



Social Security Administration Office of the Inspector General

Semiannual Report to Congress

April 1, 2010 - September 30, 2010



Social Security Administration Office of the Inspector General



Mission Statement

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

Vision and Values

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



A MESSAGE FROM THE INSPECTOR GENERAL

The Social Security Administration (SSA), like all Federal agencies, continues to evolve in an effort to better serve the American public. While technological advances have aided the Agency's ability to connect with its customers, those changes have also created new challenges. It is a critical time, then, for the SSA Office of the Inspector General, which follows a core mission of protecting and improving the Agency and its programs.

In this *Semiannual Report to Congress*, covering the period April 1, 2010 through September 30, 2010, I am pleased to present to the 111th Congress our most significant audit and investigative accomplishments. Even during times of economic challenge and increasing workloads, we have maintained a focus on persistent management challenges like the disability backlog, as well as on high-priority investigations, such as those targeting representative payees who misuse Social Security benefits intended for people who are not able to manage their own financial affairs.



Also during this reporting period, we continued our oversight of SSA's plan to reduce improper payments under Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*. Our audit work assessed the Agency's methodology for identifying and measuring improper payments, its plan for meeting reduction targets for improper payments, and its plan for ensuring that related initiatives do not hinder program access by eligible beneficiaries. Additionally, my office has served as a liaison between the Inspector General community and the Office of Management and Budget, to help carry out Executive Order 13520.

Employee safety remains a critical issue for Social Security. As the Agency provides program benefits to more and more Americans, the possibility of encountering threats of harm increases. My office investigated numerous threats against Social Security employees and facilities during Fiscal Year 2010, and we have made employee safety training and preparedness a priority moving forward.

These are challenging times, but this office's nearly 600 employees remain dedicated to inspiring confidence in the integrity and security of SSA's programs, and we strive to protect them against fraud, waste, and abuse. I assure you that my office will continue to work with SSA and the Congress to strengthen the programs that provide timely and accurate benefits to those who rely on them.

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

Patrick P. O'Carroll, Jr.
Inspector General





SOCIAL SECURITY ADMINISTRATION OFFICE OF THE INSPECTOR GENERAL



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EXECUTIVE SUMMARY

This report presents the significant accomplishments of the Social Security Administration (SSA) Office of the Inspector General (OIG) from April 1, 2010 through September 30, 2010. The report is organized according to three major goals—impact, value, and people—set forth in the *OIG Strategic Plan: Fiscal Years (FY) 2006 – 2010*, Fifth Edition.

Impact

We work to have a positive impact on SSA programs and operations by enhancing their integrity, efficiency, and effectiveness. During this reporting period, we received more than 82,000 allegations from SSA employees, Congress, the public, law enforcement agencies, and other sources. Our agents closed more than 3,300 criminal investigations, resulting in over 290 arrests, over 530 indictments and informations, over 640 criminal convictions (including pretrial diversions). Also, over 50 cases were concluded during the reporting period as civil judgments or under the civil monetary penalty (CMP) program. During this reporting period, our agents also secured one indictment and six convictions for fraudulent activity related to Hurricanes Katrina and Rita; and they continued to work with law enforcement agencies to arrest subjects identified through the Fugitive Felon Program. Highlighted investigations in this section relate to Social Security number (SSN) misuse, employee misconduct, and threats against SSA employees.

Our auditors also had a significant impact during this reporting period, issuing 65 reports and making recommendations on a wide variety of challenges facing the Agency. Our audit work over the past six months included reviews of SSA's initiatives connected to the *American Recovery and Reinvestment Act of 2009 (Recovery Act)*, SSA's plan to reduce the pending hearings backlog, and the collection and use of SSNs in elementary and high schools.

Value

Our organization strives to provide valuable products and services in a timely manner to Congress, SSA, and other key decision makers, while sustaining a positive return for each tax dollar invested in OIG activities. During this reporting period, our auditors identified more than \$61.8 million in questioned costs and about \$1.1 billion in Federal funds that could be put to better use. Highlighted audits include the financial impact of the direct payment of benefits to aged beneficiaries who do not have representative payees, and an evaluation of cost and income estimates from the Annual Trustees Report against the actual performance of the Old-Age, Survivors, and Disability Insurance (OASDI) Trust Funds.

In the second half of FY 2010, we are reporting over \$184 million in monetary accomplishments, including over \$35 million in SSA recoveries, restitution, fines, settlements, and judgments; and over \$149 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 \$11 million in savings, restitution, and recoveries for other agencies. Highlighted investigations in this section relate to representative payee fraud and concealment of work activity while collecting disability benefits.

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 resulted in more than \$122 million in projected SSA program savings.

During this reporting period, our attorneys initiated 65 Civil Monetary Penalty (CMP) cases (Section 1129 cases) that involved false statements, representations, or omissions made in connection with obtaining or retaining benefits or payments under Titles II (Federal Old-Age, Survivors, and Disability Insurance benefits) and XVI (Supplemental Security Income) of the *Social Security Act (the Act)*. Included in our investigative accomplishments above is nearly \$1.95 million in penalties and assessments that our attorneys imposed through our CMP program.



People

The collective efforts of our employees continue to be the driving force behind this organization's success in achieving its mission. We provide an encouraging and rewarding work experience with the goal of retaining these exceptional individuals. OIG leadership fosters an environment where employees can realize their potential through training and developmental programs. OIG components convene training sessions to inform their employees about new procedures and share best practices.

In addition, the OIG Organizational Health Committee annually assesses employee satisfaction levels and addresses employee concerns. SSA and the Office of Personnel Management use a baseline of 65 percent of employees responding positively (e.g., strongly agree or agree) to measure the statistical strength of an organization. Using that definition of statistical strength, 12 of the 13 questions on the OIG survey had scores above 65 percent, demonstrating that the health of the OIG organization is strong. Question 12 of this survey asks, "Considering everything, how satisfied are you with your job?" Eighty-two percent of our employees indicated that they are either satisfied or very satisfied with their job, which is significantly higher than the 70 percent rate reported for SSA employees.





INTRODUCTION TO OUR ORGANIZATION

The SSA OIG is comprised of 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) provides the Inspector General with staff assistance on the full range of his responsibilities. IO staff provides liaison with all agencies sharing common interests with the OIG and ensures coordination with congressional committees, SSA, the Social Security Advisory Board, and the Council of Inspectors General on Integrity and Efficiency. IO includes the Office of Quality Assurance and Professional Responsibility (OQAPR), which performs two critical functions. First, it conducts exhaustive reviews of each of the OIG's component offices to ensure compliance with Federal laws and regulations, Agency policies, and relevant professional standards. Second, OQAPR conducts thorough and timely investigations into allegations of misconduct by OIG employees.

Office of Audit

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

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 affairs.





Office of External Relations

The Office of External Relations (OER) develops the OIG's media and public information policies, directs OIG's external and public affairs programs, and handles congressional, media, and public requests for information. OER is responsible for preparing OIG publications and presentations to internal and external organizations, and coordinating the OIG's presence at SSA and other Federal events. In addition, OER prepares the OIG *Semiannual Report to Congress* and congressional testimony, and coordinates with SSA's Offices of Communications and Legislation and Congressional Affairs.

Office of Investigations

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

Office of 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 a national human resources program, and develops and maintains the OIG's administrative policies and procedures. OTRM also maintains hardware, software, and telecommunications networks to support the OIG's mission. Finally, OTRM manages the OIG's Allegation Management and Fugitive Enforcement Division (AMFED) and Electronic Crimes Division.





IMPACT

The first goal of the OIG Strategic Plan is Impact. We are committed to enhancing SSA's effectiveness and efficiency through our investigative, audit, and legal activities. We strive to have maximum impact on SSA's programs and operations to ensure their continued integrity and reliability. During this reporting period, we completed numerous audits, investigations, and legal initiatives covering major SSA program and management areas, which had a significant impact on the detection and prevention of fraud, waste, and abuse. The summaries presented below are indicative of our work over the past six months.

Audit Impact Initiatives

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

American Recovery and Reinvestment Act of 2009

On February 17, 2009, the President signed into law the *Recovery Act*, P.L. 111-5. The Administration is committed to investing *Recovery Act* funds with an unprecedented level of transparency and accountability so Americans know where their tax dollars are going and how they are being spent. SSA was provided funds under the *Recovery Act* in the following areas:

- \$500 million designated for the replacement of SSA's National Computer Center (NCC);
- \$500 million designated for processing disability and retirement workloads, and information technology acquisitions and research in support of these workloads; and,
- \$90 million to reimburse costs for processing a one-time economic recovery payment (ERP) of \$250 to millions of qualified individuals receiving Social Security benefits and/or Supplemental Security Income (SSI).

Congress provided our office \$2 million to conduct oversight of SSA programs, projects, and activities funded by the *Recovery Act*. During this reporting period, we issued eight reports related to the *Recovery Act*.



1) The Social Security Administration's Data Center Alternatives

In December 2009, we received a congressional request for assistance in evaluating SSA's decision process regarding building its new data center outside SSA's Woodlawn, Maryland campus. Our contractor's review indicated that, in general, SSA had conducted a sophisticated evaluation of its data center requirements, timeframes, and options in planning to replace its NCC facility.

However, there were questions about the costs and the risks that have been assigned to the different options for building a new data center. Our contractor made several recommendations related to costs and risks, and SSA agreed with the recommendations.



2) The Social Security Administration's Use of Site Selection Industry Best Practices for its New Data Center

We initiated this review to evaluate the appropriateness of the site or potential sites selected for the new data center, and to determine whether best practices were followed in the development of the overall project plan and milestones. Our contractor's evaluation found that the site selection team's (GSA and SSA) decision criteria avoided major areas that potentially are hazardous to the operation of a data center (including natural and man-made risks). In addition, the criteria defined major site- and data center-construction issues that would have a significant impact on the site to be selected.

However, questions remained concerning the site selection team's process in narrowing the sites to a short list. In addition, the initial mandatory selection criteria applied to the geographic regions under consideration may have excluded too many locales. In particular, the site selection team did not appear to have considered the serious fiscal impact of excluding certain locales, with regard to the electrical power cost arena over the life cycle of the data center. Finally, only limited information was available to evaluate the telecommunications criteria concepts.

Our contractor made 25 recommendations related to site selection industry best practices, and SSA agreed with 22 of 25 recommendations.



3) The Social Security Administration's Response to Congressional Inquiry Concerning New Data Center Site Selection

We initiated this review to evaluate the sufficiency and reliability of the site information on which SSA based its decision on where to build the new data center. The review served as an independent assessment of whether building on or off the Woodlawn, Maryland campus site is most cost-effective and best suited to meet SSA's requirements.

Congress posed questions to the General Services Administration (GSA) and SSA regarding the NCC replacement project schedule and cost efficiency. GSA hired a contractor to develop detailed requirements and to perform an assessment of the off- and on-campus options available to SSA for building a new data center.

Our contractor found the study did not address construction costs and future use of the current NCC, include an assessment of the NCC project's life-cycle cost, incorporate the costs of transition and occupancy into the overall analysis, or incorporate a cost analysis of the alternatives available to mitigate the impact of potential schedule delays. Our contractor made four recommendations, and SSA agreed with two of those.

4) The Social Security Administration's Hiring Under the American Recovery and Reinvestment Act of 2009

In this review, we determined that SSA timely reported aggregate FY 2009 staffing information to OMB and Recovery.gov, regarding employees hired with *Recovery Act* funds in Operations, the Office of Disability Adjudication and Review (ODAR), and the Disability Determination Services (DDSs).

Because of the Agency's process for tracking employment at the DDS level, we were unable to verify the accuracy of the 300 DDS employees hired using *Recovery Act* funds. However, we were able to determine that FY 2009 hiring at DDS locations was consistent with the *Recovery Act* positions allocated by the Agency.

5) Social Security Administration Computer Equipment Purchases with American Recovery and Reinvestment Act of 2009 Funds

We determined whether (1) Hewlett Packard (HP) complied with contract terms (Contract Number SS00-08-40039) and applicable regulations; (2) SSA personnel properly monitored the contract; and (3) *Recovery Act* funds were properly accounted for and used.

We found that the type and quantity of computer equipment HP provided and prices it charged SSA adhered to contract terms.



6) Economic Recovery Payments for Social Security and Supplemental Security Income Beneficiaries

In this review, we determined that SSA properly issued the vast majority of the \$13 billion in ERPs to about 52 million eligible beneficiaries. However, SSA could have prevented the issuance of ERPs to some ineligible beneficiaries. Specifically, we estimated that SSA issued ERPs totaling \$18 million to about 71,688 deceased beneficiaries. In addition, SSA did not always recover erroneous ERPs issued to deceased beneficiaries.

We also found that SSA issued \$4.3 million in ERPs to approximately 17,348 incarcerated beneficiaries. However, we noted that about 90 percent of the incarcerated beneficiaries were, in fact, eligible for an ERP because the *Recovery Act* did not prohibit ERPs to beneficiaries who were incarcerated at the time of payment.

Should another ERP be enacted into law, we recommended that SSA improve controls to prevent payments to ineligible beneficiaries. We also recommended that the law prohibit the payment of ERPs to incarcerated beneficiaries. SSA generally agreed with our recommendations.

In addition, SSA reported that about 45,200 of the ERPs issued to deceased beneficiaries were subsequently returned, and all but 126 of the estimated 1,735 ERPs issued to ineligible prisoners had been recovered.

7) The Social Security Administration's Use of American Recovery and Reinvestment Act of 2009 Funds to Administer Economic Recovery Payments

For this review, we determined that administrative costs incurred by SSA to administer ERPs were generally valid and appropriate. SSA spent considerably less than the \$90 million provided for administrative costs related to the issuance of the ERPs. As of February 2010, SSA had obligated approximately \$39 million in *Recovery Act* funds to administer the ERPs. On August 10, the President signed Pub.L. No. 111-226, which rescinded \$47 million of that funding.

8) Contractors' Reporting of Jobs Created Using American Recovery and Reinvestment Act Dollars

For this review, we verified the number of jobs reported as created or retained by SSA contractors who received *Recovery Act* awards as of the quarters ended September 30, 2009 and December 31, 2009. We reported that based on our verification of the number of jobs reported, eight of the nine contractors reported jobs created or retained in a manner inconsistent with OMB guidance.

