to verify that these individuals are still living. SSA believes its current safeguards are appropriate to meet the Agency's program needs.

SSA's Beneficiary's Own Account Number (BOAN) Verification System cited in the report on page 1, "Background" section, describes how the Agency monitors auxiliaries residing in the United States.

SSA understands that the Office of the Inspector General (OIG) is particularly concerned with the population of aged auxiliary beneficiaries living outside of the United States. As the report indicates, 93 percent of the auxiliary beneficiaries without an SSN, who were age 90 or older, lived outside of the United States. However, the Agency has the following processes in place to ensure that aged and non-aged beneficiaries who live outside of the United States are alive—including aged auxiliaries without an SSN.

- Foreign Enforcement Program - This process verifies the existence and identity of beneficiaries of all ages living abroad either annually or biennially. SSA contacts beneficiaries age 90 and over annually.
- Nonagenarian and Centenarian Program - This process includes in-person contacts with each foreign beneficiary in the year he or she attains age 97 or 100.
- Totalization Data Exchange - Countries with which SSA have totalization agreements provide the Agency death information for auxiliaries and beneficiaries, and SSA initiates contact with each identified individual to confirm the accuracy of the death report.

Furthermore, the absence of a BOAN is not relevant to these processes. Rather, these programs identify auxiliaries based on a combination of the numberholders' SSNs and the claimants' own beneficiary identification codes, not by BOANs. SSA may select individual cases for review based on the auxiliary's recorded date of birth. In addition, SSA requires all foreign beneficiaries to respond to Agency contacts in person, by telephone, or by mail. Non-responders are subject to suspension of monthly benefits.

OIG Response: Our report demonstrates a need for SSA to take additional steps to ensure that aged auxiliary beneficiaries without an SSN are alive. Specifically, we identified—with SSA's current policies and safeguards in place—three individuals (more than 80 years old each) improperly paid \$136,153 after death for an average of 51 months.

In addition, as of July 2013, we identified 12,370 auxiliary beneficiary records without an SSN on the MBR. Approximately a year later, SSA's systems updated 597 (5 percent) of these records with an SSN and 11,773 (95 percent) remained without an SSN. Furthermore, of the 11,773 auxiliary beneficiaries' without an SSN, 8,528 (72 percent) were aged 80 or older.

As the Agency bases most of its data matching—including death matches—on the SSN, having an SSN on the MBR—regardless of the date of entitlement or presence in the United States—improves SSA's ability to prevent improper payments.

#### **NON-RECEIPT OF SOCIAL SECURITY BENEFITS DUE TO UNAUTHORIZED DIRECT DEPOSIT CHANGES (A-02-13-23004, 5/13/2014)**

Results of Review: We identified 23,192 beneficiaries who had multiple changes to their direct deposit information and who reported that they did not receive 25,728 Social Security payments, totaling \$28.3 million, between September 2, 2011 and June 11, 2012. SSA sent replacement payments to many beneficiaries, but not all of them had their missing payment replaced. In total, SSA sent replacement payments totaling \$17.4 million to 13,380 individuals.

When SSA issues a replacement payment, it also initiates a teletrace request with the Department of the Treasury (DOT) to determine the status of the initial non-received payment. In cases that involve unauthorized changes to direct deposit information, DOT often determines that the new financial account that received the initial payment was in the beneficiary's name because fraudsters used the beneficiary's identity to establish the bank account they control. Since the payment was deposited into an account under

the beneficiary's name, DOT does not return a credit to SSA, and SSA establishes an overpayment on the beneficiary's record.

SSA charged 2,452 of the beneficiaries who received replacement payments with overpayments totaling \$3 million.

Recommendation: Provide beneficiaries replacement payments for missed payments due to unauthorized changes to their direct deposit information.

Agency Response: SSA disagreed with the recommendation. However, for the audit period from May 7, 2012 to June 11, 2012, the Agency will review and correct the cases OIG identified as being erroneously processed by SSA not issuing a replacement check. SSA expects to complete these actions by December 31, 2014. Moreover, if and when a beneficiary or recipient contacts SSA about an alleged unauthorized change to their direct deposit information that resulted in him or her missing a payment from the audit period prior to May 7, 2012, the Agency will process that case under SSA's current policy.

Recommendation: Implement a consistent policy to refund overpayments collected from beneficiaries for replacement payments received after unauthorized changes to their direct deposit information.

Agency Response: The Agency has a policy for processing cases where beneficiaries allege their direct deposited benefits were misdirected. SSA has long-standing policies in its regulations and procedures that provide beneficiaries and recipients several levels of due process protections for overpayments, including formal administrative appeal rights (after sufficient notice) and the right to request waiver of any overpayment at any time. However, for the audit period from May 7, 2012 to June 11, 2012, SSA will review and correct the cases OIG determined the Agency erroneously processed by collecting an overpayment. SSA expects to complete these actions by December 31, 2014.

OIG Response: While SSA disagreed with these two recommendations, the Agency agreed to review and correct the cases we identified as being erroneously processed between May 7 and June 11, 2012. While this should help make some beneficiaries whole, many others may not be helped. For example, only 1,463 of the over 11,000 nonreceived payments that were not replaced had payment dates between May 7 and June 11, 2012. Similarly, SSA recorded only 368 of the nearly 2,500 overpayments charged beneficiaries who received replacement payments after they reported they did not receive their initial benefit payments between May 7 and June 11, 2012.

We continue to believe that SSA should replace all missing payments due to unauthorized changes to direct deposit information regardless of when the unauthorized changes occurred. Similarly, SSA should not treat beneficiaries charged overpayments differently because of the date their overpayments were inaccurately assessed.

#### **PAYMENTS TO INDIVIDUALS WITH DEATHS REPORTED IN CALIFORNIA FROM 1980 TO 1987 (A-06-14-21416, 8/14/2014)**

Results of Review: At the time of our audit, SSA issued benefit payments to 22 individuals whose personally identifiable information (PII) matched that of individuals who died in California during the 1980s. We obtained California death certificates for each of the 22 beneficiaries and forwarded fraud referrals to our Office of Investigations (OI).

- OI determined that 3 of the 22 beneficiaries were alive. In these instances, it appeared that California issued death certificates upon the deaths of identity thieves who used these SSNs to work in the 1970s

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and 1980s. It appeared that SSA erroneously incorporated the identity thieves' work activity into all three beneficiaries' payment computations, resulting in as much as \$186,000 in overpayments.

- SSA stated that one beneficiary is likely alive and the victim of an identity thief. SSA is in the process of verifying the beneficiary's identity.

- OIG determined that 14 beneficiaries were deceased. OIG and SSA determined that SSA issued approximately \$3 million in improper payments in these cases.

- Investigations are in progress in the four remaining cases. If the numberholders are confirmed deceased, we estimate that SSA issued an additional \$598,350 in improper payments. Our investigators will pursue criminal charges and work with SSA to terminate the payments, as appropriate.

