

# Getting the Job Done

Social Security Administration  
Office of the Inspector General  
Semiannual Report to Congress

April 1, 2003 – September 30, 2003



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### **Fiscal Year 2002 Results of OIG Efforts**

The work of more than 11,000 employees of Offices of Inspector General across Government produced impressive results during FY 2002. Thousands of audits, investigations, and other reviews offered recommendations that promote economy, efficiency, and effectiveness, as well as prevent and detect fraud, waste, and abuse in Federal programs and operations. These results include:

- Potential savings of nearly \$72 billion.
- Nearly 10,700 successful criminal prosecutions.
- Suspensions or debarments of over 7,600 individuals or businesses.
- Almost 2,200 civil or personnel actions.
- More than 5,700 indictments and criminal informations.
- Over 234,000 complaints processed.
- More than 90 testimonies before Congress.

Working in concert, the Inspector General community has strengthened the integrity of Government and the security of our homeland.





## Message from the Inspector General

This year, we celebrate the 25th anniversary of the Inspector General Act, which created independent Offices of Inspector General (OIG) in Federal agencies. I would like to take this opportunity to congratulate the OIG community, and reflect upon what we have achieved.

In fiscal year (FY) 2002 alone, the Federal OIG community's efforts accounted for nearly \$72 billion in potential savings from their agencies' actions on current and prior recommendations and through investigative recoveries. Further, the OIGs were instrumental in nearly 10,700 successful prosecutions, suspensions or debarments of over 7,600 individuals or businesses, and almost 2,200 civil or personnel actions. The high quality of work in the OIG community is a reflection of the great dedication and determination of its employees nationwide. We take pride in what we do, and we get the job done.

This second Semiannual Report to the Congress for FY 2003 focuses on our accomplishments for the period of April 1, 2003 through September 30, 2003, and summarizes what we have done throughout FY 2003. It defines our mission, describes our significant activities, presents our assessment of the top management issues facing SSA, and outlines our work on these challenges.



We are proud of our successes in combating fraud, waste and abuse in Social Security Administration (SSA) programs and operations, and in providing support across the Federal Government to our homeland security.

In FY 2003, our investigators reported over \$356 million in investigative accomplishments with nearly \$55 million in SSA recoveries, restitution, fines, settlements, and judgments and over \$301 million in projected savings. As part of our civil monetary penalty program, our attorneys also reported nearly \$1.25 million in penalties and assessments. And finally, our auditors issued 97 reports with recommendations identifying \$57 million in questioned costs and over \$1 billion in Federal funds could be put to better use, including newly revised figures on questioned costs from a prior audit.

No program touches more lives than Social Security. As stewards of this sacred trust, we continuously strive to keep SSA and its programs efficient and effective, and free from fraud, waste, and abuse.

Sincerely,

A handwritten signature in black ink, appearing to read "James G. Huse, Jr.".

James G. Huse, Jr.  
Inspector General





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## **Office of the Inspector General**

### **Mission Statement**

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

### **Vision and Values**

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

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## Introduction to Our Organization

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

### Immediate Office of the Inspector General



The IO provides the Inspector General (IG) and Deputy IG with staff assistance on the full range of their responsibilities and administers a comprehensive Professional Responsibility and Quality Assurance program. This program ensures the adequacy of OIG compliance with its policies and procedures, internal controls, and professional standards. In addition, the IO oversees the Ombudsman program to provide OIG employees with confidential and informal assistance for resolving work-related conflicts, disputes, and grievances. The program promotes fair and equitable treatment within OIG and strives to improve the overall quality of work life for OIG employees. The IO also directs reviews and takes actions to ensure the adequacy of OIG's internal controls in accordance with the Federal Managers' Financial Integrity Act.

### Office of the Counsel to the Inspector General



OCIG provides independent authoritative legal advice, guidance, and counsel to the IG, and senior staff and their components on legal issues, regulatory strategy, and legislative proposals. OCIG also advises the IG on the existence, integration, and interpretation of emerging legal authorities that may affect the mission of OIG and/or the Agency. OCIG conducts research to ensure the legality of issues deliberated by OIG and reviews OIG work products to make certain that they are legally sufficient. In addition, OCIG drafts legal documents on behalf of OIG, which include regulatory comment and legislation. Finally, OCIG is responsible for the implementation of the Civil Monetary Penalty (CMP) program, which was delegated to the IG by the Commissioner of Social Security. This implementation includes the imposition of penalties and assessments and the settlement and litigation of CMP cases.



## Office of Audit



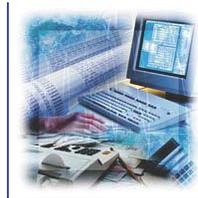
OA conducts and/or supervises comprehensive financial and performance audits of SSA programs and operations and makes recommendations to ensure that program objectives and operational functions are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officer Act of 1990 (CFO Act), assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management and program evaluations and projects focused on issues of concern to SSA, Congress, and the general public.

## Office of Investigations



OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. These activities include wrongdoing by applicants, grantees and contractors, or by SSA employees in the performance of their official duties. This office serves as OIG liaison to the Department of Justice (DOJ) on all matters relating to the investigations of SSA programs and personnel, and reports to the Attorney General when OIG has reason to believe Federal criminal law has been violated. OI works with other investigative agencies and organizations on special projects and assignments. In support of its mission, OI carries out and maintains an internal quality assurance system.

## Office of Executive Operations



OEO assists the IG with the formulation and execution of OIG's budget and confers with the Office of the Commissioner, the Office of Management and Budget (OMB), and the Congress on budget matters. OEO conducts management analyses and establishes and coordinates general administrative management policies for OIG. This office serves as OIG liaison on personnel management and other administrative and management policies and practices, and equal employment opportunity and civil rights matters. This office is also responsible for the development, design, redesign, and maintenance of major automated systems throughout OIG and for the security of sensitive data relating to investigations, audits, and legal proceedings which is kept on OIG's systems as well as the administration



of systems security plans for OIG. OEO is responsible for and coordinates OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act (GPRA). In addition, OEO administers programs for public affairs, interagency activities, OIG reporting requirements, publications, and congressional inquiries.





## Significant Activities

This has been another successful year for our organization. We have made significant strides in helping SSA accomplish its service and stewardship responsibilities. This report highlights our accomplishments and identifies areas where improvement is necessary. Since SSA OIG was created in 1995, we have focused on several key issues in the fight against fraud, waste, and abuse at SSA. We also play an integral role in meeting the ongoing challenges of homeland security.

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

- Homeland security efforts
- Cooperative Disability Investigations Program
- Civil Monetary Penalty Program
- Audit activity
- Investigative data

## Homeland Security Efforts

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



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

Today people and organizations have more tools than ever for disrupting or sabotaging important operations. This dramatic growth in computer interconnectivity carries with it risks that operations can be disrupted, sensitive data can be compromised, and key processes can be interrupted. Therefore, our role in assisting SSA to protect its critical infrastructure and systems security is vitally important to homeland security.

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



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

### Working With Congress

In the 2 years since the terrible events of September 11, 2001, we have provided Congress with our assessment of SSA's business processes for ensuring the SSN's integrity. We base our assessment on our extensive audit and investigative work. We continue to give Congress our evaluation of suggested legislative changes and new techniques to improve SSN verification and to decrease identity theft crimes.

In our testimony and other responses to Congress, we stressed the importance of interagency data verification and data matching agreements between Federal and State agencies. "While the SSN is issued by SSA, the responsibility for protecting its integrity reaches far beyond this Agency's walls," IG Huse told the Social Security Subcommittee of the House Committee on Ways and Means at its hearing on July 17. "While SSA has come very far and is willing to do more, other Federal, State and local jurisdictions, as well as the private sector must each do their part. With everyone's participation, we can protect the SSN and ultimately our homeland."

### Participating in Anti-terrorism Task Forces

Along with such agencies as DOJ, the Department of Homeland Security (DHS), and the Federal Aviation Administration, our office plays a key role as part of various national, regional, and local anti-terrorism task forces. We remain active in the struggle against terrorism because of our jurisdiction with respect to the integrity and use of SSNs and the related records SSA maintains.

Since the first airport operation in Salt Lake City in December 2001, we have participated in 78 airport security operations across the country, with 33 of these occurring in this semiannual period. This effort has now expanded beyond airport security to include other facilities which must remain secure, such as aircraft and chemical plants and military bases. Working with Joint Terrorism Task Forces and other Federal agencies under the aegis of the Offices of United States Attorneys, we have helped to ensure that no

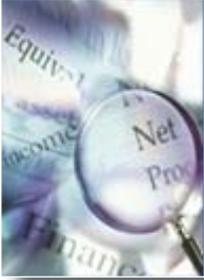
**Protecting  
SSN  
integrity  
is vital to  
homeland  
security**





employee who has misrepresented his or her SSN and identity has access to areas the Nation must keep secure. The primary charges have been related to SSN misuse, false statements, and DHS violations.

### **Conducting Audits**



We have also performed several important audits to strengthen SSN integrity, a vital component of homeland security. In one, for example, we conducted a review in response to questions received from the Chairman of the Senate Finance Committee to determine the status of SSA's evaluation of a pilot project to verify employee SSNs. Incorrect data can conceal SSN misuse of all kinds. We determined that the pilot can assist SSA's efforts to improve the timeliness of employer corrections of information and the accuracy of information for both the government and private sector use. The pilot increased the annual wage reporting accuracy by about 10 percent. Our report also noted that expanding the pilot could increase Federal and State programs effectiveness by improving the accuracy of government records while detecting fraud.

A limited distribution report noted that while SSA sends information to DHS's Bureau of Citizenship and Immigration Services (BCIS) (formerly the Immigration and Naturalization Service) on non-citizens who are potentially working illegally, BCIS does not routinely tell SSA when it changes a person's employment status from unauthorized to authorized. We recommended that SSA and BCIS establish compatible data fields that will allow the agencies to effectively match data records.

Another report in the area of homeland security evaluated SSA's compliance with the Federal Information Security Management Act of 2002 (FISMA). SSA generally met FISMA requirements and has made improvements in the past year, but can still strengthen its information security program. We made several recommendations to the Agency.

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

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

### **Investigation: Document Ring Broken**



Our Seattle and Atlanta Field Divisions and the DHS Bureau of Immigration and Customs Enforcement (ICE) investigated a counterfeit document operation in which a Korean man who was in the United States illegally directed seven other Korean nationals. Our joint investigation disclosed they were engaged in filing multiple false applications for Social Security cards at SSA offices in Idaho, Oregon, and Washington. We determined



that Korean organized crime figures in the Seattle region sold over 700 fraudulently issued cards to customers for an average of \$2,000 per card during 2001-2002. Agents seized hundreds of counterfeit passports, visas, and other immigration forms, along with high-quality printing materials and computer templates for producing American, Korean, Japanese, and Canadian passports and identity cards. The ringleader was arrested, and will be deported to Korea after serving a 5-year Federal sentence.

### **Investigation: Louisiana Facilities Secured**

Our Dallas Field Division took part in a homeland security operation that targeted undocumented aliens who were misusing SSNs to gain employment at various chemical plants and oil refineries located in Louisiana. The joint investigation, conducted with Federal, State, and local law enforcement authorities, resulted in dozens of indictments and arrests to date. Several of those who have already been sentenced have been incarcerated and/or returned to DHS for deportation.



### **Investigation: Air Force Academy Safeguarded**

Our Denver Field Division conducted a homeland security operation with ICE, the Federal Protective Service, and U.S. Air Force Academy Security Forces at the Air Force Academy in Colorado Springs, CO. Our investigators determined that 44 workers employed by civilian contractors who had access to the facility misused SSNs to obtain employment there. The multi-agency investigation resulted in the arrest of 27 individuals for violations involving false identification documents and SSN misuse.



### **Cooperative Disability Investigations Program**

We manage the Cooperative Disability Investigations (CDI) program in cooperation with SSA's Office of Operations, Office of Disability Programs, and Office of Disability Determinations. Its mission is to obtain evidence that can resolve questions of fraud in SSA's disability programs.

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

- Provide the DDS with investigative evidence so it can make timely and accurate disability eligibility determinations.
- Seek criminal and/or civil prosecution of applicants and beneficiaries and refer cases for consideration of CMPs and administrative sanctions as appropriate.

**GAO says  
CDI is key  
among  
efforts to  
head off  
SSI fraud  
and abuse**



- Identify, investigate, and seek prosecution of doctors, lawyers, interpreters, and other third parties who facilitate disability fraud.

The following table outlines recent CDI Program accomplishments.

<b>Cooperative Disability Investigations Program Results April 1, 2003 through September 30, 2003</b>					
State	Allegations Received	Confirmed Fraud Cases	SSA Recoveries & Restitution	SSA Savings <sup>1</sup>	Non-SSA Savings <sup>1</sup>
Arizona	54	20	0	\$1,158,923	\$399,900
California	181	91	\$16,732	\$5,201,634	\$4,210,520
Florida	84	55	\$310,940	\$3,365,734	\$1,645,570
Georgia	142	99	0	\$6,245,388	\$2,159,752
Illinois	26	36	\$122,866	\$2,954,600	\$1,081,445
Louisiana	92	33	0	\$2,080,200	\$703,167
Massachusetts	48	19	0	\$1,161,506	\$533,157
Missouri	80	45	\$16,586	\$2,394,106	\$1,334,190
New Jersey	113	21	\$49,200	\$1,344,732	\$1,130,625
New York	106	124	\$237,577	\$7,354,114	\$5,056,590
Ohio	244	47	0	\$3,923,058	\$2,270,231
Oregon	130	84	\$71,229	\$4,871,560	\$3,440,430
Tennessee	81	54	\$16,552	\$3,550,239	\$1,922,756
Texas <sup>2</sup>	111	80	\$5,000	\$4,311,091	\$2,276,797
Virginia	72	48	\$72,552	\$3,192,000	\$1,489,376
Washington	80	51	\$3,933	\$3,179,594	\$2,561,565
<b>Totals</b>	<b>1,644</b>	<b>907</b>	<b>\$923,167</b>	<b>\$56,288,479</b>	<b>\$32,216,271</b>
<b>October 1, 2002 to March 30, 2003</b>	<b>1,483</b>	<b>733</b>	<b>\$879,235</b>	<b>\$43,694,284</b>	<b>\$27,007,357</b>
<b>FY 2003 GRAND TOTAL</b>	<b>3,127</b>	<b>1,640</b>	<b>\$1,802,402</b>	<b>\$99,982,763</b>	<b>\$59,223,628</b>
<sup>1</sup> When a CDI investigation supports the cessation of an in-pay case, SSA program savings are calculated by multiplying the actual monthly benefit times 60 months. 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. <sup>2</sup> Texas has 2 units, one in Dallas and the other in Houston. The new unit in Denver began operation after the reporting period ended.					

In January 2003, the General Accounting Office (GAO) acknowledged the CDI program by stating that we have “also increased the level of resources and staff devoted to investigating SSI [Supplemental Security Income] fraud and abuse. Key among these efforts is the formation of CDI teams in [18] field locations. These teams are designed to identify fraud and abuse before SSI benefits are approved and paid.”

Eighteen units have been opened in 17 States since FY 1998. We plan to add CDI units on a year-to-year basis, depending on available funds.



## CDI Case Highlights

The following cases highlight the success of the CDI program.

### Investigation: Million Dollar Fraud Scheme

Our New York CDI unit investigated a \$1.3 million fraud operation that was referred by the Brooklyn DDS, which identified a pattern of about a dozen applications containing no work history and no treatment for alleged mental disabilities. Our investigators observed the applicants performing the activities they claimed they could not perform, such as leaving home, shopping, and driving. Our investigators determined that several of these SSI frauds had begun in the 1970s and 1980s. This investigation resulted in 35 arrests, 24 felony convictions, and court-ordered restitutions, forfeitures, and judgments totaling \$535,000. Many of those convicted were also incarcerated.