Contractors' errors resulted from their misinterpretation of OMB guidance. SSA reviews contractors' job creation reports, and its quality review procedures comply with OMB standards. However, SSA's quality reviews were not designed to detect, and did not detect, the specific types of errors we found during our detailed study. We did not make any formal recommendations, but we suggested that SSA periodically verify the jobs reported by *Recovery Act* contractors.



Disability Impairments on Cases Most Frequently Denied by Disability Determination Services and Subsequently Allowed by Administrative Law Judges

Our objective was to identify the impairments of initial disability cases most frequently allowed at the ODAR hearing level and evaluate the characteristics of these cases.

A person who disagrees with an initial determination by the State DDS may request an appeal. The levels of appeal are reconsideration at the DDS [this level of appeal is eliminated in prototype states] and an administrative law judge (ALJ) hearing and Appeals Council review at ODAR.¹

We identified the four impairments that were most often denied by DDSs in Calendar Years (CY) 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 affected 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.

We recommended, and the Agency agreed to:

1. Collect information related to claimant representation at the DDS level to determine whether representation results in more allowances at the DDS level.
2. Consider conducting a targeted review of disability determinations made in the six States we identified as having higher-than-average DDS denial rates and hearing level allowance rates for the four impairments we analyzed.
3. 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.

¹ In 1999, SSA began testing several modifications to the disability determination procedures, including the elimination of the reconsideration step in 10 Prototype States: Alabama, Alaska, California (Los Angeles North and Los Angeles West Branches), Colorado, Louisiana, Michigan, Missouri, New Hampshire, New York, and Pennsylvania.



Conversion of the Social Security Administration's Legacy File Management System

SSA's Master Data Access Method (MADAM) was developed in the early 1980s to support the storage and retrieval of SSA's major program Master Files. MADAM was written in a programming language that is no longer widely used, which, when combined with the system's complexity, makes it difficult to train or recruit new programmers. Furthermore, with the increasing number of retirements among SSA's system personnel, there will be fewer individuals who can maintain MADAM.

We found that SSA had effectively implemented MADAM-DB2 Conversion Project (the Project) to replace MADAM; however, the Project implementation strategy was not efficient because the strategy resulted in less than optimal database design. To date, SSA has successfully completed Phase I for two of the four Master Files. Although the Project team performed well, we found the following:

- SSA had not classified the Project as a major Information Technology (IT) investment with OMB.
- SSA lacked a long-term, comprehensive strategic Project plan.
- The Project methodology may result in a less-than-optimal design.
- SSA did not consider other alternatives for replacing MADAM.
- SSA needed to improve certain project management practices.

We recommended that SSA: (1) discuss with OMB the need to classify the Project as a major IT investment; (2) establish a long-term, comprehensive strategic plan for the Project and related major IT initiatives; (3) ensure an Alternatives Analysis is performed for each future major IT investment; (4) continue with its conversion, but also assess the remaining portions of the Project to determine full scope and costs of the current MADAM conversion to DB2 strategy and document the advantages and disadvantages for delaying the application rewrite efforts and the impact on total project costs; and (5) ensure compliance with OMB and SSA project management requirements. SSA agreed with or partially agreed with all five recommendations.





The Office of Disability Adjudication and Review's 2013 Pending Hearings Backlog Plan

Our objective was to determine whether SSA had an achievable plan to eliminate the pending hearings backlog by FY 2013.

As outlined in its FY 2008–2013 Strategic Plan, SSA plans to reduce the number of pending cases to a desired level of 466,000 cases and reduce the average processing time to 270 days by FY 2013.

Our projections, based on four key variables, indicate that SSA will meet its FY 2013 pending hearings backlog goal. We estimate the Agency will have approximately 405,000 pending hearing cases by the end of FY 2013, which is lower than the Agency's stated goal of 466,000 cases. Our calculations are based on factors over which SSA maintains varying control, including the (1) number of new receipts, (2) number of available ALJs, (3) productivity of those ALJs, and (4) number of decisions issued by senior attorney adjudicators.

SSA should be able to eliminate the pending hearings backlog if its projections are met. However, there is little room for error. A small change in any one of the underlying assumptions may cause SSA to miss its 2013 pending hearings backlog goal. For this reason, continued assessment of these various factors, as well as periodic adjustments by Agency managers, will be necessary to ensure SSA remains on track.

Kindergarten Through 12th Grade Schools' Collection and Use of Social Security Numbers

Our objective was to assess kindergarten through 12th grade (K-12) schools' collection and use of SSNs and the potential risks associated with current practices.

Millions of children enroll in K-12 schools each year. To assist in this process, K-12 schools may collect and use SSNs for various purposes. Although no single Federal law regulates overall use and disclosure of SSNs by K-12 schools, the *Privacy Act of 1974*, the *Social Security Act*, and the *Family Educational Rights and Privacy Act of 1974*, contain provisions that govern disclosure and use of SSNs.

Despite the increasing threat of identity theft, our review of State laws and school policies and practices disclosed that K-12 schools' collection and use of SSNs was widespread. We determined that many K-12 schools used SSNs as the primary student identifier or for other purposes, even when another identifier would have sufficed. In addition, there has been a growing trend among State Departments of Education to establish longitudinal databases, which may include SSNs, of K-12 children to track students' progress over time. While some State laws may require that K-12 schools collect SSNs in some instances, we believe some do so as a matter of administrative convenience, and we do not believe convenience should take precedence over safeguarding children's personal information.

We recommended that SSA: (1) coordinate with State Departments of Education and K-12 school systems to inform the education community about the potential risks associated with using SSNs as student identifiers or for other purposes; (2) encourage State Departments of Education and K-12 schools to reduce unnecessary collection and use of SSNs and implement safeguards to protect SSNs when collected; and (3) promote the best practices of States and K-12 schools that have taken steps to limit SSN collection and use.

SSA agreed with our recommendations.



Investigative Impact Initiatives

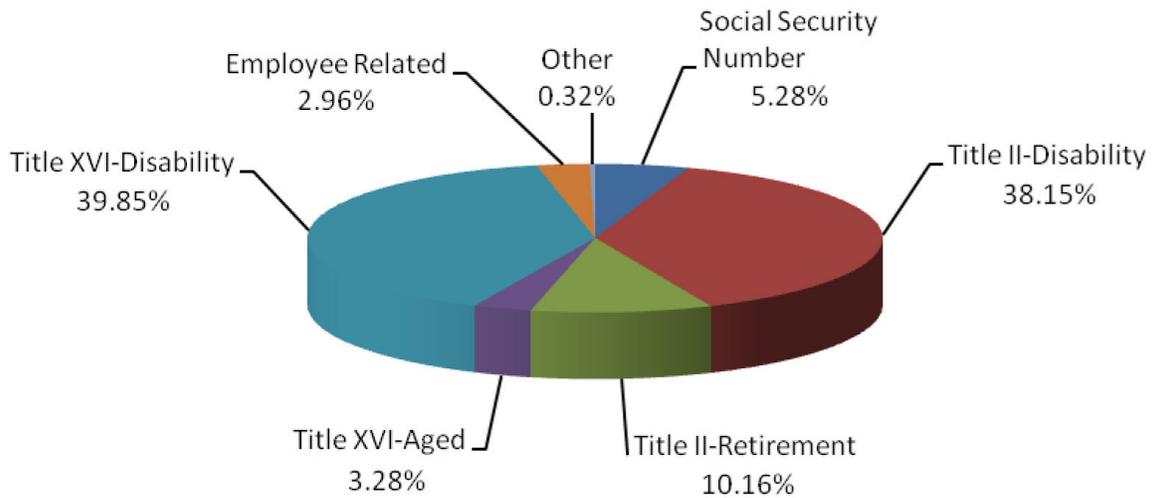
OIG examines and investigates allegations of fraud, waste, abuse, and mismanagement in SSA programs and operations. These allegations may involve benefit fraud, SSN misuse, violations by SSA employees, or fraud related to grants and contracts. Our investigations often result in criminal or civil prosecutions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

Investigative Results			
	10/1/09 - 3/31/10	4/1/10 - 9/30/10	Fiscal Year 2010
Allegations Received	75,563	82,879	158,442
Cases Opened	3,251	3,109	6,360
Cases Closed	3,740	3,373	7,113
Arrests	303	292	595
Indictments/Informations	432	557	989
Criminal Convictions	794	647	1,441
Civil/CMPs	69	55	124

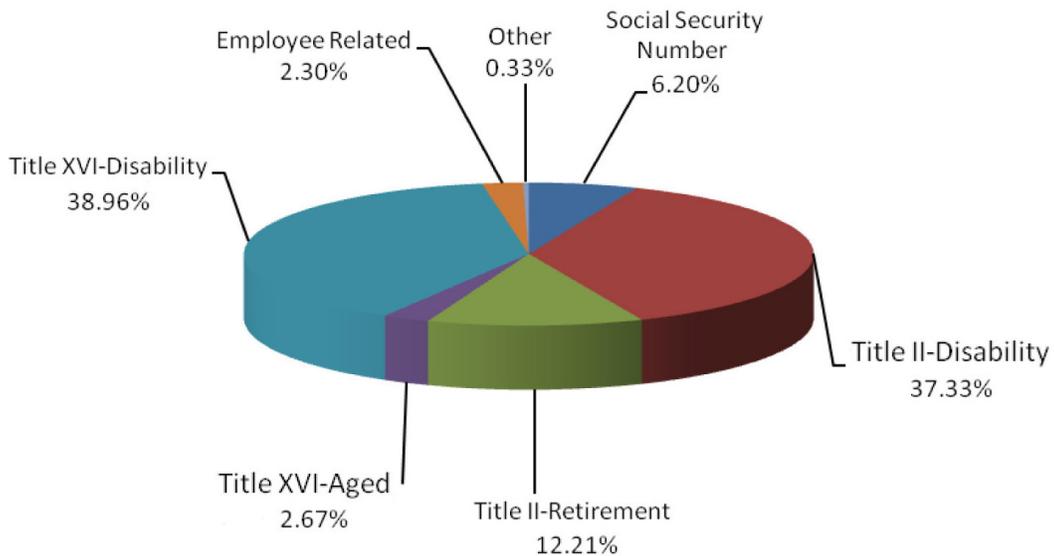




**Cases Opened by Program Category
April 1, 2010 - September 30, 2010**



**Cases Closed by Program Category
April 1, 2010 - September 30, 2010**





Allegations Received by Source			
	10/1/09 - 3/31/10	4/1/10 - 9/30/10	Fiscal Year 2010
Law Enforcement	25,815	30,249	56,064
SSA Employees	16,934	18,892	35,826
Private Citizens	17,181	17,657	34,838
Other	9,892	9,529	19,421
Anonymous	3,722	4,753	8,475
Beneficiaries	1,384	1,211	2,595
Public Agencies	635	588	1,223
TOTAL	75,563	82,879	158,442

Allegations Received by Category			
	10/1/09 - 3/31/10	4/1/10 - 9/30/10	Fiscal Year 2010
SSI Disability	29,197	31,180	60,377
Disability Insurance	27,698	31,040	58,738
SSN	6,748	7,987	14,735
Other	5,894	6,501	12,395
Old-Age, Survivors Insurance	4,349	3,866	8,215
Employee	1,130	1,730	2,860
SSI Aged	547	575	1,122
TOTAL	75,563	82,879	158,442



SSA Fraud: Daughter Embezzles Funds from Father

Our Kansas City office, along with the U.S. Postal Inspection Service, participated in the investigation of a woman who forged her father's name on his Title II retirement benefits and, for nearly 15 years, embezzled funds from his dental practice and personal bank accounts.

In June 2010, after pleading guilty to mail fraud, the woman was sentenced to 18 months' incarceration, three years' supervised release, and was ordered to pay full restitution of \$124,796 to her father.

SSN Misuse: Colombian National's Actions Result in Fraud Loss of Over \$110,000

Our Dallas office initiated an investigation based on information received from the Department of State's Diplomatic Security Service. The referral alleged that a Colombian national applied for a U.S. Passport using a fraudulent birth certificate, and possibly used the same fraudulent document to obtain a valid SSN card.

The investigation revealed the Colombian national used the false identity to obtain an SSN card, as well as to collect Title II and Title XVI disability benefits. Additionally, the Texas Health and Human Services Commission (TX HHSC) paid the individual's Medicare premiums.

In July 2010, after pleading guilty to false claims to U.S. citizenship, the man was sentenced to six months' incarceration, 12 months' supervised release, and was ordered to pay restitution of \$103,992 to SSA and \$7,167 to the TX HHSC. In addition, the man will be deported at the completion of his sentence.

SSN Misuse: Bank Branch Manager Pleads Guilty to Embezzlement

Our Seattle office initiated an investigation based on a request for assistance from a bank, after an employee report alerted them to suspicious transactions. The investigation revealed that a branch manager of the bank opened several lines of credit using another person's name, SSN, and date of birth, and withdrew funds for his own use. He also illegally accessed the accounts of several bank customers without their knowledge and converted those funds for his own use.

In June 2010, after entering a guilty plea to bank embezzlement, the branch manager was sentenced to one year and one day in prison, followed by six months' home detention with electronic monitoring, five years' supervised release, and was ordered to pay restitution of \$112,626 to the bank.





Employee Fraud: Former SSA Employee Misdirects Direct Deposit of SSA Beneficiary

Based on a referral from the Pontiac, Michigan SSA office, our Detroit office conducted an investigation of an SSA claims representative for fraudulently creating an underpayment on a Title XVI disability recipient's record and directing the funds into her own bank account.

The investigation determined the employee used her own Personal Identification Number to create the underpayment intended for the recipient. The employee accessed the recipient's SSA record to change the direct deposit information to reflect her own financial institution's information. She then had the funds redirected and deposited into her own personal bank account.

The employee was terminated in May 2010.

Employee Fraud: Former SSA Employee Commits 33 System Access Violations

Our Seattle office investigated an SSA claims representative for exceeding authorized access of the SSA database. The investigation revealed that the employee used her access to commit 33 systems access violations by entering fraudulent and improper information into the SSA mainframe system.

The employee fraudulently processed SSN applications and made improper citizenship coding changes to SSA records belonging to friends and acquaintances. Her actions resulted in two illegal aliens receiving SSN cards authorizing employment, and one illegal alien receiving an SSN card indicating legal U.S. citizenship.

The employee was terminated in April 2010.

