

Social Security Administration

Inspector General's
Semiannual Report to Congress

A Calling That Counts



April 1, 2001 — September 30, 2001



MISSION STATEMENT

By conducting independent and objective audits, evaluations, and investigations, we improve the SSA programs and operations and protect them against fraud, waste, and abuse. We provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public.

VISION AND VALUES

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

MESSAGE FROM THE INSPECTOR GENERAL

I am pleased to present our *Semiannual Report to Congress* for the period of April 1, 2001 through September 30, 2001. This report meets the requirements of the *Inspector General Act of 1978*, as amended, and includes information mandated by Congress. This report outlines our mission, significant activities, and provides our assessment of SSA's top 10 management challenges for Fiscal Year (FY) 2001. It also includes highlights of work that has been accomplished under each of these challenges, including several major cases and other organizational achievements.

I am especially proud of our employees who tirelessly dedicated themselves to responding to the events of the September 11, 2001 terrorist attacks. Our office has been heavily involved in investigations of individuals suspected of being associated with these events. It quickly became apparent just how instrumental the use of fraudulent Social Security numbers (SSN) has been for these individuals, who rely on aliases and assumed identities to integrate themselves anonymously into our society. Our auditors are working closely with SSA on implementing our prior recommendations to improve the enumeration process and to protect the integrity of the SSN.

We have also had other accomplishments this year including a major civil monetary penalty case that resulted in a \$200,000 penalty levied against several Texas businesses involved in a misleading advertising scam. We also launched a public education campaign to alert America's senior citizens about anonymous hoax flyers promising additional benefits from the Government. These hoax flyers tricked seniors into parting with coveted personal information in order to obtain these bogus benefits. During this FY, our investigators closed 9,636 cases, our auditors completed 80 reports, and our attorneys secured over \$1,547,475 in civil monetary penalties. The projected results from all our activities totaled more than \$280 million in SSA's program areas. This represents over \$200 million more than our FY 2001 appropriation.

Your interest in these issues helps to ensure that we focus on the most critical issues facing the Agency.

Sincerely,



James G. Huse, Jr.



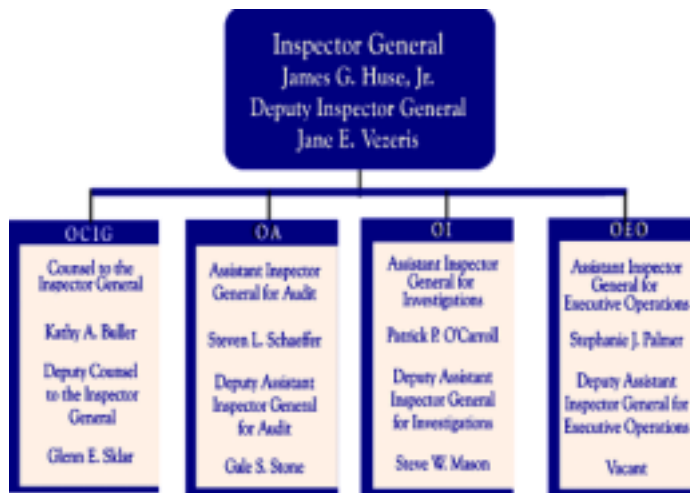
Inspector General
James G. Huse, Jr.

TABLE OF CONTENTS

Message from the Inspector General	i
Introduction to Our Organization	1
Significant Activities	3
Significant Management Issues Facing SSA	15
Issue 1: Critical Information Infrastructure	15
Issue 2: Disability Redesign.....	19
Issue 3: Earnings Suspense File.....	21
Issue 4: Enumeration	26
Issue 5: Fraud Risk.....	29
Issue 6: Government Performance and Results Act	36
Issue 7: Identity Theft.....	38
Issue 8: Representative Payee	42
Issue 9: Service to the Public	45
Issue 10: Systems Security and Controls (Program and Administrative Applications).....	49
Financial Audits	51
Appendices	
Appendix A: Resolving Audit Recommendations	55
Appendix B: Reports Issued	57
Appendix C: Reporting Requirements Under the Omnibus Consolidated Appropriations Act for Fiscal Year 1997	63
Appendix D: Collections From Investigations and Audits	65
Appendix E: Significant Monetary Recommendations From Prior Fiscal Years for Which Corrective Actions Have Not Been Completed	67
Appendix F: Significant Nonmonetary Recommendations From Prior Fiscal Years for Which Corrective Actions Have Not Been Completed	69
Appendix G: Reporting Requirements	73
Appendix H: Glossary.....	75

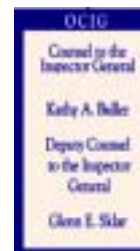
INTRODUCTION TO OUR ORGANIZATION

The Office of the Inspector General (OIG) is comprised of four components: Office of the Counsel to the Inspector General (OCIG), Office of Audit (OA), Office of Investigations (OI), and Office of Executive Operations (OEO).



Office of the Counsel to the Inspector General

OCIG reviews and evaluates legislation, regulations, and standard operating procedures in terms of their impact on program economy and efficiency or their prevention of fraud and abuse. It also provides legal advice and counsel to the Inspector General (IG) on various matters, including: (1) statutes, regulations, legislation, and policy directives governing the administration of the Social Security Administration's (SSA) programs; (2) investigative procedures and techniques; and (3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. OCIG also administers the Civil Monetary Penalty (CMP) enforcement statutes, pursuant to a delegation from the Commissioner of Social Security.



Office of Audit

OA conducts comprehensive financial, performance, and systems audits and evaluations of SSA programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the *Chief Financial Officers Act of 1990*, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations and projects focused on



issues of concern to SSA, Congress, and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency.



Office of Investigations

OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations, in accordance with the Quality Standards for Investigations published by the President's Council on Integrity and Efficiency; the SSA OIG Special Agent Handbook; and other applicable laws, policies, and regulations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and SSA employees. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.



Office of Executive Operations

OEO supports OIG by providing information resource management; systems security and development; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this office is the focal point for the OIG's strategic planning function and the development and implementation of performance measures required by the *Government Performance and Results Act*. OEO oversees the Ombudsman Program and is also responsible for performing internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from SSA as well as conducting investigations of OIG employees, as appropriate. Finally, OEO administers OIG's public affairs, media and interagency activities, coordinates responses to congressional requests for information, and also communicates OIG's planned and current activities and their results to the Commissioner and Congress.

SIGNIFICANT ACTIVITIES

We continue to believe that sharing information between our auditors, investigators, and attorneys is critical to the success of our mission to improve SSA's programs and operations and protect them against fraud, waste, and abuse. Each component of the OIG collaborates to address each critical issue while capitalizing on individual staff skills to obtain the best possible work product.

Since we in the OIG are facing some of the same challenges as SSA, we also need to work faster and smarter to get the job done and maximize technological benefits to ensure our success. We continue to make steady progress, and our effectiveness is evidenced by the numerous accomplishments highlighted throughout this report.

This section details several of our most significant activities including our:

- OIG Response to September 11, 2001 Terrorist Attacks
- Fugitive Felon Program
- Cooperative Disability Investigations Teams
- Fight Against Senior Scams and False Statements
- Partnership with U. S. Attorneys
- Ombudsman Program
- Coordination of External Inquiries
- SSA Fraud Hotline
- Investigative Accomplishments

OIG Response to September 11, 2001 Terrorist Attacks



Despite having been temporarily displaced, our audit and investigative offices in New York City expeditiously reconstituted their operations in the wake of the recent tragedy. We provided round the clock support to the national criminal investigation of the September 11th terrorism attacks.

Our agents, analysts and support staff performed selflessly in these efforts. Our attorneys were instrumental in working through a daunting brace of disclosure issues and potential legislative matters to keep momentum going in our investigative response to this call to action.

At the same time, our auditors and support staff prepared critical correspondence to Congress and key government officials, highlighting potential remedial actions rising from our audit work that might assist the Agency in the review of the integrity of the enumeration business process, the viability of biometrics, physical security matters, and the continuity of operations. Furthermore, SSA conducted outstanding outreach efforts in the New York/New Jersey region to process survivor and disability benefits.

Fugitive Felon Program

The Fugitive Felon Program was established as a result of the enactment of the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996*, Public Law 104-193, commonly known as the *Welfare Reform Act*, on August 22, 1996. Generally, this law makes a person ineligible to receive Supplemental Security Income (SSI) payments during any month in which the recipient is:

- Fleeing to avoid prosecution for a crime that is a felony.
- Fleeing to avoid custody or confinement after conviction, under the laws of the place from which the person flees, for a crime, or an attempt to commit a crime, which is a felony under the laws of the place from which the person flees, or which, in the case of the State of New Jersey, is a crime of the first through fourth degree.
- Violating a condition of probation or parole imposed under Federal or State law.

The *Welfare Reform Act* enables SSA to suspend SSI payments to fugitives and parole and probation vio-

lators, and allows us to provide vital information to law enforcement agencies. Special agents in our offices often work hand-in-hand with local law enforcement in locating and apprehending fugitive felons, and in developing fugitive cases from a variety of referral sources, such as through our work with task forces and from SSA staff.

For example, our Los Angeles Field Division agents are an integral part of the Violent Crimes Task Force, which is comprised of members from 50 local, State, and Federal law enforcement agencies, including the San Diego Police Department, the California State Department of Corrections and Parole, the Federal Bureau of Investigation (FBI), and the United States Marshals Service (USMS). The task force has apprehended fugitives for a wide range of violent crimes, including attempted murder, assault with a deadly weapon on a police officer, and narcotics smuggling.

The table below demonstrates the success of this Program this reporting period and since its inception on August 1, 1996

FUGITIVE FELON PROGRAM STATISTICS		
	April 1, 2001 - September 30, 2001	Since inception on August 1, 1996
Fugitives Identified	15,306	45,071
Fugitives Arrested	1,479	5,019
Fraud Loss / Overpayment	\$28,059,219	\$81,650,458
Projected Savings	\$41,469,972	\$132,946,131

Although the Program has been very successful using manual data searches and direct referrals, our continued success is reliant upon using automated data matches to compare warrant information at the Federal and State levels with SSA's SSI rolls. To date, we have been successful in securing Memoranda of Understanding with the National Crime Information Center (NCIC), the FBI, and USMS.

SSA has also entered into matching agreements with the States of California, New Jersey, South Carolina, Kentucky, Nebraska, Ohio, Tennessee, Massachusetts, Colorado, Rhode Island, Washington, Delaware, Illinois, Montana and Arkansas, plus the New York City Police Department (PD), the New York State Police, the Baltimore City PD, Baltimore County PD, and the City of Philadelphia PD.

The computer matching process has proven to be very successful in identifying fugitives throughout the country. Using this process, our New York Field Division identified a fugitive wanted by the Union County Sheriff's Office on a burglary charge. This fugitive had 13 prior arrests and 5 prior convictions, including one for homicide. With assistance from our agent, the fugitive was arrested in June 2001.

SSA continues to pursue matching agreements with the balance of the States that do not enter their felony warrant data into NCIC. We continue to work with SSA to further refine and enhance the automated process.

Cooperative Disability Investigations Teams

SSA's Office of Operations and Office of Disability, in conjunction with our Office of Investigations, manage the Cooperative Disability Investigations (CDI) Program. Since Fiscal Year (FY) 1998, 13 investigative units have become operational in Atlanta, Baton Rouge, Boston, Chicago, Houston, Nashville, New York City, Newark, Oakland (California), Roanoke (Virginia), Salem (Oregon), St. Louis, and Tampa.

To combat disability fraud, these teams rely on the combined skills and specialized knowledge of our investigators, State and local law enforcement officials as well as SSA and State Disability Determination Services (DDS) personnel. The success of the CDI Program is directly attributable to this close collaboration.

CDI Team Case Highlights

The following cases exemplify our investigative activity in this area.



Our Houston CDI team investigated a woman who faked mental impairments in order to receive Social Security disability benefits. During a continuing disability review (CDR) the woman alleged she was a slow learner, unable to drive a car, take a bus or subway because she might get lost. The DDS referred the case for investigation due to inconsistencies between

her allegations and the fact that the local Social Security office discovered that she was employed as a certified respiratory therapist at a local hospital. Our CDI investigation revealed that she possessed a valid Texas driver's license and drove her own vehicle to work every day. The woman's benefits were terminated.



Our Chicago CDI team investigated a woman that faked physical impairments to apply for Social Security disability benefits. Our investigation confirmed that the woman had been receiving disability benefits since February 1976 under her original Social Security number (SSN) and worked from 1979 to 1997 under an assumed SSN. The woman's benefits were terminated and her new application under the assumed SSN was denied. She was also ordered to pay \$119,797 restitution to SSA.



Based on an anonymous tip, our Oakland CDI team investigated a man who faked physical impairments to file for Social Security disability benefits. The man alleged disability due to paralysis of both legs. CDI investigators observed him walking, standing, sweeping, and bending at the waist. They also observed the man and his wife as they arrived for a medical examination. His wife pulled a wheelchair out of the trunk and prepared it for him. The subject climbed into it without assistance and rolled himself into the doctor's office. The man's claim was denied.



Based on a referral from medical examiners, our St. Louis CDI team investigated a man who faked physical disabilities to apply for Social Security disability benefits. The man alleged he was unable to work because of a heart condition and claimed that his left arm and leg were paralyzed, and that he must use a wheelchair at all times.

CDI investigators observed the man walking from his home to a car unassisted, and also observed him using a wheelchair when attending a medical appointment. When the man subsequently returned to his residence, investigators observed him getting out of the vehicle unassisted and "hopping" up onto his front porch with the full use of his left arm and leg. The man's claim was denied.

The table on the following page outlines our CDI project statistical accomplishments for FY 2001. The table does not include results for the Boston team because it just became operational on September 10, 2001.

Cooperative Disability Investigations Project Statistics

April 1, 2001 through September 30, 2001

	Allegations Received	Confirmed Fraud Cases	SSA Recoveries & Restitution	SSA Savings*	Non-SSA Savings*
California	158	80	\$4,959	\$4,519,918	\$3,313,049
Florida	39	12	-	\$760,280	\$330,844
Georgia	154	98	\$16,843	\$6,208,091	\$2,099,006
Illinois	56	7	\$128,413	\$493,800	-
Louisiana	85	25	\$23,914	\$1,442,700	\$396,544
Missouri	71	49	\$70,227	\$2,836,648	\$368,220
New Jersey	69	8	-	\$640,975	-
New York	65	15	\$33,864	\$1,785,040	\$3,527,490
Oregon	76	58	\$131,255	\$3,301,366	\$1,929,873
Tennessee	39	14	-	\$901,240	\$374,452
Texas	63	55	-	\$3,149,290	\$1,300,267
Virginia	85	8	\$848	\$418,574	\$33,895
TOTALS	960	429	\$410,323	\$26,457,922	\$13,673,640
October 1, 2000 to March 31, 2001 TOTALS	874	451	\$92,796	\$26,420,509	\$12,016,803
FY 2001 GRAND TOTAL	1,834	880	\$503,119	\$52,878,431	\$25,690,443

*SSA program savings are reported at a flat rate of \$66,500 for initial claims that are denied as a result of CDI investigations, using a formula developed by the Office of Disability. When a CDI investigation supports the cessation of an in-pay case, the SSA program savings are calculated by multiplying the actual monthly benefit times 60 months. Non-SSA savings are also projected over 60 months whenever another governmental program withholds benefits as a result of CDI investigations, using estimated or actual benefit amounts documented by the responsible agency.

Fight Against Senior Scams and False Statements

Pursuant to a delegation from the Commissioner of Social Security, OCIG administers the CMP enforcement statutes. This authority allows OIG to impose CMPs against violators of sections 1140 and 1129 of the *Social Security Act*. Based on this delegation, we drafted and published regulations, trained legal and investigative staff and built an infrastructure that included placing attorneys in several OI Field Divisions to guarantee the success of this program.

Section 1140 of the Act - Misleading Advertising

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

Our nationwide enforcement efforts in this area send a clear message to those companies who deceive senior citizens under Social Security's good name. Tricking seniors into providing sensitive personal data, under the guise of Social Security-related services, is both reprehensible and illegal.

Employing a variety of novel legal and investigative techniques, a team of our attorneys and investi-

gators worked with Department of Justice (DoJ) lawyers to expose, and subsequently terminate, a series of nationwide scams aimed at senior citizens. We also managed to bring 14 companies into voluntary compliance with Section 1140 of the Act, through the judicious use of cease and desist letters.

We report our FY 2001 accomplishments and briefly describe a few of our many successful cases below.

Misleading Advertising Case Highlights

Senior citizens should exercise great caution when responding to solicitations promising additional benefits from SSA or the government.



One investigation confirmed that over 25,000 individuals, including residents of nearly every State, had been duped by anonymous hoax flyers. Two distinct flyers were widely distributed to the elderly and falsely promised recipients that they would receive money from the government if they mailed information to a post office box listed on the flyer. One flyer promised \$5,000 pursuant to a fictional "Slave Reparations Act." The second promised an unwarranted lump sum payment or an increase in SSA benefits.

Both required the recipient to provide sensitive personal information such as name, address, telephone number, SSN, and date of birth. Many elderly Americans

were so thoroughly confused by the flyers, that they sent copies of identity documents, including Social Security cards, drivers licenses, birth certificates, and military papers to the address on the flyers. By falsely promising additional Social Security payments, the anonymous mailings tricked them into parting with coveted personal information.