### Investigation: Woman Caught Feigning Blindness

Our Chicago CDI unit investigated a woman collecting disability benefits for blindness. She said she could not drive, dress herself, brush her hair, raise her arms above her head, or walk more than a few steps without extreme pain or having to use a wheelchair. An anonymous call indicated she was working. Neighbors told our investigators she walked and drove on a regular basis and was never seen using assistive devices. Her employer indicated she had worked at a rehabilitation center as a training director for over 2 years, creating and writing training manuals, instructing residents, and coordinating center activities. Further, she drove over 40 miles daily to work. The woman's disability benefits were stopped.



### Investigation: Mother-Son Fraud Halted

Our Houston CDI Unit investigated a Texas DDS referral involving a man who was originally allowed Title II disability benefits on the basis of mental retardation. Although school records showed that the man had average intellectual functioning, psychological tests indicated that he was mentally retarded. Our investigators determined that after age 18, at the direction of his mother, he continued receiving benefits by feigning his mental impairment. The man's mother represented to SSA that her son was disabled and could not perform everyday tasks without assistance. She concealed that her son was an honors student who graduated cum laude with a Bachelor's degree. He is currently a schoolteacher. The DDS terminated the man's benefits. The man's mother received probation, home confinement with electronic monitoring, and 250 hours community service. She was also ordered to pay restitution of \$56,285 to SSA.





### **Investigation: Head Injury Claim Denied**



Our Baton Rouge CDI Unit investigated a man who received Title II disability benefits since 1996 due to a head injury. The Louisiana DDS referred this case for investigation because of high risk factors. During his continuing disability review (CDR), the man said he had chronic pain, a psychotic disorder, back and neck problems, headaches, and arthritis. His wife said he needed assistance with all his daily activities and had not driven since 1996, adding that he sometimes needed a wheelchair. Examiners reported the man used a cane, could not identify his wife, exaggerated his responses, acted mentally bizarre, and was uncooperative. Our investigators interviewed neighbors, who had never seen the man using a cane or a wheelchair. A driver's license check revealed that the man recently renewed his license. His disability claim was denied.

### **Investigation: Claimant's Impairments Exaggerated**



Our Tampa CDI Unit investigated a plumber who claimed he suffered from depression and impaired vision so that he could no longer read or drive. He also claimed he could not write or use plumbing tools because medications caused tremors in his hands, and had stopped working in August 2002. The Tampa DDS referred this case to CDI on suspicion that the man was exaggerating his limitations. Our investigation revealed that the man was still employed as a plumber and drove a company truck home at night. His employer stated that the man received daily schedules and was given subsequent service calls throughout each day. The employer noted that the man was required to complete written estimates and he routinely used power and hand tools. His disability claim was denied.

### **Civil Monetary Penalty Program**

OCIG administers the CMP enforcement statutes under a delegation of authority from SSA's Commissioner, which allows OIG to impose CMPs against violators of sections 1129 and 1140 of the Social Security Act. Based on this delegation, we drafted and published regulations, trained legal and investigative staff, and established an infrastructure that included placing attorneys in several OI Field Divisions to support this successful enforcement program. OI's investigative work provides an important contribution to these cases.

### **False Statements Under Section 1129**

Section 1129 prohibits making false statements or representations of material facts in connection with obtaining or retaining benefits or payments under Titles II, VIII, or XVI of the Act. After consultation with DOJ, we are authorized to impose penalties of up to \$5,000 for each false statement or

**We have  
imposed  
over \$2.3  
million in  
penalties and  
assessments  
since 1995**



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 \$2.3 million in penalties and assessments since FY 1998 and Congress continues to introduce new legislation that would expand CMP authority.

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

<b>False Statements Under Section 1129 Results</b>			
	<b>October 1, 2002 - March 31, 2003</b>	<b>April 1, 2003 - September 30, 2003</b>	<b>Totals</b>
Cases Received	37	41	78
CMP Cases Initiated	29	30	59
CMP Cases Closed	61	72	133
CMP Penalties and Assessments	\$300,511	\$310,371	\$610,882
Number of Hearings Requested	6	1	7

**CMP Case: Survivor Fraud Penalized**

A woman serving as the representative payee for her disabled son not only failed to report that her son went to live with his father, but she continuously told SSA that her son was living with her. Her false restatements and representations resulted in a \$4,062 overpayment. The penalty we imposed—\$50,000 and an assessment in lieu of damages in the amount of \$8,124, twice the amount of the overpayment—was sustained.



**CMP Case: Company Supports Fraud**

An Oklahoma company agreed to pay one of its employees under his wife’s name and SSN so that his earnings would not be reported to SSA and therefore reduce or eliminate his SSI benefits. The Oklahoma City United States Attorney’s Office prosecuted the employee. The company and its Chief Executive Officer (CEO) were both subjects of a CMP for making material false statements on tax forms submitted to SSA and for statements





the CEO made to investigators regarding his knowledge of the fraud. Both the company and the CEO were assessed penalties of \$30,000.

### **Misleading Advertising Under Section 1140**

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

In his February 27, 2003 testimony before the Subcommittee on Social Security, IG Huse urged Congress to strengthen Section 1140 by:

- Requiring entities to clearly state that the product or service they offer for a fee is available directly from SSA free of charge.
- Expanding the list of prohibited terms to include many of those that seniors and others commonly associate with Federal benefits, especially SSA programs and benefits.

These provisions are part of H.R. 743, which was passed by the House of Representatives on April 2, and by the Senate Finance Committee on September 17.

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

The following highlight our accomplishments for this reporting period.

### **CMP Case: Mailings Seek Seniors' Personal Information**



The National Federation of Retired Persons (NFRP), targeting senior citizens through direct mail solicitations designed to generate insurance leads, elicited personal information through mailings that used a likeness of the U.S. Capitol and titles of SSA pamphlets, but omitted any reference to insurance. After issuing several cease and desist orders, we proposed an \$83,569 penalty against the company. A spring 2002 hearing determined that the NFRP violated section 1140, and NFRP appealed. The appeal affirmed our proposed penalty of \$83,569, and the Commissioner made the Board's decision final. The NFRP may appeal this final administrative decision in a U.S. Court of Appeals.

### **CMP Case: Phony "Social Security Alert" Penalized**



The United Seniors Association, Inc. (USA Inc.) mailed solicitations to senior citizens in envelopes that included such terminology as "SOCIAL SECURITY ALERT" in prominent red type. We proposed imposition of a \$554,196



CMP against USA Inc. After a full evidentiary hearing in April 2003, an administrative law judge (ALJ) found that USA Inc. had “deliberately contravened the law,” the proposed penalty was reasonable, and USA’s envelopes created a “serious threat to the ability of the Social Security Administration to communicate freely with the public.” USA Inc. has the right to appeal the ALJ’s decision.

<b>Misleading Advertising Under Section 1140 Results</b>			
	<b>October 1, 2002 - March 31, 2003</b>	<b>April 1, 2003 - September 30, 2003</b>	<b>Totals</b>
<b>Complaints Received</b>	<b>33</b>	<b>38</b>	<b>71</b>
<b>New Cases Opened</b>	<b>26</b>	<b>14</b>	<b>40</b>
<b>Cases Closed</b>	<b>20</b>	<b>16</b>	<b>36</b>
No Violation	14	7	21
Voluntary Compliance	5	8	13
Settlement Agreement (of cases/amount)	1/\$35,000	0	1/\$35,000
Penalty/Court Action (of cases/amount)	1/\$83,569 <sup>1</sup>	1/\$554,196	2/\$637,765 <sup>1</sup>
Number of Hearings Requested	1	1	2
<sup>1</sup> Reflects reduction of a previously reported penalty upon appeal.			

## Investigative Data

In this reporting period, we received 34,998 allegations from various sources cutting across SSA programs, as shown in these tables, which represent the collective efforts of our OI Headquarters and Field Divisions, including our Fraud Hotline. Our Fraud Hotline referrals to SSA offices resulted in the identification of \$2 million in overpayments that were posted to SSA records. Our Fraud Hotline also identified \$6 million in savings from referrals to SSA that resulted in suspension or termination of benefits to individuals who were no longer entitled or eligible to receive these benefits.



<b>Funds Reported</b>				
	<b>October 1, 2002 - March 31, 2003</b>		<b>April 1, 2003 - September 30, 2003</b>	
	<b>SSA Funds</b>	<b>Non-SSA Funds</b>	<b>SSA Funds</b>	<b>Non-SSA Funds</b>
Scheduled Recoveries	\$17,136,709	\$530,761	\$14,378,341	\$1,764,473
Fines	\$347,083	\$470,155	\$366,962	\$35,533,554
Settlements/Judgments	\$120,788	\$150,500	\$169,753	\$2,566,000
Restitution	\$13,091,240	\$22,307,892	\$9,263,194	\$18,784,435
Estimated Savings	\$211,463,043	\$27,807,349	\$89,666,145	\$33,398,033
<b>TOTALS</b>	<b>\$242,158,863</b>	<b>\$51,266,657</b>	<b>\$113,844,395</b>	<b>\$92,046,495</b>
<b>GRAND TOTALS</b>	<b>\$293,425,520</b>		<b>\$205,890,890</b>	
<b>FY 2003 TOTAL</b>	<b>\$499,316,410</b>			

<b>Investigative Results</b>			
	<b>October 1, 2002 - March 31, 2003</b>	<b>April 1, 2003 - September 30, 2003</b>	<b>FY 2003 Grand Totals</b>
<b>Allegations Received</b>	<b>51,311</b>	<b>34,988</b>	<b>86,299</b>
<b>Cases Opened</b>	<b>9,170</b>	<b>9,950</b>	<b>19,120</b>
<b>Cases Closed</b>	<b>9,389</b>	<b>9,338</b>	<b>18,727</b>
<b>Arrests/Indictments</b>	<b>2,677</b>	<b>2,478</b>	<b>5,155</b>
<b>Total Judicial Actions</b>	<b>5,655</b>	<b>3,812</b>	<b>9,467</b>
Criminal Convictions	1,008	1,150	2,158
Civil/CMP	35	38	73
Illegal Alien Apprehensions	274	364	638
Fugitive Felon Apprehensions	4,338 <sup>1</sup>	2,266	6,604

<sup>1</sup> This figure includes 18 additional apprehensions that resulted from field investigations outside the purview of the Fugitive Felon Program.



<b>Allegations Received by Category</b>			
	<b>October 1, 2002 - March 31, 2003</b>	<b>April 1, 2003 - September 30, 2003</b>	<b>FY 2003 Grand Totals</b>
SSN	24,340	7,620	31,960
SSI Disability	14,175	14,024	28,199
Disability Insurance	7,456	8,810	16,266
Old Age and Survivors Insurance	3,364	2,460	5,824
Other	1,556	1,534	3,090
SSI Aged	188	243	431
Employee	232	297	529
<b>TOTALS</b>	<b>51,311</b>	<b>34,988</b>	<b>86,299</b>

<b>Allegations Received by Source</b>			
	<b>October 1, 2002 - March 31, 2003</b>	<b>April 1, 2003 - September 30, 2003</b>	<b>FY 2003 Grand Totals</b>
Private Citizens	23,951	8,651	32,602
Anonymous	8,782	8,253	17,035
SSA Employees	7,402	8,495	15,897
Law Enforcement	10,120	8,539	18,659
Public Agencies	323	505	828
Beneficiaries	726	533	1,259
Other	7	12	19
<b>TOTALS</b>	<b>51,311</b>	<b>34,988</b>	<b>86,299</b>





## Significant Management Issues Facing SSA

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

1. Improper Payments
2. Management of the Disability Process
3. SSN Integrity and Protection
4. Critical Infrastructure Protection and Systems Security
5. Budget and Performance Integration
6. Service Delivery

We have discussed these issues with SSA and acknowledge that the Agency has made progress in these areas.

The following section discusses each of these critical management issues facing SSA, as well as our related audit and investigative work for this reporting period.





## Issue 1: Improper Payments

SSA is responsible for issuing benefit payments under the Old-Age, Survivors, and Disability Insurance (OASDI) and SSI programs. In FY 2002, SSA issued \$483 billion in benefit payments to 53.1 million beneficiaries. Considering the volume and amount of payments the Agency makes each month, even the slightest error in the overall process can result in millions of dollars in overpayments or underpayments.

**Even the  
slightest error  
can result  
in millions  
of dollars in  
overpayments**

Improper payments are defined as payments that should not have been made or were made for incorrect amounts. Examples of improper payments include inadvertent errors, payments for unsupported or inadequately supported claims, payments for services not rendered, or payments to ineligible beneficiaries. The risk of improper payments increases in programs with (1) a significant volume of transactions, (2) complex criteria for computing payments, and/or (3) an overemphasis on expediting payments. Since SSA is responsible for issuing timely benefit payments for complex entitlement programs to over 50 million individuals, the Agency is at-risk of making significant improper payments.

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

Under this law, agencies that administer programs where the risk of improper payments is significant must estimate their annual amount of improper payments and report this information in their Performance and Accountability Report for FYs ending on or after September 30, 2004. OMB will use this information, while working with the agencies, to establish goals for reducing erroneous payments for each program.

SSA and OIG have had ongoing discussions on improper payments—on such issues as detected versus undetected improper payments and avoidable overpayments versus unavoidable overpayments which are outside the Agency's control and a "cost of doing business." In August 2003, OMB issued specific guidance to SSA to only include avoidable overpayments in the Agency's improper payment estimate because these payments could be reduced through changes in administrative actions. Unavoidable overpayments that result from legal or policy requirements are not to be included in SSA's improper payment estimate.



In September 2003, we published an Issue Paper on improper payments in which we analyzed overpayments from SSA, other Federal agencies, and private sector disability insurers. Based on this work, we plan to initiate a comprehensive and statistically valid review in FY 2004 to quantify the amount of undetected overpayments in SSA's disability programs. We will focus on the four diagnosis groups we believe are problematic, based on prior audit and investigative work: (1) mental disorders other than mental retardation; (2) diseases of the musculoskeletal system; (3) endocrine, nutritional, and metabolic diseases; and (4) injuries. Additionally, the preliminary results from an audit at the end of FY 2003 show significant overpayments related to earnings by disabled beneficiaries went undetected by SSA. This work and other studies—such as one to assess whether overpayment waivers were appropriate—will be completed and/or initiated in FY 2004 and beyond to address the issue of improper payments.

SSA has undertaken many projects to identify and improve areas where it could do more to reduce improper payments and/or recover amounts overpaid. Specifically, SSA has been working to improve its ability to prevent overpayments and underpayments by obtaining beneficiary information from independent sources sooner and/or using technology more effectively. In this regard, SSA has initiated new computer matching agreements, obtained on-line access to wage and income data, and implemented improvements in its debt recovery program.

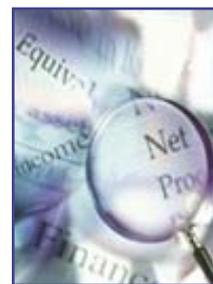
Working with SSA, we have made great strides in reducing benefit payments to prisoners and SSI payments to fugitive felons, and these efforts continue. However, improper payments, including those to deceased beneficiaries, students, and individuals receiving State workers' compensation (WC) benefits, continue to diminish the Social Security trust fund.

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

### **Audit Report: Pending WC: SSA Can Prevent Millions in Title II Disability Overpayments**

Our objective was to evaluate SSA's management of Title II disability cases with pending WC issues and assess the Agency's efforts to prevent overpayments.

The results of our review disclosed that SSA overpaid Title II disability beneficiaries millions of dollars. Of the 178,900 WC cases aged 2 to 19 years, we sampled 100 cases and found that 30 percent had unreported WC payments totaling almost \$900,000. Of these cases, one-third resulted in Title II disability overpayments totaling over \$67,000. Based on this sampling, we estimated SSA overpaid 17,890 beneficiaries almost \$121 million because of unreported WC payments. These may be





conservative estimates because some State WC agencies purged older cases, which could have resulted in additional overpayments.

If SSA does not take a proactive role in properly managing its pending WC workload, it will continue to build a significant backlog of pending WC cases and pay millions of dollars in Title II disability overpayments. Accordingly, we encouraged SSA to implement an automated process expeditiously by which the Agency can systemically and routinely follow up on cases with pending WC issues. Therefore, we recommended that SSA:

- Initiate actions to recover the Title II disability overpayments identified, where feasible.
- Take steps to reduce the backlog of Title II disability cases having pending WC issues.
- Develop and implement an automated process to ensure the Agency systematically and routinely follows up on new pending WC cases.
- Explore systems enhancements that would detect situations in which WC is not applicable to prevent personnel from retrieving and analyzing cases that no longer require development.