Employee Fraud: SSA Employee Ordered to Pay Restitution to SSA after Misuse of Daughter's SSI Benefits

Based on information received from SSA's Assistance and Insurance Program Quality Branch in Oakland, California, our San Francisco office conducted an investigation of an SSA claims representative for misusing her disabled daughter's benefits.

The investigation revealed that the employee misused her daughter's Title XVI disability and Title II survivors' benefits while acting as her representative payee from April 2006 through October 2008. The employee misused her daughter's benefits to pay for her son's living expenses instead of paying for her daughter's care. The SSA fraud loss is \$27,614.

The employee remains on indefinite suspension and is awaiting a hearing with the Merit Systems Protection Board. On April 15, 2010, the employee entered into a Pre-Trial Diversion (PTD). The conditions set forth in the PTD consisted of reporting to the U.S. Pretrial Services for 12 months and paying restitution of \$27,614 to SSA. Additional conditions included that she refrain from the use of alcohol, refrain from any unlawful use or possession of narcotics or other controlled substance without a legal prescription, and that she participate in mental health counseling.



Threats and Assaults Against SSA Employees

Employee safety is of paramount concern to SSA and OIG. Social Security employees must follow extreme caution as the number of Americans who depend on government services increases during times of economic challenge.

The Inspector General's OI shares the responsibility for investigating reports of threats or force or use of force 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.

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

Felon Threatens SSA Employee

Acting on a referral received from the Murray, Utah SSA office, our Salt Lake City office investigated a Title II disability applicant for making threats toward an SSA employee, after the man was denied benefits. At the time of his arrest, the applicant, who was a convicted felon, possessed a firearm.

In June 2010, after pleading guilty to being a felon in possession of a firearm, the man was sentenced to 12 months and one day of incarceration and 36 months of supervised release.

Missouri SSA Office Employees Threatened

Acting on information provided via a 911 emergency call, our St. Louis office investigated a Title II retirement beneficiary for making threats toward employees of the St. Peters, Missouri SSA office. The man was upset about not receiving his retirement payment and threatened to "take hostages."

In July 2010, following his plea of guilty to making a terroristic threat, the man was sentenced to five years' supervised probation.





Fugitive Felon Enforcement Program

The OIG's Fugitive Felon Enforcement Program identifies individuals reported to have outstanding felony arrest warrants and outstanding warrants for parole and probation violations. SSA shares its location information for wanted felons with local law enforcement agencies to assist in their apprehension efforts. In turn, these agencies advise SSA on the disposition of the warrant so that appropriate administrative action on the benefits may be taken.

OIG's Management and Fugitive Enforcement Program

Our data-sharing efforts with law enforcement agencies contributed to the arrest of 6,574 subjects during FY 2010, and those efforts have led to over 94,000 arrests since the program's inception in 1996. The following are some examples of fugitive felon activities during the past six months:

- OIG agents and members of the U.S. Marshals Service, Joint Fugitive Task Force in New Haven, Connecticut arrested an SSA beneficiary wanted on the illegal use of a Credit Card, a Class D felony. The warrant dated January 26, 2010 was issued by the Milford (Connecticut) Police Department.
- OIG agents and members of the Los Angeles Police Department, Cold Case Fugitive Felon Unit, reported the arrest of an SSA beneficiary wanted on an outstanding warrant dated April 10, 2007. The subject was arrested for Willful Infliction of Corporal Injury on a Spouse and Assault with a Deadly Weapon.
- OIG agents and members of the San Diego Fugitive Task Force reported the arrest of an SSA beneficiary wanted on an outstanding warrant dated April 2, 2010. The subject was arrested for Possession of a Narcotic Controlled Substance.
- OIG agents and the Minnesota Fugitive Task Force reported the arrest of an SSA beneficiary wanted on felony warrants for Production of Child Pornography and Receipt of Child Pornography dated July 22, 2009. For two years, the subject had not been seen after law enforcement executed a search warrant on his residence. The subject was located and apprehended in the Northern District of Iowa.

Data-sharing efforts with law enforcement agencies contributed to the arrest of 6,574 subjects in FY 2010, and 94,000 arrests since the program's inception in 1996.





Legal Impact Initiatives

Section 1140 Enforcement

In our enforcement of Section 1140 of *the Act*, OCIG has initiated an aggressive offensive against misleading website operators by using the authority delegated by the Commissioner and Inspector General under Section 1140 of *the Act*. Section 1140 prohibits the misuse of SSA program words, emblems, and symbols in a manner that conveys the false impression of an affiliation with, or endorsement by SSA.

A recent Section 1140 development involves the operation of websites designed to appear as either the official SSA website or to have an affiliation with SSA for the purpose of charging a fee for an otherwise free *SSA Application for a Social Security Card* ("Form SS-5"). SSA provides the Form SS-5 at no cost on its website, as well as at SSA Field Offices and other SSA-approved locations throughout the nation. To lure unsuspecting consumers to these websites, violators contract with Internet search companies and web-hosting entities to ensure that Internet searches for terms related to obtaining a new or replacement Social Security Card will result in potential customers being directed to their websites instead of SSA's official site.

The OIG, in conjunction with DOJ, has just successfully concluded a significant case involving such a scheme (see below Press Release). The OIG is now planning a proactive Section 1140 educational outreach program that is targeted to the Internet industry. The OIG is committed to continuing its Section 1140 enforcement efforts as experience has taught us that vigilance in enforcing Section 1140 as well as expanding public awareness can have a significant positive effect on entire industries.

Houston Company Penalized \$325,000 for Operating Misleading Social Security-Related Websites

In August, Houston-based Net Forms, LLC, agreed to pay a \$325,000 CMP to SSA and discontinue operating several websites designed to entice members of the public to pay a fee for SSA's *Application for a Social Security Card* that SSA offers free of charge.

The Government filed a civil action in the U.S. District Court for the Southern District of Texas, charging that several websites operated by Net Forms, LLC violated Section 1140 of *the Act* for their use of SSA's words, letters, symbols, and emblems in a manner that gave the false impression that SSA approved, endorsed, or authorized the websites. The Government further charged that operation of the websites violated provisions of Section 1140 related to the fee-based reproduction or distribution of an SSA form or publication, as well as provisions related to providing fee-based assistance to individuals in obtaining a product or service that SSA provided free of charge. SSA provides the Form SS-5 at no cost on its website, www.socialsecurity.gov, as well as at all SSA field offices and other SSA-approved locations throughout the nation.

The website operators contracted with Internet search companies to ensure that online searches for terms related to obtaining a new or replacement Social Security Card would direct potential customers to the websites. Thousands of individuals viewed the websites, and Net Forms, LLC accumulated significant revenues from its sale of the SSA form. Fees for the form reached as high as \$29.99, plus an additional \$9.99 fee for an automatically renewable annual membership fee to a forms database also operated by Net Forms, LLC.

The successful resolution of the case was the result of a joint effort between the SSA OIG and the U.S. Attorney's Office, Southern District of Texas.



VALUE

The second goal of the OIG Strategic Plan is Value. All OIG initiatives strive to provide value to SSA, the Congress, other key decision makers, and the public by delivering timely and reliable audit, investigative, and legal products and services. To achieve the intended value, these products and services must effectively meet the needs of all whom we serve while maximizing our available resources. To do this, we integrate best-practice strategies and the newest technologies to increase our productivity and maximize our return on investment to the public.

Value Attained Through Audits

Many of our audits are focused on identifying SSA programmatic and operational areas where funds could be put to better use. In addition, we often question approaches and their accompanying costs, and we recommend alternatives to yield program and operational savings.

During this reporting period, our auditors issued 65 reports, identifying over \$61.8 million in questioned costs and about \$1.1 billion in Federal funds that could be put to better use. Some of our most notable audits are summarized below.

Aged Beneficiaries in Need of Representative Payees

The objective of our audit was to identify potential vulnerabilities of direct payment to aged beneficiaries and determine whether additional safeguards are needed to ensure their funds are properly managed.

SSA selects representative payees for Title II and XVI beneficiaries when representative payment would serve the beneficiaries' interests. SSA may not be aware of aged beneficiaries who need representative payees. Medical statistics state that up to 50 percent of individuals over age 85 may suffer from Alzheimer's disease or dementia. As of December 2008, we had identified about 5 million beneficiaries who were over age 85. However, only 231,817 (4.6 percent) had representative payees.

We estimate that approximately 1 million aged beneficiaries who received about \$1 billion in monthly benefits may have been incapable of managing or directing the management of their benefits. This occurred, in part, because SSA did not identify aged beneficiaries who became incapable after their initial entitlement to benefits. In addition, individuals or organizations who managed the benefits were not always aware of SSA's Representative Payment Program.

In addition, we found that 34 beneficiaries, receiving \$40,162 in monthly benefits, refused to participate in our review and may have been at risk.

We recommended that SSA: (1) take appropriate action for the 61 incapable beneficiaries identified by our audit; (2) contact the 34 beneficiaries who refused to participate in our review and determine whether they are capable of managing their benefits; (3) follow up on the one SSI recipient who could not be located to verify when the recipient left the United States, whether the recipient is still alive, and if any overpayments were made; (4) establish additional controls to better identify aged beneficiaries in need of representative payees; and (5) evaluate the need for additional representative payee policy for selecting and monitoring family members who manage incapable beneficiaries' funds.

SSA agreed with four of our five recommendations.



Follow-Up of Pending Workers' Compensation

Our objectives were to determine the status of corrective actions SSA had taken to address recommendations in our September 2005 report, *Follow-up of Pending Workers' Compensation: The Social Security Administration Can Prevent Millions in Title II Disability Overpayments* (A-08-05-25132), and update the volume of Title II disability cases with pending workers' compensation (WC) claims.

All States require that employers provide WC insurance for employees in the event they suffer work-related injuries or occupational diseases. *The Act* requires that SSA offset disability benefits for individuals who receive Federal, State, or locally administered WC benefits in most States.

SSA had not taken corrective actions to address recommendations aimed at reducing and managing its pending WC workload. As a result, the volume of cases with WC claims pending for two or more years increased from 227,615 in January 2005 to 268,825 in November 2009, an 18-percent increase over the past four years. In addition, we estimated SSA had overpaid Title II beneficiaries between \$44 million and \$58 million because of unreported WC payments since our June 2003 report.

Accordingly, SSA needs to: (1) develop a plan for addressing its backlog of Title II disability cases having pending WC issues and establish target goals for reducing improper payments resulting from unreported WC payments; (2) develop and implement an automated process to ensure the Agency systematically and routinely follows up on new pending WC cases; (3) explore systems enhancements that would detect situations in which WC is not applicable to prevent personnel from retrieving and analyzing cases that no longer require development; and (4) work with OMB to develop legislation that would require that State and local governments and other entities that administer WC plans provide the Agency with WC payment information.

Trust Fund Projections

The objective of our evaluation was to determine how the short- and long-range estimates for cost and income presented in the Annual Trustees Reports, fluctuated from year to year and how accurately the projections reflected the actual performance of the OASDI Trust Funds.

The Board of Trustees was established under *the Act* to oversee the financial operations of the OASDI and Disability Insurance Trust Funds. Each year, the Trustees issue an Annual Report on the Social Security Trust Funds' financial status, including projections of future revenue and expenditures.

Actuarial estimates depend on a broad set of demographic, economic, and programmatic factors along with assumptions about those. Because of the extensive number of factors used in the long-range actuarial estimates, significant uncertainty surrounds the assumptions.

Based on our review, we found that the Trustees' cash projections for CY 2009 significantly differed from the actual net cash flow for the low-cost, intermediate, and high-cost assumptions. The Trustees' cash projections for 2010 fluctuated significantly from the 1988 to 2009 Trustees Reports; however, the Trustees never projected the Trust Funds cash flow to go negative in 2010. Based on recent news articles, it has been indicated that Social Security costs could exceed its income as early as 2010 because the economic recession has impacted Social Security's cash flow far worse than projected. Based on the extensive number of economic, demographic, and programmatic factors used in the actuarial projections, future excess cash over expenses is difficult to accurately project.



Benefits Payable to Child Beneficiaries Who No Longer Need Representative Payees

Our objective was to determine whether SSA had adequate controls to ensure that child beneficiaries whose benefits were withheld because they did not have representative payees were paid when they reached age 18.

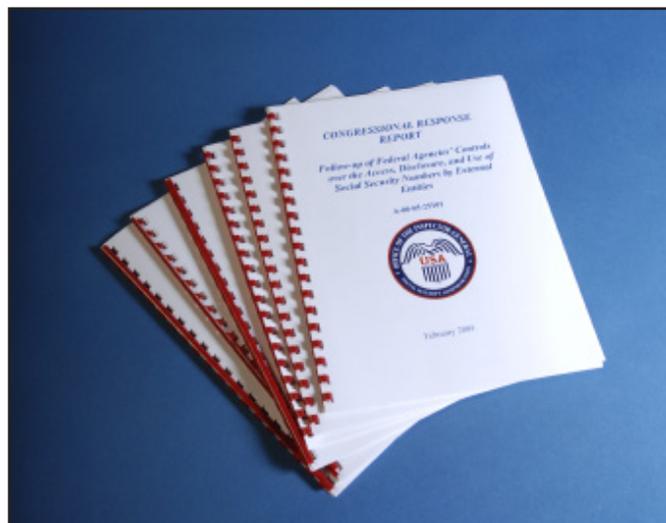
SSA appoints representative payees for individuals who cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. When necessary, SSA may suspend benefits and initiate a search for a new representative payee. However, upon reaching age 18, child beneficiaries generally no longer require representative payees. For our review, we identified 13,739 child beneficiaries over age 18 that had past-due benefits that were withheld pending the selection of a representative payee.

SSA needed to improve controls to ensure child beneficiaries who reached 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 reached age 18, or SSA employees did not take corrective actions to pay withheld benefits when processing student awards when a child reached age 18.

We recommended, and the Agency agreed to:

1. Take corrective action to resolve the benefits withheld from the 49 beneficiaries identified by our audit.
2. 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.
3. Improve controls to ensure that child beneficiaries who are capable of managing their benefits are paid any benefits that were withheld pending the selection of a representative payee.
4. Remind SSA employees to review beneficiaries' payment records when awarding student benefits and to take corrective actions to pay previously withheld benefits.





Value Attained Through Investigations

During this reporting period, the efforts of our investigators yielded significant results arising from the successful prosecution of cases that we developed. Our investigators achieved over \$184 million in monetary accomplishments, with over \$35 million in SSA recoveries, restitution, fines, and settlements/judgments; and over \$149 million in projected savings from investigations resulting in the suspension or termination of benefits.