Based on a series of enforcement actions brought by OIG in Texas, several companies were ordered to stop sending deceptive Social Security-related advertisements, primarily to senior citizens. Acc-U-Lead, Inc., United States Senior Services, Inc., Mass Mail Media, Inc. and Lead Marketing Alliance, all Texas companies, were ordered to cease such mailings. The founders were also directed to pay penalties of \$200,000 to SSA. These payments were part of a settlement in a case brought by our office and the U.S. Attorney's Office (USAO)

regarding government look-a-like documents that appeared to be from SSA.

The government's case alleged that these companies sent misleading solicitations that used terms such as "Social Security Supplement Policy" or "2001 Benefit Update," when in reality the solicitations were meant to entice senior citizens to provide sensitive personal information. The defendant companies would then sell this data to private insurance companies and/or agents for up to \$16 for each senior's reply. The data purchasers would then contact the seniors and pitch various products such as burial insurance and other related policies.

As a result of such deceptive practices, the companies generated substantial revenues over several years from the sale of this sensitive personal information, unwittingly provided by seniors.

Misleading Advertising Section 1140 Statistics

	October 1, 2000 through March 31, 2001	April 1, 2001 through September 30, 2001	FY 2001 GRAND TOTALS
Complaints Received	18	42	60
New Cases Opened	15	11	26
Cases Closed	17	15	32
No Violation	9	8	17
Voluntary Compliance	7	7	14
Settlement Agreement	1 case /\$50,000	-	1 case /\$50,000
Penalty/Court Action	0/0	2 cases /\$795,000	2 cases /\$795,000
Hearings Requested	0	0	0

Section 1129 of the Act - False Statements

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

Our enforcement efforts have been enhanced as our investigative organization matures. Using our CMP enforcement tools, we have imposed over \$2 million in penalties since FY 1998. Congress continues to introduce new legislation that would expand CMP authority.

The following table and cases highlight our FY 2001 results.

False Statements Case Highlights



We recently settled a case against a man who created and used several different identities and SSNs for the purpose of acquiring Social Security benefits. From 1974 through 1998, he improperly collected over \$250,000 in Social Security benefits. Following a thorough and lengthy investigation by our Los Angeles Field Division, the man was incarcerated and ordered to pay full restitution to SSA in the amount of \$262,279. We then initiated a CMP action which netted a \$20,000 settlement.



In another case, we received an allegation that a woman used false information to apply for SSI and Social Security benefits. Our investigation found that the woman used false identity docu-

False Statements Section 1129 Statistics			
	October 1, 2000 through March 31, 2001	April 1, 2001 through September 30, 2001	FY 2001 Grand Totals
Cases Referred from OI	114	110	224
Cases Initiated	37	34	71
Cases Closed	64	68	132
Penalties and Assessments	\$606,679	\$95,796	\$702,475
Number of Hearings Requested	12	1	13

ments, marriage certificates, and a false SSN to improperly obtain benefits. This case was never criminally charged, however, we imposed a \$20,000 CMP against her for the false statements she made to SSA.

Partnership with U.S. Attorneys

To further our shared goals within the OIG, we have placed attorneys in our field divisions. One of these attorneys took on additional work as a Special Assistant U.S. Attorney, working with the USAO in Arizona to prosecute crimes against SSA that the U.S. Attorney does not have sufficient resources to pursue.

That partnership has already resulted in the criminal prosecution of 13 individuals who had committed fraud against SSA programs. To date, six of these individuals have pleaded guilty and been sentenced. Many received periods of incarceration and all were ordered to pay restitution to SSA in the total sum of \$155,466.

The other seven have pleaded guilty and are awaiting sentencing, and additional cases will soon be brought before the Grand Jury in Phoenix.

In addition, we have entered into a similar partnership with the USAO for the Central District of California in Los Angeles, and are in the process of preparing cases for the Grand Jury there, as well.

We will continue to explore the feasibility of these partnerships in other areas of the country in support of OI's investigative efforts and in furtherance of the IG's statutory mission.

Ombudsman Program

During this reporting period, we created an ombudsman office to provide another communications channel for all OIG employees. This program provides a confidential and impartial alternative for assisting OIG employees with informal complaint resolution, problem solving, and internal communications issues.

We are committed to providing our employees a work environment in which they are treated fairly and impartially and one in which a mutual trust exists between employees and management. The creation of an Ombudsman Program reflects our continuing interest in fostering an environment in which all employees are able to work to their full potential without workplace impediments.

Coordination of External Inquiries

Within our OEO, the External Affairs Division (EAD) administers OIG's public affairs, media, and interagency activities; coordinates responses to congressional requests for information; and communicates OIG's planned and current activities and their results to the Commissioner and Congress.

EAD works in partnership not only with OI staff, but with OA's Quick Response Team. This Team performs short-duration, time-sensitive projects that address requests from Congress, SSA management, other Federal agencies, SSA beneficiaries as well as their representatives, and members of the public.

During FY 2001, EAD responded to 159 requests from congressional offices and other groups. EAD also responded to another 124 requests from members of the media and the general public.

SSA OIG Fraud Hotline

Our Allegation Management Division (AMD) operates the SSA OIG Fraud Hotline and has made great strides since its inception in the early days of the OIG.



An AMD program specialist attending to an allegation made to the SSA OIG Fraud Hotline.

During the past year, AMD implemented a number of internal improvements that increased its ability to receive and process allegations. These improvements included an upgraded telephone system along with more efficient methods of handling allegations. As a result, the number of telephone calls answered by program specialists increased from 90,159 in FY 2000 to 94,886 in FY 2001. In addition, AMD received 26,401 pieces of correspondence; most of which were internet communications.

AMD program specialists are trained to take complaints from those who contact our hotline and conduct telephone interviews of

victims and witnesses. This is where our investigative process begins. As AMD receives allegations, they are carefully reviewed to determine the most appropriate course of action, such as being referred to our OI Field Divisions, other components of OIG, other law enforcement agencies, or other program or policy components within SSA.

Not only does AMD staff provide a vital service to our Field Divisions by preparing allegations for investigation, they also assist SSA in identifying overpayments. During FY 2001, AMD began tracking overpayments posted by SSA in its system of records. We determined that SSA posted over \$3.9 million in overpayments as a result of allegations the Hotline forwarded to SSA for further development.

As illustrated in the following charts, reports of SSN misuse and identity theft crimes comprise more than half of the allegations received. Due to the high interest in this area, the Fraud Hotline contains a separate message option for callers who wish to report SSN misuse. This message provides callers useful information about protecting their SSN and is offered 24 hours a day, 7 days a week, as are all Fraud Hotline message options.

During business hours, program specialists are available to speak with callers wishing to report allegations of SSN misuse and identity theft. These allegations are referred to the Federal Trade Commission (FTC) for inclusion in the FTC Iden-

tity Theft Data Clearinghouse, a national database available to other law enforcement agencies. In addition to information on SSN misuse, the Fraud Hotline's 800 number also provides message options for reporting general fraud and fraud committed by representative payees. Information about reporting fraud is also available to the public on our website at www.ssa.gov/oig.

quarters and field divisions, including the SSA OIG fraud hotline.

Overall for FY 2001, OI responded to 115,101 allegations received via telephone, correspondence, fax, or email. The allegations that the Hotline receives, plus the allegations received by our OI field divisions, come from a variety of sources and cut across SSA programs as shown on the following page.

Investigative Accomplishments

The following tables represent the collective efforts of our OI head-

INVESTIGATIVE STATISTICS			
	October 1, 2000 through March 31, 2001	April 1, 2001 through September 30, 2001	FY 2001 GRAND TOTALS
Allegations Received	53,742	61,359	115,101
Cases Opened	4,799	5,966	10,765
Cases Closed	4,657	4,979	9,636
Arrests/Indictments	1,460	1,272	2,732
Total Judicial Actions	1,866	2,434	4,300
Criminal Convictions	807	607	1,414
Civil/CMP	43	29	72
Illegal Alien Apprehensions	353	303	656
Fugitive Felon Apprehensions	663	1,495	2,158

FUNDS REPORTED				
	October 1, 2000 through March 31, 2001		April 1, 2001 through September 30, 2001	
	SSA Funds	Non-SSA Funds*	SSA Funds	Non-SSA Funds*
Scheduled Recoveries	\$9,239,876	\$186,558	\$15,476,466	\$3,212,819
Fines	\$283,253	\$355,772	\$100,267	\$260,422
Settlements/Judgments	\$2,197,895	\$5,000	\$1,602,914	\$51,829
Restitution	\$9,193,191	\$21,004,880	\$6,077,936	\$15,056,522
Estimated Savings	\$73,626,888	\$12,974,928	\$108,035,518	\$22,785,684
TOTALS	\$94,541,103	\$34,527,138	\$131,293,101	\$41,367,276
GRAND TOTAL	\$129,068,241		\$172,660,377	
FY 2001 TOTAL	\$301,728,618			

*Non-SSA Funds represent monies attributed to other government organizations and financial institutions that benefit from the results of our investigative work. All figures include funds reported for civil actions.

Allegations Received by Category	
	FY 2001 Grand Totals
SSN	65,220
SSI Disability	19,737
Disability Insurance	17,408
Old Age and Survivors Insurance	9,014
Other	2,296
SSI Aged	888
Employee	538
TOTAL	115,101

Allegations Received by Source	
	FY 2001 Grand Totals
Private Citizens	65,038
Anonymous	22,757
SSA Employees	12,153
Law Enforcement	9,920
Public Agencies	2,953
Beneficiaries	2,280
TOTAL	115,101

SIGNIFICANT MANAGEMENT ISSUES FACING SSA

Each year we assess the most significant management issues facing SSA. This process is valuable in focusing congressional attention on mission-critical management problems and serves as a catalyst for action in resolving significant issues across the Agency. These management issues are based upon discussions that we have had with SSA and acknowledges the progress SSA has made over the last year.

Based on legislation and our audit and investigative work, we have determined that the ten most significant management issues facing SSA in FY 2001 are:

1. Critical Information Infrastructure
2. Disability Redesign
3. Earnings Suspense File
4. Enumeration
5. Fraud Risk
6. Government Performance and Results Act
7. Identity Theft
8. Representative Payee
9. Service to the Public
10. Systems Security and Controls

At the same time, we have worked on the significant management issues for FY 2002, and transitioned our work efforts into these areas in October 2001.

Below we discuss each of our critical FY 2001 management issues and our related audit and investigative work.

ISSUE 1: CRITICAL INFORMATION INFRASTRUCTURE

As technology advances and our reliance on technology increases, the need for a strong information infrastructure becomes even more important. Along with the explosive growth in computer interconnectivity comes the ability to disrupt or sabotage critical operations, read or copy sensitive data, and tamper with critical processes.

SSA's current information security challenge is to understand system vulnerabilities and how to mitigate them effectively. At SSA, this means making sure that its critical information infrastructure is secure.

Many challenges exist in obtaining and maintaining a secure critical information infrastructure. One of these challenges is the rising expectations of the American public. The public expects SSA to provide service comparable to private industry. This can only be accomplished by keeping current with technological changes.

Each year, we contract with a public accounting firm to audit SSA's

Focusing attention on critical management areas allows us to help SSA address significant issues facing the Agency.

coverage of certain critical systems and applications. The firm's findings have included the need for SSA to strengthen system password requirements and establish a security program for its internet environment. We are also members of several critical infrastructure protection workgroups and committees that provide guidance and monitor the Agency's progress in this area.

Our Electronic Crimes Team provides technological assistance to our investigators who are involved in increasingly more complex investigations.

Our audit and investigative work has disclosed weaknesses in SSA's critical information infrastructure efforts. We recently audited SSA's Systems Security Program, and our findings indicated SSA needed to develop a more comprehensive system security plan for the mainframe and distributed computing environments.

It also needs to implement global email and other appropriate methods for broadcasting computer incidents, and develop sanctions for users who cause system disruptions or share passwords. Other reviews indicated that SSA needed to terminate access to critical processes when access is no longer needed and consistently perform required background checks of certain SSA employees.

As SSA embraces "electronic service delivery," many of its functions will be available on the internet. With this transition, we expect that the occurrence of attempted internet fraud and other criminal activity conducted in an automated environment will increase. The Electronic Crimes

Team (ECT) within our Critical Infrastructure Division (CID) is equipped to meet this challenge.

This Team provides technological assistance to our investigators as well as investigative assistance to the Agency in resolving intrusions into SSA's network computer systems. In addition, this Team has gained the added responsibility of identifying and addressing the exploitation of SSA's systems and electronic services.

The computer forensic examinations performed by ECT members have been critical in providing vital evidence to OI case agents. Our agents have cracked passwords allowing access to critical evidentiary information; recovered deleted files and retrieved deleted images that revealed pertinent information concerning the development of false identification documents; and have successfully reconstructed accounting records for our auditors.

During this reporting period, we participated in the following systems security issues meetings, systems security conferences, and controls related activities:

- ✓ Testified before the House Committee on Ways and Means Subcommittee on Social Security at a public hearing on Protecting Privacy and Preventing Misuse of Social Security Numbers. ECT demonstrated to the Subcommittee how the internet could be used to facilitate crimes involving SSN misuse.

- ✓ CID has worked with SSA to identify key assets associated with threats, risks and vulnerabilities and developed mitigation plans.
- ✓ Continued to provide developmental and instructional support to the Security Specialties Division, Federal Law Enforcement Training Center, Critical Infrastructure Protection Training Program.
- ✓ Assisted DOJ's Office of Justice Programs, National Institute of Justice in the development of a nationally publicized pamphlet entitled "Electronic Crime Scene Investigation - A Guide for First Responders." ECT served as a technical resource on this project.
- ✓ Worked with the Inspector General Criminal Investigator Academy, to develop a curriculum for law enforcement training in a course entitled "First Responder to Electronic Evidence".
- ✓ Provided support to the National Infrastructure Protection Center as participants of the Inter-Agency Coordinating Cell, which is compiled of government-wide membership and provides investigative support on a national scale.
- ✓ Provided support to the Joint Terrorism Task Force investigating the World Trade Center and Pentagon attacks.

Along with these accomplishments, ECT staff completed 39 forensic exams, requiring 930 hours of examination time. An additional 704 hours of initial and advanced

training were also completed, and several ECT staff provided first responder training to our agents, other agency law enforcement officers, and members of the USAO.

During this reporting period, we also completed the following reviews.

Review of SSA's Critical Infrastructure Protection Program (Limited Distribution Report)



Our objective was to determine the adequacy of SSA's Critical Infrastructure Protection Plan (CIPP) for its physical assets as it relates to Presidential Decision Directive (PDD) 63. The President's Council on Integrity and Efficiency and Executive Council on Integrity and Efficiency initiated a four-phase review to determine the adequacy of the Federal Government's critical infrastructure protection program in the context of PDD 63.

The results of our review revealed that SSA has made significant progress in addressing the national PDD 63 initiative. During the review, we noted that the Agency began to implement the recommendations below. However, we further noted that SSA needs to include more detailed information in its CIPP, identify interdependencies involving its critical physical assets, and continue its efforts in completing vulnerability assessments.

We recommended that SSA:

1. Update CIPP to include a timeline for incremental reviews of SSA's existing physical security policies and procedures.
2. Develop and update CIPP to incorporate implementation dates for inclusion of critical infrastructure protection functions in SSA's strategic planning and performance framework.
3. Develop training goals for the CIPP to ensure that it has the personnel and skills necessary to implement a sound infrastructure protection program.
4. Identify SSA's interdependencies with other Federal agencies for its physical assets as defined in Project Matrix.
5. Continue performing vulnerability assessments for its critical physical assets.

Due to the sensitive nature of this audit, we cannot describe the detailed findings of this report and it is not available for distribution.

SSA's Compliance with the Government Information Security Reform Act



Our objective was to evaluate SSA's compliance with the *Government Information Security Reform Act*¹ (GISRA).

1. Public Law 106-398, Title X, subtitle G.

GISRA requires each agency to perform an annual program review of its information security plan and requires the IG or the independent evaluator to perform an evaluation of the agency's security program and practices.

The impact of the information system security weaknesses is increasing for several reasons. SSA is placing an even greater level of services online, which increases SSA's exposure for security risks to its systems. Also, SSA is placing a greater reliance on technology to accommodate the expected increase in workload and expected decrease in staff. Technology changes so quickly that the individuals who would exploit the information security weaknesses are also gaining new means and opportunities to do so.

In meeting its overall security program needs, our assessment found that SSA uses accreditations, which is the administrative process that certifies that an application system meets all security regulations and standards. It also uses program reviews and independent evaluations to assess the performance of its security program. SSA does provide security training to the individuals with security responsibility and considers information technology (IT) security in the budget process.

At the time of our assessment, the Agency had not developed specific performance measures. However, as of the date of this report, SSA advised that those measures would

be published as part of this GISRA report. Because these measures were not available during the assessment period, we could not speak to their effectiveness.

SSA has also not evaluated all of its critical assets as required by the *Computer Security Act of 1987*, which requires each agency to establish a plan for the security and privacy of each Federal Computer System, which is within or under the supervision of that Agency and has been identified by the Agency as containing sensitive information.

We also found that SSA does not globally track IT security training taken by its security staff, and does not itemize IT security costs by projects.

We concluded that SSA generally meets the requirements of GISRA; however, there are opportunities for the Agency to strengthen its information security framework to ensure full compliance with GISRA and the information security-related laws and regulations that provide the foundation for GISRA.

Due to the sensitive nature of this audit, we cannot describe our detailed findings. This report is not available for distribution.

ISSUE 2: DISABILITY REDESIGN

SSA manages two large Federal programs that pay monthly benefits to qualified individuals with severe disabilities—the Disability

Insurance (DI) and SSI programs. In the 3-year period between FYs 1991 and 1993, initial claims for these benefits climbed from 2 to 2.6 million. SSA has experienced difficulty processing claims in a timely manner.