SSA generally agreed with all of our recommendations.

### **Management Advisory Report: SSA's Workers' Compensation Data Match with the State of Texas**



Our objective was to evaluate the results of SSA's WC data match with the State of Texas including:

- SSA's methodology for evaluating the data and deriving its conclusions.
- The potential impact of unreported WC on SSA's Disability Insurance (DI) benefits and SSI payments in the State of Texas.
- The possible cost-effectiveness of matching States' WC data against SSA's beneficiary/recipient records.
- The implications of potential over/underpayments nationwide.
- SSA's decision on whether to perform additional data matches with other States.

On August 15, 2000, SSA and the Texas Workers' Compensation Commission signed an agreement whereby the State would provide records containing Texas WC information to SSA to match against its OASDI beneficiary and SSI recipient records. The first file, received in September 2000, contained 691,286 records. However, 290,000 of the records were not usable as they



contained no dates. The match provided SSA with 1,298 cases with WC data corresponding to DI beneficiaries. A second file received in November 2001 contained 974,414 records and another 4,919 DI cases with WC data were identified. From both files SSA planned to review a total of 3,463 records which did not have WC information on SSA's records and 718 records where amounts in SSA's records differed from amounts in the Texas WC file. A match against SSA's SSI recipient records had not yet been performed.

As of October 2002, a cost benefit analysis (CBA) had not been completed by SSA nor had representatives met to discuss the matching program standards and methodology. Therefore, we recommended that SSA:

- Identify a lead office for the Texas match project to oversee, consolidate, and report the work being done by the various SSA components involved in the project.
- Establish time frames for the completion of work by each component and the lead office.

SSA agreed with the recommendations and designated the Office of Disability and Income Security Programs as the lead office and expected to complete the CBA for the Title II portion by the end of April 2003. It also expected to complete the Title XVI match by the end of March 2003. Once these actions are completed SSA will assess what next steps to take next.

We commend SSA for taking prompt action on the recommendations and believe this will put the Agency in a better position to determine the feasibility of pursuing similar projects with other States.

### **Audit Report: Use of State Bureaus of Vital Statistics Records to Detect Unreported Marriages and Divorces**

Prior audit work disclosed that computer matches with State Bureaus of Vital Statistics (BVS) records may be useful in identifying OASDI beneficiaries who had not reported their marriages or divorces in a timely manner. SSA requested that we conduct a review to determine the effectiveness and feasibility of these matches.

Using State BVS records from Georgia, Kansas, Oregon, and Vermont, we found that, from January 1990 to December 1998, 700 beneficiaries received \$2.7 million in overpayments because they did not report their marriages and 8 individuals received \$49,599 in overpayments because they did not report their divorces. To demonstrate the potential effectiveness of matching electronic marriage records, we extrapolated the results of our review to the 50 States plus Puerto Rico and the District of Columbia.

We estimated that if SSA had purchased State BVS records to identify unreported marriages at the end of 1999 and each year thereafter, the





Agency could have detected about \$11.9 million in OASDI overpayments on an annual basis at an estimated cost of \$1.7 million, resulting in program savings of about \$10.2 million. We estimated that SSA could have realized about \$51.2 million in program savings over a 5-year period, including about \$17.3 million in the year of marriage and about \$33.9 million in subsequent years.

We recommended that SSA conduct a survey of State BVS agencies to determine the cost of purchasing marriage records and encourage States to convert their records into an electronic format. We also recommended that SSA establish guidelines to monitor the cost-effectiveness of computer matching, work with State BVS agencies to obtain matching agreements, and purchase marriage records to identify beneficiaries who did not report their marriages.

SSA agreed with the potential savings resulting from the use of State BVS records to identify unreported marriages. Although SSA agreed with the cost-effectiveness of computer matching, it was unable to implement many of our recommendations because of a lack of resources. SSA agreed to continue its efforts to promote the reengineering of State vital records processes. SSA also stated that it had initiated corrective action on the unreported marriages and divorces identified during our review.

We recognized the constraints that limited resources place on the Agency. However, we continue to believe that periodic computer matches are necessary to reduce the Agency's vulnerability to individuals who misrepresent their marital status to receive benefits to which they are not entitled. Therefore, we are encouraging SSA to seek authority for additional resources to strengthen program integrity and stewardship.

### **Audit Report: Follow-up Review of OASDI Benefits Paid to Deceased Auxiliary Beneficiaries**

Our objective was to determine whether SSA implemented the recommendations in our June 2001 audit report, "OASDI Benefits Paid to Deceased Auxiliary Beneficiaries."

In our earlier review, we identified 5,033 beneficiaries who appeared to be receiving OASDI benefits even though they had dates of death on SSA's Death Master File (DMF). We referred the 2,721 records we had not reviewed to SSA for resolution of the discrepancies. We further recommended that SSA:

- Periodically match its 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.





- Remind staff to follow SSA's procedures when processing death alerts to ensure all records requiring action are identified and corrected.

Our follow-up review found that generally SSA had implemented the recommendations from our prior report. The Agency had:

- Initiated a quarterly match between its DMF and Master Beneficiary Record (MBR).
- Resolved 98 percent of the cases we asked SSA to review.
- Reminded staff to follow procedures fully when processing death alerts.

However, we identified the following issues that require further attention.

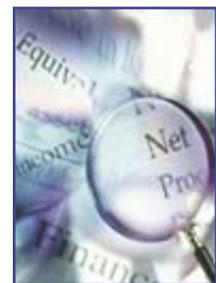
- SSA's quarterly matches between the MBR and DMF did not identify 2,069 cases where the auxiliary beneficiaries were receiving payments with dates of death on their Numidents.
- SSA did not timely resolve all the auxiliary beneficiary cases identified from its quarterly MBR-DMF matching operation.
- SSA did not refer all instances of possible fraud—where payments were actually made after death and the Agency was unable to recover the funds—to the OIG's OI.

As a result of the three new issues identified, we made appropriate recommendations to the Agency to ensure erroneous death information is removed from living beneficiaries' records, and payments are terminated for those auxiliary beneficiaries who are actually deceased. SSA agreed to implement our recommendations.

### **Audit Report: Follow-up on Prior Office of the Inspector General Prisoner Audits**

Our objective was to determine whether SSA implemented the recommendations contained in our May 1996 report, "Effectiveness in Obtaining Records to Identify Prisoners" and our June 1997 report, "Effectiveness of the Social Security Administration's Procedures to Process Prisoner Information, Suspend Payments and Collect Overpayments."

The results of our review revealed that SSA implemented the 21 recommendations contained in these prior audit reports. Specifically, we found that SSA had active agreements to obtain prisoner data from the 50 States, the District of Columbia, the Federal Bureau of Prisons and over 3,000 county and local facilities. Additionally, SSA implemented new systems to monitor compliance with prisoner agreements and track and resolve prisoner cases that did not verify through SSA's Enumeration





Verification System. The Agency also used the additional tools made available through new legislation to improve its efforts to stop Social Security benefit payments to prisoners and to collect overpayments from prisoners.

We did not have any recommendations for SSA as a result of this audit.

### **Investigative Project: Payments Made to Deceased Individuals**

In conjunction with SSA, we have taken aggressive action to stop erroneous payments to deceased individuals. This includes front-end detection of such payments and controls to prevent them, as well as detailed investigations to locate wrongdoers when the system breaks down. We are currently conducting a national operation in this area.

Our numerous investigative successes in this reporting period include:

#### **Investigation: Surviving Son Steals Checks and Identities**



Our Philadelphia Field Division investigated a man who deposited his stepmother's Social Security checks into a bank account that he controlled for over 3 years after her death. Our investigators also found that he stole the identities of strangers by obtaining information from a co-conspirator employed at a retirement community and a hospital. The man got credit reports on these people and used their information to purchase several vehicles. He was incarcerated and ordered to pay \$39,863 restitution to SSA and \$215,714 to various financial institutions.

#### **Investigative Project: Fugitive Felon Program**

The Welfare Reform Act, Public Law (P.L.) 104-193, enacted on August 22, 1996, denies SSI for fugitive felons and for probation and parole violators, and provides for the exchange of certain SSI information with law enforcement agencies under specified conditions. Such fugitives are denied Federal assistance and parallel aid is also provided to law enforcement for their apprehension. Thus, in these cases the apprehension of such a person who is fleeing either prosecution or punishment can be as important as a new conviction in other kinds of cases.

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



During this reporting period, we investigated 18,494 subjects and shared their relevant data with the warrant-issuing law enforcement agencies. SSA data contributed to the arrest of 2,234 fugitives of these subjects. Since the program's inception in August 1996, we have investigated 129,281 subjects 16,765 of which were apprehended with the help of our data.

### **Audit Report: Assessment of the SSI Fugitive Felon Program**

Our objective was to quantify the actual savings achieved and determine the final outcome for SSI recipients identified as fugitive felons.

Our review showed SSA realized savings to the SSI program by suspending SSI payments to fugitives and recovering a portion of overpayments resulting from fugitive ineligibility. However, we found that additional savings could be realized through earlier detection of outstanding warrants and more diligent efforts to recover payments incorrectly issued to fugitives.

We estimated the SSI payments issued to about 51,258 fugitives between August 1996 and February 2003—plus the SSI payments that were withheld while the warrants were outstanding—totaled \$448.4 million. Based on our review of 300 sample cases, we estimated that:

- SSA saved the SSI program \$83.4 million between August 1996 and February 2003. This included \$74.1 million in SSI payments that might otherwise have been paid had SSA not taken administrative action to suspend the monthly payments to fugitives, and \$9.3 million in SSI overpayments recovered from fugitives.
- The Agency has the potential to save an additional \$206.9 million through recovery of fugitive overpayments for months up to and including February 2003. This includes \$98.3 million in SSI overpayments that were in active recovery plans, and \$108.6 million in SSI overpayments for which SSA had not made recovery decisions.
- SSA did not save/recover \$158.1 million in SSI payments issued to fugitives, despite their outstanding warrants. This included \$20.3 million for which SSA granted repayment waivers or deemed uncollectible. It also included \$125.9 million in SSI payments issued to recipients for months during which they were fugitives but SSA did not pursue recovery because the Agency applied its administrative finality rules. Under SSA's application of its administrative finality rules for SSI, the time period SSA can assess an overpayment to a recipient is (a) 1 year for any reason, (b) 2 years for good cause, and (c) any time when fraud or similar fault is found. Finally, we identified \$11.9 million—based on our audit—which SSA did not detect, but will not attempt to recover because of its administrative finality rules.





Additionally, we estimated SSA saved \$19.5 million by withholding the continuing monthly SSI payments from fugitives who were subsequently apprehended and incarcerated. We also found that the majority of these SSI recipients, ineligible for payments because of their outstanding warrants, were wanted for serious crimes—such as burglary, robbery and assault.

To improve SSA's debt recovery performance and assist the Agency in meeting its strategic objective to increase the amount/percentage of collection agreements, we made several recommendations, which SSA agreed to implement.

Examples of our work involving fugitive felons in this reporting period include:

**Investigation: "Most Wanted" Fugitive Arrested**



Our New York Field Division investigated an SSI recipient featured on the New York State Parole's web site as one of its "Top 10" Most Wanted Fugitives. Our investigation concluded with his arrest at a check cashing facility located blocks from where his SSI checks were sent. A registered sex offender, he was arrested for a parole violation with a robbery conviction involving beating and robbing a woman while trying to steal her purse. He was also convicted of sexual abuse involving a small child.

**Investigation: Fugitive Bank Robber Captured**



Our Los Angeles Field Division investigated a fugitive felon SSI recipient who violated his probation following a conviction for robbing a bank. Our investigators determined that the man had an extensive criminal history which involved numerous violations for both petty theft and bank robbery. He was taken back into custody without incident by our special agents and United States Marshals Service deputies near the Social Security office in Pomona, CA.





## Issue 2: Management of the Disability Process

SSA administers the DI and SSI programs that provide benefits based on disability. Most disability claims are initially processed through a network of Social Security field offices (FO) and State DDSs. SSA representatives in the FOs are responsible for obtaining applications for disability benefits and verifying non-medical eligibility requirements, which may include age, employment, marital status, or Social Security coverage information among other factors. After initial processing, the FO sends the case to a DDS for evaluation of disability.

The DDSs, which SSA fully reimburses, are State agencies responsible for developing medical evidence and rendering the determination of whether the claimant is disabled or blind. After the DDS makes the disability determination, it returns the case to the FO for appropriate action depending on whether the claim is allowed or denied. In FY 2003, over 2 million initial disability claims were processed, and the average processing time was 97 days.

Once SSA establishes an individual is eligible for disability benefits under either the DI or SSI program, the Agency turns its efforts toward ensuring the individual continues to receive benefits only as long as SSA's eligibility criteria are met. Disability benefits will not continue if any of the following occur:

- A CDR shows the individual no longer meets SSA's disability criteria or has demonstrated medical improvement.
- An individual returns to work and has income over SSA's allowable amount or demonstrates the ability to engage in substantial gainful activity for a sustained period of time.
- A child turns 18 years old and is not considered disabled under adult criteria.
- Legislation or Federal regulations rescind a prior disabling condition from qualifying for benefits.
- Other non-medical factors of eligibility are no longer met.

If an individual disagrees with DDS decisions on his/her claim or continuing disability review, the claimant can then appeal to SSA's Office of Hearings and Appeals (OHA). The OHA is responsible for holding hearings and issuing decisions in the Agency's appeals process. OHA's field structure consists of 10 regional offices and 140 hearing offices. ALJs hold hearings and issue decisions in hearing offices nationwide. In FY 2003, hearings offices processed 571,928 cases, and the average processing time was 343 days.

**Managing disability claims involves a number of complex stages**



Over the last several years, the Agency has tested improvements to the disability claims process as a result of concerns about the timeliness and quality of customer service. The disability improvements combine initiatives

that have been tested and piloted and include all levels of eligibility determination—beginning with Agency FOs and going through the hearings and appeals processes. These initiatives did not result in significant improvements in the disability claims process, and in January 2003, GAO added the modernizing of Federal disability programs, including SSA's, to its 2003 high-risk list.



Following the testing of the disability process improvement initiatives, the Commissioner announced short-term decisions regarding the disability process which included: ending the requirements for the claimant conference in sites testing the prototype disability process, evaluating the elimination of the reconsideration level of the claims process nationwide, making additional improvements to the hearings process, and implementing the Electronic Disability Initiative

(eDib). According to SSA, eDib is expected to improve processing times, reduce costs, and improve the Agency's capacity to better handle growing workloads. In September 2003, the Commissioner announced long-term initiatives to address the Agency's disability related challenges, which she stated are predicated on the successful implementation of eDib.

**Fraud  
is an  
inherent  
risk in  
SSA's  
disability  
programs**

Fraud is an inherent risk in SSA's disability programs. Some unscrupulous people view SSA's disability benefits as money waiting to be taken. A key risk factor in the disability program is individuals who feign or exaggerate symptoms to become eligible for disability benefits. Another key risk factor is the monitoring of medical improvements for disabled individuals to ensure those individuals who are no longer disabled are removed from the disability roles.

SSA and OIG have taken an active, cooperative role in addressing the integrity of the disability programs through the CDI program. The CDI program's mission is to obtain evidence that can resolve questions of fraud in SSA's disability programs. SSA's Offices of Operations, Disability Programs, and Disability Determinations, along with OIG, manage the CDI program. There are 18 CDI units operating in 17 States. In FY 2003, the CDI units saved SSA almost \$100 million by identifying fraud and abuse related to initial and continuing claims within the disability program.