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

SSA Funds Reported			
	10/1/09 - 3/31/10	4/1/10 - 9/30/10	Fiscal Year 2010
Recoveries	\$15,592,300	\$20,838,793	\$36,431,093
Fines	\$889,533	\$812,553	\$1,702,086
Settlements/Judgments	\$495,766	\$398,905	\$894,671
Restitution	\$12,929,476	\$13,282,859	\$26,212,335
Estimated Savings	\$143,941,121	\$149,265,770	\$293,206,891
TOTAL	\$173,848,196	\$184,598,880	\$358,447,076

The following case summaries are indicative of the more than 3,300 investigations that we closed during this reporting period. The cases we have highlighted illustrate the many instances where our investigative efforts have resulted in a significant return on investment.

Disability Program Fraud: Teacher Uses Multiple Identities to Receive SSA Benefits

In response to a referral from our Fraud Hotline, our Los Angeles office investigated a woman who received Title II and Title XVI disability benefits using multiple fraudulent identities. While working as a teacher, the woman used her own identity to obtain Title II disability benefits, a second identity to obtain Title XVI disability benefits, and a third identity to obtain both Title II and Title XVI disability benefits.

In May 2010, after pleading guilty to theft of government funds, the woman was sentenced to 12 months' home detention, four years' probation, and was ordered to pay restitution of \$287,818 to SSA.

Disability Program Fraud: Mayor Convicted of Theft of Government Funds

Acting on information from the South Carolina State Law Enforcement Division, our Columbia office investigated a Title II disability beneficiary for concealing his work activities. The man concealed his income as the mayor of a South Carolina town, as well as his employment with a tax service company.

In July 2010, after a jury found the man guilty of theft of government funds and mail fraud, the man was sentenced to 36 months' incarceration, three years' supervised release, and was ordered to pay restitution of \$243,741 to SSA.



Disability Program Fraud: Laboratory Employee Conceals Wages

Acting on a referral provided by DOJ/U.S. Bankruptcy Trustee's Office, our Phoenix office investigated a Title II disability beneficiary for concealing his work activity. The investigation revealed the man filed for bankruptcy (which was discharged in January 2006), and he was employed in a laboratory in various capacities from 2006 through 2009.

In April 2010, after pleading guilty to theft, the man was sentenced to 60 months' incarceration, three years' supervised release, and was ordered to pay restitution of \$246,988 to the Internal Revenue Service, and \$1,438,119 to the U.S. Trustee. The man previously paid restitution of \$41,998 to SSA.

Disability Program Fraud: Veteran Feigns Paralysis

Our Chicago office, along with the Illinois Department of Healthcare (IDH) and the Department of Veterans Affairs (VA) OIG, participated in the joint investigation of a Title II disability beneficiary and his wife. Before deployment by the U.S. Army in support of Operation Iraqi Freedom, the man was involved in a car accident resulting in his claim of paralysis, and subsequent medical discharge from the U.S. Army. Based on his medical discharge, as well as false statements provided by the couple, SSA and VA awarded disability benefits to the man. Our investigation revealed the man's paralysis did not exist.

The couple pled guilty to false statements, mail fraud, conspiracy to commit mail fraud, and wire fraud. In April 2010, the man was sentenced to two terms of incarceration (78 months and 60 months to run concurrently), and his wife was sentenced to 24 months' incarceration. The couple was ordered to pay restitution of \$28,730 to SSA and \$241,244 to VA and IDH.

Representative Payee Fraud: Mother Conceals Children's Placement in State Care

Acting on a referral from the Albuquerque, New Mexico SSA office, our El Paso office investigated a woman who received Title II mother's benefits and served as the representative payee for her children's Title II survivors' benefits. The woman failed to notify SSA that, since December 2005, her children were in the custody of the New Mexico Children, Youth, and Families Department.

In May 2010, after pleading guilty to Social Security fraud, the woman was sentenced to five months' incarceration, five months' home detention, and was ordered to pay restitution of \$69,517 to SSA.

Representative Payee Fraud: Grandmother Forfeits Custody of Grandchildren

In response to information provided by the Rocky Mount, North Carolina SSA office, our Atlanta office investigated a representative payee who received Title XVI disability benefits on behalf of her grandchildren. The woman failed to report that she voluntarily forfeited custody of her grandchildren in August 2003, and she continued to receive benefits on their behalf until May 2007.

The woman pled guilty to wire fraud, and, in May 2010, was sentenced to serve six months' home detention, three years' probation, and was ordered to pay restitution of \$53,398 to SSA.



Representative Payee Fraud: Mother Provides False Information to SSA

Our Baltimore office, acting on information provided by the Maryland Department of Human Resources OIG, investigated a woman who served as representative payee for her daughter's Title XVI disability benefits. From 2000 through 2009, the woman provided false information to SSA concerning her income and her daughter's living arrangements.

In July 2010, after pleading guilty to theft, the woman was sentenced to five years' incarceration (suspended), five years' supervised probation, and was ordered to pay restitution of \$41,355 to SSA.

Representative Payee Fraud: Nephew Removed from Aunt's Custody

Acting on information provided by the Uniontown, Pennsylvania SSA office, our Pittsburgh office investigated a representative payee who received Title XVI disability benefits on behalf of her nephew. In June 2004, the child was removed from the woman's care and placed in the custody of Children Youth Services.

In June 2010, after pleading guilty to failure to report an event, the woman was sentenced to five years' probation and was ordered to pay restitution of \$27,165 to SSA.

Deceased Payee Project: Son Appropriates Mother's SSA Benefits After Her Death

Our Cleveland office conducted an investigation as part of the BIC-D project. This investigation revealed that benefits were paid to a deceased beneficiary after her death in January 2006. From January 2006 through July 2008, the deceased's son converted to his own use the SSA funds paid to his deceased mother via direct deposit.

After pleading guilty to theft of government funds, the man was sentenced in July 2010 to two years' probation, fined \$7,500, and was ordered to pay restitution of \$31,420 to SSA.

Deceased Payee Project: Woman Accesses Deceased Sister's Bank Account

Our Birmingham office conducted an investigation as part of the National Deceased Payee Project (BIC-D), which identifies widows and widowers of Title II beneficiaries whose benefits continue to be paid after their death. This investigation revealed that SSA benefits continued to be deposited to a deceased beneficiary's bank account after her death in March 2003. From April 2003 through March 2008, the deceased's sister accessed the bank account and converted the funds to her own use.

In April 2010, after pleading guilty to theft of government funds, the woman was sentenced to six months' home detention, followed by five years' probation, and was ordered to pay restitution of \$64,860 to SSA.

Deceased Payee Project: Daughter Cashes Deceased Mother's SSA Checks

Our Phoenix office conducted an investigation as part of the BIC-D project. This investigation revealed that benefits were paid to a deceased beneficiary after her death in April 2004. From May 2004 through November 2007, Social Security mailed benefit payments to the deceased's address of record, which the deceased's daughter cashed and converted for her own use.

In May 2010, following a plea of guilty to theft of government funds, the woman was sentenced to five years' probation and was ordered to pay restitution of \$38,086 to SSA.



Cooperative Disability Investigations Program

Our CDI Program continues to be one of our most successful initiatives, contributing to the integrity of SSA's disability programs. CDI is a joint effort of the OIG, SSA, DDS, and State and local law enforcement personnel. Established in 1998 with units in just five states, our CDI program now has 22 Units in 19 States. The Units work to obtain sufficient evidence to identify and resolve issues of fraud and abuse related to initial and continuing disability claims.

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

Man Conceals Operation of Siding Business

The Oakland CDI Unit investigated a 31-year-old man receiving Title II disability benefits due to back problems. According to the Sutter County (California) Probation Office, the man received probation for a welfare fraud conviction, after failing to report his workers' compensation settlement of \$70,000. During an appointment, the man's probation officer observed the man wearing a T-shirt advertising a residential siding business.

The investigation revealed the man and his brother operated a siding business founded by their father. The man informed investigators that he held various positions at the company, such as supervisor, contractor, and translator. He advised that his brother paid him in cash, and he received tips.

In addition, the investigation determined that the man negotiated the purchase and sale of cattle at his father's cattle ranch. He reported his father paid for his travel, expenses, and at times paid him \$1,000 in cash.

The Yuba City, California SSA office terminated the man's Title II disability benefits due to medical improvement.

Title XVI Recipient Wanted for Outstanding Felony Warrant

The Chicago CDI Unit investigated a 31-year-old woman receiving Title XVI disability benefits due to mental retardation.

During a consultative examination (CE) for one of her minor children, the woman provided significant background and developmental information regarding her child. The woman indicated that she cared for her three children, was able to travel independently, and did not have any problems communicating. Because the woman provided information without apparent signs of mental retardation, the Illinois DDS referred this case due to suspected malingering.

Our investigators discovered the woman had an active felony warrant for theft in Iowa. During an interview, the woman indicated that she cared for her three minor children, drove her two oldest children to school or accompanied them on the city bus, and assisted as a volunteer on school field trips. In addition, the woman stated that she could perform work from her home. With the assistance of law enforcement, the CDI Unit team leader subsequently arrested the woman.

The Chicago SSA office determined the woman was no longer entitled to disability benefits due to medical improvement. In addition, the woman's Title XVI disability benefits were suspended due to the outstanding felony warrant and her arrest.



Woman Suspected of Malingering

The Houston CDI Unit investigated a 32-year-old woman who applied for Title II and Title XVI disability benefits due to schizophrenia, bipolar disorder, and a learning disability. While applying for benefits, the woman's mother reported that her daughter was dependent on others for daily activities and required constant supervision. Additionally, she had difficulty socializing, hearing, remembering, and following instructions.

After an initial benefit denial, the woman filed a claim for reconsideration and submitted medical records indicating a diagnosis of schizophrenia. During a CE, examiners observed the woman clutching a doll and a coloring book. The Texas DDS referred this case due to suspected malingering.

The CDI Unit's investigation determined the woman was a normal, functioning adult, who lived with her boyfriend and worked as a full-time waitress. In addition, she was an occasional narcotics informant for the police.

The Texas DDS denied the woman's application for Title II and Title XVI disability benefits.

College Student Feigns Mental Disorders to Receive Disability Benefits

The Salem CDI Unit investigated a 39-year-old woman who applied for Title II disability benefits due to bipolar disorder, seasonal affective disorder, obsessive-compulsive disorder, attention-deficit disorder, anxiety, and depression. The woman reported difficulty focusing and dealing with others. The Oregon DDS referred this case due to suspected malingering.

The investigation determined the woman was a full-time college student who took both online and classroom courses. During an interview, the woman was friendly, cooperative, and never displayed signs of discomfort around the investigators. At the interview's conclusion, she apologized for the condition of her home and explained that due to work and school demands, she did not have time to unpack her belongings. The investigation also revealed the woman worked part-time performing clerical work for a research company.

The Oregon DDS denied the woman's application for Title II disability benefits.

Disability Applicant Conceals Ownership of Businesses

The Cleveland CDI Unit investigated a 40-year-old man who applied for Title II and Title XVI disability benefits due to schizophrenia and depression. The man reported that he lived alone, heard voices, and spent his days watching TV, sleeping, praying, and fighting with his mother. He also advised that he was unable to leave his home unaccompanied, drive, or work.

The Ohio DDS referred this case due to conflicting medical evidence in comparison to statements made by the man regarding his disability.

The CDI Unit's investigation determined the man owned and managed an auto-detailing business and a beauty salon. Furthermore, the man informed investigators that he lived with his wife and children, and that he won a cruise vacation from a local vendor.

The Ohio DDS denied the man's application for Title II and Title XVI disability benefits.



The following table highlights the successes of the CDI program, which yielded more than \$122 million in SSA program savings during this reporting period and more than \$240 million during FY 2010.

Cooperative Disability Investigations Program Results				
April 1, 2010 - September 30, 2010				
State	Allegations Received	Confirmed Fraud Cases	SSA Savings¹	Non-SSA Savings²
Arizona	30	91	7,955,956	3,747,105
Arkansas	75	34	3,067,618	1,624,050
California ³	307	100	8,601,872	6,714,907
Colorado	73	45	4,416,125	2,455,515
Florida	90	27	2,935,244	1,778,380
Georgia	186	113	10,860,503	6,174,479
Illinois	80	54	3,959,712	2,390,754
Louisiana	97	41	3,413,820	2,261,074
Massachusetts	68	32	2,824,867	2,135,783
Missouri ⁴	107	41	3,253,089	1,775,419
New Jersey	100	19	3,704,936	2,512,656
New York	73	56	4,815,157	3,763,136
Ohio	302	118	9,879,599	6,850,847
Oregon	140	100	9,567,524	6,109,650
South Carolina ⁵	109	72	6,304,698	3,511,112
Tennessee	59	30	3,064,250	1,454,912
Texas ⁶	400	200	19,734,542	11,830,200
Virginia	117	61	6,489,000	4,210,316
Washington	109	90	7,844,024	4,975,210
TOTAL (4/1/10 - 9/30/10)	2,522	1,324	\$122,692,536	\$76,275,505
TOTAL (10/1/09 - 3/31/10)	2,407	1,531	\$117,550,757	\$74,494,285
FY 2010 TOTAL	4,929	2,855	\$240,243,293	\$150,769,790

¹ 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 of an in-pay case, SSA program savings are calculated by multiplying the actual monthly benefit times 60 months.

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

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

⁴ Missouri has two units, one in Kansas City and the other in St. Louis. The Kansas City unit was established on September 30, 2010.

⁵ The Columbia, South Carolina unit was established on December 21, 2009.

⁶ Texas has two units, one in Dallas, and the other in Houston.



Value Attained Through Legal Initiatives

OCIG's efforts to administer the portion of the CMP program which deals with violators of Section 1129 of *the Act* maximize the resources available to us and create a positive return on investment. Section 1129 of *the Act* allows for the imposition of a CMP against those who make false statements or representations in connection with obtaining or retaining benefits or payments under Titles II, VIII, or XVI of *the Act*. In addition, CMPs may be used to penalize representative payees for wrongful conversion of payments made under the Social Security programs, and to penalize individuals who knowingly withhold a material fact from SSA. After consultation with the DOJ, OCIG is 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.