As many as two-thirds of claimants who filed an appeal eventually received a favorable decision at the hearing level, which could indicate potential problems with either initial or appellate decisions and raises questions about the fairness and efficiency of the process. SSA concluded that the best approach to effectively respond to these problems was to fundamentally overhaul the way in which disability claims are processed to decide whether or not a claimant was eligible for disability benefits.

To that end, SSA embarked on an ambitious series of initiatives to improve its accuracy and service. Its *Disability Redesign Plan* was issued in September 1994. With its redesign plan, SSA hoped to achieve five goals that would improve the process. The plan originally included 83 initiatives to be accomplished over 6 years.

In a 1996 General Accounting Office (GAO) report, GAO concluded that SSA's plan was overly ambitious. At that time, SSA had made little progress toward meeting its goals, could not show positive results, and faced difficulty obtaining and keeping support of some stakeholders. In response, SSA issued a scaled-back redesign plan in February 1997, which



Audit staff frequently meet with Agency officials to discuss OIG's recommendations.

focused on eight key initiatives to be accomplished within 9 years.

SSA's current plan entitled, *Social Security and Supplemental Security Income Disability Programs: Managing for Today, Planning for Tomorrow*, was issued on March 12, 1999. The plan had four broad goals: Improve the Disability Adjudication Process; Enhance Beneficiaries' Opportunities to Work; Safeguard the Integrity of Disability Programs; and Improve the Knowledge Base for the Next Century.

To improve the disability adjudication process, the 1999 plan announced a 10-State prototype of modifications to the disability process. In a January 10, 2001 report entitled, *Managing Social Security Disability Programs: Meeting the Challenge*, SSA reported on the status of the evaluation of the prototype and tentative plans for a national rollout.



Auditors prepare to brief Agency officials on their audit findings and recommendations.

In August 1999, SSA published plans to improve the hearings and appeals processes. SSA designed the Hearings Process Improvement and the Appeals Process Improvement plans to expedite Office of Hearings and Appeals (OHA) processes for appealed cases and to reduce backlogs.

SSA began implementing its Electronic Disability (eDib) System in the Spring of 1999. The eDib System is the Agency's technological approach to creating a paperless-disability claims process. We have been periodically monitoring the electronic service delivery aspects

of eDib through various SSA steering committees and we will assess the success of these initiatives as they are implemented.

During the reporting period, we also conducted the following audits.

Assessment of the Hearings Process Improvement Plan Phase 1



The objective of our review was to obtain employee assessments of the results of the OHA implementation of Phase 1 of the Hearings Process Improvement Plan (HPI).

We surveyed 1,326 employees in 37 Phase 1 Hearing Offices (HO). Our survey results showed that OHA has an experienced workforce that was trained before and after the HPI Phase 1 implementation, and employees have an understanding of what is expected of them. Our survey results also showed that employees expressed some concerns with the transition.

We recommended and SSA agreed to: (1) establish a timeframe by which HOs should implement all parts of the HPI Plan; (2) reassess training needs for nonmanagers and ensure they have an adequate understanding of OHA's expectations under the HPI Plan; (3) re-evaluate the staffing needs for technicians and clerical staff within each HO to maximize productivity; and (4) perform an evaluation of standing orders, or the lack of standing orders, in each office to

ensure employees have clear and uniform instructions from administrative law judges within each processing group.

Medical Evidence of Record Collection Process at State Disability Determination Services



The objectives of this review were to: (a) review and assess the efficiency of the medical evidence of

record (MER) collection process at State DDS, and (b) assess the DDS' ability to provide SSA with management data.

We found that the current MER collection times account for a considerable portion of overall disability claims processing times because the processes of requesting and receiving MER are slow and labor-intensive for both the DDS and the claimant's treating source. As such, the time it takes treating sources to respond to DDS requests for MER can vary from a few days to several weeks.

We recommended that SSA:

1. Pursue options for improving MER collection times at DDSs experiencing problems in receiving MER within 30 days from the date of the request. (This should include sharing DDS best practices that have been innovative in obtaining MER timely.)
2. Conduct a study to determine whether savings in consultative examination costs could be real-

ized by providing a financial incentive to medical providers who submit MER within 30 days from the date of the request.

3. Improve its oversight of the DDS MER collection process by:
 - (a) developing uniform MER data collection requirements for DDS, and
 - (b) performing periodic evaluations of MER collection processes and times at DDSs to develop best practices.

SSA agreed with our first recommendation, but disagreed with recommendations two and three.

ISSUE 3: EARNINGS SUSPENSE FILE

An individual's earnings are the basis to calculate Social Security benefits. SSA establishes and maintains a record of an individual's earnings for use in determining an individual's entitlement to benefits and for calculating benefit payment amounts.

The Earnings Suspense File (ESF) primarily consists of wages employers report to SSA that are put into suspense because the name and SSN do not match validation criteria within SSA's systems. Although SSA has reported it correctly posts over 99 percent of all wages received, those wages that cannot be posted to earners' accounts continue to accumulate in the ESF. Between Tax Years (TY) 1937 and 1999, the ESF grew to about \$333 billion in wages repre-

senting approximately 227 million wage items.

Suspended wage items continue to grow, and there is a possible link between the number of suspended wage items and the growth of SSN misuse allegations and fraud. This concern not only affects SSA programs but transcends to other Federal entities, such as the Internal Revenue Service (IRS) and the Immigration and Naturalization Service (INS).



Investigators review earnings information as a regular part of their case development.

Each year about 21 million wage items have an invalid name and SSN combination and SSA, through extensive computer matches and manual efforts, is able to reduce this number to around 6.5 to 7 million items. Additional edits on invalid wage items can take up to 2 years.

Another concern is the additional administrative cost required to match data to individual records to correct invalid earnings information. In the past, SSA has noted it can cost as much as \$300 to correct an earnings item once it has gone into suspense, compared to a cost of only 50¢ if the earnings had been reported correctly.

SSA has developed a Tactical Plan containing an overall strategy and several projects designed to reduce the ESF's rate of growth and size. However, the changes called for in the Plan are long-term, and several factors, both internal and external to SSA, hinder the efforts with the most potential to reduce the ESF's size and growth.

Some of the internal factors hindering efforts to reduce the ESF's size include: (1) SSA has placed a higher priority on other automated systems developments, and (2) SSA has not linked available information in its database to identify chronic "problem" employers who continually submit annual wage reports with multiple errors.

External factors include other Federal agencies with separate, yet related mandates, such as the IRS's failure to sanction employers for submitting invalid wage data and INS' complicated employer procedures for verification of eligible employees.

In September 2000, SSA contracted with a national independent accounting firm to review the ESF and provide recommendations and alternatives for the management of this file. The contractor provided the final report to SSA on July 18, 2001 and an executive briefing was held in August. SSA is currently considering the report's recommendations.

Our auditors issued the following reports related to the ESF during this period.

Force Processing of Magnetic Media Wage Reports with Validation Problems



The objective of our audit was to review SSA's management oversight of force processing. During TYs 1996 through 1998, SSA increased the accuracy threshold for reported

wages from 10 percent to 50 percent. Prior to this change, SSA had accepted wage reports if as much as 90 percent of the wage items had name and SSN mismatches. In addition, the instructions for the W-2 contain a penalty provision of \$50 per error for submitting inaccurate name and SSN combinations.

If an employer fails to meet the accuracy threshold after attempting to correct the wage information, SSA will still process these wage items, which SSA commonly refers to as "force processing." SSA also warns the employer it will force process the report one time only. Despite these warnings, SSA continued to force process wage reports for 285 employers during TYs 1996 through 1998; and 3,428 additional employers during TYs 1997 and 1998.

We also found SSA had not identified these employers for the IRS to assess monetary penalties of \$50 per error. If assessed, this penalty would have totaled approximately \$8.5 million for the 285 employers that continued to submit W-2s with incorrect names and SSNs for 3 consecutive years. Since SSA permits employer's wage reports to be force processed over multiple years, and the IRS has not assessed penalties, there is no incentive for employers to improve their wage reporting accuracy and no improvement to the overall wage reporting system.

Some of our recommendations to SSA were to develop a management information system to iden-

tify employers who have their wage reports force processed and the number of times, and to provide information on chronic problem employers to the IRS to impose penalties. In the event the IRS fails to impose such penalties, SSA should consider a legislative proposal to establish its own sanctioning (penalty) authority.

In its response, SSA noted that a management information system to track force processing information is no longer necessary since it had changed the name and SSN threshold to allow 95 percent of an employer's electronic wage reports to be in error before SSA rejects the submission. By implementing this policy, SSA virtually eliminated the need for force processing, while allowing the Agency to more readily identify, track, and work with employers having a high rate of items with name and SSN mismatches.

SSA also noted that it has improved the educational correspondence it sends to employers with name and SSN mismatches. Finally, the Agency provided a list of 100 employers with the largest number of name and SSN match failures in consecutive years to the IRS in August 2000. IRS expressed interest in the listing but has not assessed penalties.

We believe SSA's elimination of the 50 percent threshold and its replacement with a 95 percent threshold (of mismatched records) leaves the Agency open to greater reporting errors and more sus-

pending wages. For this reason, we encourage SSA to maintain the 50 percent threshold.

Finally, SSA has been warning employers about sanctions for several years without any real action by the IRS. Elevating this language without IRS follow-through will do nothing to improve the quality of wage reporting or reduce the ESF's size and growth. It is for this reason that we continue to encourage SSA to seek its own sanctioning authority if efforts with the IRS fail to produce results.

Management Advisory Report - Review of Service Industry Employer with Wage Reporting Problems



The objective of our review was to understand possible reasons why employers submit erroneous wage reports. To do this, we performed an in-depth case study of an employer who continually submitted large numbers of invalid wage reports to SSA. Specifically, we determined the causes of this employer's wage reporting errors and irregularities; and identified steps that SSA has taken to reduce such occurrences.

We identified several factors that contributed to the volume of this employer's suspended wages:

1. The transient nature of the employer's workforce.
2. The use of invalid documents by workers when they were hired.

3. The employer's flexible hiring policy and weak internal controls.
4. The employer's failure to use available SSA programs to verify employee documents.

SSA provides various programs to assist employers in preparing accurate wage reports, including a voluntary name and SSN verification program, the Employee Verification Service (EVS), that could have significantly reduced the amount of suspended wages for the profiled employer. The employer was either unaware of these verification programs or reluctant to use them. In the case of the profiled employer, we estimate that up to \$10.2 million in suspended wages could have been prevented or at least reduced in TY 1997 had the employer used EVS.

SSA even has plans to expand EVS into an online system for employers, which SSA has estimated could prevent up to 200,000 items from going into suspense annually. We estimated that this online EVS (OEVS) could save up to \$6 million annually in administrative costs since SSA would avoid the cost of reinstating these 200,000 wage items.

SSA is also evaluating pilot verification programs with the Office of Child Support Enforcement (OCSE) and INS to see how they can assist employers. Both the OCSE and INS pilots, if proven successful, have an advantage over the current voluntary EVS program for registered employers since they provide more

timely feedback to large employers. As of the end of our review, the results of the OCSE pilot were under evaluation, while the INS pilot is scheduled for completion in November 2001.

We made the following additional recommendations to SSA to improve oversight of employers with large numbers of suspended wage items and provide them with sufficient tools to detect erroneous data:

1. Until the use of EVS is mandatory, ensure Employer Services Liaison Officers increase awareness of EVS among those employers who have submitted large numbers of suspended wage reports, including those identified in our earlier audit of the top 100 employers in the ESF.
2. Prioritize the implementation of the ESF Tactical Plan proposal to provide OEVS to employers, which will assist in identifying invalid documents submitted by new hires while also preventing up to 200,000 items from going into the ESF and reducing overall ESF administrative costs by as much as \$6 million, annually.
3. Continue to pursue and/or expand upon viable options to the current EVS procedures, such as the OCSE and INS pilots, to broaden employer participation in SSA's name/ SSN verification projects.

SSA took exception to the statements and recommendations made in the report because they were based on the examination of a single employer. SSA believes the most significant cause for wage reporting errors is the transient nature of the employers' workforce and noncompliance on the part of employers. As a result, SSA is not comfortable in predicting a significant reduction of items in the ESF as a result of its verification programs.

SSA also stated that OEVS has already been put on a priority track, but disagreed with our assessment of administrative costs savings related to the use of OEVS. SSA noted it will recalculate the amount to provide a better cost per reinstatement.

We believe the service industry employer review builds upon our work related to the ESF and demonstrates that significant problems exist in the service industry, specifically employers with a transient workforce. SSA agrees this transient workforce is a significant cause for wage reporting errors.

In addition, our recommendations related to the issues faced by this employer will further SSA's efforts to reduce contributions to the ESF. In fact, SSA concurs with the substance of our recommendations, such as educating employers, implementing OEVS, and pursuing viable options to the current EVS.



Auditors discuss the findings from a current audit assignment.

In terms of administrative costs, we welcome SSA's commitment to determine a new cost per reinstatement. We continue to believe significant cost savings could be realized through timely implementation of OEVS.

ISSUE 4: ENUMERATION

The SSN is the key element that allows SSA to administer the Nation's Social Security programs

One of the key elements SSA employs to effectively administer the Nation's Social Security system is the SSN. SSA refers to the process of assigning SSNs to individuals as enumeration. The enumeration area also includes issuing replacement cards to people with existing SSNs and verifying SSNs for employers, State agencies, and other Federal agencies. In FY 2001, SSA issued over 18.4 million original and replacement SSN cards.

The magnitude of SSA's enumeration area and the importance placed on SSNs in today's society provides a tempting motive for many unscrupulous individuals to fraudulently acquire an SSN and use it for illegal purposes. Given today's technological advances, motivated individuals can counterfeit official documents with surprising accuracy.

As noted by Congress and other Federal agencies, the SSN plays an integral role in the commission of identity fraud crimes. Unfortunately, once an SSN is assigned, regardless of whether it is later learned the SSN was fraudulently obtained, the number can be used

as a "breeder document" to obtain additional false identification documents. Therefore, detecting fraudulent documents before SSNs are assigned is an essential step in reducing the number of identity fraud crimes.

Three separate issues combine to undermine the integrity of the enumeration process, and public confidence in the Social Security system: application vulnerabilities, fraudulent SSNs as breeder documents, and fraudulent SSNs for employment.

To adequately combat these enumeration challenges, SSA must employ effective front-end controls in its enumeration process. Likewise, additional techniques, such as data mining, biometrics, and enhanced systems controls are critical in the fight against identity theft.

Some of our proposals include:

- Customers should provide appropriate identification when doing business with SSA.
- SSA should obtain independent verification from INS for noncitizen evidentiary documents.
- Develop system applications to interrupt the enumeration process in certain suspect circumstances.
- Educate SSA staff about counterfeit documents.
- Continue public policy discussions through interaction with DoJ, the Department of Treasury, and the FTC.

- SSA should consider including SSN fraud and misuse (identity theft) as a “Key Initiative” in its Strategic Plan.

We believe SSA has a duty to the American public to safeguard the integrity of SSNs. In response to two previous reports we issued, SSA confirmed its strong commitment to eliminating opportunities for fraud within the enumeration process. We commend many of SSA’s initiatives to address these vulnerabilities. However, we continue to believe further action is necessary.

To promote further fraud prevention activities, OI is working with SSA to develop systems applications to interrupt the enumeration process in certain suspect circumstances and to further educate SSA staff to detect counterfeit documents. For example, based on recommendations from prior OA reports, we are working on a project with SSA to improve its Modernized Enumeration System.

Part of this project is to develop a procedure to detect fraud in the application process to identify parents who enumerate an improbable number of children within a set time frame. When this project is operational, SSA will stop the SSN card issuance process and refer the case to OI for investigation.

OI is also working with SSA to refine the Comprehensive Integrity Review Program (CIRP) module that identifies multiple SSN cards being sent to an address within a

particular time period. The CIRP referral process was responsible for initiating an investigation in Florida that identified over 225 false identities that a group of conspirators created over the past year. The investigation revealed that this group operated an identity fraud enterprise and presented hundreds of false applications with counterfeit identity documents to SSA for new or replacement SSN cards. The group then sold these cards to third parties to facilitate other criminal offenses.



Our auditors also issued the following audits related to the integrity of the enumeration process this period.

Performance Measure Review: Reliability of the Data Used to Measure the Percentage of SSNs Issued Accurately



The objective of this review was to assess the reliability of the performance data SSA used to measure progress in achieving its goal of issuing SSN cards accurately.

We found that SSA’s FY 1998 SSN accuracy rate of 99.8 percent was reliable. However, this rate does not include all errors. It excludes major errors, such as inaccurate names, dates of birth, and coding errors. High-risk items are not adequately represented in SSA’s sample used to compute the SSN accuracy rate. Also, in identifying erroneous SSNs, SSA does not test

the validity of evidence presented by SSN applicants.

We recommended that SSA take the following corrective actions to improve the reporting and measuring of future SSN accuracy rates:

1. Report the major error rate and its definition in the annual performance plan.
2. Redesign the sampling methodology to include more SSNs with a higher risk for error.
3. Test the validity of birth certificates and noncitizen documentary evidence presented with the SS-5 by obtaining independent verification from both the applicable State Bureau of Vital Statistics, and the INS, respectively.

SSA agreed that the definition of the measure in the Agency's performance plan should be clarified to reflect that errors not affecting the accuracy of the issued numbers are excluded from the accuracy calculation. SSA agreed to make this clarification and to also include explanatory language in its *FY 2001 Annual Performance Report*.