We have had numerous investigative successes during this reporting period, including:



### **Investigation: Benefits Fraud Yields Incarceration**

Our Atlanta Field Division investigated an anonymous tip that a man receiving disability benefits was concealing work activity. Our investigators determined the man was never entitled to SSA disability because he was employed when he filed for benefits. After getting a second SSN under a fictitious identity in 1993—in part to conceal numerous drunk driving charges—he obtained a Commercial Driver’s License under that identity and was hired as a truck driver beginning in December 1994. He also provided false statements to SSA during CDRs. His attorney argued that he was not employed from 1994 through 1996 and had simply lied about his work experience on several job applications. However, our investigators were able to show that he had worked in that period, though no payroll records exist. He was incarcerated and ordered to pay SSA over \$128,000 in restitution.



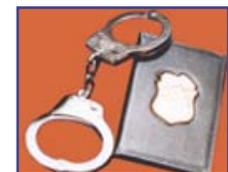
### **Investigation: Man Steals Son’s Identity**

Our Philadelphia Field Division investigated a report from the Petersburg, VA SSA office that a man was working under his son’s SSN while collecting disability benefits. Our investigators determined that he was working using both his own SSN and his son’s, concealing his employment from SSA. As a result, he and his children received disability benefits to which they were not entitled. He was incarcerated and ordered to pay restitution of \$92,888.



### **Investigation: Coach Helps Fake Applications**

Our Chicago CDI unit investigated a man who charged from \$500 to \$1,850 to assist 47 people in filing disability applications. He would accompany them to the SSA office, complete their disability applications, and coach applicants so they could fake their disabilities. Our investigators determined that the man helped applicants exaggerate mental and physical disabilities during examinations. Many used a cane and most listed the same attending physician. The man received probation and was ordered to pay \$19,896 in restitution to SSA.





**SSA issued  
18 million  
Social  
Security  
cards in  
FY 2002**

### **Issue 3: SSN Integrity and Protection**

The SSN is the single most widely used identifier for Federal and State Governments as well as the private sector. In FY 2002, SSA issued about 18 million original and replacement SSN cards, and SSA received approximately \$524 billion in employment taxes related to earnings under issued SSNs. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full retirement, survivor and/or disability benefits due them.

Unfortunately, the SSN is often misused, and identity theft is not just about individuals. While being the immediate victim of identity theft and SSN misuse can cause individuals years of difficulty, it also brings cost to financial and commercial institutions, which is ultimately passed on to consumers. Worse yet, SSN misuse can disguise a dangerous felon or a would-be terrorist as a law-abiding citizen. That national identifier can provide a criminal the identification and seeming legitimacy he or she needs to go about dishonest business, perhaps putting dozens, hundreds, or even thousands of lives in jeopardy.

To ensure SSN integrity, SSA must focus on three stages of protection:

1. When the SSN card is issued
2. During the life of the SSN cardholder
3. Upon the SSN cardholder's death.

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 SSN misuse.

To effectively combat SSN misuse, we believe SSA should:

- Establish a reasonable threshold for the number of replacement SSN cards an individual may obtain during a year and over a lifetime.
- Expedite systems controls that would interrupt SSN assignment when SSA mails multiple cards to common addresses or when parents claim an improbably large number of children.
- Continue to address identified weaknesses within its information security environment to better safeguard SSNs.
- Continue to educate SSA staff about counterfeit documents.

Furthermore, in the past we reported it is critical for SSA to independently verify the authenticity of documents presented by SSN applicants. The Agency has taken steps to address this issue, including the establishment



of a task force to address the integrity and protection of the SSN. One result of the task force's efforts includes SSA's decision to stop assigning SSNs to non-citizens without first verifying the authenticity of their documents. The Agency also has tightened evidentiary requirements for SSN applicants. SSA requires mandatory interviews for all applicants for original SSNs over the age of 12 and requires evidence of identity for all children, regardless of age. In addition, the Agency established a pilot center in Brooklyn, New York that focuses exclusively on enumeration of citizens and non-citizens.

The integrity of the SSN is also related to SSA's process for posting workers' earnings. The proper posting of earnings ensures that eligible individuals receive the full retirement, survivor and/or disability benefits due them. If earnings information is reported incorrectly or not reported at all, SSA cannot ensure all eligible individuals are receiving the correct payment amounts. In addition, SSA's disability programs under the DI and/or SSI provisions depend on this earnings information to determine whether an individual is eligible for benefits and the amount of the disability payment.

SSA spends scarce resources trying to correct the earnings data when incorrect information is reported. The Earnings Suspense File (ESF) is the Agency's record of annual wage reports for which wage earners' names and SSNs fail to match SSA's records. Between 1937 and 2000, the ESF grew to represent about \$374 billion in wages, which included approximately 236 million wage items with an invalid name and SSN combination. As of July 2002, SSA had posted 9.6 million wage items to the ESF for Tax Year (TY) 2000, representing about \$49 billion in wages.

While SSA has limited control over the factors that cause the volume of erroneous wage reports submitted each year, there are still areas where the Agency can improve its processes. SSA can improve wage reporting by educating employers on reporting criteria, identifying and resolving employer reporting problems, and encouraging greater use of the Agency's SSN verification programs. SSA also needs to improve coordination with other Federal agencies with separate, yet related, mandates. For example, the Agency's ability to improve wage reporting is related to the failure of the Internal Revenue Service (IRS) to sanction employers for submitting invalid wage data. It is also related to the complicated employer procedures BCIS uses to verify eligible employees.

SSA has taken steps over the past year to reduce the size and growth of the ESF. For example, SSA is expanding its Employee Verification Service to include an on-line service called the Social Security Number Verification Service, which allows employers to verify the names and SSNs of employees prior to reporting their wages to SSA. The Agency has also modified its systems to help identify the number holder related to suspended items. Whereas previous internal





edits used only the name and SSN related to the suspended wage, SSA stated that the new processes would use information stored on the earnings and benefits records. Moreover, the Agency has established a performance goal to remove 30 million items from the ESF by 2005.

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

### **Audit Report: Profile of SSA's Non-Work Alien File (Limited Distribution)**



Our objective was to analyze SSA's Non-Work Alien (NWALIEN) file for TY 2000 to describe individuals whose identities, SSN and earnings were recorded on the file and to determine how long they have been working.

Each year, SSA informs BCIS of non-citizens who are potentially working illegally. SSA sends BCIS information on individuals who have earnings recorded under the SSN assigned for non-work purposes in the form of an electronic data file, the NWALIEN file, 6 to 18 months after the earnings take place.

Our analysis of the file found that for TY 2000, SSA recorded 872,138 reports of earnings for 574,461 non-citizens who had been classified as not authorized to work by BCIS. The Agency also identified \$21.3 billion in earnings that were associated with these SSNs issued for non-work purposes.

We then matched NWALIEN records with SSA's earnings and employment information and found that:

- Employment histories began as long as 38 years ago for some non-work SSN records.
- The average earnings associated with unique non-work SSNs were higher than the average for full time workers in the U.S. economy.
- In an estimated 5,080 instances, earnings were recorded on both the Master Earnings File and the Earnings Suspense File for different individuals using the same not-authorized-for-employment SSN, suggesting possible illegal activity.
- Individuals having public responsibilities and positions of trust, primarily current Federal and active duty military employees, including SSA employees, are recorded on the unauthorized employment file.

A further review of the records found that some of these employees are now authorized to work and there was no evidence that the Agency was notified of the work status change.



SSA needs to obtain timely and accurate information from BCIS to ensure the validity and usefulness of data recorded on the NWALIEN file, with an emphasis on BCIS' accuracy of work status data for each non-work SSN. We also believe that SSA and BCIS need to establish compatible data fields that will allow the agencies to effectively match data records.

Specifically we recommended that SSA:

- Encourage BCIS to provide the data necessary to identify non-citizens who are allowed to work.
- Match BCIS records to appropriate SSA records, and, where warranted, remove non-work status from SSA records.
- Work with BCIS to determine what information would be most beneficial to meet organizational goals and how to establish compatibility between the files.

SSA agreed totally or in part with all three recommendations and will encourage BCIS to make its records compatible with the NWALIEN file. The Agency also advised us that once the compatibility occurs, it will modify its systems to accept BCIS data. In addition, it will also work with BCIS to determine what information would be beneficial to meet organizational goals and how to establish compatibility between files. This report is not available for distribution.

### **Congressional Response Report: Review of the SSN Feedback Pilot Project**

In the spring of 1999, SSA and the Department of Health and Human Services (HHS) Office of Child Support and Enforcement (OCSE) began a joint SSN Feedback Pilot Project in Massachusetts and Illinois. Its goal was to inform employers promptly when they submit a new hire report that includes an incorrect name and SSN combination. The Pilot lasted 1 year.



In August 2002, in response to questions received from the Chairman of the Senate Finance Committee, we initiated a review to determine the status of SSA's evaluation of the joint Pilot with OCSE to verify employee SSNs and evaluate whether the Pilot can assist SSA's efforts to reduce the growth of the Earnings Suspense File.



In our report, we highlighted how the SSN Pilot feedback to employers improved the timeliness of employer corrections as well as the accuracy of information used by both the government and private sector. The SSA/OCSE report estimated that employers were notified of name and SSN mismatches 12 to 18 months earlier than under the regular wage reporting process at SSA. In addition, the report notes that the SSN Pilot increased the annual wage reporting accuracy of the SSN Pilot employers by approximately 10 percent.

We also highlighted how the SSN Pilot provides employers early notification of problems regarding wage data submissions and a reduced administrative burden when verifying new hires. This early notification is particularly important since SSA and IRS are collaborating to assess penalties against employers who continue to submit wage reports with mismatched name/SSN combinations. Employers that resolve these problems before their annual wage reporting will be able to avoid IRS penalties.

Finally, we noted that expansion of the pilot can increase the efficiency and effectiveness of Federal and State programs by:

- Reducing overpayments.
- Increasing child support collections.
- Improving tax identification.
- Increasing the collection rate on defaulted loans.
- Improving the accuracy of government records while detecting fraud.

We commended SSA and OCSE for their efforts regarding the SSN Pilot and pointed out that the SSA/OCSE report, as well as our own observations, indicates that expansion of the SSN Pilot may be a worthwhile investment for SSA and OCSE. We also noted that this expansion should include additional analysis to document the return on investment.

Examples of our investigative work in this reporting period include:

### **Investigation: Federal Employees Identities Stolen**



Our Philadelphia Field Division, Postal Inspectors, and HHS OIG investigated a former HHS contract employee who obtained the personal information of at least 50 HHS employees. Our investigators determined that she and a partner used that personal information to open credit accounts at various stores. The former contract employee and her partner were incarcerated and ordered to pay restitution of over \$79,000.



### **Investigation: Identity Theft Group Sentenced**

Our St. Louis Field Division, along with the Federal Bureau of Investigation (FBI), U.S. Postal Inspection Service, and local police, investigated a man who created false identities and misused SSNs to steal over \$300,000 in goods and services in partnership with a mother and daughter. Our investigators determined that they obtained a birth certificate belonging to a deceased child, which the 2 women used to open a bank account. The group wrote checks, backed by insufficient funds, for a motor home, sporting equipment, a trailered boat, and then fled with these items to Mexico. After being extradited, the man was sentenced to 30 years and ordered to pay over \$89,000 in restitution to various victims. The mother received a suspended sentence, and both women were put on probation.



### **Investigation: Bank Fraud Ring Broken**

Our Seattle Field Division investigated 6 people who obtained Washington State identification documents and SSNs for over 50 false identities, which they used to open bank accounts, commit bank fraud, and write worthless checks to merchants. Our investigators determined that the co-conspirators were responsible for more than \$500,000 of fraud. The 6 were incarcerated for as much as 10 years and ordered to pay restitution.



### **Investigation: Document Ring Incarcerated**

Our Chicago Field Division, along with FBI and agents of the former INS (since incorporated into DHS), investigated three men who were selling fraudulent Social Security cards and INS documents. The investigators made undercover purchases of counterfeit Social Security cards and INS documents, as well as stolen vehicles and merchandise, from these men. The three men paid bribes to an undercover INS agent who posed as a corrupt adjudication officer. Investigators also set up a dummy travel agency, equipped with audio and video recording devices. The conspirators charged over 100 illegal immigrants \$10,000 each to bring them to this travel agency, where their customers then paid \$5,000 to an undercover INS agent to receive legal permanent residency status. The three men were incarcerated for up to 6 years, and one was fined \$150,000 and ordered to forfeit \$400,000.



### **Investigation: Bogus Clinician Jailed**

Our Los Angeles Field Division helped the San Diego District Attorney's office investigate a man who used a stolen identity to work as a licensed clinical social worker specializing in grief counseling at various medical centers. In this case, which was documented on the television show "Crime and Punishment" in June 2003, the man created false graduate degree





certificates and employment credentials to gain these positions. As a bogus social worker, he was in a position to do patients irreparable harm, and he stole numerous patients' personal information. He used these identities to purchase vehicles and commit other frauds. He also collected benefits from SSA for a mental disability, based on medical evaluations he filled out himself under a fictitious doctor's name, costing SSA approximately \$12,000. He was sentenced to 21 years and ordered to pay over \$137,000 in restitution.

### **Investigation: Tax Refund Scheme Halted**



Our New York Field Division investigated a crime ring that filed fraudulent income tax refund returns using over 200 fraudulently obtained SSNs and misused several hundred other SSNs. Our investigators determined that the ring also filed false insurance claims for the deaths of non-existent people. They also engaged in a telemarketing fraud involving telephone calling cards, and set up a shell company that operated a complicated credit card fraud. Although there was no financial loss to SSA, charges included racketeering, money laundering, bank fraud, mail fraud, and making fraudulent SSN applications. The ringleader, who was sentenced to 27 years' imprisonment, forfeiture of \$4 million, and restitution of over \$2 million, even had his minor daughter complete fraudulent SSN applications. Another defendant was sentenced to 12 years imprisonment, forfeiture of almost \$2 million, and another \$2 million in restitution. To date, 6 of the other 12 defendants have been incarcerated and ordered to pay restitution to various victims, and one remains a fugitive in Canada.





## Issue 4: Critical Infrastructure Protection and Systems Security

The Government has a major responsibility for public health and safety. Dramatic and widespread harm would result should its systems be compromised. Therefore, it is imperative that the Nation's critical information infrastructure, which is essential to the operations of the economy and Government, be protected. These systems include, but are not limited to the following:

- Telecommunications
- Energy
- Banking and finance
- Transportation
- Water systems
- Facility and personnel security
- Federal and private sector emergency services

Many of the Nation's critical infrastructures have historically been physically and logically separate systems that had little interdependence. Through advances in information technology (IT) and improved efficiency, however, these infrastructures have become increasingly automated and interconnected. These same advances have created new vulnerabilities to equipment failures, human error, weather and other natural disasters, and physical cyber-attacks.

Addressing these vulnerabilities will require flexible, evolutionary approaches that span the public and private sectors and protect both domestic and international security. Presidential Decision Directive (PDD) 63, issued in 1998, requires that Federal agencies identify and protect their critical infrastructure and assets. The information SSA needs to conduct its mission is one of its most valuable assets. The Agency is depending on technology to meet the challenges of increasing workloads with fewer resources. A physically and technologically secure SSA information infrastructure is a fundamental requirement.

Growth in computer interconnectivity brings a heightened risk of disrupting or sabotaging critical operations, reading or copying sensitive data, and tampering with critical processes. Those who wish to disrupt or sabotage critical operations have more tools than ever.

**SSA's  
challenge is  
to recognize  
and mitigate  
system weak  
points**





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

SSA addresses critical information infrastructure and systems security in a variety of ways. It created a Critical Infrastructure Protection work group that continually works toward compliance with PDD 63. SSA has several other components throughout the organization that handle systems security including the newly created Office of Information Technology Security Policy within the Office of the Chief Information Officer. SSA also routinely releases security advisories to its employees and has hired outside contractors to provide expertise in this area.

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

#### **Evaluation: Evaluation of SSA's Compliance with the Federal Information Security Management Act**



Our objective was to determine if SSA's overall security program and practices complied with the requirements of FISMA for FY 2003.

FISMA replaces the Government Information Security Reform Act. It has most of the same requirements including an Agency-wide information security program, annual reviews of the security program performed by the Agency and performed by the Inspector General, separately. OMB issues questions annually to be answered concerning agencies' compliance with FISMA.