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

Civil Monetary Penalty Activity Under Section 1129			
	10/1/09 - 3/31/10	4/1/10 - 9/30/10	Fiscal Year 2010
Cases Received	1,001	816	1,817
Cases Initiated	74	65	139
Cases Closed	927	731	1,658
Penalties and Assessments Imposed	\$1,965,578	\$1,948,302	\$3,913,880
Number of Hearings Requested	8	1	9





Representative Payee Makes False Statements to SSA; Converts Benefits for Personal Use

Between August 2005 and July 2008, the subject made false statements to SSA regarding her son's living arrangements while serving as his representative payee. She also converted her son's Social Security benefits for her own use, despite false statements that she used the benefits for his care and support.

In a voluntary written statement to an OIG special agent, the subject admitted to making false statements to SSA and stated that her son had not lived with her since July 2005. She further admitted to cashing her son's benefit checks at a local pawn shop and converting the funds to her own personal use.

The subject wrongfully converted over \$21,000 of her son's benefits to her own personal use while acting as his representative payee. OCIG pursued a CMP against the subject and imposed a penalty of \$44,000 and an assessment of \$21,016, for a total CMP of \$65,016.

New York Messenger Service Driver Collects Disability Benefits

A New York man improperly received Disability Insurance Benefits (DIB) and SSI while concealing substantial gainful activity as a driver for a messenger service.

During a Continuing Disability Review (CDR), the subject falsely stated that he had not worked while receiving over \$21,000 in benefits. However, the area CDI Unit conducted surveillance, observed the subject's work activity and interviewed the subject's employer to confirm that the subject engaged in substantial gainful work activity.

OCIG imposed a \$10,000 CMP and a \$21,873 assessment against the subject for a total recovery of \$31,873.

Illinois Wedding Consultant Settles for \$91,000 Civil Monetary Penalty

An Illinois woman had been improperly receiving Title II benefits since the mid 1970s. A CDI investigation by an OIG Special Agent in Chicago revealed significant work activity by the subject since 2004. The subject and her husband owned a wedding/bridal production company, handling various wedding-related services, including videotape, photography, music, disk jockey services, and wedding album creation.

The subject was part-owner, and while she did have significant health issues, she managed the company, managed the employees, worked as a DJ for weddings, manned a booth at bridal shows, as well as created wedding albums.

The CDI investigation consisted of statements from former employees, video surveillance, and a ruse "bride" shopper. Her attorney has agreed that she will repay the penalty of \$56,701 and assessment of \$34,695 for a total of \$91,396, and she has written a letter in which she acknowledges working.

Michigan Representative Payee Agrees to \$37,000 Civil Monetary Penalty

OCIG pursued a CMP enforcement action involving an individual representative payee that at one time acted as representative payee for over 150 Social Security beneficiaries.

The CMP enforcement action was the result of an OA effort focusing on individual representative payees with large numbers of beneficiaries entrusted to their care. The OA team noted what it deemed to be irregularities in the representative payee's accounting practices, irregularities in the subject's requests to become a representative payee, and discrepancies in the reporting of beneficiary expenditures.

A settlement was reached in which the subject agreed to pay a \$37,000 CMP, without their admission of liability.



Woman Collects SSI While Operating Lucrative Day-Care Business

A Louisiana woman ran a lucrative day-care business while obtaining SSI and DIB payments for a severe back impairment.

While she represented to SSA that she was unable to work, she ran the day-care business, cared for children and supervised eight employees.

In addition to the almost \$51,000 she received in SSI and DIB payments, she paid herself a net income of \$91,000 in 2007 and \$116,000 in 2008.

She entered into a settlement with OCIG by which she agreed to pay a penalty of \$41,865 and an assessment of \$73,135, totaling \$115,000, for making false statements to SSA to receive benefits to which she was not entitled.

Florida Man Lies About Mental, Physical Impairments to Collect SSA Benefits

A Florida man applied for SSI and DIB payments claiming numerous mental and physical impairments that rendered him almost completely incapacitated and unable to walk more than a few blocks without resting.

After bragging to his friends on the golf course about applying for SSA benefits even though he knew he was not disabled, his "friends" contacted SSA about his scheme. SSA obtained videos and pictures of the man playing baseball, tennis, and engaging in a host of activities that belied his so-called disability.

Undaunted, the man appealed a penalty proposed by OCIG, but following a hearing in which several members of his community, including his former pastor, testified about his numerous physical and community-related activities, an ALJ upheld a \$60,000 penalty, finding the man culpable of fraud, perjury, and of making numerous false statements to SSA.

Ohio Woman Fails to Notify SSA of Mother's Death

An Ohio woman failed to notify SSA of the death of her mother for almost three years. During that time, she continued to receive her mother's retirement benefits that were direct-deposited into a joint bank account that she shared with her mother.

Although she knew that she was not entitled to receive her mother's retirement benefits, she failed to notify SSA of her mother's death and converted the benefits to her own use. During an interview with OIG special agents, the subject admitted that she continued to receive and spend the benefits.

To settle the CMP enforcement action, the subject agreed to pay a \$20,000 CMP and a \$29,151 assessment for a total recovery of \$49,151.

Michigan Registered Nurse Signs, Cashes Disability Check of Deceased Relative

A Michigan registered nurse served as the legal guardian for an adult niece who suffered from a disability.

After her niece died, she failed to notify SSA of the death. On the contrary, she falsely represented that her niece was alive and continued to sign and cash the checks that SSA sent to her home on behalf of her niece.

During an interview with OIG special agents, the subject admitted that she continued to sign and cash the checks for four years after her niece died. The subject agreed to pay a \$10,000 CMP and a \$23,695 assessment for a total recovery of \$33,695.



New York Representative Payee Collects SSI Benefits on Behalf of Son in Foster Care

A New York woman collected SSI as the representative payee for her minor son while he resided in foster care. Although the subject knew that her son resided in foster care, she applied for SSI benefits on his behalf and falsely stated that he resided with her.

While the subject knew that she was not eligible to receive benefits on her son's behalf, she collected over \$14,000 in benefits and converted them to her own use for 14 months.

In an interview with OIG special agents, the subject admitted that she made a false statement to SSA regarding her son's living arrangements and had converted the benefits to her own use. In a CMP enforcement action, OCIG imposed a \$30,000 CMP and a \$14,148 assessment against the subject for a total recovery of \$44,148.

New York Woman Collects SSI for Children Who Do Not Live With Her

A New York woman collected SSI as the representative payee of her three minor children who did not live with her.

Although the subject knew that her children did not reside with her, she made numerous false statements to SSA in representative payee reports indicating that she used the SSI payments for the care and support of her children.

While the subject knew that she was not eligible to receive benefits on her children's behalf, she collected over \$22,000 in benefits and converted them to her own use. In a CMP enforcement action, OCIG imposed a \$15,000 CMP and a \$22,785 assessment against the subject for a total recovery of \$37,785.

Arkansas Woman Claims Husband's W-2 Forms As Her Own

An Arkansas woman who applied for Title II disability benefits was penalized \$22,000 for submitting 11 false W-2 forms from work allegedly performed from 1988 to 1992.

A Social Security Claims Representative compared these earnings with the woman's husband's earnings, and discovered that the earnings were already posted to his SSA record. Further investigation confirmed that the earnings were, in fact, from his work and not hers.

An ALJ upheld OCIG's proposed penalty in full even though no SSA benefits were paid to the woman.

Albuquerque Woman Collects Benefits Intended for Daughters

An Albuquerque mother applied to be the representative payee for her two daughters' Social Security benefits. She falsely told SSA that the girls lived with her and that she cared for them when in fact neither child resided with her.

For two years, she received and converted to her own use over \$20,000 of their benefits. OCIG settled the case for a \$10,000 penalty plus return of the \$20,186 overpayment, to be deducted from the woman's own monthly SSI benefit checks.



PEOPLE

The third goal of the OIG Strategic Plan is People. The collective effort of our employees continues to be the driving force behind this organization's success in meeting its mission. We provide an encouraging and rewarding work experience with the goal of retaining these exceptional individuals. OIG leadership fosters an environment where employees can realize their potential through training and developmental programs. OIG components convene training sessions to inform their employees about new procedures at various levels of our organization. In addition, the OIG Organizational Health Committee conducts an annual assessment of employee satisfaction levels and addresses employee concerns.

Budget

For FY 2010, our annual appropriation was \$102.6 million, which supported an estimated end-of-year staffing level of 590. The salaries and benefits of our employees accounted for 86 percent of our spending. We used the remaining 14 percent for necessary expenses such as travel, training, communications, reimbursable work authorizations and general procurements, as well as to provide for basic infrastructure needs such as rent and interagency service agreements. The FY 2010 budget supported our efforts to meet and exceed the expectations set forth in our *Strategic Plan for Fiscal Years 2006 – 2010*, Fifth Edition. The goals and accomplishments measured in our Strategic Plan are also published in the *Annual Congressional Budget Justification*.

Human Resource Planning and Management

We actively pursue and work to retain the best possible employees. First, our staffing plan forecasts employee departures based on historical trends and human resource data, which allows us to establish optimal timeframes for recruiting new employees. Moreover, OIG managers monitor staffing to ensure that vacant positions are filled promptly, ensuring that OIG components have the ability to fulfill their respective missions.

Our human resource specialists and recruiters actively seek out and participate in national and virtual career fairs in our ongoing effort to attract the best and brightest talent to OIG. Ongoing evaluation and updating of our recruitment displays and brochures continue to enhance our outreach efforts. These events enable us to actively recruit underrepresented groups in the labor market, enabling us to maintain a truly diverse workforce. OIG hired 17 employees during the second half of FY 2010. Of these 17, eight individuals (47 percent of new hires) were from minority groups. These efforts yielded increases in our minority population of Black males, Hispanic males, and Asian/Pacific Islander males.

Once we identify the best candidates, we employ a structured interview process to fairly assess their skills and qualifications. This process has been instrumental in predicting the future success of new employees. Additionally, OIG launched its second Leadership Development Program in FY 2009 as an outreach of our succession planning efforts. The 18-month career development program provides participants with leadership skills through various assignments, training and mentoring and ensures that OIG has a well-developed cadre of highly-qualified candidates for future leadership positions. Of the four program participants who began the program in January 2010, one has already been promoted to a leadership position. The remaining participants continue to build their leadership competencies through challenging program assignments.



Information Technology

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

During this reporting period, OIG IT specialists worked to incorporate electronic case folder capabilities into our National Investigative Case Management System (NICMS). NICMS is already a model for investigative case management across the Federal Government. In addition, we have automated several administrative and business processes and will continue to proceed in this direction to save both time and money.

In support of the President's goal to expand electronic services, we maintain an Internet website that is both informative and useful to the public. A fraud reporting form is included on the site, which provides a secure and confidential mechanism for members of the public to report fraud, waste, and abuse within SSA's programs and operations. A workgroup comprised of administrative specialists, attorneys, auditors, and investigative personnel continually monitor the OIG website to ensure that information is accurate and up-to-date and to identify enhanced capabilities and opportunities for improvement to the site.

Finally, our IT staff analyzes industry trends to find new technologies that may enhance our business processes. During this reporting 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 up time. OIG IT specialists continue to meet the challenge of providing a variety of IT support services for more than 90 OIG offices throughout the country.

Outreach Efforts

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

The following are other examples of outreach conducted by OIG officials and personnel:

- In November 2009, Executive Order 13520 was issued on reducing improper payments and eliminating waste in Federal programs. The Order included a number of provisions that require input from the Council of Inspectors General on Integrity and Efficiency (CIGIE). The OIG has served as a point of contact for the CIGIE in working with OMB on this implementation.
- In September, OIG coordinated with SSA and developed an instructional online video for all SSA field employees on the importance of employee safety in the workplace. The Inspector General, along with the SSA Deputy Commissioner, discussed how the two organizations work together to protect employees and offered tips on how workers could protect themselves if an incident occurred.
- The OIG continued its relationship with the National Association of Disability Examiners (NADE), as an Assistant Inspector General spoke at NADE's national conference in Albany, New York in September.



- Agents from our Kansas City office participated in SSA's Kansas City Region's first "Fraud Awareness Day." The theme was "Together We Can Protect Our Programs." Our Kansas City Regional Anti-Fraud Committee members planned events to encourage participation from all SSA regional operational components to heighten awareness related to detecting, preventing, and reporting fraud, waste, and abuse.
- OA staff has held leadership positions on the Federal Audit Executive Council's Information Technology Subcommittee, as well as an appointment to the Information Security and Privacy Advisory Board. In both instances, OA provides input to key decision makers at OMB as well as the National Institute of Standards and Technology on matters related to information security, privacy, and IT audits.

Volunteer Efforts

- A Special Agent from our Kansas City office is a volunteer board member at the Metro Lutheran Ministries, which serves needy families in the Kansas City metropolitan area. His duties include the distribution of food to the disadvantaged, serving breakfast to needy families and ministry members, and assisting in the care of the home and property of a World War II veteran.
- A Special Agent from our Greensboro, North Carolina office was a presenter at the annual North Carolina Association on Aging conference. He served on a panel that educated the audience about many types of financial exploitation, ranging from consumer fraud to misuse of Social Security checks.
- The Special Agent-in-Charge and Assistant Special Agent-in-Charge of our Philadelphia Field Division conducted a fraud presentation for the Pennsylvania State Eldercare Ombudsmen on Personal Care Home investigations.
- As part of his volunteer efforts, an auditor from Headquarters has been involved with the Community Services Committee of the Association of Government Accounts and a local Community Civic Association. He has been involved in many community events, and he provided a Christmas party for children at the Institute for Children and Adolescents.
- In May, an Audit Manager in Boston helped raise funds for the hungry during Project Bread's annual Walk for Hunger. Project Bread is Massachusetts' leading anti-hunger organization, dedicated to alleviating, preventing, and ultimately ending hunger in Massachusetts.
- In April, an OTRM Human Resources Specialist participated in his second humanitarian mission to Guatemala City, Guatemala, sponsored by a local high school that partners with a church/school in Guatemala City, providing vocational training to disadvantaged Guatemalan children.