Another 64,193 numberholders with no death entry on the Numident were likely deceased. In most cases, the numberholders' name, SSN, and date of birth matched that of deceased individuals in California Department of Public Health (CDPH) death records. None of the 64,193 numberholders was receiving SSA payments at the time of our review. On June 12, 2014, we forwarded a data file to SSA identifying the 64,193 numberholders. Resolving these discrepancies will reduce SSA's exposure to future improper payments and improve the accuracy and completeness of the Death Master File (DMF).

**Recommendation:** Work with the State of California to obtain and process death information for the 64,193 non-beneficiary numberholders or process the death information contained in the CDPH data files used for the audit.

**Agency Response:** SSA disagreed with the recommendation. SSA stated that it has policy and procedures in place to verify the identity of applicants, and for reviewing earnings associated with an SSN, to minimize the risk of fraudulent misuse of a deceased person's SSN. The Agency stated that it does not seek non-beneficiary death information and does not have reason to process non-program related information, nor the resources to do so.

**OIG Response:** We strongly disagree with SSA's assertion that it does not have a reason to process non-program related information. With its comments, SSA appears to disregard the fact that numberholders who are not current beneficiaries can still have benefit claims filed in their names as in the 2010 Florida case discussed in the Background section of this report. The perpetrators of that fraud scheme mined the same CDPH data used for this audit to identify deceased individuals whose PII were not included in the DMF, and subsequently filed fraudulent retirement benefit claims using the deceased individuals' identities.

The numberholders discussed in Recommendation 2 present a similar potential for benefit fraud. Further, Federal benefit paying entities, the Department of Homeland Security's E-Verify program, State and local government entities, and private industry customers rely on the accuracy and completeness of SSA's death information to detect unreported deaths and prevent fraud without regard to the deceased individuals' Social Security benefit status.

## APPENDIX E: COLLECTIONS FROM INVESTIGATIONS AND AUDITS

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

### OFFICE OF INVESTIGATIONS

Total Restitution Reported by DOJ as Collected for SSA			
FY	Total Number of Individuals Assigned Court-Ordered Restitution	Court-Ordered Restitution for This Period	Total Restitution Collected by DOJ
2012	580	\$35,388,290	See Footnote <sup>1</sup>
2013	532	\$35,549,341	See Footnote <sup>1</sup>
2014	529	\$34,002,421	\$10,620,357
<b>TOTAL</b>	<b>1,339</b>	<b>\$104,940,052</b>	<b>\$10,620,357</b>

<sup>1</sup>DOJ migrated collection data to a new computer system and is working to generate reports that will provide us with this information.

Recovery Actions Based on OI Investigations		
FY	Total Number of Recovery Actions Initiated	Amount for Recovery
2012	1,382	\$53,354,863
2013	1,622	\$54,903,601
2014	1,878	\$88,478,532
<b>TOTAL</b>	<b>4,882</b>	<b>\$196,736,996</b>

## OFFICE OF AUDIT

The following chart summarizes SSA's responses to our recommendations for the recovery or redirection of questioned and unsupported costs. This information is prepared in coordination with SSA's management officials and was current as of September 30, 2014.

SSA's Responses to OIG's Recommendations						
Recovery or Redirection of Questioned and Unsupported Costs <sup>1</sup>						
FY	Reports with Questioned Costs	Questioned/Unsupported Costs	Management Concurrence	Amount Collected or to be Recovered	Amount Written-Off/Adjustments	Balance <sup>2</sup>
2012	29	\$1,170,466,288	\$862,414,550	\$852,771,494	\$293,709,601	\$23,985,193
2013	23	\$886,384,392	\$440,675,040	\$251,247,193	\$77,991,372	\$557,145,827
2014	23	\$1,056,576,142	\$168,072,175	\$151,312,441	\$15,263,640	\$890,000,061
<b>TOTAL</b>	<b>75</b>	<b>\$3,113,426,822</b>	<b>\$1,471,161,765</b>	<b>\$1,255,331,128</b>	<b>\$386,964,613</b>	<b>\$1,471,131,081</b>

<sup>1</sup> The amounts in the table regarding collections, recoveries, and write-offs/adjustments were not verified by the OIG.

<sup>2</sup> Balance = Questioned/Unsupported Costs - Amount Collected or to be Recovered - Amount Written-Off/Adjustments

## APPENDIX F: SIGNIFICANT MONETARY RECOMMENDATIONS FROM PRIOR FYS FOR WHICH CORRECTIVE ACTIONS HAVE NOT BEEN COMPLETED

### **USEFULNESS OF DEPARTMENT OF HOMELAND SECURITY TRAVEL DATA TO IDENTIFY SUPPLEMENTAL SECURITY INCOME RECIPIENTS WHO ARE OUTSIDE THE UNITED STATES (A-01-11-01142, 2/1/2013)**

Results of Review: Although there are legal and technical challenges in obtaining data from the Department of Homeland Security (DHS) to identify Supplemental Security Income (SSI) recipients who are absent from the United States, we estimated 35,068 SSI recipients had approximately \$152 million in overpayments because of unreported absences from the United States between September 2009 and August 2011. Furthermore, millions of dollars more in overpayments could be identified if SSA includes all SSI recipients, regardless of their country of birth or associated bank. If our results using sample data associated with one bank represent all banks, we estimate our review would have identified an additional \$289 million in overpayments.

Developing a process with DHS—and if necessary, the Department of State—would be a long-term initiative; and SSA has a history of overcoming legal and technical factors with other initiatives it has pursued to address improper payments. Ultimately, the other agencies have to be willing to work with SSA.

Recommendation: Reach out to DHS again (and if necessary, the Department of State) to attempt to create a process that provides the necessary information to identify all (not just foreign-born) SSI recipients outside the United States for longer than 30 days, which could include proposing legislative changes.

Agency Response: SSA agreed with the recommendation.

Valued at: \$152,200,827 in questioned costs.

Corrective Action: SSA is exploring a data exchange opportunity with the State Department to identify SSI recipients who leave the country. SSA has two outgoing agreements with State (#810 and #10011) where the Agency helps verify Social Security Numbers (SSN) for passport issuance. In return, SSA would like to know what happens with those passports, and is in the process of identifying the Agency's State Department contact to begin discussions.

In May 2014, SSA provided DHS its completed data access questionnaire to provide specific details of SSA needs. The Agency's request is currently pending a response from DHS for further discussion and to determine SSA's business process with developing a potential computer matching agreement.

### **DUALLY ENTITLED BENEFICIARIES WHO ARE SUBJECT TO THE WINDFALL ELIMINATION PROVISION AND GOVERNMENT PENSION OFFSET (A-09-12-11210, 1/31/2013)**

Results of Review: SSA needs to improve its controls to ensure it properly imposes the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) for dually entitled beneficiaries. We estimate that SSA

- overpaid \$19.2 million in retirement benefits to 2,046 beneficiaries because WEP was not properly applied,
- overpaid \$14.6 million in spousal benefits to 1,662 beneficiaries because GPO was not properly imposed, and
- will overpay \$12.7 million annually to 3,708 beneficiaries unless it takes action to identify and correct these payment errors.

We also estimate that 3,961 beneficiaries were exempt from WEP and 3,148 were exempt from GPO, but SSA employees did not record the exemption reason on the Master Beneficiary Record, as required.