We determined that SSA generally met FISMA requirements and has made improvements over the past year. However, there are still opportunities for the Agency to strengthen its information security program. To ensure full compliance with FISMA in the future, SSA needs to address the following issues:

- Not all system weaknesses and deficiencies were identified and reported and SSA does not have a plan of action and milestones (POA&M) process that tracks all significant weaknesses as specified in OMB's FISMA guidance.
- Not all programs, systems, and subsystems are identified and reported as specified in the FISMA guidance
- SSA does not have a complete, coordinated, and fully tested continuity of operations plan (COOP).



- The Agency's Office of Chief Information Officer (OCIO) does not have sufficient resources to manage and monitor all IT security-related activities to ensure compliance with the Electronic Government (E-Government) Act of 2002.
- SSA does not adequately track and monitor all information security training.

To fully comply with FISMA and other information security-related laws and regulations in the future, we recommended SSA:

- Continue to develop a system to identify, track and report the resolution of all significant system deficiencies that can be used to create and monitor POA&M.
- Clearly document and identify all programs, systems, and subsystems to ensure they are reported and reviewed in compliance with FISMA.
- Continue to develop and implement a complete and coordinated COOP for the Agency which is tested on a regular basis.
- Provide sufficient resources to permit the OCIO to ensure SSA is in full compliance with the E-Government Act.
- Continue to develop and implement an IT security training tracking and monitoring system.

Due to the tight time constraints of this audit, the Agency was not asked to respond to our recommendations.

### **Audit Report: Effective Use of Encryption Technology to Protect the Social Security Administration's Information Assets (Limited Distribution)**

Our objective was to determine whether SSA is complying with established guidance for the use of encryption in protecting the transmission and storage of its sensitive information. SSA's distributed data processing environment requires it to store sensitive information and transmit it over telecommunications lines. Potentially, unauthorized individuals could intercept and monitor these transmissions, compromising the confidentiality of the information they contain if it is not adequately protected.

Encryption is the process of translating data into an encoded format, thereby rendering data unintelligible to unauthorized users and helping to protect the integrity of transmitted or stored data. SSA's evolving security structure and increasing emphasis on networked applications provide opportunities to improve the protection of its information assets through encryption. The Agency already uses encryption for this purpose in a number of applications.





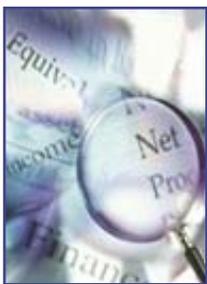
Our review found that SSA could strengthen its information assets by having formalized encryption policy and procedures applied consistently throughout the Agency for applications housing sensitive information.

We recommended SSA centralize encryption monitoring and control functions within its evolving security structure to ensure consistent matching of encryption technology to risk throughout the Agency. The Agency disagreed with this recommendation, believing that its current structure and guidance is sufficient. We believe, however, that our recommendation will be fully addressed when the Agency issues its revised encryption policy. Our recommendation is consistent with the Agency's implemented organizational changes and planned policy changes.

We also recommended SSA develop a comprehensive policy which identifies the roles, functions, and responsibilities of individuals involved in the encryption process. This policy would also require that responsible staff members certify that the encryption process conforms to the provisions contained within the policy. SSA partially agreed with this recommendation. It is developing a more comprehensive encryption policy, but we continue to be concerned that it has not developed a plan to enforce the new policy and ensure it is consistently applied throughout the organization.

We further recommended SSA develop a risk-based approach or set of procedures to be applied to current and all new Agency information resources when matching the risks they present with appropriate encryption. Specifically, the approach would use common criteria to determine the level of sensitivity of the information processed or stored by applications, portable devices, and other information resources. The sensitivity would be the basis used to apply an adequate level of cryptographic protection. SSA fully agreed with this recommendation. This report is not available for distribution.

### **Management Advisory Report: President's Council on Integrity and Efficiency Review of Critical Infrastructure Protection Program—Cyber-based Infrastructure (Limited Distribution)**



Our objective was to determine the adequacy of SSA's Critical Infrastructure Protection (CIP) Program for its cyber assets in the context of PDD 63. We reviewed:

- Risk mitigation
- Emergency management actions
- Interagency coordination efforts
- Resource and organization requirements
- Recruitment, education and security awareness.



PDD 63 calls for the national effort to assure the security of the Nation's critical infrastructures. In 1999, SSA voluntarily took a lead in implementing PDD 63 and began a CIP initiative.

This audit is the second phase of a four-phase audit that reviewed the adequacy of agencies' implementation of activities for protecting critical cyber-based infrastructures. The general purpose of the four-phase audit is to determine Federal agencies' compliance with PDD 63.

During our review, we found SSA needs to:

- Include additional information in its CIP plan.
- Update its CIP plan to accurately reflect the security programs initiated.
- Develop mitigation plans for vulnerability assessments that do not have established plans.
- Continue its efforts to track and remedy recommendations found in the vulnerability assessments of its critical assets.
- Complete its interdependencies with other Federal agencies.

To address our findings, we recommended SSA:

- Update CIP plan to accurately reflect the cyber-based security programs it has initiated and that were noted in SSA's FY 2002 Government Information Security Reform Act report.
- Develop training goals for the CIP plan to ensure that the Agency has the personnel and skills necessary to implement a sound infrastructure protection program.
- Develop mitigation reports for all critical assets that track vulnerability assessment findings; monitor corrective actions planned; and document resolutions implemented.
- Continue to track and implement recommendations for vulnerability assessments with established relative mitigation plans for its critical assets.
- Continue to identify interdependencies with other Federal agencies for its cyber-based assets as defined in Project Matrix, which was established under the authority of PDD 63 to assist Federal agencies in identifying infrastructure dependencies and interdependencies that are required for them to fulfill their responsibilities of national security, economic stability, and public health and safety.

SSA agreed with all of our recommendations and is implementing the recommended changes. This report is not available for distribution.



The following case is an example of some of the work we do to protect critical infrastructure protection and systems security:

**Investigation: Systems Violation Halted**



Our Chicago Field Division conducted an investigation when SSA systems security was alerted because an SSA system was issuing payments into the same bank account that was being used for direct depositing an SSA employee's pay. Our investigators determined that the employee diverted two back payments for two different beneficiaries into her personal bank account. An audit of her systems access revealed that she had also diverted \$9,000 to her own account in January 2001. She resigned her SSA position, was given probation and ordered to pay restitution of \$11,299 to SSA.





## Issue 5: Budget and Performance Integration

This area encompasses SSA's efforts to provide timely, useful and reliable data to assist internal and external decisionmakers in effectively managing Agency programs, as well as both evaluating performance and ensuring the validity and reliability of performance, budgeting, and financial data.

To effectively meet its mission, manage its programs, and report on its performance, SSA needs sound performance and financial data. Congress, other external interested parties, and the general public also want sound data to monitor and evaluate SSA's performance. SSA relies primarily on internally generated data to manage the information it uses to administer its programs and report to Congress and the public. The necessity for good internal data Governmentwide has resulted in the passage of several laws and regulations to make Government more accountable. The CFO Act, the Government Management Reform Act of 1994, and the Government Performance and Results Act (GPRA) were passed to create an environment of greater accountability within Federal agencies.

In accordance with GPRA, SSA has set forth its mission and strategic goals in 5-year strategic plans, established yearly targets in its annual performance plans, and reported on its performance in its annual performance reports. Each year, we conduct audits to assess the reliability of SSA's performance data and evaluate the extent to which SSA's performance plan describes its planned and actual performance meaningfully.

In addition to performance audits, we perform and monitor audits of SSA's financial statements and other financial-related audits of Agency operations. Our work includes comprehensive technical and administrative oversight of the annual audit of Agency financial statements, performed by an independent public accountant. We also perform reviews of the quality of single audits conducted by State auditors and public accounting firms. Additionally, we conduct administrative cost audits of State DDSs, which assist SSA with its disability workload. This body of work helps assess the validity and reliability of the financial data the Agency relies on to manage its programs and meet its mission.

The integrity of SSA's programs and those that rely on Agency information depend on the reliability and quality of SSA data. External data and data exchanges are critical to Agency programs and are the focus of many of our audits. Therefore, it is imperative that SSA's data be reliable.

Considering the critical role of the underlying data in all of SSA's performance, financial, and data-sharing activities, it is crucial that the Agency have clear processes in place to ensure the reliability and integrity of its data.

**The integrity  
of SSA's  
programs  
depends on  
the reliability  
and quality of  
SSA's data**





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

### **Audit Reports: Disability Determinations Services Administrative Costs**



Disability determinations under SSA's DI and SSI programs are performed by DDSs according to Federal regulations. The DI program provides benefits to wage earners and their families in the event the wage earner becomes disabled. The SSI program is a nationally uniform program that provides income to financially needy individuals who are aged, blind and/or disabled. In accordance with Federal regulations, the DDS in each State performs disability determinations of claimants' medical eligibility. SSA reimburses the DDS 100 percent for allowable expenditures.

There are 52 DDSs located in the 50 States, the District of Columbia and Puerto Rico. There are two DDS offices in South Carolina, one of which only administers the visually impaired program. SSA employees located in Guam and the Virgin Islands make disability determinations in those locations.

In FY 2003, we performed 7 DDS administrative cost audits. The objectives of these audits were to evaluate internal controls over the accounting and reporting of administrative costs, to determine whether costs claimed were allowable, and funds were properly drawn. The audit reports were for the States of California, Florida, Hawaii, Illinois, Kentucky, New York, and Washington. Our findings or recommendations relate to:

- Ineffective cash management.
- Incorrect indirect cost allocations.
- Overstated disbursements and unliquidated obligations.
- Excessive consultative examination payments.
- Unsupported other non-personnel costs.
- Internal control weaknesses involving accounting for and reporting of administrative costs.

In total, we reported \$11 million in questioned costs and \$10 million in funds put to better use. We made most of our recommendations to comply with Federal regulations, as well as SSA policies and procedures.

### **Audit Report: Assessment of SSA's Performance Measures**

Our objective was to determine whether the SSA's key programs and activities critical to achieving its four strategic goals were addressed by its Fiscal Year 2002 performance indicators, and, if so, whether those indicators were objective, understandable, and outcome-based.



We found that SSA made great strides in meeting the objectives of GPRA and has shown continued refinements of its performance indicators from year to year. While SSA has improved the quality of its performance indicators over time, further refinements would create better indicators. We evaluated SSA's performance indicators to determine whether they met the following three criteria.

- Objective—The performance indicator should be measurable, reliable, and verifiable with quantifiable goals.
- Understandable—The performance indicator should be well-defined and clearly stated.
- Outcome-based—The performance indicator should identify and measure the intended results, effects, or impact of the program and its goals.

SSA has 11 key programs and activities that are critical to delivery of its day-to-day services and achievement of its 4 strategic goals and has performance indicators to measure all of these key areas. We found that the Agency's performance indicators were objective in all 11 key areas, understandable in 10 of 11 key areas, and partially outcome-based in 10 key areas and fully outcome-based in 1 key area. While we do not expect every performance indicator to be outcome-based, the outcomes of key programs and activities should be measured. Without a balanced set of indicators that fully measures key outcomes, SSA's performance reporting will not completely demonstrate whether its key programs and activities accomplish the intended results.

Many of SSA's FY 2002 indicators focused on outputs or numerical workloads—the number of claims processed, telephone calls answered, clients served, SSNs issued, etc. Measuring outputs may help demonstrate whether the Agency is complying with congressional mandates or be useful for internal budgeting purposes. However, such outputs do not state results, such as a program or activity's accuracy, timeliness, effectiveness, efficiency, level of customer satisfaction, and/or overall impact. Without these types of indicators, it is difficult to judge the program or activities' performance.

We offered the Agency recommendations, each of them dealing with the refinement of a specific performance indicator. SSA took our suggestions under consideration and stated that it believed it met the intent of GPRA in developing high-level, representative performance indicators—including outcome-based indicators for its major programs. While we agreed a balanced set of measures can include both output and outcome measures, we encouraged SSA to develop additional outcome-based measures—when





such measures would provide a better measure of the Agency's ability to meet its goals.

### **Audit Report: Summary of the OIG's Reviews of SSA's Performance Data**



Our objectives were to summarize the results of our previous reviews of SSA's performance data and indicators, and to identify common issues related to them. This report summarized the major findings and recommendations contained in 34 OIG reports related to the reliability of SSA's performance data and indicators.

Between FYs 1998 and 2002, we audited 53 of SSA's performance indicators and found 37 of the indicators (70 percent) were supported by reliable data, and 5 indicators (9 percent) were based on data that were unreliable. We found the data to be unreliable because of their incompleteness or weaknesses in the controls used to collect, analyze or report the data. We were unable to issue an opinion on 11 indicators (21 percent) because of limitations on, or the unavailability of, data.

We have offered many recommendations in our reviews to help improve SSA's performance measurement processes. The Agency has taken significant action to implement many of our suggested changes. Over the last few years, SSA has disclosed data limitations, changed performance indicators, and improved data collection systems in response to our recommendations. However, SSA still needs to implement some outstanding recommendations that will help improve its performance measurement processes. SSA especially needs to address our recommendations to improve the data used to support those indicators we could not review or found to be unreliable.

We concluded that SSA needed to continue its efforts toward documenting all performance measurement processes, ensuring its performance data are complete, and implementing adequate internal controls over its data systems and processes.

We recommended that SSA implement all outstanding recommendations needed to produce reliable performance data and improve SSA's performance measurement processes. The Agency partially agreed with this recommendation, stating that SSA had implemented some of the recommendations that we still listed as open recommendations. We continue to disagree on the status of some recommendations.

We also recommended that SSA ensure process documentation and internal controls over the collection, processing, and reporting of data are complete and adequate for any new indicators established in the future. SSA stated that it already conducted the activities called for in this recommendation. We noted that our audit work had documented multiple instances in which



SSA did not have adequate documentation of, and/or internal controls over the collection, processing, and reporting of its performance processes and data. We appreciated the Agency's efforts to ensure such documentation and controls are in place for new indicators established in the future.

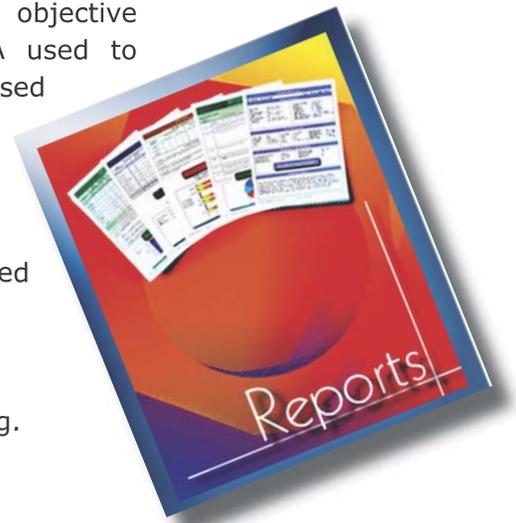
### **Audit Report: Reliability of SSA's Performance Data**

During FY 2003, we released eight audit reports with the objective of determining the reliability of the performance data SSA used to measure its program performance. These reports also assessed the appropriateness of the performance indicators that were supported by the performance data reviewed.

The eight reports released were:

- Performance Indicator Audit: Appeals Council (Limited Distribution).
- Performance Indicator Audit: Electronic Access.
- Performance Indicator Audit: Paperless/Electronic Processing.
- Performance Indicator Audit: Customer Satisfaction.
- Performance Indicator Audit: Wage Reporting.
- Performance Indicator Audit: Post-entitlement Automation Rate.
- Performance Indicator Audit: Enumeration.
- Performance Indicator Audit: Payment Accuracy.

Six of the reports concluded that the data used to measure performance were reliable. We found that data used to measure the Appeals Council processing time and efficiency and the data used to measure the enumeration process were unreliable. Because of system security concerns, the Appeals Council report was released with a limited distribution, which prevents us from discussing specific details in this report. However, the Agency reported that it has since discontinued use of the Appeals Council performance indicator. In regards to the enumeration audit, we found an over 16 percent error rate in the data used to measure this process. The inaccurate data demonstrated that the management controls for data entry into the system used to measure the enumeration process were not operating effectively.