Audit of Enumeration at Birth Program



We assessed and identified control weaknesses in the Enumeration at Birth (EAB) process. Our objectives were to determine whether participating hospitals and Bureaus of Vital Statistics (BVS) provide SSA accurate and reliable information

under the EAB program; and if SSA's internal controls adequately protect the integrity of the process.

We found that:

- SSA is vulnerable to potential error and/or misuse due to lack of segregation of duties within hospitals' birth registration units.
- SSA assigned multiple SSNs to newborns.
- Untimely transmission of birth records diminishes the effectiveness of the EAB process.

We concluded that the birth registration data provided to SSA by the test hospitals and BVSs was generally accurate and reliable. However, weaknesses exist in controls and operations that need to be addressed to reduce the EAB program's vulnerability to potential error and misuse and to enhance program efficiency.

We recommended that SSA:

- Reinvest some of the savings realized by the EAB program and provide necessary funding for periodic independent BVS reconciliations of registered births with statistics obtained from hospitals and periodic verification of the legitimacy of sample birth records obtained from hospitals.
- Enhance its duplicate record detection and prior SSN detection routines to provide greater protection against the assignment of multiple SSNs.

- Instruct field office (FO) personnel to exercise greater care when resolving enumeration feedback messages generated by the system.
- Cross-reference multiple SSNs identified in the review.
- Continue to monitor the timeliness of BVS submissions and work with those BVSs having difficulty complying with the timeframes specified in the contracts.

SSA agreed with all of our recommendations.

ISSUE 5: FRAUD RISK

As SSA's payments to beneficiaries approaches half a trillion dollars annually, its exposure to fraud increases proportionately. Quite simply, many unscrupulous individuals target SSA's programs to secure funds for their own personal gain. OIG employees actively fight fraud in the SSI program, Old-Age, Survivors, and Disability Insurance (OASDI) programs, SSN integrity area, and SSA employee fraud area through a wide range of activities.

Fraud is an inherent risk within all of SSA's core business processes—enumeration, earnings, claims and post-entitlement, as they each contain vulnerabilities that provide individuals with the opportunity to defraud third parties, SSA and/or its beneficiaries and recipients. Our focus on fraud risk is based on program eligibility factors that are misrepresented to attain or maintain eligibility. Other key risk factors

include the detection of beneficiary deaths and the monitoring of medical improvements for disabled beneficiaries.

For SSA to fulfill its role as a steward of public dollars, it is imperative that the universe or magnitude of fraud be identified by establishing a baseline from which to estimate potential dollars lost to fraud, such as those identified by the banking and insurance industry.

This issue area focuses on a subset of the overall fraud universe, specifically, on SSI eligibility fraud, disability fraud, payments made to deceased individuals and SSA employee fraud. For information on identity theft and related SSN misuse fraud, please see Issue 7. Other OIG fraud prevention efforts are discussed in our Significant Activities section of this report.

SSI Eligibility Fraud

During FY 2001, our New York Field Division accelerated Project Re-Run focusing on 332 subjects identified in the FY 2000 New York Eligibility Projects who may have concealed foreign travel and assets during their redetermination interviews.

Research conducted at the Department of Treasury Financial Crimes Enforcement Network (FinCEN) was instrumental in the success of this project. Our staff working with FinCEN representatives conducted financial and foreign travel queries on 6,400 subjects from the prior New York Projects narrowing the

Some individuals target SSA's programs and fraudulently obtain benefits for their own personal gain.

field to the suspect group of 332. During FY 2001, 227 cases were opened identifying over \$1 million in overpayments and \$4.7 million in projected savings.

Typically, the cases involve SSI recipients who reported no travel outside the United States (U.S.) during an SSA redetermination interview. Subsequent research through FinCEN disclosed that the subjects made multiple trips outside the U.S., including trips just prior to the redetermination interview.

Follow-up investigation confirmed that recipients were out of the country for over 1 month, and in some instances, a year and beyond. This information is reported to SSA's project liaison to suspend payment, calculate the overpayment, and respond back to our office with the results. Our special agents coordinated with the USAO on these cases; however, to date, prosecutions have been declined by the USAO since subjects remain out of country or due to lack of prosecutive merit. The absence of the subjects has also hindered CMP development.

Disability Fraud

A serious issue for our office is when individuals attempt to defraud Social Security programs by falsely claiming disabilities in order to receive disability benefits. In addition to the CDI team cases highlighted earlier in the Significant Activities section of this report, our field divisions also reg-

ularly conduct disability case investigations. We highlight several of these cases below.

Disability Case Highlights



Based on a referral from SSA's Marietta, Georgia office, our Atlanta Field Division conducted an investigation of a Social Security disability beneficiary who failed to report his employment. The investigation determined that the man was employed as a truck driver, and that based on his work activity he was not entitled to receive benefit payments from October 1990 through May 1998. He was incarcerated and ordered to pay \$112,003 restitution to SSA.



Our Los Angeles Field Division investigated a man who regularly provided translator services to SSI applicants, and received fees for his services. He provided these services while he was also an SSI recipient himself. The investigation revealed that he had unreported income, resources, and work activity. He even maintained a second home for his girlfriend. When investigators interviewed him, he admitted that he had two SSNs and received cash "gifts" from SSI applicants that were approved for benefits. He was incarcerated and ordered to pay \$68,933 restitution to SSA.



Our New York Field Division investigated a woman who repeatedly suffocated her children and

claimed that they both suffered from a breathing disorder. The “breathing disorder” formed the basis of successful SSI disability applications for both children. This woman fraudulently received \$40,333 in SSI benefits for both of her children. She was ultimately incarcerated for the second-degree murder of her 2-year-old daughter and abuse of her older son.



Based on a referral from SSA’s McComb, Mississippi office, our Atlanta Field Division investigated a man who concealed his work activity and provided false statements to SSA to continue receiving disability benefits. From 1994 through 1999, the man owned and supervised the daily operations of a construction company. During this period, this construction company earned approximately \$615,000 while the man received \$65,891 in benefits to which he was not entitled. He was incarcerated and ordered to pay \$65,891 restitution to SSA.

Payments Made to Deceased Individuals

Our office, in conjunction with SSA, has taken aggressive action to stop erroneous payments to deceased individuals. This includes front-end detection of these improper payments, controls to prevent such payments, and detailed investigations to locate wrongdoers when the system breaks down. We believe that paying the right person the right amount of benefits is paramount. Payments made to

deceased individuals undermine public trust and confidence in SSA’s programs.

OI aggressively pursues allegations related to the diversion of benefit payments intended for SSA beneficiaries. In addition, we have added concerns about the diversion of benefits after the death of the intended benefit recipient.

The following two cases provide a sense of the types of cases that OI regularly investigates.



Our Los Angeles Field Division initiated an investigation based on a referral from SSA’s San Mateo, California office. SSA referred this case after making repeated attempts to contact two elderly beneficiaries both in person and by mail. The investigation revealed that a woman had fraudulently obtained disability benefit payments intended for her deceased parents. After admitting that her parents died in 1986, the woman was incarcerated and was ordered to pay \$119,352 in restitution to SSA.



Our New York Field Division investigated a woman who continued to cash her mother’s Social Security benefit checks after her death in October 1977. She fraudulently received \$70,714 in benefits from November 1977 through August 1995. The woman was incarcerated and ordered to pay \$68,440 restitution to SSA.

OI also initiated a major national investigative project in this area as described below.

BIC “D” Project

We initiated a new national operation this year focusing on deceased auxiliary Social Security beneficiaries who are in current payment status, even though a date of death is posted in SSA’s records. This project is known as BIC “D,” signifying Beneficiary Identification Code “D” for widows and widowers.

This project originated when one of our investigators identified a possible problem in SSA death records. Based on this information, our investigators and auditors conducted a pilot project during which they identified all current BIC “D” beneficiaries residing in the New England Region with a date of death posted to the Agency’s Numident records. The Numident is a history file that contains information on all valid SSN applications since 1936. Deaths are typically noted on the Numident file only. Overall, this pilot project resulted in the identification of 29 deceased individuals who were overpaid more than \$700,000.

Based on the success of the pilot project, OI launched a national operation. OI identified 2,934 subjects who were considered likely to be deceased and in current pay status based on a records match of SSA’s payment records against its Numident files. Currently, our investigators are working with SSA

FOs to verify the deaths, take administrative action, and open investigations, if appropriate. If the beneficiary is alive, our investigators will notify the local SSA FO that the Numident record is in error.

As of September 30, 2001, OI opened 1,414 cases and identified \$14.1 million in fraud loss, \$7.6 million in scheduled/actual recoveries, and \$19.8 million in projected savings.

Our auditors also conducted the following reviews in this area.

OASDI Benefits Paid to Deceased Auxiliary Beneficiaries



Our objective was to determine whether SSA had adequate procedures to ensure that OASDI benefits were terminated when an auxiliary beneficiary died.

We found that SSA can improve its current death matching process to ensure that OASDI benefits are terminated when death notices are received for auxiliary beneficiaries. We estimated that 881 deceased auxiliary beneficiaries received \$31 million in OASDI benefits after their dates of death. Additionally, we estimated that 4,152 auxiliary beneficiaries receiving OASDI payments had a date of death recorded on SSA’s Numident file even though the beneficiaries were actually alive.

Although SSA's current death matching process identifies and terminates OASDI payments to most deceased beneficiaries, improvements can be made to further refine the process and ensure that SSA does not pay deceased beneficiaries. If SSA does not take action, additional beneficiaries may be incorrectly paid after their deaths. Further, SSA's death matching process can be refined to ensure that living beneficiaries do not have a date of death on their Numident record, so that living beneficiaries will not have their benefits terminated prematurely.

SSA plans to upgrade its Death Alert, Control, and Update System (DACUS) system to resolve some of the problems in the future, but the Agency should take steps now to address the death information that conflicts with current payments being made.

We recommended and SSA agreed to periodically (at least annually) match its Death Master File (DMF) against its auxiliary payment records to identify records in which a date of death is posted on the DMF but for which payment records show current benefit payments. We recommended that SSA resolve the discrepancy between the dates of death on the Numident file and the current payment status on the Master Beneficiary Record for the records in our population that are not being reviewed by OI and were not included in our sample.

Additionally, SSA should refer any cases suspected to involve fraud to OI and remind staff to fully follow SSA's procedures when processing death alerts to ensure all records requiring action are identified and corrected.

Unresolved Death Alerts Over 120 Days Old



Our objective was to evaluate the effectiveness of controls and procedures for resolving death alerts over 120 days old and identifying payments to deceased beneficiaries. We concluded that SSA's controls and procedures do not ensure that the DACUS 120-day aged alert report is reviewed and resolved in a timely and consistent manner. We further concluded that SSA needs to implement systems modifications to improve the processing and monitoring of death alerts and reduce the potential for erroneous payments to deceased individuals.

We found that \$782,099 of payments attributable to 206 deceased individuals could have been avoided had the death alerts been resolved within 30 days of their appearance on the DACUS 120-day aged alert report. When we matched BVS death records from the State of California for 1989 through 1998 and the DACUS 120-day aged alert report for March 1999, we found 72 individuals who were deceased but continued to receive payments after their deaths totaling \$959,545. We also identified 26 cases where individuals may have fraudulently negotiated

\$429,779 in Social Security benefits after the death of a beneficiary. SSA subsequently terminated payments to these individuals and we referred these cases to OI.

We recommended that SSA:

1. Develop specific procedures, including timeframes, for regional offices (RO) to take corrective action on the DACUS 120-day aged alert report.
2. Monitor the DACUS 120-day aged alert report on a nationwide basis and follow-up with ROs to ensure timely processing of death alerts.
3. Expedite implementation of release 3 of DACUS to simplify the clearance of death alerts, provide online management information, and reduce the number of erroneous alerts.
4. Sort the DACUS 120-day aged alert report by payment status and source code to ensure that priority is given to death alerts for individuals in current pay status based on reports of death from State BVS records.



OIG managers collaborate on fraud-related projects.

In its response, SSA agreed with our first two recommendations. Accordingly, SSA agreed to develop procedures for processing and monitoring death alerts over 120 days old. For the third recommendation, SSA agreed that the planned systems enhancements included in DACUS Release 3 would improve its death reporting system.

However, SSA reported that it could not expedite the implementation of DACUS Release 3 due to limited resources. For the fourth recommendation, SSA agreed that priority should be given to death alerts for individuals in current pay status based on reports of death from State BVS records. Instead of sorting the DACUS 120-day aged alert report, SSA agreed to instruct its FOs to give priority to these alerts.

SSA Employee Fraud

Although the vast majority of SSA's over 60,000 employees are trustworthy and dedicated civil servants, we remain vigilant knowing that a few corrupt employees can compromise the integrity of the Social Security system and undermine the public's confidence in SSA's programs. Due to the potential for widespread abuse, the detection of employee fraud is an investigative priority although it comprises the fewest number of allegations and cases.

During this reporting period, we opened 103 new employee investigations, closed 116 employee investigations, arrested 17 employees, secured indictments of 15 employees, and participated in 22 judicial actions that resulted in the conviction of SSA employees.

SSA Employee Fraud Case

An SSA employee fraud case is highlighted below.



Based on a referral from SSA's Downey, California office, our Los Angeles Field Division investigated an SSA employee suspected of processing a suspicious pattern of multiple SSN cards. This employee fraudulently processed 983 SSNs between January 1998 through June 2000, in furtherance of multiple fraud schemes with two co-conspirators. For sentencing purposes, the judge determined that the conspiracy netted approximately \$786,400 in proceeds from the sale of the fraudulent Social Security cards. The employee and co-conspirators were incarcerated and fined \$10,000 each.

Other Fraud Related Efforts

Our auditors have also conducted several reviews in an effort to protect SSA programs from fraud and abuse.

Controls Over Recording SSI Overpayments



Our objective was to determine whether SSA's internal controls are adequate to ensure that SSI overpayments on closed records are identified so that they can be recovered from current benefit payments.

We found that SSA's internal controls did not ensure that all SSI

overpayments on closed records were identified and pursued for collection from current benefit payments. We identified outstanding overpayments that were not transferred to newly established Supplemental Security Records (SSR). As a result, SSA missed the opportunity to recover a substantial amount of SSI overpayments by withholding benefits when SSA resumed payments to these recipients.

Based on the results of our statistical sample, we estimated that, as of February 2000, \$93.54 million in overpayments should have been transferred to 35,138 recipients' current records. Further, SSA could have already recovered \$42.87 million in overpayments from these recipients' current benefit payments if the overpayments had been transferred to the newly established SSRs when their payments resumed.

We also estimated that SSA could recover \$20.08 million in outstanding overpayments from recipients during the next 12 months.

Since at least 1990, SSA has known that its internal controls could not ensure that SSI overpayments on closed records were identified and collected when SSA resumed benefit payments to SSI recipients by establishing new SSRs. Since 1997, SSA has implemented improved controls in this area through the Modernized SSI Claims System (MSSICS) and the Terminated Record Balancing and Debt Transfer (TREBDET). However, these system improvements were pro-

spective in nature and are not effective under all circumstances. As a result, SSA has to clean-up SSRs created prior to TREBDET and periodically review new SSRs created outside MSSICS.

To address this weakness, SSA developed a Debt Recovery Program. Approximately 54 percent of the 38,194 cases we identified meet SSA's criteria for being moved to new records by the Debt Recovery Program. If these individuals received benefit payments during July or August 2000, when the Debt Recovery Program was run, these overpayments should have been moved to new records. While SSA's July/August 2000 run was successful, approximately 46 percent of the overpayments we identified remain on prior SSRs and still need to be moved forward to new SSRs.

We recommended that SSA continue to periodically run the Debt Recovery Program, pursue collection of the overpayments, review the 20,519 overpayments we identified, and ensure that these outstanding overpayments were transferred to new SSRs. SSA agreed with our recommendations.

ISSUE 6: GOVERNMENT PERFORMANCE AND RESULTS ACT

Recognizing the importance of the *Government Performance and Results Act* (GPRA) and the results-oriented management it mandates, we developed a 3-year work plan to

review SSA's implementation of GPRA. To help us meet the ambitious workload in this important area, every issue team in OA conducts GPRA-related reviews.

All of the teams focus on two issues that are critical to the success of SSA's efforts to manage for results: determining the reliability of SSA's performance data, and ensuring that SSA's implementation of GPRA is in accordance with its requirements.

The following summarizes our efforts in this area for this reporting period.

GPRA Reviews



In FY 2001, we released several GPRA related reports. These reports provided a broad analysis on SSA's implementation of the law. Both *Audit of SSA's FY 1999 Annual Performance Report* and *Audit of SSA's FY 2000 Annual Performance Report*, noted that SSA's annual performance reports demonstrated SSA's strong commitment to meeting the objectives of GPRA.

Recognizing the evolving implementation of GPRA, the reports highlighted some opportunities for SSA to provide an even more meaningful assessment of its performance in future years. These opportunities included more comprehensive and accurate reporting of overall performance, clearly discussing performance for each measure, and discussing the effect of

unmet measures upon strategic goals.

Review of SSA's FY 2001 Annual Performance Plan highlighted some additional steps that SSA could take to make future performance plans more useful to decisionmakers. The plan would be more useful if it contained goals for all of SSA's management challenges, more outcome-based and service-related performance measures, and more specific identification of the resources needed to accomplish planned performance.

SSA generally agreed with the recommendations that flowed from the findings from the three reports. SSA stated that it realized the desirability of a strong link between budget and planned performance. However, it believes that the intent of GPRA is met through its budget justifications and performance plans.

The other reports released assess the reliability of data used to measure specific performance indicators. In a majority of our reviews, we were able to conclude that the data SSA used to report on the performance of its programs was reliable.