Finally, SSA did not take action to impose WEP and GPO on a population of beneficiaries identified in our prior audit. Consequently, we estimate that SSA overpaid these beneficiaries an additional \$181.6 million.

Recommendation: Determine whether there is a cost-effective method to identify and correct the population of overpaid dually entitled beneficiaries in current pay whose benefits should be reduced for WEP or GPO.

Agency Response: SSA agreed with the recommendation.

Valued at: \$214,514,795 in questioned costs.

Corrective Action: SSA completed the first and second phase of its review in July 2014. According to the Agency, the Office of Quality Review continues to review and assess identification of dually entitled beneficiaries in current pay whose benefits should be reduced because of WEP and GPO and to identify any possible controls.

#### **CHILDHOOD DISABILITY BENEFICIARIES WITH AN INCORRECT WAITING PERIOD (A-09-11-21158, 12/20/2012)**

Results of Review: SSA needs to improve its controls to ensure childhood disability beneficiaries do not serve a 5-month waiting period before becoming entitled to disability benefits. We found that SSA incorrectly applied a 5-month waiting period before childhood disability beneficiaries became entitled to benefits. Based on our random sample, we estimate that SSA

- established an incorrect initial date of entitlement to disability benefits for 5,104 beneficiaries;
- underpaid 3,202 of the 5,104 beneficiaries about \$7.3 million in childhood disability benefits; and
- established an incorrect initial date of entitlement to Medicare for 4,977 of the 5,104 beneficiaries.

Generally, these beneficiaries were entitled to disability benefits and Medicare coverage 5 months sooner than the date SSA established.

Recommendation: Evaluate the results of the Agency's corrective action for the 161 beneficiaries and determine whether it should review our population of 6,340 disabled children who may have incorrectly served a 5-month waiting period.

Agency Response: SSA agreed with the recommendation.

Valued at: \$7,101,797 in questioned costs.

Corrective Action: SSA is finalizing actions on the 161 cases and will take corrective action on the remaining 6,340 cases. SSA does not expect to start its review of these cases until the end of Fiscal Year (FY) 2014, with a proposed completion date in mid FY 2015.

#### **ACCUMULATED FUNDS PAYABLE TO BENEFICIARIES OR THEIR REPRESENTATIVE PAYEES (A-09-12-21236, 12/11/2012)**

Results of Review: SSA needed to improve controls to ensure it properly and timely paid accumulated funds to Title II beneficiaries or their representative payees. Based on a random sample, we estimate that

- 4,174 beneficiaries had accumulated funds totaling approximately \$29.9 million that SSA had not paid to the beneficiaries or their representative payees;
- 909 beneficiaries had approximately \$18.6 million in accumulated funds that were correctly paid but not timely; and
- 248 representative payees were paid accumulated funds totaling approximately \$4 million, but SSA had not evaluated their ability to manage the funds, as required.

This occurred because SSA did not always (1) establish manual diaries to control the payment of accumulated funds, (2) pay accumulated funds to representative payees when required, or (3) pay all accumulated funds due and payable upon the selection of a representative payee.

Recommendation: Develop a cost-effective method for identifying and paying, as appropriate, Title II beneficiaries who have unpaid accumulated funds.

Agency Response: SSA agreed with the recommendation.

Valued at: \$29,211,452 in questioned costs.

Corrective Action: SSA will continue to work with its Office of Systems and the Deputy Commissioner for Operations to determine the feasibility of developing a cost-effective method for identifying and paying, as appropriate, Title II beneficiaries who have unpaid accumulated funds.

**DISABLED INDIVIDUALS POTENTIALLY ELIGIBLE AS AUXILIARY CHILD BENEFICIARIES (A-13-10-10146, 6/12/2012)**

Results of Review: Although SSA had taken actions to identify and prevent missed entitlements, we identified SSI recipients who were also eligible for Old-Age, Survivors and Disability Insurance (OASDI). Our analysis of 100 SSI recipients found 95 were eligible for OASDI as auxiliary child beneficiaries. Of these, we identified 16 SSI recipients who were due OASDI underpayments totaling about \$71,000. We estimate approximately 2,160 SSI recipients were eligible for OASDI and were due underpayments totaling approximately \$9.6 million.

In February 2012, we identified 14,434 SSI recipients—from all 20 segments of SSA's records—who were potentially entitled disabled child beneficiaries. We provided this information to the Agency for corrective action.

Recommendation: Develop and implement a cost-effective strategy to assess the 14,434 recipients we identified to correctly pay those recipients eligible for OASDI as auxiliary child beneficiaries and pay the OASDI underpayments due the recipients, as appropriate.

Agency Response: SSA agreed with the recommendation.

Valued at: \$9,582,380 in questioned costs.

Corrective Action: The Deputy Commissioner for Operations is working with the Office of Quality Improvement (OQI) to screen and refine the list of cases, as the Agency suspects some of the cases may have already been processed. SSA expects to release the remaining cases for processing before the end of March 2015.

**ANNUAL EARNINGS TEST UNDERPAYMENTS PAYABLE TO BENEFICIARIES (A-09-11-11128, 4/6/2012)**

Results of Review: SSA improperly paid beneficiaries whose Master Beneficiary Record (MBR) annual report data exceeded their earnings on the Master Earning File (MEF). We estimated that SSA improperly paid 10,644 beneficiaries about \$15 million during Calendar Years 2005 through 2008. In addition, unless SSA revises the Earnings Enforcement Operation (EEO), we estimated it would improperly pay about \$3.7 million, annually, to 2,661 beneficiaries.

The improper payments occurred because SSA's policy is to exclude from the EEO beneficiaries whose MBR annual report data exceeded the earnings recorded on SSA's MEF. Finally, we found that SSA should not rely on the annual report data on the MBR to determine whether beneficiaries were properly paid. Specifically, we found that annual report data on the MBR (1) were estimated amounts, (2) contained obvious recording errors, and (3) included earnings that were not subject to the annual earning test.

Recommendation: Review its policies, procedures, and systems concerning earnings and benefit computations to provide accurate results for Title II beneficiaries.

Agency Response: SSA agreed with the recommendation.

Valued at: \$3,754,533 in funds put to better use.

Corrective Action: While SSA's Office of Systems completed the migration of Automated Job Stream 3 to Title II Redesign in August 2012, there was a release to correct issues with the month of entitlement and rates in February, 2013. SSA's Office of Policy released Month of Entitlement policy in their Program Operations Manual System (POMS) in July 2014. The first enforcement pass occurred in August 2014. SSA is evaluating the outcome of the first pass to the Master Earnings File and the available resources, and will determine if the Agency will conduct a study.

**TITLE II BENEFICIARIES WHOSE BENEFITS HAVE BEEN SUSPENDED AND WHO HAVE A DATE OF DEATH ON THE NUMIDENT (A-09-10-10117, 4/28/2011)**

Results of Review: SSA needs to improve controls to ensure it takes timely and proper actions to resolve death information on the Numident for suspended beneficiaries. We estimate that:

- 4,699 beneficiaries remained in suspended pay status despite the death information on their Numident. Of these, we estimate 2,976 were improperly paid approximately \$23.8 million.
- 2,715 beneficiaries' personally identifiable information was at risk of being released to the public.
- 157 beneficiaries whose benefits were terminated were improperly paid \$342,114.