A Special Thank You

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

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



REPORTING REQUIREMENTS AND APPENDICES



Reporting Requirements

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

Section	Requirement	Page(s)
Section 4(a)(2)	Review of legislation and regulations	N/A
Section 5(a)(1)	Significant problems, abuses, and deficiencies	8 - 38
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	8 - 14, 23 - 25
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	15 - 21, 26 - 31
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	8 - 14, 23 - 25
Section 5(a)(8)	Table showing the total number of audit reports and total dollar value of questioned costs	Appendix A
Section 5(a)(9)	Table showing the total number of audit reports and total dollar value of funds put to better use	Appendix A
Section 5(a)(10)	Audit recommendations more than 6 months old for which no management decision has been made	Appendix A
Section 5(a)(11)	Significant management decisions that were revised during the reporting period	N/A
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees	Appendix D
Section 5(a)(14)(A and B) (15)(16)	Results of Office of Inspector General peer reviews	Appendix H



Appendix A: Resolving Audit Requirements

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, 2010 – September 30, 2010			
	Number	Value Questioned	Value Unsupported
A. For which no management decision had been made by the commencement of the reporting period.	20	\$1,378,981,558	\$72,621,194
B. Which were issued during the reporting period.	13 ^a	\$61,041,639	\$804,293
Subtotal (A + B)	33	\$1,440,023,197	\$73,425,487
Less:			
C. For which a management decision was made during the reporting period.	16	\$1,304,417,088	\$1,962,006
i. Dollar value of disallowed costs.	14	\$1,303,601,996	\$1,962,006
ii. Dollar value of costs not disallowed.	2	\$815,092	\$0
D. For which no management decision had been made by the end of the reporting period.	20	\$135,606,109	\$71,463,481

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



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

Reports with Recommendations that Funds Be Put to Better Use Reporting Period April 1, 2010 – September 30, 2010		
	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	11	\$2,085,207,705 ^a
B. Which were issued during the reporting period.	7 ^b	\$1,109,792,900
Subtotal (A + B)	18	\$3,195,000,605
Less:		
C. For which a management decision was made during the reporting period.		
i. Dollar value of recommendations that were agreed to by management.	13	\$2,100,827,749
(a) Based on proposed management action.	13	\$2,100,827,749
(b) Based on proposed legislative action.	0	\$0
ii. Dollar value of costs not agreed to by management.	2	\$1,039,920,926
Subtotal (i + ii)	15	\$3,140,748,675
D. For which no management decision had been made by the end of the reporting period.	4	\$54,251,930

a. Dollar amount was updated due to duplicate entry during last reporting period.

b. 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, 2009 – September 30, 2010		
Audit Number	Report	Issue Date
A-01-09-29177	Congressional Response Report: The Social Security Administration's Fugitive Felon Program and the Martinez Settlement Agreement	10/15/2009
A-15-10-11011	Office of Acquisition and Grants' Staffing to Process American Recovery and Reinvestment Act of 2009 Acquisitions	10/28/2009
A-15-10-21045	American Recovery and Reinvestment Act of 2009 Data Quality Reviews	10/30/2009
A-02-09-19175	Fiscal Year 2009 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges	11/6/2009
A-15-09-19124	Fiscal Year 2009 Financial Statement Audit	11/9/2009
A-14-09-19047	Fiscal Year 2009 Evaluation of the Social Security Administration's Compliance with the Federal Information Security Management Act	11/17/2009
A-09-09-29157	The Office of Operations' Staffing Plans Under the American Recovery and Reinvestment Act of 2009	11/17/2009
A-01-10-11006	Impact of State Budget Issues on the Social Security Administration's Disability Programs	11/18/2009
A-01-09-29056	Military Service Casualty Cases	12/17/2009
A-07-09-29156	Disability Determination Services' Staffing Under the American Recovery and Reinvestment Act	12/22/2009
A-05-09-29174	Congressional Response Report: San Francisco Regional Management Training Forum	12/28/2009
A-12-09-29140	The Office of Disability Adjudication and Review's Staffing Plans Under the American Recovery and Reinvestment Act	12/31/2009
A-03-09-29154	The Social Security Administration's Implementation of the E-Verify Program for New Hires	1/6/2010
A-07-10-21015	Congressional Response Report: Hearing Office Disposition Rates	1/14/2010



Reports with Non-Monetary Findings (Cont.) October 1, 2009 - September 30, 2010		
Audit Number	Report	Issue Date
A-12-08-28088	Hearing Office Performance and Staffing	2/1/2010
A-08-09-29106	Sunshine Payee Corporation, a Fee-For-Service Representative Payee for the Social Security Administration	2/5/2010
A-77-10-00001	Management Advisory Report: Single Audit of the Commonwealth of Massachusetts for the Fiscal Year Ended June 30, 2008	2/12/2010
A-08-09-29163	Alabama Disability Determination Service's Business Process for Adjudicating Disability Claims	2/17/2010
A-12-10-21039	Congressional Response Report: Hearing Office Backlogs in Missouri	3/1/2010
A-02-09-19006	The Social Security Administration's Compliance with Social Security Number Replacement Card Issuance Provisions of the Intelligence Reform and Terrorism Prevention Act of 2004	3/4/2010
A-14-09-29169	Peer Review of the Department of Energy's Office of Inspector General	3/5/2010
A-77-10-00004	Management Advisory Report: Single Audit of the State of New York for the Fiscal Year Ended March 31, 2008	3/12/2010
A-08-10-11042	Prisoners' Access to Social Security Numbers	3/12/2010
A-13-09-19082	The Social Security Administration's Hiring and Training of Information Technology Specialists	3/15/2010
A-01-10-21052	Congressional Response Report: The Good Cause Provision Under the Fugitive Felon Program	3/17/2010
A-15-09-19148	The Social Security Administration's Contract with Bankers Business Management Services, Inc., Contract Number SS00-08-60085	3/18/2010
A-13-10-11013	Congressional Response Report: Representative Payees Who Employ Beneficiaries or Provide Employment Services	3/19/2010
A-04-10-21047	Field Office Post-Entitlement Workload Statistics	3/25/2010
A-77-10-00006	Management Advisory Report: Single Audit of the State of Maine for the Fiscal Year Ended June 30, 2008	3/25/2010

**Reports with Non-Monetary Findings (Cont.)
October 1, 2009 - September 30, 2010**

Audit Number	Report	Issue Date
A-13-09-29027	The Social Security Administration's Government Purchase Card Program	3/25/2010
A-77-10-00005	Management Advisory Report: Single Audit of the State of Illinois for the Fiscal Year Ended June 30, 2008	3/26/2010
A-02-08-28052	Controls Over Changes Made to Direct Deposit Routing Numbers	3/26/2010
A-15-09-19150	An Individual Representative Payee for the Social Security Administration in Los Angeles, California	3/31/2010
A-14-10-21043	The Social Security Administration's Use of Site Selection Industry Best Practices for its New Data Center (Limited Distribution)	4/12/2010
A-14-10-21095	Congressional Response Report: The Social Security Administration's Data Center Alternatives (Limited Distribution)	4/12/2010
A-01-10-20153	Congressional Response Report: Reinstatement of Reconsideration Step in the Michigan Disability Determination Services	4/22/2010
A-12-10-20154	Congressional Response Report: Scheduled Hearings	4/22/2010
A-06-09-29090	Old-Age, Survivors and Disability Insurance Benefit Payments Sent to Non-Bank Financial Service Providers	5/6/2010
A-06-10-11028	Congressional Response Report: The Social Security Employees' Activities Association, Inc.	5/7/2010
A-14-09-19097	Conversion of the Social Security Administration's Legacy File Management System	5/13/2010
A-77-10-00007	Management Advisory Report: Single Audit of the State of Arizona for the Fiscal Year Ended June 30, 2008	5/14/2010
A-77-10-00008	Management Advisory Report: Single Audit of the State of Colorado for the Fiscal Year Ended June 30, 2008	5/18/2010
A-77-10-00009	Management Advisory Report: Single Audit of the State of Connecticut for the Fiscal Year Ended June 30, 2008	5/18/2010



**Reports with Non-Monetary Findings (Cont.)
October 1, 2009 - September 30, 2010**

Audit Number	Report	Issue Date
A-77-10-00010	Management Advisory Report: Single Audit of the State of Delaware for the Fiscal Year Ended June 30, 2008	5/18/2010
A-05-10-21035	Congressional Response Report: Off-site Training Conferences	5/26/2010
A-13-08-28099	Mission-Critical Occupation Core Competencies	5/26/2010
A-15-10-20134	Trust Fund Projections	5/26/2010
A-01-10-11007	Congressional Response Report: Disability Determination Services Medical Consultant Assessments	5/28/2010
A-01-10-20112	Congressional Response Report: Martinez Settlement Benefits Withheld Under the No Social Security Benefits for Prisoners Act of 2009	5/28/2010
A-13-10-20125	Congressional Response Report: The Social Security Administration's Oversight of Employer Representative Payees	5/28/2010
A-08-09-19079	Controls over the Flexiplace Program and Personally Identifiable Information at Hearing Offices	6/9/2010
A-02-10-20107	2010 Cost-of-Living Adjustment Notices with Incorrect Payment Dates	6/17/2010
A-13-09-19145	Representative Payees Reporting Criminal Convictions	6/17/2010
A-77-10-00012	Management Advisory Report: Single Audit of the State of Ohio for the Fiscal Year Ended June 30, 2008	6/17/2010
A-14-10-30105	The Social Security Administration's Post-Implementation Review Process	6/22/2010
A-15-10-11051	Administrative Costs Claimed by the Florida Division of Disability Determinations	6/28/2010



Reports with Non-Monetary Findings (Cont.) October 1, 2009 - September 30, 2010		
Audit Number	Report	Issue Date
A-01-09-19028	Congressional Response Report: The Social Security Administration's Disability Programs and Changes in Society	7/14/2010
A-07-10-21049	Congressional Response Report: Office of Disability Adjudication and Review Hearing Request Dismissals	7/14/2010
A-12-10-20114	Congressional Response Report: The Office of Disability Adjudication and Review's 2013 Pending Hearings Backlog Plan	7/14/2010
A-08-10-11057	Kindergarten Through 12th Grade Schools' Collection and Use of Social Security Numbers	7/22/2010
A-14-10-30110	The Social Security Administration's Second Support Center Disaster Recovery Capability (Limited Distribution)	7/22/2010
A-06-09-29133	Administrative Leave Use	7/23/2010
A-15-10-21096	Contractors' Reporting of Jobs Created Using American Recovery and Reinvestment Act Dollars	7/28/2010
A-01-10-21080	Compassionate Allowance Initiative	8/6/2010
A-15-10-11072	Performance Indicator Audit: Environmental Management System	8/11/2010
A-14-10-20116	The Social Security Administration's Disaster Preparedness (Limited Distribution)	8/13/2010
A-04-10-21029	Social Security Administration Computer Equipment Purchased with American Recovery and Reinvestment Act of 2009 Funds	8/20/2010
A-07-09-19083	Disability Impairments on Cases Most Frequently Denied by Disability Determination Services and Subsequently Allowed by Administrative Law Judges	8/20/2010
A-14-10-20170	The Social Security Administration's Response to Congressional Inquiry Concerning New Data Center Site Selection (Limited Distribution)	8/27/2010



**Reports with Non-Monetary Findings (Cont.)
October 1, 2009 - September 30, 2010**

Audit Number	Report	Issue Date
A-12-10-11050	The Social Security Administration's Hiring Under the American Recovery and Reinvestment Act of 2009	8/30/2010
A-15-10-21085	The Social Security Administration's Use of Limitation on Administrative Expenses Funds	9/1/2010
A-04-10-11012	Contract Audit of Hewlett Packard	9/15/2010
A-06-10-11019	Delivery Order with Softmart Government Services, Inc., for Microsoft Licensing and Maintenance	9/17/2010
A-15-10-20185	Congressional Response Report: Political Appointees' Role in the Social Security Administration's Freedom of Information Act Requests	9/17/2010
A-08-10-20131	The Social Security Administration's Risk of Making Payments to Persons Who Commit, Threaten to Commit, or Support Terrorism	9/27/2010
A-01-11-21043	Congressional Response Report: The Social Security Administration's Process for Identifying and Preventing Improper Payments to Individuals Who Return to Work	9/28/2010
A-07-09-19093	Administrative Costs Claimed by the Kansas Disability Determination Services	9/28/2010
A-02-09-29123	Controls over Single Payment System Payments	9/30/2010
A-03-10-21060	Congressional Response Report: The Social Security Administration's Cost Estimates for the Consent Based Social Security Number Verification program	9/30/2010
A-05-10-10118	Congressional Response Report: Training Expenditures at the Social Security Administration	9/30/2010
A-15-10-20163	The Social Security Administration's Plan to Reduce Improper Payments Under Executive Order 13520	9/30/2010



Reports with Questioned Costs October 1, 2009 – September 30, 2010			
Audit Number	Issue Date	Report	Dollar Amount
A-01-09-29113	12/28/2009	Supplemental Security Income Payments to Parents or Relatives Not Supporting Children	\$20,236
A-06-09-19061	12/29/2009	Contract with Mathematica Policy Research, Inc., for Services to Evaluate Youth Transition Demonstration Projects	\$34,203
A-01-09-19031	1/6/2010	Supplemental Security Income Recipients Eligible for Veterans Benefits	\$1,282,736,960
A-15-09-19063	1/15/2010	The Accuracy of the Garnishment of Title II Benefits by the Social Security Administration's Court Ordered Garnishment System	\$5,168
A-77-10-00002	2/12/2010	Management Advisory Report: Single Audit of the State of Texas for the Fiscal Year Ended August 31, 2008	\$14,840
A-77-10-00003	3/8/2010	Management Advisory Report: Single Audit of the Commonwealth of Pennsylvania for the Fiscal Year Ended June 30, 2008	\$16,025
A-09-09-19020	3/8/2010	Administrative Costs Claimed by the Arizona Disability Determination Services	\$728,123
A-04-09-19138	3/24/2010	Follow-up: The Social Security Administration's Controls over the Write-Off of Title XVI Overpayments	\$70,789,932
A-05-08-48109	6/17/2010	Organizational Representative Payee in Ohio	\$132,600
A-13-07-17137	6/17/2010	Benefit Payments Managed by Representative Payees of Children in Foster Care	\$42,000