**We must ensure the quality of services provided to the public-at-large**

## Issue 6: Service Delivery

The delivery of service to the American people poses a significant challenge that SSA is compelled to address. The Agency's goal of "service" encompasses traditional and electronic services to applicants for benefits, beneficiaries and the general public. It also includes services to and from States, other agencies, third parties, employers, and other organizations including financial institutions and medical providers. This goal supports the delivery of "citizen-centered" services and use of "E-Government," and therefore affords SSA opportunities to advance these levels of service. Given the complexity of Agency programs, the billions of dollars in payments at stake, and the millions of citizens who rely on SSA, we must ensure that quality, timely, and appropriate services are consistently provided to the public-at-large. This area consists of E-Government, the representative payee process, and human capital.

### E-Government Challenges

The PMA also calls for improved service delivery through the use of E-Government in creating more cost-effective and efficient ways to provide service to citizens. The increased use of E-Government will be essential to help address the Agency's expected future loss of institutional knowledge accompanied by the increased services expected with the aging of the baby-boom generation. Future service delivery challenges include providing electronic services over the Internet and telephone, 24 hours a day, 7 days a week. It will be the norm for business transactions to be processed electronically.

Within the next five years, the Agency expects to provide cost-effective E-Government services to citizens, businesses and other government agencies that will give them the ability to easily and securely transact most of their business with SSA electronically. The Agency recently began allowing the public to file DI claims through the Internet to help achieve its service delivery goals. SSA expects to begin a nation-wide roll-out of its Electronic Disability System in 2004. There are always risks involved in conducting electronic commerce, despite Agency efforts to identify and mitigate them. The Agency will have to keep privacy and security concerns at the forefront of its planning efforts.

### Representative Payee Challenges

A specific challenge in this area is maintaining the integrity of the representative payee process. When SSA determines a beneficiary cannot manage his/her benefits, SSA selects a representative payee, who must use the payments for the beneficiary's benefit. There are about 5.3 million



representative payees who manage benefit payments for 6.7 million beneficiaries. While representative payees provide a valuable service for beneficiaries, SSA must provide appropriate safeguards to ensure they meet their responsibilities to the beneficiaries they serve.

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

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

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

### **Audit Report: SSA's Site Reviews of Representative Payees**

We continue to identify problems with SSA's oversight of representative payees. For example, in April 2003, we issued a report on SSA's site review of representative payees. The purposes of SSA's site reviews are to educate representative payees about Social Security matters, take a close look at how beneficiaries' funds are managed, assess the representative payee's record keeping, interview beneficiaries, and to detect and deter fraud and abuse.

We found SSA's site review methodology did not provide adequate guidance for performing these reviews and SSA review teams did not obtain or maintain sufficient and reliable documentation to support the conclusions and recommendations made during the onsite reviews. In addition, completed onsite reviews did not always comply with SSA's onsite review requirements and SSA review teams did not always follow-up with the representative payee to verify if corrective actions were taken.



### **Audits of Representative Payees**

During the reporting period, we completed audits of the following representative payees:

- Atlantis Rehab and Nursing Center.
- Key Point Health Services, Inc.
- Sierra Regional Center.



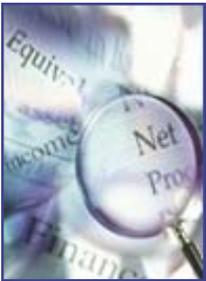
- Community Counseling Centers of Chicago.
- Cottonwood, Inc. (Limited Distribution).
- The Connecticut Mental Health Center, Money Management Program.

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

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

We determined that four representative payees generally had effective safeguards over the receipt and disbursement of benefit payments and ensured the payments were used and accounted for in accordance with SSA's policies and procedures. However, two representative payees did not meet these objectives. We identified the following deficiencies:

- Two representative payees did not have adequate supporting documentation for all expenditures.
- One representative payee had not established an accounting system to track \$705,388 in annual benefits received, disbursed, and/or conserved.
- Two representative payees had not established a separate bank account for beneficiaries' funds.



Three representative payees improperly endorsed and deposited at least 247 benefit checks totaling approximately \$135,000 for whom they were not the representative payee of record.

We made a total of 37 recommendations for corrective actions to appropriate SSA Regional Commissioners. Generally, we recommended representative payees:

- Maintain supporting documentation for the expenditures of beneficiaries.
- Establish an accounting system, including supporting documentation, to track benefits received, spent, and conserved.
- Establish a separate bank account for beneficiaries' funds.
- Stop the practice of negotiating Social Security checks when they are not the representative payee of record.



SSA agreed with over 90 percent of our recommendations. The Agency reports it has worked with the representative payees to implement our specific recommendations.

### **Investigation: Dishonest Payee Represents 200 Clients**

Our Seattle Field Division investigated a woman operating an institutional representative payee service since 1996, representing approximately 200 clients. Our investigators determined that while operating as a not-for-profit service, the woman embezzled over \$107,000 in funds. In one egregious example, a homeless beneficiary was unaware of his approximately \$15,000 retroactive benefit check, which the representative payee used for herself. She was incarcerated and ordered to pay \$107,292 in restitution directly to 88 victims. SSA's Olympia office assisted greatly in the successful outcome of this investigation.



### **Investigation: Father Fakes Daughter's Entitlement**

Our Chicago Field Division investigated a man who served as representative payee for his daughter. Our investigators determined that the daughter was removed from her father's care and custody in November 2001 and placed in foster care. Because she received foster care payments, she was ineligible for continued SSI benefits, but her father did not notify SSA about the change in his daughter's living arrangements. He continued to receive and convert his daughter's SSI payments to his own use from December 2001 to September 2002, totaling \$5,436 in SSI fraud losses. He was convicted of defrauding SSA and incarcerated.



### **Investigation: Mother-Daughter Team Caught**

Our Los Angeles Field Division investigated a woman who served as representative payee for her mother. SSA denied the mother's SSI benefits in 1987 because the mother was working, but an ALJ review reversed the decision, and SSI benefits were paid from April 1987 to February 2001, resulting in an overpayment of \$104,499. The daughter provided her own SSN to her mother and instructed her to use it to conceal her work activity, enabling the mother to continue receiving SSI benefits. At OIG's request, SSA reopened the case. The representative payee was incarcerated and ordered to pay restitution of \$14,880 to SSA, and the mother's case is pending.



### **Human Capital Challenges**

Many agencies, including SSA, share the challenge to address human capital shortfalls. The critical loss of institutional skills and knowledge, combined with greatly increased workloads at a time when the baby-boom generation

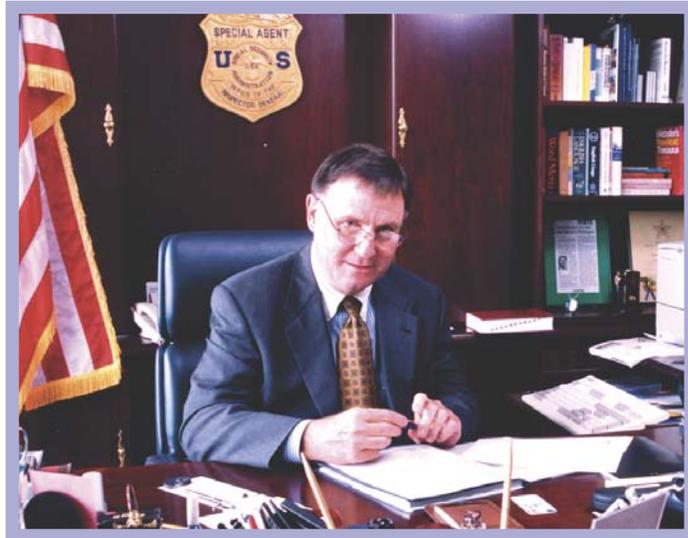


will require its services, must be addressed by succession planning, strong recruitment efforts, and the effective use of technology as previously discussed.

In January 2001, GAO added strategic human capital management to its list of high-risk Federal programs and operations. By 2010, workloads are anticipated to increase to unprecedented volumes. Along with the workload increase, the incredible pace of technological change will have a profound impact on both the public's expectations and SSA's ability to meet those expectations.

At current staffing levels, SSA finds it difficult to maintain an acceptable level of service, especially in its most complicated workloads. After downsizing and curtailing investments in human capital (people), the Government is facing a major challenge to meet the current and emerging needs of the Nation's citizens.

The Agency reports its Human Capital and Future Workforce Transition Plans will continue to serve as the planning and monitoring instruments in the administration of actions to address this critical vulnerability. As of September 30, 2003, SSA continues to score "green" in "Progress In Implementing President's Management Agenda" on the Executive Branch Management Scorecard.



### **A Special Thank You**

We would like to thank our entire OIG staff for their outstanding efforts and contributions, without which this report would not have been possible.







## Appendices





## Appendix A

### Resolving Audit Recommendations

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

<b>Reports with Questioned Costs for the Reporting Period April 1, 2003 through September 30, 2003</b>			
	<b>Number</b>	<b>Value Questioned</b>	<b>Value Unsupported</b>
A. For which no management decision had been made by the commencement of the reporting period.	6	\$2,741,215	\$1,218,766
B. Which were issued during the reporting period.	11 <sup>a</sup>	\$47,693,550	\$1,254,963
Subtotal (A + B)	17	\$50,434,765	\$2,473,729
Less:			
C. For which a management decision was made during the reporting period.	13 <sup>b</sup>	\$10,909,522	\$1,768,341
i. Dollar value of disallowed costs.	7	\$8,954,071	\$1,213,691
ii. Dollar value of costs not disallowed.	6	\$1,955,451	\$554,650
D. For which no management decision had been made by the end of the reporting period.	7	\$39,525,243	\$705,388

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

b. Financial Related Audit of the Harris County Guardianship Program — an Organizational Representative Payee for the Social Security Administration (A-04-02-12020, 12/16/02) and Audit of Administrative Costs Claimed by the California Disability Determination Services (A-09-02-22022, 5/7/03) contained dollars that were disallowed and dollars not disallowed. Additionally, a management decision was made for only a portion of the questioned costs contained in the report, Administrative Costs Claimed by the Hawaii Disability Determination Services (A-09-03-13012, 9/4/03).



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

<b>Reports with Recommendations that Funds Be Put to Better Use for the Reporting Period April 1, 2003 through September 30, 2003</b>		
	<b>Number</b>	<b>Dollar Value</b>
A. For which no management decision had been made by the commencement of the reporting period.	4	\$75,306,939
B. Which were issued during the reporting period.	10 <sup>a</sup>	\$978,441,229 <sup>b</sup>
Subtotal (A + B)	14	\$1,053,748,168
Less:		
C. For which a management decision was made during the reporting period.		
i. Dollar value of recommendations that were agreed to by management.		
(a) Based on proposed management action.	6	\$759,836,457
(b) Based on proposed legislative action.	1	\$19,571,271
ii. Dollar value of costs not agreed to by management.	2	\$134,706,612
Subtotal (i + ii)	9	\$914,114,340
D. For which no management decision had been made by the end of the reporting period.	5	\$139,633,828

a. See Reports with Funds Put to Better Use in Appendix B of this report.

b. These dollars include additional amounts recognized by SSA that relate to an audit report issued in a prior period. As a result of our report entitled, *The Social Security Administration Can Recover Millions in Medicare Premiums Related to Retirement or Disability Payments Made after Death* (A-08-02-12029, 7/3/02), SSA estimated about \$802 million in payment errors, which is \$655,450,819 more than OIG cited in its report.



## Appendix B

### Reports Issued

<b>Reports with Non-Monetary Findings October 1, 2002 through March 31, 2003</b>		
<b>CIN</b>	<b>Report</b>	<b>Issue Date</b>
A-15-02-22040	Management Advisory Report: Limited Review of Connecticut Disability Determination Services' Lease Costs	10/3/02
A-13-02-12010	Financial-Related Audit of the Washington State Department of Social and Health Services — An Organizational Representative Payee for the Social Security Administration	10/8/02
A-13-02-22097	Allegations of Inappropriate Pay and Travel Practices at the Philadelphia Regional Office (Limited Distribution)	10/8/02
A-13-01-21046	Congressional Response Report: Status of Corrective Actions Taken in Response to Recommendations in Fiscal Years 1997 Through 2000 Payment Accuracy Task Force Reports	10/9/02
A-14-02-22026	Management Advisory Report: The Social Security Administration's Oversight of the Disability Determination Services' Systems Security (Limited Distribution)	10/24/02
A-77-03-00001	Management Advisory Report: Single Audit of the State of Illinois for the Fiscal Year Ended June 30, 2001	10/31/02
A-77-03-00002	Management Advisory Report: Single Audit of the State of New Hampshire for the Fiscal Year Ended June 30, 2001	11/12/02
A-02-03-13034	Inspector General Statement on the Social Security Administration's Major Management Challenges	11/15/02
A-03-03-23038	Congressional Response Report: Status of the Social Security Administration's Earnings Suspense File	11/18/02
A-15-02-12075	Fiscal Year 2002 Financial Statement Audit	11/19/02
A-77-03-00003	Management Advisory Report: Single Audit of the State of Ohio for the Fiscal Year Ended June 30, 2001	11/21/02
A-13-03-23051	Congressional Response Report: The Social Security Administration's Relocation of the Office of Hearings and Appeals in Columbus, Ohio (Limited Distribution)	11/27/02
A-13-03-13031	Management Advisory Report: Fiscal Year 2002 Quick Response Activities Summary Report	12/4/02
A-77-03-00004	Management Advisory Report: Single Audit of the State of Louisiana for the Fiscal Year Ended June 30, 2001	12/11/02
A-77-03-00005	Management Advisory Report: Single Audit of the State of Maine for the Fiscal Year Ended June 30, 2001	12/12/02
A-77-03-00006	Management Advisory Report: Single Audit of the State of Montana for the 2-Year Period Ended June 30, 2001	12/16/02
A-14-03-13047	Evaluation of the Accelerated eDib System - Third Assessment	12/20/02
A-14-02-32061	Management Advisory Report: Physical Security for the Social Security Administration's Laptop Computers, Cellular Telephones, and Pagers (Limited Distribution)	12/24/02
A-08-02-22071	Review of Social Security Administration Controls over the Access, Disclosure and Use of Social Security Numbers by External Entities	12/30/02



<b>Reports with Non-Monetary Findings                      October 1, 2002 through March 31, 2003</b>		
<b>CIN</b>	<b>Report</b>	<b>Issue Date</b>
A-02-02-12033	Review of the Social Security Administration's Fiscal Year 2003 Annual Performance Plan	1/7/03
A-77-03-00007	Management Advisory Report: Single Audit of the State of New Mexico, Department of Education, for the Fiscal Year Ended June 30, 2001	1/16/03
A-13-02-22094	Management Advisory Report: Transactions Involving the Government Purchase Card (Limited Distribution)	1/23/03
A-15-02-11083	Performance Indicator Audit: Electronic Access	1/23/03
A-09-03-23067	Congressional Response Report: The Social Security Administration's Efforts to Process Death Reports and Improve its Death Master File	1/24/03
A-15-02-11087	Performance Indicator Audit: Wage Reporting	1/28/03
A-02-02-11082	Performance Indicator Audit: Customer Satisfaction	2/4/03
A-77-03-00009	Management Advisory Report: Single Audit of the State of Rhode Island for the Fiscal Year Ended June 30, 2001	2/10/03
A-15-02-11085	Performance Indicator Audit: Appeals Council (Limited Distribution)	2/21/03
A-15-02-32092	Performance Indicator Audit: Postentitlement Automation Rate	2/26/03
A-14-03-23052	Referring Potentially Fraudulent Enumeration Applications to the Office of the Inspector General	3/3/03
A-15-01-11033	Analysis of Multiple, Unrelated Title II Payments to the Same Bank Account	3/3/03
A-15-02-22001	Internal Control Review of the Remittance Process at the Social Security Administration's Mid-Atlantic Program Service Center (Limited Distribution)	3/3/03
A-15-01-21031	Internal Control Review of the Remittance and Disbursement of Cash or Cash Equivalents at Social Security Administration Field Offices (Limited Distribution)	3/5/03
A-08-03-13050	Federal Agencies' Controls Over the Access, Disclosure and Use of Social Security Numbers by External Entities	3/11/03
A-03-03-23053	Congressional Response Report: Social Security Administration Benefits Related to Unauthorized Work	3/18/03
A-15-02-11084	Performance Indicator Audit: Paperless/Electronic Processing	3/18/03