Recommendation: Take appropriate action to terminate benefits or remove erroneous death information from the Numident for the 180 beneficiaries identified by our audit.

Agency Response: SSA agreed with the recommendation.

Valued at: \$910,282 in questioned costs.

Recommendation: Identify and take correction action on the remaining population of 6,277 suspended beneficiaries who had a date of death on the Numident.

Agency Response: SSA agreed with the recommendation.

Valued at: \$22,855,376 in questioned costs.

Corrective Action: SSA's OQI is currently working to terminate an estimated 1,035 cases (38 case from recommendation 1 and 997 cases from recommendation 2). OQI anticipates completing this action by the end of October 2014.

Meanwhile, for the 3,246 remaining cases (125 cases from recommendation 1 and 3,139 cases from recommendation 2), OQI proposed to the Office of Policy that it approves OQI's ability to conduct an automatic termination (T1). The Office of Policy (OP) is evaluating any issues or concerns resulting from the current OQI automated terminations to assist OP with its decision. OQI is awaiting a response to its proposal, which is expected by the end of the calendar year.

**FOLLOW-UP: THE SOCIAL SECURITY ADMINISTRATION'S CONTROLS OVER SUSPENDING COLLECTION EFFORTS ON TITLE XVI OVERPAYMENTS (A-04-09-19039, 9/2/2009)**

Results of Review: We found that SSA took action on three of the recommendations in our prior report. However, funding limitations delayed development of an automated system that would address the two remaining recommendations. SSA's corrective actions resulted in some improvements in the error rates we previously reported. However, we still found similar conditions identified in the prior report.

We also found that SSA did not always (1) document the justification for the decisions to suspend overpayment collection efforts and (2) obtain the required management approval before suspending an overpayment. On occasion, SSA personnel suspended collection efforts when debtors or the debtors' representative payees had reported earnings that may have enabled some repayment. Also, SSA personnel suspended collections of some debts and classified the debtors as unable to locate or out of the country even though we did not find evidence that SSA attempted to contact the debtors or the debtors' representative payees through their current employer. Overall, we estimated for 6,500 cases, totaling \$52.2 million, SSA personnel did not follow policies and procedures when it suspended overpayment collection efforts.

Recommendation: Consider revising the May 2009 policy to require the 2-PIN process (management approval) for suspension decisions controlled by the Recovery and Collection of Overpayment Process.

Valued at: \$22,639,420 in funds put to better use.

Agency Response: SSA agreed with the recommendation.

Corrective Action: The Office of Systems determined this would require complex changes to the IBIL screen, and would have to be submitted as a Strategic Information Technology Assessment and Review (SITAR) project.

There are no plans to submit a SITAR request at this time.

## SIGNIFICANT MONETARY RECOMMENDATIONS FROM PRIOR SEMIANNUAL REPORTS TO CONGRESS FOR WHICH RECENT CORRECTIVE ACTIONS HAVE BEEN MADE

**THE SOCIAL SECURITY ADMINISTRATION'S DEVELOPMENT OF EARNINGS ALERTS FOR SUPPLEMENTAL SECURITY INCOME RECIPIENTS (A-02-11-11185, 12/20/2012)**

Results of Review: SSA's development of SSI earnings alerts was not fully effective. While SSA has the opportunity to record the largest possible overpayment caused by earnings if it diligently pursues earnings alerts, over 86 percent of the 16,952 earning alerts we identified in May 2009 had been pending over 6 months. In May 2010, 2,883 of the 16,952 earnings alerts were still pending.

We reviewed a sample of 250 of the 2,883 recipients in April 2011, which was 28 months after the month SSA systems generated the alerts. We reviewed cases that SSA had developed and those that it did not. For those not developed, we identified improper payments caused by the earnings that generated the alerts. We also reviewed cases SSA developed and found additional improper payments that SSA did not identify. Based on these results, we estimate that SSA could have recorded approximately \$110 million more in SSI overpayments for almost 25,140 recipients than it identified if it diligently pursued earnings alerts.

Furthermore, some of the earnings alerts that had been generated may have been unnecessary. Of the 250 recipients in our sample, 46 had alerts identifying earnings that were too low to change the recipient's payment amount.

Recommendation: Evaluate whether it is cost-effective to establish earnings alerts more likely to lead to payment changes. More specifically, SSA should consider using focused criteria to generate earnings alerts that take into account other factors that determine the SSI payment amount along with the amount of earnings identified.

Agency Response: SSA agreed with the recommendation.

Valued at: \$110,142,700 in questioned costs.

Corrective Action: SSA has completed a statistical modeling analysis of FY 2013 Change Rate Study cohort data to determine if targeted criteria can be used to identify a more cost-effective process to generate earnings alerts to identify and correct SSI overpayments. Based on this analysis, SSA believes that additional profiling of the S2 alerts and any profiling K6/K7 earnings alerts cases is not necessary to identify highly productive and cost-effective cases for field office (FO) staff to complete. SSA's data and statistical analysis show that it would not be productive or cost-effective to use focused criteria to generate K6/K7 earnings alerts that attempt to take into account other factors that determine the SSI payment amount along with the amount of earnings identified as recommended in the OIG report. For both the K6/K7 and S2 alerts, however, SSA strongly agrees with the OIG report recommendation that all earnings on these limited issue reviews are posted accurately and consistently and that the cases be worked and completed by FO staff in a thorough and timely manner.

#### **INDIVIDUAL REPRESENTATIVE PAYEES WHO MISUSE BENEFITS (A-13-10-10182, 5/4/2012)**

Results of Review: SSA did not always take appropriate actions concerning individual representative payees who were serving 14 or fewer beneficiaries and who misused benefit payments. Specifically, the Agency did not always obtain restitution from payees when it could use benefit adjustment to do so; pay beneficiaries when Agency negligence was determined; document negligence decisions; refer instances of misuse to the Office of the Inspector General; make restitution to beneficiaries when misused funds were collected in installments from payees; follow policy regarding retention of payees who commit misuse; and record misuse-related data accurately in the Representative Payee System.

SSA had taken actions intended to improve its oversight and management of these payees. In October 2011 and January 2012, SSA released versions of its Electronic Representative Payee System Misuse System and revised its policies. However, SSA needs to take additional actions to improve its oversight and management of individual representative payees serving 14 or fewer beneficiaries who misused benefit payments.

Recommendation: Use, when appropriate, benefit adjustment to obtain restitution from the 408 payees we identified to recover about \$2.1 million in misused funds.

Agency Response: SSA agreed with the recommendation.

Valued at: \$2,112,581

Corrective Action: SSA completed each case associated with the recommendation between May 2012 and June 2014. SSA took benefit adjustment actions to obtain restitution from the 408 payees OIG identified to recover the misused funds.