Reports with Questioned Costs (Cont.) October 1, 2009 – September 30, 2010			
Audit Number	Issue Date	Report	Dollar Amount
A-77-10-00011	6/17/2010	Management Advisory Report: Single Audit of the Michigan Department of Human Services for the 2-Year Period Ending September 30, 2008	\$593,347
A-07-09-19060	6/25/2010	Manual Computations of Supplemental Security Income Payments	\$16,031,299
A-13-09-19040	7/1/2010	Follow-up: The Social Security Administration's Controls over the Old-Age, Survivors and Disability Insurance Overpayment Waiver Approval Process	\$78,346
A-03-09-19073	7/2/2010	Homeless Outreach Projects and Evaluation Demonstration Project	\$215,196
A-06-08-38081	7/14/10	Retroactive Title II Payments to Released Prisoners	\$10,309,221
A-01-10-11009	7/16/2010	Disability Insurance and Supplemental Security Income Claims Approved in 2006 But Not Paid	\$937,016
A-15-10-21088	7/16/2010	CESSI, Division of Axiom Resource Management, Inc., Indirect Cost Rate Proposals for Fiscal Years 2007 and 2008 (Limited Distribution)	\$6,100
A-09-09-29116	8/20/2010	Benefits Payable to Child Beneficiaries Who No Longer Need Representative Payees	\$31,166,262
A-01-09-19037	8/30/2010	Supplemental Security Income Overpayment Notices Not Sent	\$218,536
A-07-10-21062	9/21/2010	Safe Haven, A Fee-for-Service Representative Payee for the Social Security Administration	\$64,259
A-09-10-11017	9/24/2010	Economic Recovery Payments for Social Security and Supplemental Security Income Beneficiaries	\$2,051,750
TOTAL			\$1,416,191,419



Reports with Funds Put to Better Use October 1, 2009 – September 30, 2010

Audit Number	Issue Date	Report	Dollar Amount
A-01-09-29113	12/28/2009	Supplemental Security Income Payments to Parents or Relatives Not Supporting Children	\$10,234,689
A-06-09-19061	12/29/2009	Contract with Mathematica Policy Research, Inc., for Services to Evaluate Youth Transition Demonstration Projects	\$29,700,946
A-01-09-19031	1/6/2010	Supplemental Security Income Recipients Eligible for Veterans Benefits	\$125,579,060
A-09-09-19020	3/8/2010	Administrative Costs Claimed by the Arizona Disability Determination Services	\$2,182,741
A-09-09-29004	3/26/2010	Individuals Receiving Social Security Cards After Benefits Have Been Suspended	\$22,671,168
A-07-09-29147	3/30/2010	Full Medical Continuing Disability Reviews	\$1,866,554,418
A-09-09-29002	4/5/2010	Aged Beneficiaries in Need of Representative Payees	\$1,039,586,516
A-01-09-19034	5/18/2010	Plan to Achieve Self-Support Program	\$17,272,273
A-07-09-19060	6/25/2010	Manual Computations of Supplemental Security Income Payments	\$8,015,650
A-03-09-19073	7/2/2010	Homeless Outreach Projects and Evaluation Demonstration Project	\$96,171



**Reports with Funds Put to Better Use (Cont.)
October 1, 2009 – September 30, 2010**

Audit Number	Issue Date	Report	Dollar Amount
A-08-09-19167	7/12/2010	Follow-up of Pending Workers' Compensation	\$44,000,910
A-01-10-11009	7/16/2010	Disability Insurance and Supplemental Security Income Claims Approved in 2006 But Not Paid	\$255,168
A-06-10-10124	9/30/2010	The Social Security Administration's Use of American Recovery and Reinvestment Act of 2009 Funds to Administer Economic Recovery Payments	\$566,212
TOTAL			\$3,166,715,922



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 the first half of FY 2010 from the Offices of Investigations and Audit in this report.

Office of Investigations

We are reporting over \$35 million in SSA funds as a result of our investigative activities in this reporting period (4/1/10 – 9/30/10). These funds are broken down in the table below.

Investigative Activities					
	1st Quarter 10/1/09 – 12/31/09	2nd Quarter 1/1/10 – 3/31/10	3rd Quarter 4/1/10 – 6/30/10	4th Quarter 7/1/10 – 9/30/10	Total
Court Ordered Restitution	\$6,413,176	\$6,516,300	\$6,258,597	\$7,024,262	\$26,212,335
Recoveries	\$5,955,030	\$9,637,270	\$12,064,919	\$8,773,874	\$36,431,093
Fines	\$344,324	\$545,209	\$502,721	\$309,832	\$1,702,086
Settlements/ Judgments	\$333,650	\$162,116	\$119,023	\$279,882	\$894,671
TOTAL	\$13,046,180	\$16,860,895	\$18,945,260	\$16,387,850	\$65,240,185



Office of Audit

SSA management has informed us that it has completed implementing recommendations from 14 audit reports during this time period valued at over \$467 million.

THE SOCIAL SECURITY ADMINISTRATION'S USE OF AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 FUNDS TO ADMINISTER ECONOMIC RECOVERY PAYMENTS (A-13-08-28103, 9/30/2009)

We recommended that SSA take corrective action to reclassify training and systems staff time expenditures. The implemented value of this recommendation is \$566,212.

SPOUSES' TO WIDOW(ER)S' BENEFITS WHEN GOVERNMENT PENSIONS ARE INVOLVED (A-13-08-28103, 9/30/2009)

We recommended that SSA determine whether it would be cost effective to conduct a clean-up project to identify current widow(er)s whose government pension information was not verified as required by policy, take appropriate action to verify the information, and adjust the OASDI payment amounts as needed. The implemented value of this recommendation is \$147,784,380.

INDIVIDUALS RECEIVING MULTIPLE OLD-AGE, SURVIVORS AND DISABILITY INSURANCE BENEFITS (A-01-08-28048, 9/17/2009)

We recommended that SSA review the cases in our population most likely to have overpayments to determine whether the proper benefit amounts are being paid. The implemented value of this recommendation is \$573,732.

SALINA EMERGENCY-AID FOOD BANK (SFB), A FEE-FOR-SERVICE REPRESENTATIVE PAYEE FOR THE SOCIAL SECURITY ADMINISTRATION (A-07-09-19065, 7/29/2009)

We recommended that SSA instruct SFB to return conserved funds according to SSA instructions. The implemented value of this recommendation is \$1,143.

BENEFIT PAYMENTS MAILED TO POST OFFICE BOXES (A-06-08-18097, 7/2/2009)

We recommended that SSA correct 47 instances we identified where incorrect OASDI unearned income amounts were reflected on beneficiaries' SSI records. The implemented value of this recommendation is \$30,958.

BENEFITS PAID TO TITLE II BENEFICIARIES WITH A CHILD-IN-CARE (A-01-09-29070, 6/26/2009)

We recommended that SSA review the remaining cases in the two populations in which it appears the Title II beneficiaries do not have an eligible child in their care. The implemented value of this recommendation is \$2,271,516.

FUGITIVE FELONS SERVING AS REPRESENTATIVE PAYEES (A-01-08-18021, 3/31/2009)

We recommended that SSA conduct a match between its Fugitive Felon SSA Control File and Representative Payee System to identify all representative payees with unsatisfied felony warrants (including those representative payees who were selected prior to November 2005) and determine whether more suitable representative payees are needed. The implemented value of this recommendation is \$75,841,193.



CONTRACT FOR THE BENEFIT OFFSET NATIONAL DEMONSTRATION PROJECT WITH ABT ASSOCIATES, INC. (A-05-08-18041, 3/12/2009)

We recommended that SSA improve oversight of the BOND contract and similar contracts. The implemented value of this recommendation is \$5,300,000.

INDIRECT COSTS CLAIMED BY THE TEXAS DISABILITY DETERMINATION SERVICES (TX-DDS) (A-06-08-18092, 1/26/2009)

We recommend SSA ensure TX-DDS bears no more than its fair share of indirect costs by working with the State parent Agency and the Department of Education to develop and implement a methodology that allocates indirect costs in accordance with the relative benefits received by TX-DDS. The implemented value of this recommendation is \$9,790,704.

CONTRACT WITH LOCKHEED MARTIN GOVERNMENT SERVICES, INC., FOR DIGITAL IMAGING SERVICES (A-04-08-18066, 11/20/2008)

We recommended that SSA determine whether the requirement to forward all paper documents with a missing or damaged barcode to the responsible SSA component should be eliminated. We also recommended that SSA ensure State DDSs and SSA components review the appropriateness of the forwarding instructions in their SSA generated barcode. The implemented values of these recommendations are \$1,615,464.

MEDICAL CONSULTANT CONTRACTS (A-02-07-17050, 9/30/2008)

We recommended that SSA ensure the records used to support payments to Medical Contracts are complete, accurate, and verified before making payments. The implemented value of this recommendation is \$1,212.

THE SOCIAL SECURITY ADMINISTRATION'S INCOME AND RESOURCE VERIFICATION PROCESS FOR INDIVIDUALS APPLYING FOR HELP WITH MEDICARE PRESCRIPTION DRUG PLAN COSTS (A-06-06-16135, 2/19/2008)

We recommended that SSA ensure its redetermination process identifies and terminates improperly awarded subsidies currently in effect. The implemented value of this recommendation is \$223,594,840.

THE SOCIAL SECURITY ADMINISTRATION'S ABILITY TO REACH INDIVIDUALS USING THE SOCIAL SECURITY STATEMENT (A-15-07-17095, 1/11/2008)

We recommended that SSA review alternative methods for delivering statements to individuals in foreign countries and select a process, which allows these statements to be delivered successfully. SSA should determine whether the statements should continue to be mailed to foreign countries until a more reliable method of delivery is found. The implemented value of this recommendation is \$411,000.



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

AGED BENEFICIARIES IN NEED OF REPRESENTATIVE PAYEES (A-09-09-29002, 4/5/2010)

Results of Review: We estimate that approximately 1 million aged beneficiaries who received about \$1 billion in monthly benefits may have been incapable of managing or directing the management of their benefits. This occurred, in part, because SSA did not identify aged beneficiaries who became incapable after their initial entitlement to benefits. In addition, individuals or organizations who managed the benefits were not always aware of SSA's Representative Payment Program. In addition, we found that 34 beneficiaries, receiving \$40,162 in monthly benefits, refused to participate in our review and may have been at-risk. With the retirement of the "baby boom" generation and longer life expectancies, the population of aged beneficiaries is projected to increase significantly. Therefore, the number of beneficiaries who are incapable of managing their benefits and in need of representative payees will increase in the coming years.

Recommendation: Establish additional controls to better identify aged beneficiaries in need of representative payees.

Agency Response: SSA disagreed with the recommendation. This would require a significant increase in the number of capability investigations undertaken in the field, and the agency cannot justify this investment of resources. All legally competent beneficiaries are presumed capable, unless there is evidence to the contrary. Under *the Act*, SSA is the sole arbiter of their capability for managing benefits. When capability is in doubt, the agency reviews legal, medical, and lay evidence to make a determination. Beneficiaries who might otherwise be found incapable may be found capable if they have the support of friends, relatives, or community organizations. SSA is concerned that the findings in the report may reflect a different standard than the agency uses in capability determinations. Specifically, it may have mischaracterized some of the relationships discovered between beneficiaries and concerned third parties as "de facto" payees. SSA does not make capability determinations based on age or type of illness. Targeting aged beneficiaries for capability reviews could be perceived as discriminatory and interfering with their rights

OIG Response: Although SSA disagreed with Recommendation 4, it plans to contact all beneficiaries aged 103 and older beginning in May 2010. During this review, SSA employees will conduct face-to-face interviews with approximately 14,000 beneficiaries. As such, SSA will identify beneficiaries who need representative payees. Additionally, our recommendation was not designed to target aged beneficiaries over age 85 but to ensure payments to these beneficiaries—who will increase to about 21 million by 2050—are used for their intended purpose.



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
2008	765	\$22,975,145	See Footnote ¹
2009	603	\$24,126,913	See Footnote ¹
2010	447	\$20,670,938	See Footnote ¹
TOTAL	1,815	\$67,772,996	See Footnote¹

¹DOJ 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
2008	1,862	\$40,040,214
2009	954	\$23,376,566
2010	1,128	\$36,431,093
TOTAL	3,944	\$99,847,873



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, 2010.

SSA's Responses to OIG's Recommendations Recovery or Redirection of Questioned and Unsupported Costs¹						
FY	Reports with Questioned Costs	Questioned/Unsupported Costs	Management Concurrence	Amount Collected or to be Recovered	Amount Written-Off/Adjustments	Balance ²
2008	28	\$2,409,411,231	\$485,835,413	\$221,846,387	\$1,956,683,032	\$230,881,812
2009	28	\$3,124,063,484	\$1,663,609,275	\$1,410,335,450	\$1,450,826,149	\$262,901,885
2010	21	\$1,416,191,419	\$1,303,300,626	\$39,371	\$563,812	\$1,415,588,236
TOTAL	77	\$6,949,666,134	\$3,452,745,314	\$1,632,221,208¹	\$3,408,072,993	\$1,909,371,933

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

² 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

SUPPLEMENTAL SECURITY INCOME OVERPAYMENTS TO CONCURRENT BENEFICIARIES RESULTING FROM INCORRECT BENEFIT CALCULATIONS (A-06-09-29103, 9/24/2009)

Results of Review: In March 2009, we identified 338 concurrent beneficiaries from one of 20 payment record segments, who received excessive SSI payments because SSA erroneously offset their SSI payment using OASDI benefit amounts that were not adjusted to reflect recent benefit payment increases. SSA overpaid these beneficiaries \$18,604 per month in Federal SSI payments and another \$2,557 per month in State supplemental benefits as a result of these errors. Most of these errors involved instances where SSA was collecting OASDI overpayments from the beneficiaries. A specific systems input associated with these payments unintentionally froze the OASDI benefit amounts used in the SSI unearned income offset computations. Based on our audit results, we estimate SSA issued overpayments to approximately 6,800 concurrently entitled beneficiaries because SSA erroneously offset their SSI payments using OASDI benefit amounts that were not adjusted to reflect recent benefit payment increases. If these errors are not corrected, we estimate that SSA will issue approximately \$5.1 million in excessive SSI payments to these beneficiaries over the next 12 months.

Recommendation: SSA should review the 7,214 cases provided and take appropriate action to correct the errors and prevent future errors.

Valued at: \$5,078,640 in funds put to better use.

Agency Response: SSA agreed with the recommendation.

Corrective Action: By the end of March 2011, SSA will complete the review of the cases and take action to correct the errors and to prevent future overpayments.



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: SSA should continue to urge staff compliance with existing policy when suspending Title XVI overpayments and hold accountable those employees who do not follow established criteria.