<b>Reports with Non-Monetary Findings April 1, 2003 through September 30, 2003</b>		
<b>CIN</b>	<b>Report</b>	<b>Issue Date</b>
A-06-03-13022	Management Advisory Report: The Social Security Administration's Workers' Compensation Data Match with the State of Texas	4/15/03
A-03-03-13017	Congressional Response Report: Review of the Social Security Number Feedback Pilot Project	4/28/03
A-02-02-11088	Performance Indicator Audit: Enumeration	4/30/03
A-02-02-12050	Assessment of the Social Security Administration's Performance Measures	4/30/03
A-13-01-11042	The Social Security Administration's Site Reviews of Representative Payees	4/30/03
A-02-03-13013	Audit of the Atlantis Rehabilitation and Nursing Center – A Representative Payee for the Social Security Administration	5/6/03
A-14-03-23008	Project Matrix Step Two Analysis of the National Computer Center, the Telecommunications Systems, and the Integrated Client Database (Limited Distribution)	5/20/03
A-15-02-11086	Performance Indicator Audit: Payment Accuracy	6/6/03
A-01-03-13037	Follow-up Review of Old-Age, Survivors and Disability Insurance Benefits Paid to Deceased Auxiliary Beneficiaries	6/13/03
A-13-03-23015	Data Matching with Foreign Countries	6/17/03
A-04-03-13030	Management Advisory Report: Best Practices in Federal Paper Records Management	6/23/03
A-01-03-23081	Congressional Response Report: Use of Mental Consultative Examinations by the Wisconsin Disability Determination Bureau (Limited Distribution)	7/7/03
A-14-03-23069	Evaluation of the Accelerated eDib System - Fourth Assessment	7/10/03
A-01-02-12018	Follow-up on Prior Office of the Inspector General Prisoner Audits	7/24/03
A-13-03-23087	Congressional Response Report: The Social Security Administration's Policies and Procedures Concerning the Rural Development Act of 1972	7/24/03
A-13-03-33089	Congressional Response Report: Office of Hearings and Appeals Administrative Law Judges' Work Assignments in Greensboro and Raleigh, North Carolina (Limited Distribution)	8/11/03
A-13-03-23088	Congressional Response Report: The Social Security Administration's Government Travel Card Program	8/15/03
A-14-03-23001	Management Advisory Report: President's Council on Integrity and Efficiency Review of Critical Infrastructure Protection Program - Cyber-based Infrastructure (Limited Distribution)	8/15/03
A-01-03-23090	Use of Mental Consultative Examinations by the Wisconsin Disability Determination Bureau	8/22/03
A-03-03-24048	Congressional Response Report: Use and Misuse of the Social Security Number	8/22/03



<b>Reports with Non-Monetary Findings                      April 1, 2003 through September 30, 2003</b>		
<b>CIN</b>	<b>Report</b>	<b>Issue Date</b>
A-14-02-12048	Effective Use of Encryption Technology to Protect the Social Security Administration's Information Assets (Limited Distribution)	8/22/03
A-02-03-13033	Summary of the Office of the Inspector General's Reviews of the Social Security Administration's Performance Data	9/3/03
A-09-02-22067	Issue Paper: Detecting, Preventing, and Eliminating Unidentified Overpayments in the Social Security Administration's Disability Programs (Limited Distribution)	9/3/03
A-15-02-12025	Administrative Costs Claimed by the State of Washington Division of Disability Determination Services	9/3/03
A-14-03-13046	Evaluation of Social Security Administration's Compliance with the Federal Information Security Management Act	9/5/03
A-14-03-23071	Profile of the Social Security Administration's Non-Work Alien File (Limited Distribution)	9/5/03
A-14-04-24036	Management Advisory Report: Sensitive Data Accessible on the Social Security Administration Intranet (Limited Distribution)	9/12/03
A-14-02-22093	General Controls of the Washington Division of Disability Determination Services Claims Processing System Need Improvement (Limited Distribution)	9/15/03
A-14-03-13045	Project Matrix Step Two: Review of the Social Security Administration's Title XVI Claims Payment Process (Limited Distribution)	9/15/03
A-15-03-33084	Peer Review of the Department of Education's Office of Inspector General	9/15/03
A-07-03-13059	Summary of Single Audit Oversight Activities May 2002 through April 2003	9/23/03
A-44-03-23092	Top Management Challenges—Fiscal Year 2004	9/23/03
A-08-03-13006	Administrative Costs Claimed by the Florida Division of Disability Determinations	9/25/03



<b>Reports with Questioned Costs October 1, 2002 through March 31, 2003</b>			
<b>CIN</b>	<b>Issue Date</b>	<b>Report</b>	<b>Dollar Amount</b>
A-07-02-22003	10/23/02	Audit of the Administrative Costs Claimed by the Kansas Disability Determination Services	\$5,674,737
A-09-01-21045	11/26/02	Representative Payee Investigation of Puget Protective Payeeship (Limited Distribution)	\$55,994
A-04-02-12020	12/16/02	Financial-Related Audit of the Harris County Guardianship Program – an Organizational Representative Payee for the Social Security Administration	\$1,468,961
A-77-03-00008	1/27/03	Management Advisory Report: Single Audit of the State of New York for the Fiscal Year Ended March 31, 2001	\$250,635
A-06-02-22072	2/12/03	Administrative Costs Claimed by the Commonwealth of Puerto Rico Disability Determination Program	\$98,262
A-77-03-00010	3/12/03	Management Advisory Report: Single Audit of the Commonwealth of Puerto Rico, Department of the Family, for the Fiscal Year Ended June 30, 2000	\$4,527
A-77-03-00011	3/20/03	Management Advisory Report: Single Audit of the Commonwealth of Puerto Rico, Department of the Family, for the Fiscal Year Ended June 30, 2001	\$100,692
<b>Total:</b>			<b>\$7,653,808</b>

<b>Reports with Questioned Costs April 1, 2003 through September 30, 2003</b>			
<b>CIN</b>	<b>Issue Date</b>	<b>Report</b>	<b>Dollar Amount</b>
A-09-02-22022	5/7/03	Audit of Administrative Costs Claimed by the California Disability Determination Services	\$5,597,495
A-13-02-22014	5/29/03	Audit of Key Point Health Services, Inc. – An Organizational Representative Payee for the Social Security Administration	\$705,388
A-15-00-20053	6/4/03	Administrative Costs Claimed by the New York Disability Determination Division	\$1,090,197
A-09-03-23023	6/20/03	Sierra Regional Center – An Organizational Representative Payee for the Social Security Administration	\$1,399
A-13-03-13002	7/15/03	Audit of the Community Counseling Centers of Chicago – A Fee-for-Service Representative Payee for the Social Security Administration	\$43,152
A-04-02-21054	7/23/03	Management Advisory Report: Title II Disability Insurance Benefits with Workers' Compensation Underpayment Errors Exceeding \$70,000	\$100,399



<b>Reports with Questioned Costs April 1, 2003 through September 30, 2003</b>			
<b>CIN</b>	<b>Issue Date</b>	<b>Report</b>	<b>Dollar Amount</b>
A-07-03-13024	8/4/03	Audit of Cottonwood, Incorporated – An Organizational Representative Payee for the Social Security Administration (Limited Distribution)	\$27,250
A-13-03-23009	8/14/03	The Connecticut Mental Health Center, Money Management Program – An Organizational Representative Payee for the Social Security Administration	\$45,000
A-05-02-22019	8/18/03	Administrative Costs Claimed by the Illinois Bureau of Disability Determination Services	\$4,034,660
A-09-03-13012	9/4/03	Administrative Costs Claimed by the Hawaii Disability Determination Services	\$417,002
A-01-03-23070	9/5/03	Assessment of the Supplemental Security Income Fugitive Felon Project	\$36,886,571
<b>Total Questioned Costs for April 1, 2003 through September 30, 2003:</b>			<b>\$48,948,513</b>
<b>Total Questioned Costs for Fiscal Year 2003:</b>			<b>\$56,602,321</b>

<b>Reports with Funds Put to Better Use October 1, 2002 through March 31, 2003</b>			
<b>CIN</b>	<b>Issue Date</b>	<b>Report</b>	<b>Dollar Amount</b>
A-01-02-12073	10/10/02	Identifying Representative Payees Who Had Their Own Benefits Suspended Under the Fugitive Provisions of Public Law 104-193	\$118,931
A-07-02-22003	10/23/02	Audit of the Administrative Costs Claimed by the Kansas Disability Determination Services	\$6,138,225
A-06-02-12012	10/30/02	Old-Age, Survivors and Disability Insurance and Supplemental Security Income Payments to Deceased Beneficiaries and Recipients	\$12,103,900
A-06-02-22072	2/12/03	Administrative Costs Claimed by the Commonwealth of Puerto Rico Disability Determination Program	\$586,584
A-07-02-12049	3/10/03	Disability Determination Services' Use of Volume Consultative Examination Providers	\$13,882,919
A-01-02-12032	3/14/03	Screening Representative Payees for Fugitive Warrants	\$19,571,271
A-03-02-22068	3/18/03	The Social Security Administration's Processing of Internal Revenue Service Overstated Wage Referrals	\$41,370,210
<b>Total:</b>			<b>\$93,772,040</b>



<b>Reports with Funds Put to Better Use April 1, 2003 through September 30, 2003</b>			
<b>CIN</b>	<b>Issue Date</b>	<b>Report</b>	<b>Dollar Amount</b>
A-09-02-22022	5/7/03	Audit of Administrative Costs Claimed by the California Disability Determination Services	\$6,983,322
A-09-00-30059	6/2/03	Use of State Bureaus of Vital Statistics Records to Detect Unreported Marriages and Divorces	\$51,150,375
A-15-00-20053	6/4/03	Administrative Costs Claimed by the New York Disability Determination Division	\$4,399,192
A-08-02-12064	6/6/03	Pending Workers' Compensation: The Social Security Administration Can Prevent Millions in Title II Disability Overpayments	\$120,823,693
A-05-02-22019	8/18/03	Administrative Costs Claimed by the Illinois Bureau of Disability Determination Services	\$1,247,932
A-09-03-13012	9/4/03	Administrative Costs Claimed by the Hawaii Disability Determination Services	\$218,069
A-04-03-13040	9/23/03	Audit of the Wilkes-Barre Folder Servicing Operation	\$13,400
A-08-03-13007	9/24/03	Administrative Costs Claimed by the Kentucky Department for Disability Determination Services	\$654,427
A-05-03-13010	9/26/03	Controls Over Supplemental Security Income Replacement Checks	\$137,500,000
<b>Total Funds Put to Better Use for April 1, 2003 through September 30, 2003:</b>			<b>\$322,990,410</b>
<b>Total Funds Put to Better Use for Fiscal Year 2003:</b>			<b>\$416,762,450</b>





## Appendix C

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

To meet the requirements of the Omnibus Consolidated Appropriations Act for 1997, P.L. 104-208, we are providing requisite data for fiscal year (FY) 2003 from the Offices of Investigations and Audit in this report.

#### Office of Investigations

We are reporting \$24,178,250 in funds collected as a result of our investigative activities in this reporting period. These funds are broken down in the table below.

Investigative Activities					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Court Ordered Restitution	\$5,248,995	\$7,842,245	\$5,698,623	\$3,564,571	\$22,354,434
Scheduled Recoveries	\$8,380,280	\$8,756,429	\$7,003,504	\$7,374,837	\$31,515,050
Fines	\$121,483	\$225,600	\$171,175	\$195,787	\$714,045
Settlements/Judgments	\$108,965	\$11,823	\$112,390	\$57,363	\$290,541
TOTALS	\$13,859,723	\$16,836,097	\$12,985,692	\$11,192,558	\$54,874,070

#### Office of Audit

SSA management has informed us that it has completed implementing recommendations from 7 audit reports during this time period valued at over \$58 million.

#### Identification of Fugitives Receiving Supplemental Security Income (A-01-98-61013, 8/28/00)

We recommend that SSA reach agreement with State agencies, which either do not enter all fugitive felon data into the National Crime Information Center or provide data to the United States Department of Agriculture, to obtain their fugitive information in an electronic format on a routine basis. The implemented recommendation is valued at \$29,856,060.

**Financial-Related Audit of the Baltimore City Department of Social Services - An Organizational Representative Payee for SSA (A-13-00-10066, 9/25/01)**

We recommended that SSA ensure that the Baltimore City Department of Social Services (BCDSS) implements controls to monitor and report to SSA all changes in circumstances that affect the amount of benefits beneficiaries receive or the right of beneficiaries to receive benefits. In addition, we recommended that BCDSS take corrective action to identify and repay all overpayments due to changes in beneficiaries' circumstances. The implemented recommendations are valued at \$233,154.

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

We recommended that SSA review the remaining 702 auxiliary beneficiaries identified by our earnings match to adjust their payments as needed. The implemented recommendation is valued at \$2,484,633.

**Administrative Costs Claimed by the Commonwealth of Puerto Rico Disability Determination Program (PR-DDP)(A-06-02-22072, 2/12/03)**

We recommended that SSA instruct PR-DDP to comply with State policy governing compensatory time. The implemented recommendation is valued at \$482,539.

**Disability Determination Services' (DDS) Use of Volume Consultative Examination (CE) Providers (A-07-02-12049, 3/10/03)**

We recommended that SSA provide guidance to DDSs on recruiting volume medical providers and negotiating discounted CE fees. The implemented recommendation is valued at \$13,882,919.

**Audit of Administrative Costs Claimed by the California DDS (A-09-02-22022, 5/7/03)**

We recommended that SSA ensure the California DDS deobligates any unliquidated obligations that are not supported by valid documentation for FY 1999 and 2000. We also recommended that SSA improve its oversight of CE fees and limit future payments to the highest rate allowable by Federal or other agencies in the State. The implemented recommendations are valued at \$6,983,322.

**Administrative Costs Claimed by the New York Disability Determination Division (A-15-00-20053, 6/4/03)**

We recommended that SSA require the New York State Office of Temporary and Disability Assistance to eliminate unsupported positive invalid obligations from the Form SSA-4513 report and decrease budget authority to recognize obligations no longer valid in the amount of \$4,399,192.



## Appendix D

### Collections From Investigations and Audits

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

#### Office of Investigations

<b>Total Restitution Reported by the Department of Justice as Collected for the Social Security Administration</b>			
<b>Fiscal Year</b>	<b>Total Number of Individuals Assigned Court Ordered Restitution</b>	<b>Court Ordered Restitution for This Period</b>	<b>Total Restitution Collected by DOJ</b>
2001	670	\$23,067,026	\$2,498,686
2002	600	\$18,068,423	\$2,643,872
2003	567	\$22,354,434	\$307,902 <sup>1</sup>
<b>TOTALS</b>	<b>1,837</b>	<b>\$63,489,883</b>	<b>\$5,450,460</b>

<sup>1</sup>Reflects collection for October 1, 2002-March 31, 2003.

<b>Funds Received by the Office of Investigations Based on Recovery Actions</b>			
<b>Fiscal Year</b>	<b>Total Number of Recovery Actions Initiated</b>	<b>Amount Scheduled for Recovery</b>	<b>Actual Amount Recovered at the Close of the Investigation</b>
2001	1,994	\$33,958,212	\$13,804,187
2002	2,202	\$29,434,025	\$8,765,025
2003	2,442	\$31,515,050	\$9,025,423
<b>TOTALS</b>	<b>6,638</b>	<b>\$94,907,287</b>	<b>\$31,594,635</b>



## Office of Audit

The following chart summarizes the Agency's responses to our recommendations for the recovery or redirection of questioned and unsupported costs. This information is prepared in coordination with the Agency's management officials and is current as of September 30, 2003.