**BENEFITS PAYABLE TO CHILD BENEFICIARIES WHO NO LONGER NEED REPRESENTATIVE PAYEES (A-09-09-29116, 8/20/2010)**

Results of Review: SSA needed to improve controls to ensure child beneficiaries who attained age 18 were paid benefits that had been previously withheld pending the selection of a representative payee. Based on a random sample of beneficiaries, we found that SSA did not pay an estimated 13,464 beneficiaries approximately \$31.2 million in withheld benefits.

Generally, these errors occurred because SSA did not generate a systems alert to identify beneficiaries who should have been paid withheld benefits when they attained age 18 or SSA employees did not take corrective actions to pay withheld benefits when processing student awards when a child attained age 18.

Recommendation: Identify and take corrective action on the population of child beneficiaries over age 18 whose benefits were withheld pending the selection of a representative payee.

Agency Response: SSA agreed with the recommendation.

Valued at: \$31,052,839 in questioned costs.

Corrective Action: The processing centers (PC) took all corrective actions on the population of child beneficiaries over age 18 whose benefits were withheld pending selection of a representative payee. The PCs removed the S8 suspension, if appropriate, and posted any applicable underpayment to the Special Payment Amount field. For those cases, SSA sent "Come in Notices." All actions were completed on May 20, 2014.

**TERMINATION OF DISABILITY BENEFITS FOLLOWING A CONTINUING DISABILITY REVIEW CESSATION DETERMINATION (A-07-12-11211, 11/1/2012)**

Results of Review: We identified populations of 25,564 Disability Insurance (DI) beneficiaries and 67,943 SSI recipients who received medical cessation determinations during Calendar Years 2005 through 2010 but continued to receive monthly benefit payments more than 2 months after the medical cessation determination. Of 250 DI beneficiaries sampled, we found 30 percent improperly received benefit payments of approximately \$48.9 million because payments were not terminated timely. Of 250 SSI recipients sampled, 16 percent improperly received \$34.7 million because payments were not terminated timely.

These improper payments occurred, in part, because SSA lacked adequate controls and did not have automated systems for processing medical cessation determinations. SSA employees were aware of the systems limitations and were to manually check cases to ensure the termination actions were accomplished. According to SSA, reduced resources and increased workloads may have prompted employees to rely on the system, rather than manually checking each case to ensure timely termination of benefits.

From November 2003 through June 2009, SSA took actions to identify DI beneficiaries and SSI recipients who continued receiving benefit payments after medical cessation determinations. However, since June 2009, SSA has not routinely identified cases where benefits were not terminated following medical cessation determinations. According to SSA, this was the result of resource limitations and other work priorities.

Recommendation: Enhance the ability of the processing system to perform automated terminations to ensure the timely termination of benefits following a medical cessation determination.

Agency Response: SSA agreed with the recommendation.

Valued at: \$83,583,935 in questioned costs.

Corrective Action: On August 24, 2014, the Agency released a systems update to fix an issue with the hearings and appeals processing systems (Case Processing and Management System and Appeals Review Processing System) that had prevented some disability cessations from automatically terminating benefits. With this fix, the majority of disability cessations will automatically terminate. Additional systems updates are beyond the Office of Disability Adjudication and Review's control and require coordination with the Deputy Commissioners for Operations and Systems. In addition, the Agency improved manual business processes to terminate the remaining exceptions, and is finalizing updated program instructions (e.g., HALLEX instructions) to help ensure employees follow these processes.

## APPENDIX G: SIGNIFICANT NON-MONETARY RECOMMENDATIONS FROM PRIOR FYS FOR WHICH CORRECTIVE ACTIONS HAVE NOT BEEN COMPLETED

### **TITLE XVI DECEASED RECIPIENTS WHO DO NOT HAVE DEATH INFORMATION ON THE NUMIDENT (A-09-12-22132, 5/3/2013)**

Results of Review: SSA needs to improve its controls to ensure it records Title XVI recipients' death information on the Numident. Specifically, we determined that as many as

- 82,165 deceased recipients' deaths were not on the DMF, and
- 937 deceased recipients had earnings on the MEF for Calendar Year 2011 that were recorded 1 or more years after their deaths.

We also found that 92 employers made 113 E-Verify inquiries for 78 deceased recipients and did not receive any indication from SSA that these individuals were deceased. In addition, we found that the Help America Vote Verification system requests for 78 deceased recipients indicated they were not deceased. This would not have prevented an individual from voting under a deceased recipient's identity.

Generally, the deaths were not on the Numident because the recipients' PII on the MBR, Supplemental Security Record (SSR), or death report did not match the recipients' PII on the Numident.

Recommendation: Develop a cost-effective method for identifying deceased recipients who have death information on the SSR but not on the Numident. This could involve periodic matches between the SSR and Numident to detect and correct missing death information.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA is currently working to determine if there is a cost effective way to post deaths from the SSR to the NUMIDENT. While going forward, the Death Information Processing System (DIPS) system will help prevent inconsistencies between the SSR and Numident; DIPS is not intended to retroactively look at deaths on the SSR to see if the corresponding death is on the Numident. A retroactive look at the Numident and SSR (and MBR) is out of the scope of DIPS releases. However, the Agency is working to see if there is a way to automate known discrepancies of death on the SSR but not on the Numident.

### **IDENTIFYING AND MONITORING RISK FACTORS AT HEARING OFFICES (A-12-12-11289, 1/24/2013)**

Results of Review: We found that ODAR had created 19 ranking reports that measured hearing office performance using a single risk factor, such as average processing time or pending cases per administrative law judge (ALJ). However, ODAR had not established a process to rank hearing office performance using a combination of risk factors. In FY 2011, ODAR began developing an early monitoring system to measure ALJ performance based on a combination of risk factors, such as number of dispositions, number of on-the-record decisions, and frequency of hearings with the same claimant representative. A quality division then reviewed potential issues identified in the ALJ monitoring system to ensure compliance with established policies and procedures. We reviewed hearing office risk factors particular to ALJs to determine whether such information, when alone or combined with ODAR's ALJ monitoring system outcomes, would provide ODAR management with additional information to assess hearing office management controls. We found large variances in ALJ outcomes within and between hearing offices, indicating that further review of ALJ performance variances in hearing offices, as well as a new hearing office monitoring system using a combination of risk factors, would provide ODAR with additional tools to assess hearing office management controls. Moreover, greater analysis of hearing office variance can put issues identified as part of ODAR's ALJ monitoring system and quality reviews into a broader context.

Recommendation: Create new management information reports combining ALJ-related hearing office risk factors, which could include variances within those factors, and use this information to identify potential processing and management problems at hearing offices.

Agency Response: SSA agreed with the recommendation.

Corrective Action: In an ongoing effort to address management oversight at the hearing office level, SSA will continue to monitor and identify potential processing and management challenges at the hearing office level. SSA will continue this effort in FY 2015.

## THE SOCIAL SECURITY ADMINISTRATION'S SOFTWARE MODERNIZATION AND USE OF COMMON BUSINESS ORIENTED LANGUAGE (A-14-11-11132, 5/17/2012)

Results of Review: Our review determined that SSA does not have a strategic plan to convert its legacy COBOL application programs to a more modernized programming language. Nonetheless, the Agency has developed an approach to gradually reduce its reliance on COBOL for its core processing of program transactions, such as retirement and disability claims.