Valued at: \$29,642,820 in funds put to better use.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA recently released reminders to the field offices of the policy they should follow when making overpayment suspension decisions. The agency is still developing overpayment training and will explore ways to hold employees accountable for not following proper overpayment suspension procedures.

Recommendation: SSA should 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: SSA will investigate the feasibility of requiring a 2-PIN process for suspension decisions controlled by Recovery and Collection of Overpayments System.



FOLLOW-UP: THE SOCIAL SECURITY ADMINISTRATION'S PRISONER INCENTIVE PAYMENT PROGRAM (A-01-09-19029, 8/20/2009)

Results of Review: Our audit found that SSA's procedures do not ensure that incentive payments to institutions that provide inmate information are being made in accordance with the provisions in *the Act*. Based on our review of 275 sample cases, we estimate about 119,862 incentive payments were issued incorrectly, resulting in approximately \$30.3 million in OASDI and SSI program funds that should not have been paid.

SSA informed us that, in June 2004, it developed a technical amendment that, if enacted, would amend *the Act* to align with how SSA programmed its systems to pay prisoner incentive payments. However, the Agency never submitted the proposal to Congress. However, this legislation has not been changed.

Recommendation: SSA should implement a system to pay incentive payments according to *the Act* to facilitate reporting inmate information.

Valued at: \$30,281,018 in questioned costs.

Agency Response: SSA agreed with the recommendation.

Corrective Action: The agency agreed there is a discrepancy between the incentive payment provisions in the statute and the procedures SSA follows to issue incentive payments.

In June 2004, SSA developed a technical amendment to bring the language in *the Act* in line with its incentive payment policy. However, this legislation has not yet been changed.

SUPPLEMENTAL SECURITY INCOME REDETERMINATIONS (A-07-09-29146, 7/14/2009)

Results of Review: Our audit found that the number of SSI redeterminations conducted by SSA has substantially decreased although the number of SSI recipients has increased. In fact, between FYs 2003 and 2008, redeterminations decreased by more than 60 percent. According to SSA, it was not able to conduct as many redeterminations as needed because of budget limitations and increases in SSA's core workloads. We estimate SSA could have saved an additional \$3.3 billion during FYs 2008 and 2009 by conducting redeterminations at the same level it did in FY 2003.

Recommendation: SSA should establish a methodology to identify the number of redeterminations that are needed each year. To the extent the annual number of necessary redeterminations is not completed, identify the lost savings and document the reasons the number of needed redeterminations was not completed.

Valued at: \$3,255,531,018 in funds put to better use.

Agency Response: SSA agreed with the recommendation.

Corrective Action: The agency will begin developing such a methodology and, when necessary, report on lost savings



PAYMENTS TO INDIVIDUALS WHOSE NUMIDENT RECORD CONTAINS A DEATH ENTRY (A-06-08-18095, 6/26/2009)

Results of Review: Based on our results, we estimate that SSA made approximately \$40.3 million in improper payments to deceased beneficiaries after recording their date of death in SSA's records. Further, we estimate SSA would make approximately \$6.9 million in additional improper payments over the next 12 months if these discrepancies were not corrected.

Recommendation: SSA should terminate benefits, recover improper payments, and refer potential instances of fraud to OI for all beneficiaries determined to be deceased during living status verifications.

Valued at: \$40,258,680 in questioned costs and \$6,936,540 in funds put to better use.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA has completed over 98 percent of the case analysis and expected to complete the balance of 164 cases by late October. There is a possibility that a few of these remaining cases may require additional development.

IMPROPER PAYMENTS RESULTING FROM THE ANNUAL EARNINGS TEST (AET) (A-09-07-17066, 8/31/2007)

Results of Review: Our audit disclosed that SSA did not adjust the benefit payments for all beneficiaries who were subject to AET. Based on a random sample of 250 beneficiaries for CYs 2002 through 2004, we found SSA overpaid \$393,117 to 112 beneficiaries and underpaid \$44,264 to 16 beneficiaries. As a result, we estimate SSA overpaid about \$313 million to 89,300 beneficiaries and underpaid about \$35 million to 12,800 beneficiaries. These payment errors primarily occurred because SSA did not process all records identified by its Earnings Enforcement Operation.

Recommendation: SSA should review and process, as appropriate, all Earnings Enforcement Operation selections pending in the Office of Quality Performance since 1996.

Valued at: \$348,680,140 in questioned costs.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA processed all selections from 2004 and is committed to addressing all selections from 2005 in a timely manner. All selections made prior to 2004 require manual review and processing by Operations staff. SSA thoroughly analyzed and evaluated the issues involved and determined that there is no possibility that these selections can be addressed via an automated solution. Additionally, Operations has indicated that current resources could not be redirected from ongoing claims processing workloads to process these selections.



FOLLOW-UP ON DISABLED TITLE II BENEFICIARIES WITH EARNINGS REPORTED ON THE MASTER EARNINGS FILE (A-01-08-28075, 4/15/2009)

Results of Review: Our audit found that the Agency made efforts to reduce overpayments resulting from work activity. However, we found that SSA did not evaluate all earnings, and as a result, overpayments resulted from work activity.

Based on our review, we estimate that approximately \$3.1 billion was overpaid to about 173,000 disabled beneficiaries because of work activity. Although SSA identified about 58 percent of these overpayments, we estimate the remaining 42 percent—approximately \$1.3 billion—went undetected by the Agency to about 49,000 disabled beneficiaries. In addition, we estimate SSA will continue to incorrectly pay about \$382 million over the next 12 months to individuals who are no longer entitled to disability benefits if action is not taken by the Agency.

SSA performed 170,664 work-related CDRs in 2008 at a unit cost of \$397.45. Based on our review, we estimate about \$3.1 billion was overpaid to approximately 173,000 disabled beneficiaries (out of 518,080 in the estimated universe) because of work activity. To perform work-related CDRs for all 518,080 disabled beneficiaries, it would cost SSA about \$206 million (assuming the \$397.45 unit cost remains the same). This results in a potential benefit-cost ratio of \$15 to \$1.

We recognize SSA's efforts to improve the work-related CDR process. In addition, we acknowledge the Agency's limited resources with which to perform this workload. However, we believe SSA may achieve greater savings in the long-term if the Agency could provide the resources to perform work-related CDRs for all disabled beneficiaries with substantial earnings reported on the Master Earnings File.

Recommendation: SSA should develop and implement a plan to allocate more resources to timely perform work-related CDRs—and assess overpayments resulting from work activity—for cases identified by the agency's earnings enforcement process.

Valued at: \$1,335,815,580 in questioned costs and \$381,563,100 in funds put to better use.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA convened a workgroup in January 2010. Improvements were made as follows:

Management Information (MI)

- Thousands of extraneous items were deleted from the work CDR MI data source
- Establishing an agency report to track work CDRs—currently being validated

Strike Plan

- Strike teams were formed to streamline work CDR processing and reduce the pending aged cases
- Quarterly reports are made to track progress

Overpayments

- An overpayment report was developed and is now being validated
- Enforcement cases are now prioritized and processed by highest earnings



CONTROLS OVER MISCELLANEOUS PAYMENTS MADE THROUGH THE SINGLE PAYMENT SYSTEM (A-09-07-17119, 10/25/2007)

Results of Review: Our audit disclosed that SSA's controls to prevent or detect improper or duplicate miscellaneous payments were generally effective. However, SSA needed to improve its controls over the retention of supporting documentation for miscellaneous Single Payment System (SPS) payments and the recording of SSNs for SPS payments issued to non-beneficiaries. Based on our review of a random sample of 275 death underpayments from the population of 327,580 non-beneficiaries, we found that SSA:

- Improperly paid an estimated \$7.3 million to 11,912 non-beneficiaries;
- Did not retain adequate supporting documentation for an estimated \$98 million in payments made to 50,030 non-beneficiaries;
- Did not obtain or record the SSNs for 176,029 (53 percent) of the 332,680 death underpayments issued to non-beneficiaries; and
- Paid improper duplicate payments of \$27,480 to three individuals.

Recommendation: SSA should establish an appropriate control to ensure the SSA-1724 or other written application for a death underpayment is retained.

Valued at: \$98,280,016 in questioned costs.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA responded that they are determining which controls would be feasible.



Significant Monetary Recommendations From Prior Semiannual Report to Congress for Which Recent Corrective Actions Have Been Made

THE SOCIAL SECURITY ADMINISTRATION'S USE OF ADMINISTRATIVE SANCTIONS IN THE OLD-AGE, SURVIVORS AND DISABILITY INSURANCE PROGRAM (A-07-07-17052, 9/19/2008)

Recommendation: Evaluate the current administrative sanctions process and implement necessary changes to ensure that all potential administrative sanctions are identified and proactively considered. In doing so, consider implementing a risk-based approach that focuses on sanctionable actions that result in significant overpayments.

Valued at: \$123,458,884 in funds put to better use.

Corrective Action: *The Act* was amended to allow the agency to impose a period of benefit suspension as a deterrent to fraud and abuse. Additionally, SSA has updated the Program Operations Manual System with the most recent policy and procedure on imposing administrative sanctions. Also, the agency distributed appropriate action items to respective components.



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

SOCIAL SECURITY NUMBER MISUSE FOR WORK AND THE IMPACT ON THE SOCIAL SECURITY ADMINISTRATION'S MASTER EARNINGS FILE (A-03-07-27152, 9/29/2008)

Results of Review: Our review found that for Tax Year 2004, SSA's Earnings Suspense File (ESF) contained approximately 111,000 wage items representing about \$1.1 billion in wages that were removed from the Master Earnings File because about 49,000 numberholders (NH) disclaimed the wage items. Although SSA had procedures to assist NHs whose identities were being misused, such as placing newly established fraud indicators on their Numident records and issuing new (different) SSNs as appropriate, we found the correspondence sent to these individuals neither advised them about the effects of SSN misuse nor encouraged them to report suspected SSN misuse to the Federal Trade Commission and law enforcement.

While SSA had several processes to detect some instances of SSN misuse in its records, such as isolating reporting anomalies related to children and deceased individuals during the Annual Wage Reporting process, we believe SSA needs to strengthen its controls to help prevent misuse of an SSN from continuing once identified. We found the Agency's employer correspondence processes and employer liaison services did not inform employers about potential SSN misuse cases, although employers play an essential role in detecting and preventing SSN misuse. Further, the Agency had not established an automated process that would post subsequent wage items associated with SSN misuse to the ESF. Instead, the Agency generally relied on the public to inform it about repeated SSN misuse, and evidence showed this did not always occur.

Recommendation: SSA should consider the development of a cost-effective method to automatically post subsequent wage items that have the same characteristics of previously disclaimed wage items to the ESF.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA's Office of Policy has provided guidance and agreed that the Deputy Commissioner for Systems (DCS) should begin implementation of the OIG recommendation. The Office of Policy contacted the Office of General Counsel (OGC) regarding the issue (i.e., posting wage items to the ESF based on the fact that earnings for the same employer and Employer Identification Number (EIN) were disclaimed by the worker in the prior year). OGC stated that an individual's previous disclaimer of wages for the same employer constituted "satisfactory evidence" as to the invalidity of subsequent wages received by the same employer. This permits SSA to correct its records by placing the subsequent earnings in the ESF. The Office of Policy sees no legal impediment for DCS to begin implementation of OIG's recommendation. The Office of Earnings, Enumeration and Administrative Systems plans to accomplish the recommendation with the release of Annual Wage Reporting Tax Year 2010 in January 2011.

Significant Non-Monetary Recommendations from Prior Semiannual Report to Congress for which Recent Corrective Action has been Made

There are no significant management decisions from the prior semiannual report for which recent corrections were made.



Appendix H: Office of Inspector General Peer Reviews

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 United States Attorney General Guidelines for Offices of Inspector General with Statutory Law Enforcement Authority.
- In March 2008, our Office of Investigations underwent a peer review conducted by the Department of Health and Human Services OIG. The results of the review, issued in May 2008, showed that we were compliant with all President's Council on Integrity and Efficiency Qualitative Assessment requirements.
- In May 2009, we conducted a peer review of the Department of Homeland Security OIG. We completed the review in July 2009; we made no recommendations, as we found DHS OIG to be compliant with all CIGIE Qualitative Assessment requirements.
- During this reporting period, the U.S. Postal Service OIG began conducting a peer review of our Office of Investigations. Results have not yet been reported to CIGIE.
- There are no outstanding recommendations from prior investigative peer reviews completed by us or from prior reviews of our organization.

Office of Audit

- Our Office of Audit is required to undergo a peer review every three years, in accordance with generally accepted government auditing standards. A copy of the System Review Report can be obtained from our website at <http://www.ssa.gov/oig/ADOBEPDF/externalreview.pdf>.
- During the reporting period, we underwent a peer review conducted by the Department of Justice OIG. The final System Review Report was issued in November 2009. 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 Justice 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.
- Also during this reporting period, we conducted a peer review of the Department of Energy OIG, Office of Audit Services. We 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.



Glossary of Acronyms

ALJ	Administrative Law Judge
AMFED	Allegation Management and Fugitive Enforcement Division
BIC-D	National Deceased Payee Project
CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
CE	Consultative Examination
CIGIE	Council of Inspectors General on Integrity and Efficiency
CMP	Civil Monetary Penalty
CY	Calendar Year
DDS	Disability Determination Services
DIB	Disability Insurance Benefits
DOJ	Department of Justice
ERP	Economic Recovery Payment
ESF	Earnings Suspense File
FY	Fiscal Year
GSA	General Services Administration
IO	Immediate Office
IT	Information Technology
MADAM	Master Access Data Method
MBR	Master Beneficiary Record
NCC	National Computer Center



Glossary of Acronyms (Cont.)

NICMS	National Investigative Case Management System
OA	Office of Audit
OASDI	Old-Age, Survivors, and Disability Insurance
OCIG	Office of the Counsel to the Inspector General
ODAR	Office of Disability Adjudication and Review
OER	Office of External Relations
OI	Office of Investigations
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OQAPR	Office of Quality Assurance and Professional Responsibility
OTRM	Office of Technology and Resource Management
<i>Recovery Act</i>	<i>American Recovery and Reinvestment Act of 2009</i>
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security number
<i>the Act</i>	<i>The Social Security Act</i>
Title II	Federal Old-Age, Survivors, and Disability Insurance Benefits
Title VIII	Special Benefits for Certain World War II Veterans
Title XVI	Supplemental Security Income
VA	Department of Veterans Affairs

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