<b>Responses to OIG's Recommendations for the Recovery or Redirection of Questioned and Unsupported Costs</b>						
<b>FY</b>	<b>Number of Reports with Questioned Costs</b>	<b>Questioned/Unsupported Costs</b>	<b>Management Concurrence</b>	<b>Amount Collected or to be Recovered</b>	<b>Amount Written-Off/Adjustments</b>	<b>Balance</b>
2001	23	\$135,100,905	\$131,165,106	\$87,667,320	\$2,450,161	\$45,113,849
2002	13	\$15,551,282	\$7,515,730	\$8,276,020	\$8,041,929	\$0
2003	18	\$56,602,321	\$15,376,341	\$5,207,027	\$2,642,664	\$48,205,539
<b>TOTALS</b>	<b>54</b>	<b>\$207,254,508</b>	<b>\$154,057,177</b>	<b>\$101,150,367</b>	<b>\$13,134,754</b>	<b>\$93,319,388</b>



## Appendix E

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

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

Recommendation: We recommended that SSA pursue legislation prohibiting payment of OASDI benefits to fugitives similar to the provisions pertaining to 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: A provision in H.R. 4070 introduced in March 2002, would deny Title II benefits to fugitive felons. H.R. 4070 was not enacted in the 107th Congress, but similar provisions were introduced in the 108th Congress in H.R. 743.

#### **Payments to Child Beneficiaries Age 18 or Over Who Were Neither Students Nor Disabled (A-09-99-63008, 5/18/00)**

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 questioned costs.

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 the Title II Redesign. Release 3 will provide the systems capability to terminate benefits to child beneficiaries at age 18 if they are neither under a disability nor full-time students, and to 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, which is expected to be implemented by April 2004.





## Appendix F

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

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

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

Agency Response: SSA agreed with the recommendation.

Corrective Action: On August 13, 2002, the Agency awarded two Blanket Purchase Agreements (BPA) to facilitate this activity. The first was for software licenses and maintenance for the Open Text Livelink product and related modules. This commercial document management and workflow software product will form the core of SSA's nationwide Assignment and Correspondence Tracking (ACT) application. The second BPA was awarded for the services and support required to design, develop and implement ACT. Orders have been placed against both BPAs and work has begun.

#### **Impact on SSA's Programs When Auxiliary Beneficiaries Do Not Have Their Own SSNs (A-01-02-22006, 9/20/02)**

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

Agency Response: SSA agreed with the recommendation.

Corrective Action: The reports will require systems programming. The Office of Operations has submitted an Information Technology template to the Office of Systems to track the volume of missing BOAN alerts by region and field office. On April 9, 2003, the Offices of Operations and Systems met to discuss the planning and analysis for the template that will be used to implement this recommendation.

#### **Effectiveness of SSA's Death Termination Process (A-09-02-22023, 9/17/02)**

Recommendation: We recommended that SSA modify its automated systems to support Electronic Death Registration (EDR), including the on-line verification of SSN, processing of verified and unverified State death reports, and termination of benefits upon receipt of verified State death reports.

Agency Response: SSA agreed and will continue to work on systems support for EDR. EDR is an initiative under eVital, one of 24 governmentwide eGov initiatives.



Corrective Action: The Internet Verification “front-end” phase was completed in December 2002. However, the pilot State, New Jersey, was not ready to participate. New Jersey expected to begin using EDR in February 2003. Software development is underway to process the death reports.

**SSA’s Employee Verification Service (EVS) for Registered Employers  
(A-03-02-22008, 9/12/02)**

Recommendation: We recommended that SSA modify EVS to detect SSNs for deceased individuals, provide appropriate notification to employers, and issue an alert for necessary action by SSA staff.

Agency Response: SSA agreed with the recommendation.

Corrective Action: Two proposals to identify if a death indicator is present on an SSN verification request via EVS were submitted through the IT priority process. DCS is currently developing software to implement the death indicator for verifications for employers. SSA is currently on target for the January 2004 implementation. A decision is pending on the use of Single Select for employer verifications. If a decision is made to remove it, the modification will either be included in a later release or the January implementation date will change.

Recommendation: We recommended that SSA modify EVS to detect SSNs for individuals in nonwork status, provide appropriate notification to employers, and issue an alert for necessary action by SSA staff.

Agency Response: SSA agreed with the recommendation.

Corrective Action: Two proposals to identify if a death indicator is present on an SSN verification request via EVS and the Social Security Number Verification Service were submitted through the IT priority process. However, the Commissioner has decided not to include nonwork information in the verification process.

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

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

Agency Response: SSA agreed with the recommendation.

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



with CMS continues as DCFAM, OACT, DCS and the Office of Policy continue to refine a methodology for determining the amount of unrecovered funds.

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

Agency Response: SSA agreed with the recommendation.

Corrective Action: Systems changes, put in place January 2003, are identifying current unrecovered premium amounts which are netted against amounts transferred to CMS as current Supplemental Medical Insurance premiums.

### **Analysis of Information Concerning Representative Payee Misuse of Beneficiaries' Payments (A-13-01-11004, 6/25/02)**

Recommendation: We recommended that SSA implement management controls to prevent the appointment of individuals as representative payees who have a representative payee managing their own benefits, and identify individuals currently serving as representative payees that become incapable of managing their own benefits.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA's policy is that individuals who have a representative payee should not be selected as a payee for someone else. SSA has established system controls that will prevent this from occurring.

Beginning in September 2001, an alert is generated when a payee applicant is a current beneficiary with a payee or when a person is applying to serve as payee for a beneficiary who is a payee for another individual. If the user ignores the alert and attempts to process the payee selection anyway, the Representative Payee System blocks the selection.

Regarding beneficiaries having a payee who may have already been selected to be someone else's payee prior to the September 2001 process described above, files that potentially identified representative payees with representative payees were sent to the field offices for investigation. Another match was run in April 2002 to identify any remaining inappropriate selections.

With the matches and software changes, SSA believed this audit recommendation was complete. However, a Regional OIG investigator contacted ODISP and stated that OIG has identified records that still have the "rep has a rep" condition. DCS investigated to determine why this may have occurred and determined that it failed to identify all cases in the April 2002 match, and the records the OIG identified



were established prior to the software change implemented in September 2001. The Agency reports the original match requirements were reviewed for the clean-up selection and the third match of "rep has a rep" cases (approximately 1,550) were released to field offices in August 2003.

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

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

**Agency Response:** SSA agreed with the recommendation.

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

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

**Agency Response:** SSA believes this recommendation may have merit.

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

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

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

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



Recommendation: We recommended that SSA match the quarterly nonwork earnings file with the Earnings Suspense File to identify and report to INS (now in DHS) employers who consistently hire people who are not authorized for employment and individuals who use, for employment, nonwork SSNs and false identities.

Agency Response: SSA believes this recommendation may have merit.

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

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

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

Agency Response: SSA agreed with the recommendation.

Corrective Action: DCS is addressing this issue as it transitions the Management Information Initial Claims Record functionality to the Title II Workload Management Information System. A General Project Scope Agreement was agreed upon. The first release went to production on June 27, 2003 and the second release is on schedule for February 2004. However, processing times will not be addressed until Release 3 of this effort. Planning and Analysis (P&A) for release 3 is tentatively scheduled to start in January 2004. Once the P&A is completed, SSA will be able to provide a projected completion date.

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

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

Agency Response: SSA agreed in principle with the recommendation.

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



On June 17, 2003, an IT template was prepared for the EAB audit provisions. This plan must be approved and submitted for DCS review. SSA developed the complete audit plan at NAPHSIS' request to include a statistically valid sampling method based on the number of birthing hospitals in each State. DCO has shared the concept of this plan with NAPHSIS executives. NAPHSIS advised that SSA should drop the search for additional Federal funds since these were available on a State basis only.

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

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

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

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

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

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

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

**Corrective Action:** SSA will review the procedures the payee has implemented to ensure compliance with its regulations and to prevent future occurrences of this



nature. In addition, a new Death Alert, Control and Update System process is scheduled to be completed soon which will identify deceased representative payees in the Representative Payee System.

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

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

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

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

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

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

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

**Corrective Action:** SSA has discussed this recommendation with CMS. At this time an implementation date has not been set.

### **Procedures for Verifying Evidentiary Documents Submitted With Original SSN Applications (A-08-98-41009, 9/19/00)**

**Recommendation:** We recommended that SSA continue efforts to 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 (MES). The General Project Scope Agreement (PSA) for this initiative was signed in November 2000. It divides the effort into three separate releases. The PSA for Release 1, which will handle the "too-many-children" issue, was signed December 2000 and scheduled for



implementation in March 2004. Release 2 will interrupt processing for “too-many-cards” to the same address. Release 3 will expand the capabilities of the use of the development worksheets implemented in Releases 1 and 2. Also, the MES investigate process will be revised to include all alert conditions on the same feedback/investigate message. Implementation dates for Releases 2 and 3 have not yet been determined.

### **SSA is Pursuing Matching Agreements with New York and Other States Using Biometric Technologies (A-08-98-41007, 1/19/00)**

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: The Office of Disclosure Policy (ODP) developed a draft Computer Matching Privacy Protection Act agreement and sent it for component comments in June 2001. ODP met with OIG on January 24, 2002 to discuss the outstanding issues that need to be resolved before any match is undertaken. There is still a need for a component sponsor, a cost benefit analysis, and the development of a detailed workplan. A meeting was held in March 2002 with privacy experts to discuss the match and it was determined that a new submission for SSA’s Data Integrity Board will be completed with our assistance.

Subsequent to the March 2002 meeting, SSA completed a new draft proposal and distributed the draft for component comment. In reply, there were several specific issues raised that needed to be addressed before the proposal is taken to the Data Integrity Board for consideration.

Recommendation: SSA should initiate a 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 Claims Folders System of Records (SOR) requires an alteration to the “categories of records” section to include the photographs that will be taken during the pilot projects. The SOR Federal Register notice was published on April 1, 2003 and the 40-day comment period ended May 8, 2003. The handout for pilot participants that explains the pilot, why SSA is collecting this information and what SSA will do with the information, has been completed and was finalized with the dates of the pilots and other last minute details. The pilots involved three regions: Atlanta, Kansas City and New York. The temporary regulation, that makes the taking of photographs during the initial claims process for Title II and Title XVI disability and blindness benefits mandatory, was published on May 1, 2003 with an effective date of May 31, 2003. The Claimant Identification Pilot Projects were



implemented June 1, 2003 and will run through November 2003. The results of these 6-month pilot projects will be evaluated and presented to the Commissioner for a decision for expansion.

### **Nonresponder Representative Payee Alerts for SSI Recipients (A-09-96-62004, 9/23/99)**

**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 whether a change of payee is 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:** In February 2000, as part of a package of improvements to the payee monitoring process, SSA proposed legislation to redirect benefit checks when representative payees fail to complete the required accounting form. This change was included in legislation adopted by the Ways and Means Committee in September 2000 that was not enacted into law. SSA has included this legislative change as part of the FY 2003 legislative package that was sent to the OMB Budget in October 2001. A similar provision has been introduced in the 108th Congress. SSA has expressed its support for this provision and no Agency actions will be targeted until the legislation has been approved.





## Appendix G

### Significant Management Decisions With Which the Inspector General Disagrees

#### Assessment of SSA's Performance Measures (A-02-02-12050, 4/30/03)

Recommendation: We recommended that SSA reinstate its plans to establish indicators to measure the efficiency of the enumeration process, such as the personnel costs of processing SSN requests.

Agency Response: SSA indicated that it has established efficiency indicators for selected workloads and the intent of GPRA was not to make Agencies develop efficiency indicators or other outcome-based measures for every discrete workload.

Recommendation: We recommended that SSA develop an indicator that measures the overall accuracy of decisions for all DI payment outlays, which takes into account initial DDS, as well as Office of Hearings and Appeals decisions.

Agency Response: SSA disagreed because due to the fundamental differences in the decision making process at the initial claims and appeals levels, a combined indicator would result in an inaccurate measure. The separate indicators provide data that is more realistic and useful for managing the disability program.





## Appendix H

### Reporting Requirements

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

Section	Requirement	Pages
Section 4(a)(2)	Review of legislation and regulations	N/A
Section 5(a)(1)	Significant problems, abuses, and deficiencies	4-49
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	4-49
Section 5(a)(3)	Recommendations described in previous Semiannual Reports on which corrective actions are incomplete	Appendices E & F
Section 5(a)(4)	Matters referred to prospective authorities and the prosecutions and convictions which have resulted	4-49
Sections 5(a)(5) & Section 6(b)(2)	Summary of instances where information was refused	N/A
Section 5(a)(6)	List of audits	Appendix B
Section 5(a)(7)	Summary of particularly significant reports	18-49
Section 5(a)(8)	Table showing the total number of audit reports and total dollar value of questioned costs	Appendix A
Section 5(a)(9)	Table showing the total number of audit reports and total dollar value of funds put to better use	Appendix A
Section 5(a)(10)	Audit recommendations more than 6 months old for which no management decision has been made	Appendix A
Section 5(a)(11)	Significant management decisions that were revised during the reporting period	N/A
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees	Appendix G





## Appendix I

### Glossary

Abbreviation	Definition
ACT	Assignment and Correspondence Tracking
AeDib	Accelerated Electronic Disability System
ALJ	Administrative Law Judge
APP	Annual Performance Plan
BCIS	Bureau of Citizenship and Immigration Services
BOAN	Beneficiary's Own Account Number
BPA	Blanket Purchase Agreement
BVS	(State) Bureaus of Vital Statistics
CBA	Cost Benefit Analysis
CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
CE	Consultative Examination
CEO	Chief Executive Officer
CFO Act	Chief Financial Officers Act of 1990
CIP	Critical Infrastructure Protection
CMP	Civil Monetary Penalty
CMS	Center for Medicare and Medicaid Services
COOP	Continuity of Operations Plan
DCFAM	Office of Finance, Assessment and Management
DCS	Deputy Commissioner, Systems
DDS	(State) Disability Determination Services
DI	Disability Insurance
DMF	Death Master File
DHS	Department of Homeland Security
DOJ	Department of Justice
eDib	Electronic Disability
ESF	Earnings Suspense File
EVS	Enumeration Verification Service
FBI	Federal Bureau of Investigation
FISMA	Federal Information Security Management Act of 2002
FO	Field Office
FY	Fiscal Year
GAO	General Accounting Office
GPRA	Government Performance and Results Act



HHS	Department of Health and Human Services
ICE	Bureau of Citizenship and Immigration Services (DHS)
IG	Inspector General
INS	Immigration and Naturalization Service
IO	Immediate Office of the Inspector General
IRS	Internal Revenue Service
IT	Information Technology
MBR	Master Beneficiary Record
MEF	Master Earnings File
NAPHSIS	Nat Assoc for Public Health Statistics & Information System
NWALIEN	Non-Work Alien
OA	Office of Audit
OACT	Office of the Actuary
OASDI	Old-Age, Survivors and Disability Insurance
OCIG	Office of the Counsel to the Inspector General
OCIO	Office of Chief Information Officer
OCSE	Office of Child Support and Enforcement
ODISP	Office of Disability and Income Security Programs
ODP	Office of Disclosure Policy
OEO	Office of Executive Operations
OHA	Office of Hearings and Appeals
OI	Office of Investigations
OIG	Office of the Inspector General
OMB	Office of Management and Budget
P&A	Planning and Analysis
PDD	Presidential Decision Directive
P.L.	Public Law
PMA	President's Management Agenda
POA&M	Plan of Action and Milestones
PR-DDP	Puerto Rico Disability Determination Program
PSA	Project Scope Agreement
RMT	Records Management Team
RPR	Representative Payee Reports
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
Title II (Social Security Act)	Old-Age, Survivors and Disability Insurance
Title XVI (Social Security Act)	Supplemental Security Income
TY	Tax Year
USMS	United States Marshals Service
WC	Workers Compensation

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Robert L. Meekins

# How to Report Fraud

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

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

**Fax** 410-597-0118

**Internet** [www.socialsecurity.gov/oig](http://www.socialsecurity.gov/oig)

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