While the Agency has moved forward in modernizing its information technology environment, several factors limit the Agency's ability to operate efficiently and improve service delivery. At a minimum, SSA should address the following factors in its modernization roadmap: (1) projected future service delivery demands; (2) growth of information technology and maintenance costs; (3) loss of institutional legacy programming knowledge; (4) lack of integrated business processes; and (5) outdated user interfaces. Although these factors are not unique to COBOL, SSA relies on COBOL applications to deliver its core services. Therefore, the Agency's use of COBOL impacts its current system environment and its system modernization path.

Recommendation: Develop a comprehensive, long-term strategic plan to modernize SSA's legacy applications. This plan should:

- include a target timeframe and estimated resources to modernize SSA's existing environment;
- include an in-depth analysis of projected service delivery demands and how new approaches and technology can promote greater productivity while meeting customer expectations for service;
- position the Agency to maximize the effectiveness and cost-efficiency of its systems over the long-term; and
- be reevaluated over time and revised as necessary.

Agency Response: SSA agreed with the recommendation.

Corrective Action: In May 2014, SSA published its Information Resource Management (IRM) Strategic Plan for FYs 2014 - 2018. SSA's Enterprise Roadmap accompanied the IRM. The IRM describes the "what" and the Roadmap describes the "how." Both documents address the SSA's strategic plan for modernizing the Agency's systems.

The IRM outlines the Agency's guiding principles that demonstrate SSA's commitment to modernization. The Roadmap describes how SSA plans to execute its strategic plan. SSA does not intend to transition all of its legacy code to modern technology within a predetermined timeframe. The Agency is taking an incremental approach to modernize its older technologies when it makes good business sense to do so. SSA's modernization efforts are prioritized based on business value. The IRM and Roadmap are living documents, updated annually to reflect changes in SSA's strategic direction. Transition plans are updated to reflect planned activities for upcoming fiscal years.

SSA's long-term strategic Information Technology (IT) plans are driven by the Agency's broader strategic planning efforts, in particular the Agency Strategic Plan, 2014 - 2018 (ASP), which is developed from a strategic business perspective to ensure that the Agency pursues opportunities that support its goals and objectives. In addition, at the request of Congress, SSA contracted with the National Academy of Public Administration (NAPA) to conduct a study and submit a high-level plan proposing a long-range strategic vision. The purpose of the plan is to help the Agency address the service delivery challenges it will face in the coming 10 to 15 years. NAPA will address critical areas including investment in automation and IT. These plans include in-depth analyses of projected service delivery demands and how new approaches and technology can promote greater productivity while meeting customer expectations for service. Likewise, those plans explicitly are intended to position the Agency to maximize the effectiveness and cost-efficiency of its systems over the long-term. The ASP, and its companion Agency Performance Review, are completed on a regular basis, with measurement of goals and objectives a specific feature, so that the effectiveness of the broad strategic objectives, of which IT is part, is reevaluated over time and revised as necessary.

SSA's IRM Plan and Enterprise Roadmap carry the business-driven analysis, and Agency strategic planning of the ASP and the NAPA study into the IT planning realm. Target timeframes and estimated resources are available in Agency IT planning submissions (aka. Exhibit 300s) to the Office of Management and Budget (OMB) on an

annual basis, and the planning horizon is the life of the Program described. These Exhibit 300s link explicitly to ASP goals and objectives, and will certainly link to NAPA study findings when the final report becomes available.

**STATE DISABILITY DETERMINATION SERVICES' EMPLOYEE AND CONTRACTOR SUITABILITY PROGRAM (A-15-11-21180, 12/21/2011)**

Results of Review: Although SSA had a limited policy in place that required a statewide criminal background check, we noted a number of vulnerable areas in the policy that could pose a risk to SSA data and systems. We found that State policy regarding suitability determinations for employees, contractors, and other disability determination services (DDS) staff varied widely from State to State. Some States had yet to implement a policy requiring statewide criminal background checks. Additionally, we found that although most States had a policy in place for prospective employees, the policy did not require criminal background checks for existing employees.

SSA performed some oversight of the DDS suitability process. Regional Office staff should review the DDS' self-assessments, but beyond this, Regional Office staff stated they leave the suitability determinations to the DDSs. According to SSA, Regional Office staff is responsible for conducting the day-to-day monitoring of the DDSs.

Recommendation: Require all individuals with access to SSA systems and data to have an appropriate suitability determination consistent with the requirements of SSA's suitability program.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA implemented HSPD-12 in eight DDS sites. Two more DDS sites are scheduled to be credentialed this calendar year. Plans call for credentialing in four more DDSs in FY 2015 and seven in FY 2016. Multiple States have volunteered to be credentialed going forward. The number of sites for annual roll-out may be adjusted based on the capacity to conduct suitability checks, the number of DDS locations within each State, the number of personnel in those locations, and available Agency/DDS staff resources.

**AGED BENEFICIARIES WHOSE BENEFITS HAVE BEEN SUSPENDED FOR ADDRESS OR WHEREABOUTS UNKNOWN (A-09-09-29117, 6/17/2011)**

Result of Review: SSA had not taken appropriate actions for Title II beneficiaries over age 70 whose benefits were suspended for address, whereabouts unknown, or miscellaneous reasons. We estimate that

- 29,196 beneficiaries whose whereabouts were unknown for longer than 7 years had not been terminated based on a presumption of death;
- 5,981 beneficiaries had been suspended between 2 and 7 years because their whereabouts were unknown; and
- 2,964 foreign beneficiaries were suspended because they did not return the foreign enforcement questionnaire (FEQ), and there was no evidence that SSA conducted the required follow-up actions to determine their whereabouts or whether they were deceased.

Recommendation: Take appropriate action (including termination of benefits) for the estimated 2,964 suspended beneficiaries living outside the United States who did not return the FEQ.

Agency Response: SSA agreed with the recommendation.

Corrective Action: The POMS is currently under internal review. SSA anticipates submitting it through the eIRD process by November 2014, with a target publication in January 2015.

**DISABILITY IMPAIRMENTS ON CASES MOST FREQUENTLY DENIED BY DISABILITY DETERMINATION SERVICES AND SUBSEQUENTLY ALLOWED BY ADMINISTRATIVE LAW JUDGES (A-07-09-19083, 8/20/2010)**

Results of Review: We identified the four impairments that were most often denied by DDSs in CYs 2004 through 2006, appealed to the hearing level, and subsequently allowed. These impairments were Disorders of Back; Osteoarthritis and Allied Disorders; Diabetes Mellitus; and Disorders of Muscle, Ligament, and Fascia. Our analysis of cases with these four impairments disclosed:

- Claimant age impacted disability determinations.
- Determinations of claimants' ability to work resulted in differences at the DDS and hearing levels.

- Claimant representation was more prevalent in cases allowed at the hearing level than in cases decided at the DDS level.
- Cases were allowed at the hearing level based on a different impairment than that on which the DDS made its determination.
- States had both DDS denial rates and hearing level allowance rates above the national averages.
- ODAR regions, hearing offices, and ALJs had wide variations in allowance rates.