During this reporting period, we completed reviews that found SSA's performance data reliable in the following performance measure reviews:

- *Reliability of the Data Used to Measure the Accuracy of Earnings Posted.*

- *Reliability of the Data Used to Measure Disability Determination Services Decisional Accuracy.*
- *Reliability of the Data Used to Measure the Percentage of SSNs Issued Accurately.*

While we found the data to be reliable in these reports, we also found that SSA often lacked documentation of the methods and data used to measure its performance. In the cases above, we were able to reproduce or obtain enough of the needed documentation to come to our conclusions. In a few cases, the lack of documentation was significant and did not allow us to conclude on the quality of SSA's performance data.

We could not conclude on the reliability of the data, due to a lack of required documentation in the following performance measure reviews:

- *Management Advisory Report: Performance Measure Survey of the Percent of 800-Number Calls Handled Accurately.*
- *Reliability of the Data Used to Measure 800-Number Performance.*

Other reviews concluded that the data used to measure SSA's performance did not provide a reliable assessment of performance of the program being measured. The completed reviews that found SSA's performance data unreliable include the following performance measure reviews:

- *Reliability of the Data Used to Measure the Hearing Process.*
- *Reliability of the Data Used to Measure Field Office Access.*

SSA agreed with our recommendation of reviewing the methods and policies used in collecting performance data on the hearings process. In relation to our review on the data used to measure FO access, SSA concurred with our reported findings and agreed to immediately address seven of the nine associated recommendations. SSA believed existing procedures already addressed concerns addressed by one of the outstanding recommendations and for the other SSA wished to delay implementation until a new pilot data collection system is tested in FY 2002.

ISSUE 7: IDENTITY THEFT

“We as a government created the SSN, and we must ensure that proper controls are in place to protect its integrity.”

**James G. Huse Jr.
Inspector General**

Identity theft is the deliberate use of another person’s name and other identifying information to commit theft or fraud or to access confidential information about an individual. This is a particularly troubling issue in that it can take years for a victim of identity theft to recover.

Originally, the SSN’s sole purpose was to provide a method for SSA to accurately record worker’s earnings. Despite this narrowly drawn purpose, the SSN became used as a personal identifier in numerous record systems. The SSN is now the single most widely used identifier

for Federal, State and local governments, as well as the private sector.

The expanded use of the SSN has given rise to individuals acquiring and using fraudulent SSNs and SSNs assigned by SSA to other individuals for illegal purposes. Individuals use stolen and fraudulent SSNs to obtain employment, establish credit, and defraud Federal programs, including the Social Security and SSI programs.

Individuals also misuse SSNs to conceal their true identity while committing a variety of other crimes. Often, these crimes affect innocent victims and cause tremendous losses to these individuals, as well as to the Government and private sector.

Recently, we witnessed how the SSN facilitated the terrorists’ ability to integrate themselves into our society with relative anonymity. The ramifications of this type of activity can be severe and far-reaching. Consequently, curbing SSN misuse remains a top OIG priority.

The public expects the Government to deter SSN misuse and provide the necessary remedies for those that are victimized. The public’s growing concern is reflected in the large number of allegations we receive each year. In FY 2001, we processed over 115,101 allegations, almost 57 percent of which involved the misuse of an SSN. We anticipate that this number will continue to grow unless sufficient

controls are established to minimize the risk of abuse.

To this end, we continue to work to identify potential solutions to help fight this growing problem. We recommend the expansion of CMP authorities to strengthen penalties for the improper sale or misuse of SSNs. While taking action to control the use of the SSN is by no means an easy task, it becomes increasingly daunting with each passing day and each new use (or misuse) to which SSNs are subjected.

Effective March 28, 2001, Public Law 106-578, the *Internet False Identification Prevention Act of 2000* (IFIPA) amended 18 U.S.C. 1028 to strengthen Federal law regarding false identification documents by addressing the increased usage of the internet and computer technology in the creation and proliferation of false identification documents.

This legislation closes the loophole in Federal law that allowed the production and distribution of identification documents as long as they were marked with a disclaimer. The new provision provides that only those operating under the authority of a governmental entity may issue a document typically accepted for identification purposes. The number of internet sites purporting to sell SSNs and SSN cards dropped dramatically after IFIPA was enacted.

Furthermore, since the passage of the *Identity Theft and Assumption*

Deterrence Act of 1998 (Public Law 105-318), we have taken a proactive approach in the investigation of these crimes, and AMD has played a major role in this endeavor. Last year, we entered into a Memorandum of Understanding with the FTC's Bureau of Consumer Protection to refer SSN misuse and identity theft allegations received by AMD to the FTC Identity Theft Data Clearinghouse, a national database of identity theft complaints.

Sharing these allegations will not only improve the FTC's and our ability to assist victims, it will also improve the law enforcement community's efforts in the detection of individuals committing identity theft crimes. While our primary mission is to protect the integrity of SSA's trust fund, we will also focus our investigative efforts on identity theft cases that strengthen the fabric of homeland security.

Faced with this daunting situation, we continuously seek innovative ways to prevent SSN misuse and seek to create collaborative partnerships with other Federal, State, and local entities. To maximize our investigative resources, we are dedicating agents to work in a task force environment with other law enforcement agencies to investigate identity crimes. We are working closely with prosecutors on SSN misuse cases that when presented separately may not have been accepted for prosecution.

The additional benefit of law enforcement agencies pooling their

investigative resources has resulted in our being able to investigate more program cases and SSN misuse cases.

Identity Theft Case Highlights

The following cases highlight both SSA program-related cases and other SSN misuse investigations.



Our Chicago Field Division conducted a joint investigation with the U.S. Postal Inspection Service, the Ohio State Highway Patrol, and INS of a former University of Akron economics professor. The investigation revealed that the man had stolen SSNs, several of which belonged to students from a university with which he was previously associated. He used the SSNs to obtain credit cards using the victims' identities, and made over \$125,000 in fraudulent charges. The man was incarcerated and ordered to pay \$114,241 to several victims.



Based on a referral from SSA's San Pedro, California office, our Los Angeles Field Division investigated a man who was a Social Security disability beneficiary. In October 1993, the man applied for a job using his wife's SSN and concealed his earnings from 1993 through 1999, while continuing to receive benefits from SSA. He was ordered to pay full restitution to SSA totaling \$42,027.



Responding to allegations received by the SSA OIG Fraud Hotline, our Chicago Field Division determined that a man was working under his deceased brother's name and SSN since August 1996, while collecting Social Security disability benefits under his real name and SSN. He was incarcerated and ordered to pay \$33,384 restitution to SSA.



Our Los Angeles Field Division investigated a man who was a lawyer and member of the California State Bar, who received SSI payments under his true name since 1987 while also receiving SSI payments under the name of a high school friend. Investigators found 55 sets of identities in his possession, 10 of which were used to operate 34 fraudulent brokerage accounts, containing more than \$200,000. Combined losses suffered by SSA, the San Diego Public Housing Commission, and several banking institutions exceeded \$104,000. He was incarcerated and ordered to pay \$74,711 restitution to SSA. He was also ordered to forfeit about \$89,000 in other assets.

We have also conducted the following audit in this area.

Replacement SSN Cards: Opportunities to Reduce the Risk of Improper Attainment and Misuse



Our objective was to assess the potential for individuals to improperly obtain and misuse replacement SSN cards.

In 1999, SSA processed over 16 million SSN card applications, 11 million (almost 70 percent) of which were requests for replacement SSN cards. From April 1999 through March 2000, SSA issued 3 or more replacement SSN cards to 35,326 individuals and 6 or more replacement SSN cards to 194 individuals. We determined potential misuse by examining irregularities such as number holders with an unlikely number of replacement SSN cards based on their age, and number holders whose earnings were proportionally higher than would be expected given their age, number of employers, and type of employment.

In a review of 290 applications (based on either in-person interviews or mail receipts), we found that SSA issued 45 replacement SSN cards that should not have been issued based on the applicant's documentary evidence. FO personnel do not always comply with enumeration policies and procedures because of pressure to serve applicants as quickly as possible.

To reduce the opportunity for fraud and misuse, we recommended that SSA:

1. Develop regulations and incorporate system controls to limit the number of replacement SSN cards an individual can receive during a 12-month period and over a lifetime, and implement a two-PIN (personal identification number) process requiring management personnel to approve exceptions.
2. Re-emphasize enumeration policies and procedures.
3. Ensure that FOs have operational black lights and INS document guides.
4. Test FO employee compliance with procedures for issuing replacement SSN cards when performing periodic enumeration quality reviews, providing training and/or supervision, as needed.

To address recommendation 1, SSA agreed it needs to look more carefully at the issuance of replacement cards to ensure it takes every advantage of systematic controls, such as limits, that might allow SSA to more effectively identify risk factors and avoid the issuance of multiple replacement cards in questionable situations. SSA also stated it is beginning further assessment to determine the most effective systematic protocols to pursue.

SSA agreed with recommendation 2 and stated that, by September 30, 2001, the Office of Operations would issue a reminder to all FOs



OIG has staff in over 70 locations across the Nation.

stressing the importance of following enumeration policies and procedures.

SSA stated that it believes current procedures address recommendation 3. Specifically, the Agency stated that every FO has a copy of the Administrative Confidential Memorandum, which is the INS' guide for examining INS documents. SSA also stated that the regional integrity onsite security review or FO self-review includes actions to verify the FO's black light is operational. Additionally, SSA stated it is working with INS to provide SSA employees access to more INS automated records and to implement an Enumeration at Entry initiative.

SSA believes it can address recommendation 4 through reminder items and training. SSA stated that the Office of Quality Assurance and Performance Assessment (OQA) conducts an annual end-of-line review of both original and replacement cards issued to assess the accuracy of the process. Upon issuance of the next OQA report, the Deputy Commissioner for Operations will include a reminder for the regional offices to have FOs conduct refresher training, as indicated by OQA's findings, and to remind staff that they need to comply with all procedures for issuing replacement SSN cards.

ISSUE 8: REPRESENTATIVE PAYEE

Some individuals cannot manage or direct the management of their finances because of their age, mental or physical impairment. Congress granted SSA the authority to appoint representative payees to receive and manage these beneficiaries' payments. A representative payee may be an individual or an organization. SSA selects representative payees for OASDI beneficiaries or SSI recipients when representative payees would serve the individual's interests.

Representative payees are responsible for using benefits in the individual's best interests. Their duties include:

- Using benefits to meet the individual's current and foreseeable needs.
- Conserving and investing benefits not needed to meet the individual's current needs.
- Maintaining accounting records of how the benefits are received and used.
- Reporting events to SSA that may affect the individual's entitlement or benefit payment amount.
- Reporting any changes in circumstances that would affect their performance as a representative payee.
- Providing SSA an annual accounting or Representative Payee Report of how benefits were spent and invested.

Our auditors conducted the following reviews in this area.

Financial-Related Audits of Representative Payees



Since 1996, our audits have identified weaknesses in SSA's monitoring of and accounting for representative payees, and our investigative work provides examples of representative payees who have committed misuse. Additionally, in recent hearings, Congress has expressed concern as to the lack of accountability and oversight of SSA's representative payees.

For these reasons, we performed five financial-related audits of representative payees. The audits were of three types of representative payees:

- Fee-for-service organizational payees
- Non fee-for-service organizational payees
- Individual payees serving more than 50 individuals

The objectives of these audits were to determine whether representative payees:

1. Had effective safeguards over the receipt and disbursement of Social Security benefit.
2. Ensure Social Security benefits are used and accounted for in accordance with SSA policies and procedures.

The five representative payees audit reports were:

- *Financial-Related Audit of Hale Barnard Services - A Fee-for-Service Representative Payee for SSA*
- *Financial-Related Audit of an Individual Representative Payee for SSA*
- *Financial-Related Audit of an Organizational Representative Payee for SSA*
- *Financial-Related Audit of the Baltimore City Department of Social Services - An Organizational Representative Payee for SSA*
- *Financial-Related Audit of Outreach, Inc. - A Fee-for-Service Representative Payee for SSA*

We determined that four of the five representative payees generally had effective safeguards over the receipt and disbursement of benefits and ensured that they were used and accounted for in accordance with SSA's policies and procedures. However, one representative payee did not have effective safeguards over benefits, did not properly account for them, and did not notify SSA of events that affected benefit eligibility.

Specifically we found:

1. All 5 representative payees failed to monitor and report changes that affected benefit eligibility which resulted in an estimated \$885,720 in benefit overpayments for 275 beneficiaries between September 1999 and August 2000.
2. Two representative payees improperly handled the beneficiary's conserved funds. Conserved funds were held in a non-interest bearing account or

were not returned to SSA when the representative payee was no longer serving as the representative payee.

3. Two representative payees improperly charged fees of \$874.
4. One representative payee had notable accounting systems internal control weaknesses.

In addition, for four of the representative payees, SSA incorrectly recorded in its Representative Payee System (RPS) the number of beneficiaries in the representative payee's care and/or had listed the representative payee multiple times in RPS.

The following summarizes the recommendations we reported to the appropriate SSA Regional Commissioners. We recommended that SSA require the representative payees to:

- Implement internal accounting controls to ensure that all benefit receipts and disbursements are accurately recorded.
- Implement controls to monitor and report to SSA events that would affect benefit eligibility or amount. Also, SSA should ensure representative payees take corrective action to repay all overpayments we identified during our audit period.
- Survey banks to re-assess the feasibility of placing beneficiary conserved funds into an interest bearing account and to take action to ensure all individ-

uals earn interest on their conserved funds.

- Return conserved funds to SSA or the new representative payee for individuals no longer in its care and to establish controls to determine when individuals no longer in its care have conserved funds and ensure these funds are returned in a timely manner.

Representative Payee Fraud Case Highlights

The following cases highlight our activity in this area.



Based on a referral from SSA's MEDMATCH project, our Los Angeles Field Division investigated a representative payee who failed to report the death of the beneficiary to SSA. The true beneficiary died on March 22, 1989, and the representative payee continued to cash and use the Widow's and SSI benefits for her own use until the benefits were terminated in December of 1999. The representative payee was incarcerated and ordered to pay \$82,878 restitution to SSA.



Our Denver Field Division investigated a particularly gruesome case where a U.S. Marine Corps Staff Sergeant staged his own death in February 1994 to avoid being prosecuted for child molestation by the military. His wife, mother, and two brothers helped plan a murder, stage a funeral, and subsequently applied for various benefits includ-

ing life insurance, veterans, and Social Security Survivors benefits. His staged death was discovered when he was arrested by local police for molesting his daughters. He later committed suicide while imprisoned.

His wife, who served as representative payee for their daughters, was ordered to pay \$72,525 restitution to SSA for benefits obtained fraudulently. She was also ordered to pay \$29,349 to the Department of Veterans Affairs. The man's brothers were incarcerated and, along with their mother, were ordered to pay \$201,568 restitution to the life insurance companies that they defrauded.



Based on a referral from SSA's Casa Grande, Arizona office, our Los Angeles Field Division conducted an investigation that revealed that a representative payee used her stepson's Social Security benefits for her own personal use. In June 1994, the stepson was removed from her custody and eventually became a ward of the State of Arizona. In October 1997, the stepson advised SSA that he had not resided with the representative payee since June 1994. She was incarcerated and ordered to pay \$20,214 restitution to SSA.



Based on a referral from SSA's Jackson, Alabama office, our Atlanta Field Division investigated a woman who was a representative payee for her father while he was an inpatient at a mental health facil-

ity. In March 1993, he was discharged into his daughter's care and custody.

Our investigation determined that in April 1993, the man disappeared while taking a walk between relatives' homes. The local sheriff's office conducted a search, but never located the man. His daughter failed to inform SSA of her father's disappearance and continued to negotiate his Social Security benefit checks. She was ordered to pay \$41,882 restitution to SSA.

ISSUE 9: SERVICE TO THE PUBLIC

SSA is faced with increased workloads brought about by an aging Baby-Boom generation, a projected retirement wave of over half of its workforce, and technological advances that affect both American citizens' expectations and SSA's ability to meet them.

In response, SSA developed a *Service Vision*, formerly known as the *2010 Vision*, that outlines a 10-year strategy to help meet future service delivery challenges. Specific principles and enablers underpin the *Service Vision's* plans for enhanced service delivery. Examples of these include giving individuals expanded options for service in terms of time, place, mode of access, and language. However, to deliver on the *Service Vision's* planned actions, employees will need to be provided the latest technological enhancements for fully electronic, paperless work process-

ing, access to electronic records, and operational flexibility.

The *Service Vision* also highlights the need to forge and maintain both internal and external alliances; to be an employer of choice; and to emphasize leadership that is proactive, entrepreneurial, and customer-centered.

While these are laudable goals, SSA should place equal emphasis on effective and appropriate stewardship. We strongly believe that SSA must realign more resources to stewardship in light of all the management challenges and the demands on SSA's limited resources and staff. While service is of critical importance, it should not be pursued at the expense of sound stewardship.

SSA recognizes there are a number of significant service delivery problems that need attention. One is the complexity of the programs SSA administers. Another is the steady reduction in staffing since 1982, resulting in an aging and work-laden workforce. SSA's workloads will continue to increase as baby boomers reach retirement age, challenging SSA to find ways to keep pace.

The Social Security Advisory Board previously reported that the result of the above workload pressures on SSA staff will continue to be uneven service. Persons filing for retirement or survivors benefits will likely be satisfied with the service provided. However, individuals with complicated cases, such as

those with disability or SSI claims, may encounter problems. As workloads increase, the dimensions of SSA's problems can be expected to grow if left unattended and the public may be faced with crowded reception areas, long wait times, inadequate telephone service, and reduced quality of work.