Recommendation: Consider analyzing variances between the hearing offices and ALJs with high and low allowance rates for the four impairments we analyzed to determine whether factors are present that support the variances

Agency Response: SSA agreed with the recommendation

Corrective Action: SSA's Office of Appellate Operations (OAO) developed a program to pull data on the allowance and denial rates based on the four impairments in OIG's report, and analyzed data from FY 2010 hearing decisions that contained the four impairments. OAO in consultation with the Office of the Chief ALJ will determine if focused reviews are necessary on any hearing offices and/or adjudicators with the highest or lowest allowance rates of the impairments OIG identified. SSA is conducting additional analysis before finalizing the report and, depending on available staff, expects to finalize the report by the end of Calendar Year 2014.

## SIGNIFICANT NON-MONETARY RECOMMENDATIONS FROM PRIOR SEMIANNUAL REPORT TO CONGRESS FOR WHICH RECENT CORRECTIVE ACTION HAS BEEN MADE

### USING MEDICARE CLAIM DATA TO IDENTIFY DECEASED BENEFICIARIES (A-08-09-19105, 8/2/2012)

Results of Review: We believe SSA can use enhanced Medicare claim data to better identify deceased beneficiaries using less time and fewer resources. For example, SSA either terminated or suspended benefits of 44 (35 percent) of our 125 sample beneficiaries, which is significantly higher than the 5 percent SSA found in its 2002 Medicare Non-Usage Project.

Based on our findings, we estimate that SSA overpaid 890 deceased beneficiaries about \$99 million. Further, we estimate that over the next 12 months, SSA will pay about \$9 million in additional overpayments to these deceased beneficiaries. In addition, we estimate that about 1,160 beneficiaries were living outside the United States and did not report their address change to SSA, and about 190 beneficiaries' whereabouts were unknown. These are conservative estimates because they exclude beneficiaries who did not live near an Office of Audit field office. Furthermore, we believe it is likely that many of the beneficiaries with suspended benefits are deceased. We reached this conclusion because they did not contact SSA to reinstate their benefits.

Recommendation: Work the remaining 1,067 cases in our universe (who are in current payment status and not part of the Centenarian Project) to determine whether these beneficiaries are alive.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA completed its actions on the 1,067 cases as of June 30, 2014.

### SIGNIFICANCE OF ADMINISTRATIVE FINALITY IN THE SOCIAL SECURITY ADMINISTRATION'S PROGRAMS (A-08-11-21107, 7/26/2012)

Results of Review: As determined in our prior and current reviews, SSA did not correct beneficiary and recipients' payment amounts when it invoked administrative finality. For example, we identified a beneficiary receiving a full retirement benefit under her own Social Security number and another full benefit under her deceased spouse's Social Security number that resulted in an \$870 monthly overpayment. The overpayments started in July 1982 and created a total overpayment of approximately \$215,000. Since our 2007 recommendation to revise its administrative finality rules—which SSA disagreed with—the Agency has paid this beneficiary

approximately an additional \$40,000. Because of SSA's administrative finality rules, it will not reopen this case and this overpayment will continue increasing throughout the beneficiary's lifetime.

Given the recent Government initiative to reduce improper spending and waste of Federal funds and the current economic environment, we do not believe SSA's administrative finality rules comply with the initiative. SSA should revise its administrative finality rules and allow for revisions to payments to ensure the beneficiary or recipient receives the amount they are due. We believe it is the appropriate business process to ensure the integrity of program funds as these payments affect the trust funds.

Recommendation: Evaluate its administrative finality policies and regulations and consider revising the rules to allow for the collection of more debt.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA evaluated its administrative finality policies and regulations and is considering four proposals for changing the rules of administrative finality. On July 31, 2013, SSA published a Federal Register Notice to request comments and suggestions from the public on a few possible changes to the Agency's rules.

#### **THE SOCIAL SECURITY ADMINISTRATION'S TIME ALLOCATION SYSTEM (A-14-10-20122, 4/18/2011)**

Result of Review: We found several events that led to SSA's decision to terminate the Time Allocation System (TAS). Some of these events raised questions about SSA's management of the TAS project, given that the project was terminated without proper analysis to determine which Workload Management System (DOWS or TAS) more accurately accounted for workload time measurements. We believe if SSA had conducted sufficient project planning before initiating the TAS project, most, if not all, of the events identified in this report could have been resolved before expending approximately \$36 million of Agency resources. We have organized our findings based on the Systems Development Life Cycle used by SSA.

- Planning and Analysis Phase
  - Insufficient Planning and Analysis Leading to the Termination of TAS
  - TAS Benefits and Costs Were Not Identified Timely
- Construction Phase
  - Insufficient Testing Due to Storage Constraints
- Post Release Phase
  - No Post Implementation Review (PIR) after a system was in operation for 6 months, or after TAS was terminated, to determine reasons for the project's failure.
- Maintenance Phase
  - Inability to maintain TAS cost-effectively.

Recommendation: Take the necessary steps to validate the accuracy of the current work measurement system or future replacements.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA reevaluated its actions for closing the recommendation based on OIG's disagreement with the Agency's actions and provided the following response.

When OIG previously asked the Agency to validate the accuracy of sampling, SSA responded by explaining how it streamlined the sampling process. This is because the accuracy of sampling is based on the nature of the statistical sampling process as a valid methodology for measurement. SSA is not aware of an objective approach that can be taken within the agency to "validate" the results.

The Agency simplified work sampling by eliminating obsolete categories and consolidating categories with significant overlap. These changes went into effect at the beginning of FY 2012. SSA updated the Management Information Manual chapters on work sampling to reflect the category changes and rewrote sections that previously contained language that was vague, inconsistent, and potentially confusing. SSA issued an

Administrative Message, published on PolicyNet, to announce and document the changes to work sampling. Separately, SSA also created a Work Sampling Guidance document, published in the Management Resource Kit section of PolicyNet, to provide general instructions, best practices, reminders, and other helpful information about the work sampling process.

SSA published a work sampling training Video On Demand on August 4, 2014.

Recommendation: Perform a PIR after a system has been in operation for 6 months and for all terminated projects to determine reasons for the project's termination.

Agency Response: SSA agreed with the recommendation.

Corrective Action: In 2013, SSA completed the development of a PIR framework for use in the assessment of IT investment performance. This framework was used to complete a PIR of the Telephone System Replacement Project. An Executive briefing of the results of this PIR was presented on November 18, 2013.

A PIR was concluded on the Access to Financial Institutions project. The Executive briefing of the results of this PIR was held at the DC IT Priority Projects.

A PIR was conducted on the Automated Scheduling Application. The PIR report has been distributed to the Deputy Commissioner for Systems/Chief Information Officer and the principal stakeholders for review and comment. An Executive briefing will be scheduled as soon as calendars permit.

A kickoff meeting is being scheduled for the next PIR which will be on the Visitor Intake Process Rewrite.

After the first couple of PIRs, SSA made improvements to the framework, including standard notification from the Chief Information Officer to the Deputy Commissioners about the PIR process prior to kickoff meeting. This is now a standard ongoing business practice the Agency follows.

## APPENDIX H: PEER REVIEWS

### OFFICE OF AUDIT

- Our Office of Audit is required to undergo a peer review every 3 years, in accordance with generally accepted government auditing standards.
- The final System Review Report related to our last peer review, conducted by the Department of Veterans Affairs, was issued in August 2012. We received a rating of pass, which means that the review team concluded that the system of quality control for the audit organization had been suitably designed and complied with to provide us with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The Department of Veterans Affairs OIG identified no deficiencies that affected the nature of the report. Further, there were no findings or recommendations as a result of this peer review.
- During FY 2013, we conducted a peer review of the Department of Labor OIG Audit Organization. We issued our report on March 15, 2013 and made no recommendations as a result of this peer review.
- There are no outstanding recommendations from prior audit peer reviews completed by us, or from prior reviews of our organization.

### OFFICE OF INVESTIGATIONS

- Our Office of Investigations is required to undergo a peer review every three years to ensure general and qualitative standards comply with the requirements of the Quality Standards for Investigations adopted by the CIGIE. The peer review also ascertains whether adequate internal safeguards and management procedures exist to ensure that the law enforcement powers conferred by the 2002 amendments to the Inspector General Act are properly exercised pursuant to Section 6(e) of the Inspector General Act (as amended) and the U.S. Attorney General Guidelines for Offices of Inspector General with Statutory Law Enforcement Authority.
- During this reporting period, the Office of Investigations did not undergo a peer review.
- During this reporting period, the Office of Investigations conducted a peer review of the Defense Criminal Investigative Service (DCIS) from September 15-19, 2014.
- There are no outstanding recommendations from prior investigative peer reviews completed by us or from prior reviews of our organization.

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## APPENDIX I: REVIEW OF LEGISLATION AND REGULATIONS

Section 4(a)(2) of the *Inspector General Act of 1978*, as amended, requires the SSA OIG to review existing and proposed legislation and regulations relating to SSA's programs and operations; and make recommendations concerning their impact on those programs or on the prevention of fraud and abuse. We accomplish this task in several ways. First, many of our audits and other reports evaluate SSA's compliance with existing laws and regulations. When appropriate, we recommend issuing relevant regulations or seeking appropriate legislative authority; and we provide a status of those recommendations in our Semiannual Report to Congress. We will also provide Congressional Responses to Congress in response to direct requests. Finally, we describe in our annual Audit Work Plan planned reviews that will address issues related to laws and regulations.

With regard to proposed legislation and regulations, we provide comments on pending or proposed legislation to SSA's Office of Legislation and Congressional Affairs, which includes those comments in its agency response to OMB.

In addition, we participate on an SSA working group that reviews legislative proposals throughout the year. This working group provides feedback on proposals submitted from all SSA components. Finally, the Inspector General is an active member of the CIGIE Legislation Committee. In this role, he provides input to responses prepared by the Committee to congressional staff on the impact of proposed legislation, and we meet with congressional staff as needed to discuss legislative issues.

Fraud in SSA's disability programs continues to be of great concern to Congress and the Public. On April 9, 2014, the IG testified before the Subcommittee on Energy Policy, Health Care, and Entitlements, Committee on Oversight and Government Reform at the hearing *Examining Ways Social Security Can Improve The Disability Process*. He testified that it is critical that SSA invest sufficient resources to maintain and improve disability program integrity, through efforts such as Continuing Disability Reviews and redeterminations, and anti-fraud initiatives like the Cooperative Disability Investigations program. These efforts safeguard the stability and integrity of disability payments, and they inspire Americans' confidence in Social Security's programs. The OIG is committed to working with Social Security and Congress to help SSA achieve these and other goals.

On September 12, 2014, the Inspector General issued a special report, *The Social Security Administration's Ability to Prevent and Detect Disability Fraud*. This report was issued in response to a request by the Chairman of the Subcommittee on Social Security, Committee on Ways and Means requesting the OIG perform a "top-to-bottom" review of the Social Security Disability Insurance Program, specifically to determine how recently uncovered fraud schemes in New York, Puerto Rico, and West Virginia could have occurred. The OIG was also asked to identify what SSA needs to do to prevent such fraud schemes in the future. The report identified the degree to which SSA does or does not have the infrastructure, systems, or policies in place to adequately identify potential fraud or manage and respond to fraud risks, particularly with regard to conspiracies such as those in New York and Puerto Rico. It also examined SSA's efforts to improve these systems and processes, and identified what needed to be done to prevent and detect large-scale disability fraud schemes, as well as individual fraud cases.

We also provided technical input to congressional staff on the language of H.R. 5260, the *Stop Disability Fraud Act of 2014*. This legislation is designed to improve SSA and SSA OIG's ability to fight fraud, prevent errors, and protect the Social Security Trust Fund. In part the legislation: requires that SSA expand the cooperative disability investigations units to cover each of the 50 States, the District of Columbia, Puerto Rico, Guam, the Northern Mariana Islands, the Virgin Islands, and American Samoa; provides for new and stronger criminal and civil penalties for individuals in positions of trust; provides for inflation adjustment for civil monetary penalties imposed under the Social Security Act; and, directs SSA to update its medical-vocational guidelines. H.R. 5260 was referred to the House Committee on Ways and Means on July 30, 2014.

## GLOSSARY OF ACRONYMS

ALJ	Administrative Law Judge
ASP	Agency Strategic Plan
BOAN	Beneficiary's Own Account Number
BSO	Business Services Online
CDPH	California Department of Public Health
CDR	Continuing Disability Review
DDS	Disability Determination Services
DHS	Department of Homeland Security
DI	Disability Insurance
DIPS	Death Information Processing System
DMF	Death Master File
DOT	Department of the Treasury
EEO	Earnings Enforcement Operation
FEQ	Foreign Enforcement Questionnaire
FO	Field Office
FY	Fiscal Year
GPO	Government Pension Offset
IRM	Information Resource Management
IT	Information Technology
MBR	Master Beneficiary Record
MEF	Master Earnings File
MI	Management Information
MIRS	Medical Improvement Review Standard
NAPA	National Academy of Public Administration
OASDI	Old-Age, Disability and Survivors Insurance
OI	Office of Investigations
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OQI	Office of Quality Improvement
OP	Office of Policy
PC	Processing Center
PII	Personally Identifiable Information
PIR	Post Implementation Review
POMS	Program Operations Manual System
SGA	Substantial Gainful Activity
SITAR	Strategic Information Technology Assessment and Review

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## GLOSSARY OF ACRONYMS (CONTINUED)

<b>SSA</b>	<b>Social Security Administration</b>
<b>SSI</b>	<b>Supplemental Security Income</b>
<b>SSN</b>	<b>Social Security Number</b>
<b>SSNVS</b>	<b>Social Security Number Verification System</b>
<b>SSR</b>	<b>Supplemental Security Record</b>
<b>TAS</b>	<b>Time Allocation System</b>
<b>WEP</b>	<b>Windfall Elimination Provision</b>