To meet future service demands, SSA will need to maintain existing service levels, while exploring new and innovative ways to address service delivery problems. To accomplish this, SSA must recruit and retain a cadre of highly skilled employees. However, even at current staffing levels, SSA often finds it difficult to maintain an acceptable level of service, especially in its most complicated workloads. To make matters worse, SSA is facing an unusual wave of management and staff retirements. Over 37 percent of SSA's employees are expected to retire in the next 5 years with over 80 percent of SSA's upper-level managers eligible to retire by 2010.

Additionally, the Agency may find it difficult to replace employee losses as the Nation's labor force of people between the ages of 25 and 44 is expected to shrink. If predicted shortages in human capital are realized, SSA may not be able to strengthen and revitalize future employee ranks as its workloads continue to grow in volume and complexity.

Increased workloads coupled with human capital shortages will stress SSA's ability to provide quality ser-

Human capital shortages and increasing workloads will stress SSA's ability to provide quality service.

vice to the public. Given these factors, human capital management will also need to be an integral part of SSA's strategic plan, and operational efforts must be implemented to make SSA's 2010 vision a reality.

Given the enormous size of SSA's programs, the billions of dollars at stake, and the millions of citizens who rely on SSA, program managers must ensure that pursuing quick service is not at the expense of accuracy. The service challenge is to recognize that, while SSA's service efforts are among the best in the world, the enormous pressure of speed versus accuracy increasingly threatens SSA's resource levels and poses a threat to the trust the public has in our ability to "pay the right amount, to the right person, at the right time."

To address the issues surrounding service delivery, our auditors issued the following reports this period.

Deeming of Income to Establish Initial Eligibility for SSI Recipients



Our objective was to evaluate the adequacy of the Agency's process for detecting deemable income of spouses and parents when establishing initial eligibility for SSI recipients. The process of deeming income involves determining if another person's income would be available for meeting the SSI recipient's food, clothing, and shelter needs.

We estimated that \$5 million in SSI overpayments exist for 9,240 SSI recipients who had applied for benefits during the period July 1997 through June 1998 and whose SSI record showed a deemor income alert on December 18, 1998. The overpayments resulted from unstated and/or understated deemable income from spouse to spouse and parent to child when applicants first started receiving benefits. Our estimate of overpayments is based on a sample of 100 records randomly selected from a population of 9,240 records. We projected an estimated 3,169 recipients (34 percent) in this population had overpayments.

We also evaluated SSA's policy on the deeming of parental income for low-birth-weight infants. We found that SSA correctly applies the policy, but believes changes are needed to consider the income of high-income parents in determining eligibility as soon as an infant is released to the parents' care. Current policy provides a 2-month transition period before the parent's income is considered.

We recommended that SSA:

1. Revise the SSI application to specifically mention the penalties for false or misleading statements that can be applied as a result of the *Foster Care Independence Act of 1999* (Public Law 106-169).
2. Require certain deemors with significant fluctuations in monthly income to submit earnings documentation monthly

for 6 months after the applicant begins receiving benefits.

3. Modify system's software to interface on-line with the OCSE database.
4. Revise procedures for deeming of income to low-birth-weight infants, so that a parent's income is considered for eligibility testing and payment computation starting in the month the child is released to the parent's household.

In response to our draft report, SSA provided rationale for disagreeing with all except the third recommendation. As a result, we revised the second and fourth recommendations, reducing the burden of earnings verification to just certain applicants and providing for the deeming of parent's income to low-birth-weight infants in eligibility and payment computations in the month of hospital release.

Management Advisory Report - Performance Measure Survey of the Percent of 800-Number Calls Handled Accurately



Our objective was to assess the reliability of the performance data used to measure the percent of 800-number calls handled accurately in FY 1999. Achieving accuracy rates of 90 percent for service calls and 95 percent for payment calls were two of the performance goals SSA developed to meet the requirements of GPRA.

As a result of a significant gap in documentation, we could not assess the reliability of the data SSA used to measure the accuracy of the Agency's 800-number. We found that SSA personnel that monitored sampled calls did not document caller questions and/or requests or SSA employees' responses. We also found that the FY 1999 800-number service accuracy rate does not properly reflect the measure's definition. SSA included payment-related calls in the service accuracy rate computation, although, the definition states service accuracy is a measure of the accuracy of responses to non-payment questions.

We recommended that SSA:

1. Revise procedures to require maintaining detailed support of all 800-number calls monitored to ensure compliance with GPRA and Office of Management and Budget (OMB) standards.
2. Revise the 800-number service accuracy rate computation or definition to ensure the reported results correspond to the definition and the reported payment accuracy rate.

In its response, SSA disagreed with the first recommendation but suggested that in the future we co-monitor 800-number calls with SSA staff when it assesses the reliability of the data used to compute this performance measure. Regarding the second recommendation, SSA agreed to revise the definition of the measure in future reports.

ISSUE 10: SYSTEMS SECURITY AND CONTROLS (PROGRAM AND ADMINISTRATIVE APPLICATIONS)

The importance of computer system security increases as opportunities for users to disrupt critical systems, modify key processes, and read or copy sensitive data increases. Strong systems security and controls are needed to prevent access to confidential information and critical systems and the fraudulent use of SSA data.

After auditing SSA's FY 2000 Financial Statements, a public accounting firm noted that SSA needs to further strengthen controls to protect its information. SSA has made notable progress in addressing the information protection issues raised in prior years. Despite these accomplishments, SSA's systems environment remains threatened by security and integrity exposures impacting key elements of its distributed systems and networks.

Our auditors also conducted the following review involving SSA's systems controls and processes.

Review of SSA's OCSE Pilot Evaluation



Our objective was to determine whether SSA's assessment of the benefits and risks of using online, read-only access to the OCSE data was

accurate and complete. In accordance with section 316 of the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996* (Public Law 104-193), the Department of Health and Human Services' OCSE developed a database, known as the National Directory of New Hires (NDNH), to aid in enforcing child support orders. This Act, as well as the *Privacy Act*, also provides for the disclosure of the information in the NDNH database to SSA for its use in preventing and reducing payment errors.

We found two vulnerabilities with SSA's OCSE permission module, which was developed to ensure that SSA staff could only access records with an SSI business relationship. Contrary to access specifications, our tests showed that authorized FO personnel could gain query access for individuals who were not receiving SSI benefits, but who were receiving benefits from SSA under a separate entitlement program. SSA corrected this issue as soon as we brought it to their attention.

We also found that persons could gain query access for individuals who were representative payees for SSI recipients, but who did not receive SSI benefits themselves. When we brought this to their attention, SSA staff reported that they would take corrective action to implement a system modification prior to the national rollout of the online query.

Our review did not identify any issues that would cause us to rec-



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commend against SSA's implementation of the on-line query in all its FOs. However, during our limited testing of SSA's system security, we identified security weaknesses, which indicated that SSA had not conducted sufficient testing prior to implementing the pilot. Also, we had some general concerns regarding SSA's return on investment (ROI) calculation.

In response to our findings, SSA initiated prompt corrective actions to address the security weaknesses we identified. Also, SSA had planned to perform an additional study in 2001 to assess the costs and benefits of nationwide access to the online OCSE query.

We recommended that SSA continue to monitor and test the security of the OCSE query during the national rollout to ensure access weaknesses do not exist. We also recommended that SSA ensure the savings reported for SSA's initiatives for online access under SSA's Access to State Records Online (SASRO) are factored into its planned ROI analysis of nationwide access to OCSE databases.

In response to our draft report, SSA agreed with our first recommendation. With regard to our second recommendation, SSA no longer plans to conduct a study to assess the cost and benefits of nationwide online OCSE access. Since SSA no longer plans to conduct a nationwide ROI study, when disclosing the results of the ROI based on the pilot, SSA should note that the ROI is not a statistical projection and may

duplicate reported savings from SASRO.

Employee Access to the Earnings Record Maintenance System (Limited Distribution Report)



Our objective was to determine whether employee access to the Earnings Record Maintenance system (ERMS) is appropriately assigned to restrict unnecessary access to earnings records. ERMS is comprised of several subsystems that edit, balance, validate, and post employee wages, self-employment earnings, and earnings adjustments to the Master Earnings File. SSA uses commercial access control software to control access to ERMS. We sought to determine whether personnel are prohibited from accessing unneeded screens and edit functions by proper assignment of access control profiles.

We believe that by implementing the following recommendation, SSA can help prevent unauthorized access, modification, or disclosure of its sensitive information. We recommended that SSA improve the procedures for maintaining and updating the access control system.

Due to the sensitive nature of this audit, we cannot describe in detail the findings of this report, and it is not available for distribution.



OIG staff continuously seek more innovative ways to accomplish our mission.

FINANCIAL AUDITS

The *Chief Financial Officers Act of 1990* (Public Law 101-576), as amended, requires the IG or an independent external auditor, as determined by the IG, to audit SSA's financial statements in accordance with GAO's *Government Auditing Standards*. In addition to this requirement, we also conduct other financial-related audits of SSA's operations and review the quality of single audits conducted by State auditors and public accounting firms. The following summarizes our audit work for this reporting period.

Audit of the FY 2000 Financial Statements of SSA



PricewaterhouseCoopers LLP (PwC) performed SSA's FY 2000 financial statement audit. On December 1, 2000, PwC issued an unqualified opinion on SSA's FY 2000 financial statements. In PwC's opinion, "...the consolidated financial statements audited ... presented fairly, in all material respects, the financial position of SSA at September 30, 2000 and 1999.

PwC's audit report identified one reportable condition in SSA's internal control. PwC identified a control weakness and reported that SSA needs to further strengthen controls to protect its information. SSA generally agreed with this finding and PwC's recommendation. Subsequent to the financial statement audit, PwC issued its

Management Letter, Parts 1 and 2 and made numerous recommendations to SSA to improve its systems, operations, and processes.

Management Letter Part 1 is for limited distribution and pertains to sensitive information related to findings in the systems area and how SSA can resolve the previously mentioned reportable condition involving the protection of its information. Management Letter Part 2 provides information on other internal control issues that do not rise to the level of a reportable condition. Overall, SSA agreed with the recommendations and is taking corrective action.



Each year our auditors oversee the conduct of SSA's Financial Statement Audit.

Single Audits

On July 5, 1996, the President signed the *Single Audit Act Amendments of 1996*, which extended the statutory audit requirement to non-profit organizations and revised various provisions of the *1984 Single Audit Act* including raising the dollar threshold for requiring a single audit to \$300,000 in Federal awards expended.

As a result, OMB rescinded Circular A-128 and issued revised Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, to implement the amendments. We review the quality of these audits, assess the adequacy of the entity's management of Federal funds, and report single audit findings to SSA for audit resolution.

Summary of FY 2000 Single Audit Oversight Activities



SSA is responsible for the policies to develop disability claims under the DI and SSI programs. According to Federal regulations, disability determinations under the DI and SSI programs are performed by DDSs in each State. The DDS determines the claimants' disabilities and ensures adequate evidence supports its determinations. SSA reimburses the DDS for 100 percent of allowable expenditures.

There are 54 DDSs located in the 50 States, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands. The DDSs are subject to Single Audit except the federally administered Virgin Islands DDS.

The objective of our review was to summarize areas of internal control weaknesses at State DDSs reported in State single audits and identified during FY 2000 single audit oversight activities.

Our findings are based on 53 single audits in the following categories: cash management, procurement, computer equipment and real property management, reporting, and allowable costs. Of the 53 audits, 13 audits reported direct findings (specific to the DDS) and 43 audits reported crosscutting findings (not specific to the DDS, but which, could have an impact on the DDS.)

We recommended and SSA agreed to provide the following instructions to each DDS:

- Adhere to the terms of the *Cash Management Improvement Act* agreement.
- Implement procurement procedures to prevent the awarding of contracts and subawards to debarred or suspended parties.
- Follow established procurement instructions.
- Implement controls to prevent unauthorized computer access.
- Develop a formal contingency plan to prevent disruption of services in the event of a disaster.
- Maintain complete and accurate equipment inventory records and perform periodic physical inventories.
- Implement effective procedures for preparing, reviewing, approving and timely reporting of information on the Report of Obligations and the Time Report of Personal Services.
- Ensure that costs charged to SSA benefit its programs and are properly authorized and documented.

APPENDICES

APPENDIX A: RESOLVING AUDIT RECOMMENDATIONS

REPORTS WITH QUESTIONED COSTS FOR THE REPORTING PERIOD APRIL 1, 2001 THROUGH SEPTEMBER 30, 2001

The following chart summarizes SSA's responses to OIG's recommendations for the recovery or redirection of questioned and unsupported costs. This information is provided in accordance with the *Supplemental Appropriations and Recission Act of 1980* (Public Law 96-304) and the *Inspector General Act of 1978*, as amended.

	Number	Value Questioned	Value Unsupported
A. For which no management decision had been made by the commencement of the reporting period	9 ^a	\$4,779,451	\$0
B. Which were issued during the reporting period	14 ^b	\$130,318,529	\$1,692,988
Subtotal (A+B)	23	\$135,097,980	\$1,692,988
Less:			
C. For which a management decision was made during the reporting period	20 ^c	\$133,278,121	\$0
i. Dollar value of disallowed costs	13 ^d	\$132,766,019	\$0
ii. Dollar value of costs not disallowed	7	\$512,102	\$0
D. For which no management decision had been made by the end of the reporting period	5 ^e	\$1,819,859	\$1,692,988

a. Audit of Administrative Costs Claimed for Fiscal Year (FY) 1994 by the New Jersey Department of Labor, for its Division of Disability Determinations (DDD) (A-02-95-00002, 6/20/97); Waivers Granted for Title II Overpayments Exceeding \$500 (A-09-97-61005, 9/27/99); Costs Claimed by American Institutes for Research on the Social Security Administration's (SSA) Contract Number 600-97-32018 (A-15-00-20034, 8/14/00); Single Audit of the State of Mississippi for the FY Ended June 30, 1998 (A-77-00-00006, 8/31/00); Single Audit of the District of Columbia's Department of Human Services (DHS) for the FY Ended September 30, 1997 (A-77-01-00002, 2/5/01); Single Audit of the District of Columbia's DHS for the FY Ended September 30, 1998 (A-77-01-00003, 2/5/01); Audit of the Administrative Costs Claimed by the District of Columbia DDD (A-13-98-91003, 2/8/01); Single Audit of the State of Mississippi for the FY Ended June 30, 1999 (A-77-01-00004, 3/29/01); Single Audit of the State of Alabama for the FY Ended September 30, 1999 (A-77-01-00006, 3/29/01).

b. See "Reports with Questioned Costs" on page 60 of this report.

c. A management decision was made for only a portion of the questioned costs contained in the reports, Single Audit of the State of Florida for the FY Ended June 30, 2000 (A-77-01-00012, 8/24/01); and Financial-Related Audit of Outreach, Inc.- A Fee-for-Service Representative Payee for SSA (A-09-00-10068, 9/18/01).

d. Waivers Granted for Title II Overpayments Exceeding \$500 (A-09-97-61005, 9/27/99); Audit of the Administrative Costs Claimed by the District of Columbia DDD (A-13-98-91003, 2/8/01); Controls Over Recording Supplemental Security Income (SSI) Overpayments (A-01-00-10005, 5/7/01); Financial-Related Audit of Hale Barnard Services - A Fee-for-Service Representative Payee for SSA (A-01-00-10060, 5/7/01); Old-Age, Survivors and Disability Insurance Benefits Paid to Deceased Auxiliary Beneficiaries (A-01-00-20043, 6/19/01); Single Audit of the Illinois DHS for the 2-Year Period Ended June 30, 1999 (A-77-01-00009, 7/17/01); Financial-Related Audit of an Individual Representative Payee for SSA (A-03-00-10064, 7/27/01); Unresolved Death Alerts Over 120 Days Old (A-09-00-10001, 8/2/01); Approval of Claimant Representatives and Fees Paid to Attorneys (A-12-00-10027, 8/21/01); Single Audit of the State of Florida for the FY Ended June 30, 2000 (A-77-01-00012, 8/24/01); Financial-Related Audit of Outreach, Inc.- A Fee-for-Service Representative Payee for SSA (A-09-00-10068, 9/18/01); Payments Made to Selected Representative Payees after the Deaths of Social Security Beneficiaries (A-13-01-21028, 9/18/01); Financial-Related Audit of the Baltimore City Department of Social Services - An Organizational Representative Payee for the SSA (A-13-00-10066, 9/25/01).

e. Costs Claimed by American Institutes for Research on SSA's Contract Number 600-97-32018 (A-15-00-20034, 8/14/00); Single Audit of the State of Florida for the FY Ended June 30, 2000 (A-77-01-00012, 8/24/01); Single Audit of the State of West Virginia for the FY Ended June 30, 2000 (A-77-01-00013, 8/29/01); Single Audit of the Commonwealth of Puerto Rico, Department of the Family for the FY Ended June 30, 1997 (A-77-01-00014, 8/30/01); and Financial-Related Audit of Outreach, Inc.- A Fee-for-Service Representative Payee for SSA (A-09-00-10068, 9/18/01).

REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE FOR THE REPORTING PERIOD APRIL 1, 2001 THROUGH SEPTEMBER 30, 2001

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

	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period	2 ^a	\$37,417,726
B. Which were issued during the reporting period	11 ^b	\$151,229,594 ^c
Subtotal (A+B)	13	\$188,647,320
C. For which a management decision was made during the reporting period		
i. Dollar value of recommendations that were agreed to by management		
(a) Based on proposed management action	4 ^d	\$38,843,811
(b) Based on proposed legislative action	1 ^e	\$125,000,000
Subtotal (a+b)	5	\$163,843,811
ii. Dollar value of costs that were not agreed to by management	4 ^f	\$6,655,589
Subtotal (i+ii)	9^g	\$170,499,400
D. For which no management decision had been made by the end of the reporting period	7 ^h	\$18,147,920

a. Waivers Granted for Title II Overpayments Exceeding \$500 (A-09-97-61005, 9/27/99); Single Audit of the State of Alabama for the FY Ended September 30, 1999 (A-77-01-00006, 3/29/01).

b. See "Reports with Funds Put to Better Use" on page 62 of this report.

c. This amount has been modified because of developments that occurred after the issuance of our reports entitled, Effectiveness of Obtaining Records to Identify Prisoners (A-01-94-02004, 5/10/96) and Effectiveness of SSA's Procedures to Process Prisoner Information, Suspend Payments and Collect Overpayments (A-01-96-61083, 6/24/97). SSA's Chief Actuary estimated a cost avoidance of \$125 million to be realized semiannually from 1995 to 2001.

d. Waivers Granted for Title II Overpayments Exceeding \$500 (A-09-97-61005, 9/27/99); Internal Controls Over the Office of Hearings and Appeals Interpreter Services (A-12-00-10023, 8/8/01); Vocational Expert and Medical Expert Fees for Services (A-06-99-51005, 8/21/01); Audit of the Administrative Costs Claimed by the Arizona Department of Economic Security for its Disability Determination Services (DDS) Administration (A-15-99-51009, 8/31/01).

e. See footnote c.

f. Single Audit of the State of Alabama for the FY Ended September 30, 1999 (A-77-01-00006, 3/29/01); Medical Evidence of Record Collection Process at State DDSs (A-07-99-21003, 6/28/01); Vocational Expert and Medical Expert Fees for Services (A-06-99-51005, 8/21/01); Audit of the Administrative Costs Claimed by the Arizona Department of Economic Security for its DDS Administration (A-15-99-51009, 8/31/01).

g. SSA both agrees and disagrees with monies recommended in two reports.

h. Single Audit of the Illinois DHS for the 2-Year Period Ended June 30, 1999 (A-77-01-00009, 7/17/01); Deeming of Income to Establish Initial Eligibility for SSI Recipients (A-05-99-21005, 9/5/01); Financial-Related Audit of Outreach, Inc. - A Fee-for-Service Representative Payee for SSA (A-09-00-10068, 9/18/01); Fees Paid by State DDS to Purchase Consultative Examinations (A-07-99-21004, 9/20/01); Financial-Related Audit of the Baltimore City Department of Social Services - An Organizational Representative Payee for SSA (A-13-00-10066, 9/25/01); Management Advisory Report - Review of Service Industry Employer with Wage Reporting Problems (A-03-00-10022, 9/27/01); Audit of Enumeration at Birth Program (A-08-00-10047, 9/27/01).

APPENDIX B: REPORTS ISSUED

REPORTS WITH NONMONETARY FINDINGS

Reports Issued from October 1, 2000 through March 31, 2001		
Date Issued	Title of Report	Report Number
12/01/00	Performance Measure Review: Reliability of the Data Used to Measure the Timeliness of Processing Supplemental Security Income Disability Claims	A-02-99-11002
12/01/00	Fiscal Year 2000 Financial Statement Audit	A-15-00-10041
12/20/00	Redeterminations for Supplemental Security Income Recipients Attaining Age 18	A-01-00-10013
01/22/01	Obstacles to Reducing Social Security Number Misuse in the Agriculture Industry	A-08-99-41004
02/14/01	The Social Security Administration's Internet Data Collection Activities (<i>Congressional Report</i>)	A-14-01-21027
02/14/01	Payments Due to the District of Columbia Water and Sewage Authority for Social Security Administration Occupied Buildings (<i>Congressional Report</i>)	A-15-01-21026
02/23/01	Management Advisory Report - Performance Measure for the Percent of the Continuing Disability Review Multi-Year Plan Completed	A-01-00-10011
03/16/01	Single Audit of the State of New Mexico for the Fiscal Year Ended June 30, 1999	A-77-01-00005
03/28/01	Adherence to Time and Attendance Policies and Procedures in the Social Security Administration's Non-Headquarters Offices	A-13-99-91025
03/30/01	United States Agency for International Development Office of the Inspector General Peer Review (<i>Limited Distribution</i>)	A-01-00-20044
03/30/01	Review of the Social Security Administration's Organizational Capacity to Monitor and Plan for Customer Service Initiatives	A-02-00-20020
03/30/01	Use of Sanctioned Medical Providers by State Disability Determination Services	A-07-99-24006
03/30/01	Information Technology Capital Planning and Investment Control Process at the Social Security Administration	A-14-99-12004

Reports Issued from April 1, 2001 through September 30, 2001		
Date Issued	Title of Report	Report Number
5/03/01	PricewaterhouseCoopers LLP Management Letter, Parts 1 and 2 on the Audit of the Fiscal Year 2000 Financial Statements of the Social Security Administration	A-15-01-21023
05/16/01	Performance Measure Review: Reliability of the Data Used to Measure the Hearing Process	A-02-98-91003
05/16/01	Performance Measure Review: Reliability of the Data Used to Measure the Accuracy of Earnings Posted	A-03-00-10004
05/16/01	Force Processing of Magnetic Media Wage Reports with Validation Problems	A-03-99-31001
05/16/01	Management Advisory Report - Quick Response Activities Summary Report	A-13-01-11001
05/21/01	Audit of the Social Security Administration's Fiscal Year 1999 Annual Performance Report	A-02-00-10039
05/30/01	Review of the Social Security Administration's Office of Child Support Enforcement Pilot Evaluation	A-01-00-20006
05/30/01	Effectiveness of the Social Security Administration's Special Project Reviews of Supplemental Security Income Recipients	A-09-99-62010
06/14/01	Management Advisory Report - Compliance of the Social Security Administration's Computer Security Program with Applicable Laws and Regulations (<i>Limited Distribution</i>)	A-13-98-12044
06/18/01	Review of the Social Security Administration's Fiscal Year 2001 Annual Performance Plan	A-02-00-10038
06/18/01	Performance Measure Review: Reliability of the Data Used to Measure Disability Determination Services Decisional Accuracy	A-07-99-21007
06/19/01	Assessment of the Hearings Process Improvement Plan Phase I	A-06-00-20051
06/28/01	Performance Measure Review: Reliability of the Data Used to Measure the Percentage of Social Security Numbers Issued Accurately	A-08-99-41003
07/16/01	Single Audit of the State of Arizona for the Fiscal Year Ended June 30, 1999	A-77-01-00008
07/17/01	Single Audit of the State of Montana for the 2-Year Period Ended June 30, 1999	A-77-01-00010
07/18/01	Management Advisory Report - The Accounting of the Social Security Administration's Funds Identified for Recovery as a Result of the Office of the Inspector General Investigations	A-15-99-82016
07/20/01	Costs Claimed by the State of Washington on the Social Security Administration's Contract Number 600-95-22678	A-15-99-51014
07/25/01	Single Audit of the State of Colorado for the Fiscal Year Ended June 30, 2000	A-77-01-00011
08/08/01	Social Security Administration's Intelligent Work Station/Local Area Network and Telecommunication Security (<i>Limited Distribution</i>)	A-14-99-11005
08/14/01	Management Advisory Report - Performance Measure Survey of the Percent of 800-Number Calls Handled Accurately	A-08-01-11024

08/22/01	Financial-Related Audit of An Organizational Representative Payee for the Social Security Administration	A-05-00-10067
09/05/01	The Social Security Administration's Compliance with the Government Information Security Reform Act	A-14-01-21055
09/06/01	Establishing Living Arrangements and Value of In-Kind Support and Maintenance for Supplemental Security Income Recipients	A-05-99-21002
09/13/01	Employee Access to the Earnings Record Maintenance System (<i>Limited Distribution</i>)	A-14-00-10036
09/17/01	Summary of Fiscal Year 2000 Single Audit Oversight Activities	A-07-00-10032
09/18/01	Performance Measure Review: Reliability of the Data Used to Report 800-Number Performance	A-02-00-10019
09/18/01	Review of the Social Security Administration's Critical Infrastructure Protection Program (<i>Limited Distribution</i>)	A-14-01-01019
09/18/01	Effectiveness of the Internal Controls over the Office of Financial Policy and Operation's Remittance Process (<i>Limited Distribution</i>)	A-15-00-20046
09/20/01	Audit of the Social Security Administration's Fiscal Year 2000 Annual Performance Report	A-02-01-11008
09/21/01	Lockheed Martin Services, Inc. Contract Closeout on Contract Numbers 600-89-0014 and 600-92-0019 (<i>Limited Distribution</i>)	A-15-01-21040
09/25/01	Management Advisory Report - Evaluation of the Efficiency of Using Forms SSA-1587 and SSA-1588 to Detect Unreported Marriages	A-13-01-31002
09/25/01	Management Advisory Report - Review of the Social Security Administration's Controls to Prevent and Detect Direct Deposit Fraud (<i>Limited Distribution</i>)	A-14-99-12008
09/26/01	Costs Claimed by the State of Wisconsin on the Social Security Administration's Contract Number 600-95-22680 (<i>Limited Distribution</i>)	A-15-99-51015
09/27/01	Performance Measure Review: Reliability of the Data Used to Measure Field Office Access	A-04-99-03008
09/27/01	Replacement Social Security Number Cards: Opportunities to Reduce the Risk of Improper Attainment and Misuse	A-08-00-10061
09/27/01	Management Advisory Report - Implementation of the Government Information Security Reform Act (<i>Limited Distribution</i>)	A-14-01-21056

REPORTS WITH QUESTIONED COSTS

Reports Issued from October 1, 2000 through March 31, 2001			
Date Issued	Title of Report	Report Number	Dollar Amount
01/12/01	Single Audit of the Michigan Family Independence Agency for the 2-Year Period Ending September 30, 1996	A-77-01-00001	\$1,800,000
02/05/01	Single Audit of the District of Columbia's Department of Human Services for the Fiscal Year Ended September 30, 1997	A-77-01-00002	To Be Determined
02/05/01	Single Audit of the District of Columbia's Department of Human Services for the Fiscal Year Ended September 30, 1998	A-77-01-00003	To Be Determined
02/08/01	Audit of the Administrative Costs Claimed by the District of Columbia Disability Determination Division	A-13-98-91003	\$226,741
02/26/01	Audit of the Administrative Costs Claimed by the Oregon Disability Determination Services	A-15-99-52021	\$180,668
03/29/01	Single Audit of the State of Mississippi for the Fiscal Year Ended June 30, 1999	A-77-01-00004	To Be Determined
03/29/01	Single Audit of the State of Alabama for the Fiscal Year Ended September 30, 1999	A-77-01-00006	To Be Determined
03/29/01	Single Audit of the State of New York for the Fiscal Year Ended March 31, 1999	A-77-01-00007	\$475,785
03/30/01	Payments to Young Spouses and Surviving Spouses Without Child In-Care	A-09-00-10002	\$406,194
		TOTAL:	\$3,089,388

Reports Issued from April 1, 2001 through September 30, 2001			
Date Issued	Title of Report	Report Number	Dollar Amount
05/07/01	Controls Over Recording Supplemental Security Income Overpayments	A-01-00-10005	\$93,535,250
05/07/01	Financial-Related Audit of Hale Barnard Services - A Fee-for-Service Representative Payee for the Social Security Administration	A-01-00-10060	\$22,774
06/19/01	Old-Age, Survivors and Disability Insurance Benefits Paid to Deceased Auxiliary Beneficiaries	A-01-00-20043	\$31,435,889
07/17/01	Single Audit of the Illinois Department of Human Services for the 2-Year Period Ended June 30, 1999	A-77-01-00009	\$90,000
07/27/01	Financial-Related Audit of an Individual Representative Payee for the Social Security Administration	A-03-00-10064	\$8,092
08/02/01	Unresolved Death Alerts Over 120 Days Old	A-09-00-10001	\$2,171,423
08/21/01	Approval of Claimant Representatives and Fees Paid to Attorneys	A-12-00-10027	\$510,000
08/24/01	Single Audit of the State of Florida for the Fiscal Year Ended June 30, 2000	A-77-01-00012	\$173,612
08/29/01	Single Audit of the State of West Virginia for the Fiscal Year Ended June 30, 2000	A-77-01-00013	\$1,552,922
08/30/01	Single Audit of the Commonwealth of Puerto Rico, Department of the Family for the Fiscal Year Ended June 30, 1997	A-77-01-00014	\$1,703,713
09/17/01	Audit of the Administrative Costs Claimed by the Connecticut Disability Determination Services (<i>Limited Distribution</i>)	A-15-00-30016	\$121,965
09/18/01	Financial-Related Audit of Outreach, Inc. - A Fee-for-Service Representative Payee for the Social Security Administration	A-09-00-10068	\$104,053
09/18/01	Payments Made to Selected Representative Payees after the Deaths of Social Security Beneficiaries	A-13-01-21028	\$7,449
09/25/01	Financial-Related Audit of the Baltimore City Department of Social Services - An Organizational Representative Payee for the Social Security Administration	A-13-00-10066	\$574,375
		TOTAL:	\$132,011,517
		FY 2001 GRAND TOTAL:	\$135,100,905

REPORTS WITH FUNDS PUT TO BETTER USE

Reports Issued from October 1, 2000 through March 31, 2001			
Date Issued	Title of Report	Report Number	Dollar Amount
03/29/01	Single Audit of the State of Alabama for the Fiscal Year Ended September 30, 1999	A-77-01-00006	To Be Determined
Total:			\$0
Reports Issued from April 1, 2001 through September 30, 2001			
Date Issued	Title of Report	Report Number	Dollar Amount
06/28/01	Medical Evidence of Record Collection Process at State Disability Determination Services	A-07-99-21003	\$1,011,772
07/17/01	Single Audit of the Illinois Department of Human Services for the 2-Year Period Ended June 30, 1999	A-77-01-00009	\$12,994
08/08/01	Internal Controls Over the Office of Hearings and Appeals Interpreter Services	A-12-00-10023	\$451,089
08/21/01	Vocational Expert and Medical Expert Fees for Services	A-06-99-51005	\$5,774,295
08/31/01	Audit of the Administrative Costs Claimed by the Arizona Department of Economic Security for its Disability Determination Services Administration	A-15-99-51009	\$844,518
09/05/01	Deeming of Income to Establish Initial Eligibility for Supplemental Security Income Recipients	A-05-99-21005	\$5,006,201
09/18/01	Financial-Related Audit of Outreach, Inc. - A Fee-for-Service Representative Payee for the Social Security Administration	A-09-00-10068	\$632,894
09/20/01	Fees Paid by State Disability Determination Services to Purchase Consultative Examinations	A-07-99-21004	\$2,438,087
09/25/01	Financial-Related Audit of the Baltimore City Department of Social Services - An Organizational Representative Payee for the Social Security Administration	A-13-00-10066	\$2,797,744
09/27/01	Management Advisory Report - Review of Service Industry Employer with Wage Reporting Problems	A-03-00-10022	\$6,000,000
09/27/01	Audit of Enumeration at Birth Program	A-08-00-10047	\$1,260,000
Total:			\$26,229,594
GRAND TOTAL:			\$26,229,594

APPENDIX C: REPORTING REQUIREMENTS UNDER THE OMNIBUS CONSOLIDATED APPROPRIATIONS ACT FOR FISCAL YEAR 1997

To meet the requirement of the *Omnibus Consolidated Appropriations Act for 1997* (Public Law 104-208), we are providing in this report requisite data for Fiscal Year (FY) 2001 from the Offices of Investigations (OI) and Audit (OA).

Office of Investigations

We are reporting \$44,171,798 in Social Security Administration (SSA) funds as a result of our OI activities in this reporting period. These funds are broken down in the table below.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Court Ordered Restitution	\$4,933,617	\$4,199,574	\$3,749,695	\$2,388,241	\$15,271,127
Scheduled Recoveries	\$4,255,046	\$4,984,830	\$7,327,743	\$8,148,723	\$24,716,342
Fines	\$280,351	\$2,902	\$52,437	\$47,830	\$383,520
Settlements/ Judgments	\$851,608	\$1,346,287	\$1,497,038	\$105,876	\$3,800,809
Totals	\$10,320,622	\$10,533,593	\$12,626,913	\$10,690,670	\$44,171,798

Office of Audit

SSA management has also informed OA that it has completed implementing recommendations from five audit reports during this FY valued at \$261 million.

Waivers Granted for Title II Overpayments Exceeding \$500 (A-09-97-61005), September 27, 1999

We recommended that SSA provide field offices (FO) with additional guidance and training to clarify when recovery of overpayments from beneficiaries would “defeat the purpose of title II” or be “against equity and good conscience.” Specifically, SSA should revise its waiver checklist to further assist FOs in completing and documenting their reviews of waiver cases, with emphasis on the computation of monthly income and expenses, identification of beneficiaries with possession of overpayments, and allocation of household income and expense. The implemented recommendation is valued at \$37,417,426.

**School Attendance by Child Beneficiaries Over Age 18 (A-09-97-61007),
September 27, 1999**

We recommended that SSA request assistance from school officials in identifying and reporting changes in student attendance which may affect their benefit status. The implemented recommendation is valued at \$140,359,563.

**Review of Controls Over Processing Income Alerts Which Impact Supplemental
Security Income Payments (A-05-98-21002), September 28, 2000**

We recommended that SSA develop a plan to ensure that income alerts are worked more timely and income estimates are used. The implemented recommendation is valued at \$60,444,802.

**Conversion of Benefits for Spouses After the Death of a Wage Earner, (A-09-99-62009),
September 27, 2000**

We recommended that SSA modify the Regular Transcript, Attainment, and Selection Pass program to identify all individuals receiving benefits as spouses or divorced spouses of deceased beneficiaries. The implemented recommendation is valued at \$22,300,000.

**Audit of the Administrative Costs Claimed by the Arizona Department of Economic
Security for its Disability Determination Services Administration (A-15-99-51009),
August 31, 2001**

We recommended that the Arizona Department of Economic Security reduce reported Limitation on Administrative Expenses unliquidated obligations for Fiscal Years 1997 and 1998 by \$293,467 and \$249,892 respectively. Also reduce automated investment funds unliquidated obligations by \$163,400. The implemented recommendation is valued at \$706,759.

APPENDIX D: COLLECTIONS FROM INVESTIGATIONS AND AUDITS

The Fiscal Year 1999 appropriations language for this office requires us to report additional information concerning actual cumulative collections and offsets achieved as a result of Inspector General activities each semiannual period.

Office of Investigations

Total Restitution Reported by the Department of Justice (DoJ) as collected for the Social Security Administration (SSA)			
	Total Number of Individuals Assigned	Court Ordered Restitution for This Period	Total Restitution Collected by DoJ
1999	447	\$13,100,203	\$1,292,954
2000	441	\$13,526,283	\$2,232,424
2001	446	\$15,271,127	\$2,139,695
Totals	1,334	\$41,897,613	\$5,665,073

Funds Received by the Office of Investigations Based on Recovery Actions			
	Number of Recovery Actions Initiated	Amount Scheduled for Recovery	Actual Amount Recovered at the Close of the Investigation
1999	1,624	\$25,725,385	\$3,326,913
2000	445	\$12,722,135	\$4,320,432
2001	1,487	\$24,716,342	\$10,239,407 ^a
Totals	3,556	\$63,163,862	\$17,886,752

- a. Of the \$10,239,407 reported \$463,857 was reported by SSA as posted to individual Social Security claim numbers. This money was for Old-Age, Survivors, and Disability Insurance remittances only.

Office of Audit

	Number of Reports	Questioned/Unsupported Costs	Management Concurrence	Amount Collected or Received	Amount Written Off/Adjustments	Balance
FY 1999	10	\$83,989,044	\$82,651,849	\$4,359,257	\$79,580,222 ^a	\$49,565
FY 2000	7	\$76,991,654	\$76,961,005	\$90,017	\$1,155	\$76,900,482
FY 2001	23	\$135,100,905	\$131,089,393	\$2,039,707	\$406,194	\$132,655,004
Totals	40	\$296,081,603	\$290,702,247	\$6,488,981	\$79,987,571	\$209,605,051

- a. SSA implemented recommendations contained in the reports, *Waivers Granted for Title II Overpayments Exceeding \$500* (A-09-97-61005, 9/27/99) and *School Attendance by Child Beneficiaries Over Age 18* (A-09-97-61007, 9/27/99) valued at \$78,218,468 and as a result, these questioned costs were prevented from occurring.

APPENDIX E: SIGNIFICANT MONETARY RECOMMENDATIONS FROM PRIOR FISCAL YEARS FOR WHICH CORRECTIVE ACTIONS HAVE NOT BEEN COMPLETED

Old-Age, Survivors and Disability Insurance Benefits Paid to Fugitives (A-01-00-10014), August 29, 2000

Recommendation: We recommended that Social Security Administration (SSA) pursue legislation prohibiting payment of Old-Age, Survivors and Disability Insurance (OASDI) benefits to fugitives similar to the provisions pertaining to Supplemental Security Income (SSI) payments under P. L. 104-193.

Valued at: \$39,646,884 in funds put to better use, based on legislative action.

Agency Response: SSA agreed that the proposal to suspend OASDI benefits for fugitive felons, as is currently done in the SSI program, deserves serious consideration. Further, SSA recognized that it may be viewed as problematic to have different fugitive felon standards for the OASDI and SSI programs.

Corrective Action: SSA is continuing an evaluation of the proposal for inclusion in SSA's next legislative package.

Identification of Fugitives Receiving Supplemental Security Income Payments (A-01-98-61013), August 28, 2000

Recommendation: We recommended that the SSA reach agreement with State agencies, which either do not enter all fugitive felon data into the National Crime Information Center (NCIC) or provide data to the U.S. Department of Agriculture, to obtain its fugitive information in an electronic format on a routine basis.

Valued at: \$76,418,468 in questioned costs and \$29,856,060 in funds put to better use.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA has matching agreements with a number of States, however, SSA has learned that there are more sources than originally thought which do not submit fugitive felon data to the NCIC. Although it will take longer than expected, SSA's Regional Fugitive Coordinators and field office staff will continue setting up new matching agreements with State and local authorities until the task is completed. The staff resources available to identify reporting entities, negotiate agreements and analyze data will dictate the amount of time needed to complete all of the required agreements.

Payments to Child Beneficiaries Age 18 or Over Who Were Neither Students Nor Disabled (A-09-99-63008), May 18, 2000

Recommendation: We recommended that SSA modify its automated system to terminate benefits to child beneficiaries at age 18 if they are neither under a disability or a full-time student.

Valued at: \$435,282 in funds put to better use.

Agency Response: SSA agreed that all child beneficiaries who are neither under a disability nor full-time students should have their benefits automatically terminated at age 18.

Corrective Action: SSA plans to more fully automate this workload with implementation of Release 3 of Title II Redesign (T2R). Release 3 will provide the systems capability to: 1) terminate benefits to child beneficiaries at age 18 if they are neither under a disability nor full-time students; and 2) automate the processing of many of the complex cases now worked manually, such as those involving workers' compensation. Some cases will still require manual processing because of the level of complexity, e.g., triple entitlement. While it is not possible to predict exact numbers of cases at this point, we anticipate that the majority of this workload will be fully automated with Release 3.

SSA estimates that it will be approximately 2 and a half years before Release 3 can be implemented. In the interim, it would not be a cost-effective use of resources to implement any pre-T2R system modifications that would be obsolete when Release 3 becomes operational.

The Social Security Administration Incorrectly Paid Attorney Fees on Disability Income Cases When Workers' Compensation Payments Were Involved (A-04-98-62001), March 8, 2000

Recommendation: We recommended that SSA review the cases in our sample to determine the proper attorney fee payment and take the required actions on the \$18,410 in errors of which \$17,238 were overpayments and \$1,172 were underpayments.

Valued at: \$33,852,529 in funds put to better use and \$17,238 in questioned costs.

Agency Response: SSA agreed. They will review the sample cases and take the appropriate action.

Corrective Action: SSA's Office of Operations continues to review the three remaining sample cases.

APPENDIX F: SIGNIFICANT NONMONETARY RECOMMENDATIONS FROM PRIOR FISCAL YEARS FOR WHICH CORRECTIVE ACTIONS HAVE NOT BEEN COMPLETED

Procedures for Verifying Evidentiary Documents Submitted With Original Social Security Number Applications (A-08-98-41009), September 19, 2000

Recommendation: We recommended that the Social Security Administration (SSA) accelerate negotiations with U.S. Immigration and Naturalization Service (INS) and the U.S. Department of State (DoS) to implement the Enumeration at Entry program. Once implemented, all non-citizens should be required to obtain their Social Security numbers (SSN) by applying at one of these Agencies.

Agency Response: SSA agreed that accelerated negotiations are necessary and SSA is committed to the implementation of the Enumeration at Entry program.

Corrective Action: SSA established a Memorandum of Understanding (MOU) with the INS as of December 2000. The MOU establishes the provisions under which INS will initially transmit validation information to SSA for use in assigning SSNs to recently admitted immigrants (i.e., permanent resident aliens). It also identifies the long-term goals for INS assistance in meeting our objective to prevent individuals from using fraudulently obtained documents to obtain valid SSNs. SSA, INS and the DoS have discussed and finalized the technical aspects of the data transfer. DoS is making the necessary changes to electronically provide the enumeration data to INS. The systems release is scheduled for June 2002. INS started the systems changes needed to transmit the enumeration data to SSA. SSA has started to work to make the changes to accept the data from INS and use that data to assign SSNs. An interagency agreement is being drafted and once signed, INS expects it will take about 8 months to complete the systems changes.

Recommendation: We recommended that SSA continue efforts and establish an implementation date for planned system controls that will interrupt SSN assignment when multiple cards are mailed to common addresses not previously determined to be legitimate recipients (for example, charitable organizations) and/or when parents claim to have had an improbably large number of children.

Agency Response: SSA agreed with the recommendation.

Corrective Action: The Agency continues its efforts to implement enhancements in the Modernized Enumeration System. The General Project Scope Agreement (PSA) for this initiative was signed in November 2000. It breaks the effort into 3 releases. The PSA for Release 1, which will handle the too-many-children issue, was signed December 2000. Requirements definition began January 2001. The Software Development Plan, containing the detailed work schedule, is currently being developed. It is estimated that Release 1 will be implemented in the summer of 2002. Release 2 will interrupt processing for too-many-cards to the same address; and will likely be completed within 18 months of Release 1.

The Social Security Administration is Pursuing Matching Agreements with New York and Other States using Biometric Technologies (A-08-98-41007), January 19, 2000

Recommendation: SSA should pursue a matching agreement with New York so that the Agency can use the results of the State's biometric technologies to reduce and/or recover any improper benefit payments.

Agency Comments: SSA agreed with the recommendation.

Corrective Action: A biometric pilot in New York is being pursued for Spring 2002 implementation. The Office of Disclosure Policy (ODP) is awaiting comments from all SSA components on a Federal Register notice regarding changes to existing systems of records that are related to this project.

Since our last report, the pilot methodology has been revised considerably. The new method of verifying claimant identity will be non-electronic. The change involves the verification, via photograph, of the identity of an individual at a consultative examination (CE) requested by the New York DDS. It is anticipated that the study will provide data regarding the rate of identity match/non-match at the time of the CE and the rate of claimants who have photographic identification available at the initial interview in the field office. The proposal included both title II and title XVI adult applicants. The voluntary nature of the project will be explained and applicants will be provided the opportunity to offer written statements if they refuse to provide photographic identification. One product of the pilot evaluation will be recommendations as to possible next steps in this area, including consideration of biometrics. The date for the conclusion and evaluation of the pilot is not committed at this time.

Recommendation: SSA should initiate pilot review to assess the cost efficiency of matching data with other States that have employed biometrics in their social service programs.

Agency Response: SSA agreed with the recommendation.

Corrective Action: The Office of Disability and Income Security Programs is working with the Office of the Inspector General on a draft agreement needed to implement a New York pilot. Based on the results of the New York pilot, SSA will make a decision as to whether the pilot should be expanded to other States. The draft agreement is currently before the SSA Data Integrity Board representatives for comment.

Nonresponder Representative Payee Alerts for Supplemental Security Income Recipients (A-09-96-62004), September 23, 1999

Recommendation: We recommended that SSA develop procedures for employees to redirect benefit checks to field offices (and require representative payees to provide the accounting forms before releasing the checks) in instances where other attempts to obtain the required forms have been unsuccessful.

Agency Response: SSA agreed, in part. When a representative payee does not respond or will not cooperate after repeated attempts to obtain an annual accounting, the field office is required to consider a change of payee when necessary. When the field office determines that a change of payee is necessary, they develop for a successor payee. If a payee is not readily available, the beneficiary is paid directly or placed in suspense status under certain limited circumstances.

Corrective Action: SSA proposed legislation to redirect benefit checks when representative payees fail to complete the required accounting form as part of a package of improvements to the payee monitoring process. This change was included in H.R. 4857, as adopted by the Ways and Means Committee in September 2000. While it was not passed in the previous congressional session, there is the potential for the proposal to be considered in this congressional session. SSA has tentatively included this legislative change as part of the FY 2003 legislative package that was sent to the Office of Management and Budget.

The Social Security Administration's Procedures to Identify Representative Payees Who Are Deceased (A-01-98-61009), September 22, 1999

Recommendation: We recommended that SSA routinely match the Death Master File against the Master Representative Payee File to identify deceased representative payees and select new representative payees for all beneficiaries and/or recipients affected.

Agency Response: SSA agreed with the intent of the recommendation, that is, to identify all cases where a representative payee has died so that the appropriate payee change can be taken.

Corrective Action: Systems has completed a match of the Death Master File, Master Representative Payee File and Master Beneficiary Record (MBR)/Supplemental Security Record (SSR) and identified records where it appears SSA is paying a live representative payee and RPS needs to be updated, as well as, those records where the MBR/SSR indicate that the payee may be deceased. Field offices have been provided alerts to investigate those cases where the payee may be deceased.

The Office of Systems (OS) planned to refine this process, perform the match twice each year and continue to provide the field with those records which need to be investigated. The user community disagreed with processing this workload bi-yearly in a manual format. OS is now further investigating changes to the Death Alert, Control, and Update System that could correct the problem.

APPENDIX G: REPORTING REQUIREMENTS

The Inspector General Act of 1978, as amended, specifies reporting requirements for semi-annual reports. The requirements are listed below and indexed to the appropriate pages in this report.

	Reporting Requirement	Pages
Section 4(a)(2)	Review of Legislation and Regulations	N/A
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	3-52
Section 5(a)(2)	Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	3-52
Section 5(a)(3)	Recommendations Described in Previous Semiannual Reports on Which Corrective Actions Have Not Been Completed	67-71
Section 5(a)(4)	Matters Referred to Prosecutive Authorities and the Prosecutions and Convictions Which Have Resulted	4-11 29-35 38-45
Sections 5(a)(5) and 6(b)(2)	Summary of Instances Where Information Was Refused	N/A
Section 5(a)(6)	List of Audit Reports	57-62
Section 5(a)(7)	Summary of Particularly Significant Reports	15-52
Section 5(a)(8)	Statistical Table Showing the Total Number of Audit Reports and Total Dollar Value of Questioned Costs	55
Section 5(a)(9)	Statistical Table Showing the Total Number of Audit Reports and the Total Dollar Value of Recommendations That Funds Be Put to Better Use	56
Section 5(a)(10)	Audit Recommendations More Than 6 Months Old for Which No Management Decision Has Been Made	55-56
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	N/A

APPENDIX H: GLOSSARY

Abbreviation	Definition
AMD	Allegation Management Division
BVS	Bureau of Vital Statistics
CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
CID	Critical Infrastructure Division
CIPP	Critical Infrastructure Protection Plan
CIRP	Comprehensive Integrity Review Program
CMP	Civil Monetary Penalty
DACUS	Death Alert, Control, and Update System
DDS	State Disability Determination Services
DI	Disability Insurance
DMF	Death Master File
DoJ	Department of Justice
EAB	Enumeration at Birth
EAD	External Affairs Division
ECT	Electronic Crimes Team
eDIB	Electronic Disability
ERMS	Earnings Record Maintenance System
ESF	Earnings Suspense File
EVS	Employee Verification Service
FBI	Federal Bureau of Investigation
FinCEN	Financial Crimes Enforcement Network
FTC	Federal Trade Commission
FO	Field Office
FY	Fiscal Year
GAO	General Accounting Office
GISRA	<i>Government Information Security Reform Act</i>

Abbreviation	Definition
GPRA	<i>Government Performance and Results Act</i>
HO	Hearing Office
HPI	Hearings Process Improvement Plan
IFIPA	<i>Internet False Identification Prevention Act of 2000</i>
IG	Inspector General
INS	Immigration and Naturalization Service
IRS	Internal Revenue Service
IT	Information Technology
MER	Medical Evidence of Record
MSSICS	Modernized Supplemental Security Income Claims System
NCIC	National Crime Information Center
NDNH	National Directory of New Hires
OA	Office of Audit
OASDI	Old-Age, Survivors and Disability Insurance
OCIG	Office of the Counsel to the Inspector General
OCSE	Office of Child Support Enforcement
OEO	Office of Executive Operations
OEVS	Online EVS
OHA	Office of Hearings and Appeals
OI	Office of Investigations
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OQA	Office of Quality Assurance and Performance Assessment
PD	Police Department
PDD	Presidential Decision Directive
PwC	PricewaterhouseCoopers LLP
RO	Regional Offices
ROI	Return on Investment

Abbreviation	Definition
RPS	Representative Payee System
SSA	Social Security Administration
SSARO	Social Security Administration's Access to State Records Online
SSI	Supplemental Security Income
SSN	Social Security number
SSR	Supplemental Security Record
TREBDET	Terminated Record Balancing and Debt Transfer
TY	Tax Year
USAO	U.S. Attorney's Office
USMS	United States Marshals Service

A SPECIAL THANK YOU



We would like to extend a special thank you to John Stokes for graciously permitting us to use photographs of Osceola, the “hang-gliding” eagle, in this publication. Osceola has been in John’s care since 1983, when he was found badly injured. Because one wing had to be amputated, Osceola was unable to fly on his own. In 1989, John crafted a harness for Osceola which permits him to fly along with John in a hang-glider. For more on Osceola’s story, please visit John’s website at www.geocities.com/Pipeline/3155.

And, finally, we would like to thank our entire Office of the Inspector General staff for their outstanding efforts and contributions, without which this report would not have been possible.

HOW TO REPORT FRAUD

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

Call

1-800-269-0271

Write

Social Security Administration
Office of the Inspector General
Attention: SSA Fraud Hotline
P.O. Box 17768
Baltimore, MD 21235

Fax

410-597-0118

Email

oig.hotline@ssa.gov

Visit our website at www.ssa.gov/oig





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