



Social Security Administration Office of the Inspector General

Semiannual Report to Congress

October 1, 2009 - March 31, 2010



Social Security Administration Office of the Inspector General



Mission Statement

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

Vision and Values

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



A MESSAGE FROM THE INSPECTOR GENERAL

The Social Security Administration has not been free from the effects of the recovering United States economy. The number of beneficiaries has risen while program revenue has fallen, because jobs have been cut and Americans have applied for benefits sooner than they had planned. It is a critical time, then, for the SSA Office of the Inspector General, which follows a core mission of protecting and improving the Agency and its programs.

In this *Semiannual Report to Congress*, covering the period October 1, 2009 through March 31, 2010, I am pleased to present to the 111th Congress our most significant audit, investigative, and legal accomplishments. Even during times of economic challenge and increasing workloads, we have maintained a focus on persistent management challenges like the disability backlog, as well as on high-priority investigations, such as those targeting individuals who fail to report their work activity to the SSA and fraudulently receive disability benefits.

Also during this reporting period, we continued our oversight and audit of Social Security programs, projects, and activities funded by the *American Recovery and Reinvestment Act of 2009*. Our audit work, including reviews of staffing levels in Social Security offices and the Agency's plan for a new National Computer Center, assesses whether funds are used for authorized purposes and identifies instances of fraud, waste, and abuse.

Employee safety has also become a critical issue for Social Security. As the Agency provides program benefits to more and more Americans, the possibility of encountering an unruly or even threatening customer increases. My office investigated several threats against Social Security employees during this reporting period, and we have made worker safety training and preparedness a priority moving forward.

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

Patrick P. O'Carroll, Jr.
Inspector General







SOCIAL SECURITY ADMINISTRATION OFFICE OF THE INSPECTOR GENERAL



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EXECUTIVE SUMMARY

This report presents the significant accomplishments of the Social Security Administration (SSA) Office of the Inspector General (OIG) from October 1, 2009 through March 31, 2010. The report is organized according to three major goals—impact, value, and people—set forth in the *OIG Strategic Plan: Fiscal Years (FY) 2006 – 2010*, Fifth Edition.

Impact

We work to have a positive impact on SSA programs and operations by enhancing their integrity, efficiency, and effectiveness. During this reporting period, we received more than 75,000 allegations from SSA employees, Congress, the public, law enforcement agencies, and other sources. Our agents closed more than 3,700 criminal investigations, resulting in over 300 arrests, over 400 indictments and informations, 794 criminal convictions (including pretrial diversions) and 69 civil judgments/civil monetary penalty (CMP) assessments. During this reporting period, our agents also secured 6 indictments and 8 convictions for fraudulent activity related to Hurricanes Katrina and Rita, and they continued to work with law enforcement agencies to arrest subjects identified through the Fugitive Felon Program. Highlighted investigations in this section relate to Social Security number (SSN) misuse, employee misconduct, and hurricane response efforts.

Our auditors also had a significant impact during this reporting period, issuing 42 reports and making recommendations on a wide variety of challenges facing the Agency. Our audit work over the past six months included reviews of SSA's initiatives connected to the *American Recovery and Reinvestment Act of 2009 (Recovery Act)*, the impact of state budget issues on SSA's disability programs, and hearing office performance and staffing.

Value

Our organization strives to provide valuable products and services in a timely manner to Congress, SSA, and other key decision makers while sustaining a positive return for each tax dollar invested in OIG activities. During this reporting period, our auditors identified more than \$1.3 billion in questioned costs and about \$2.06 billion in Federal funds that could be put to better use. Highlighted audits include the financial impact of conducting fewer full medical continuing disability reviews (CDRs), and identifying Supplemental Security Income (SSI) recipients who were potentially eligible for Department of Veterans Affairs (VA) benefits.

In the first half of FY 2010, we are reporting over \$173 million in monetary accomplishments, with over \$29.5 million in SSA recoveries, restitution, fines, settlements, and judgments; and over \$143.5 million in projected savings from investigations resulting in the suspension or termination of benefits. In addition, we participated in multi-agency investigations that resulted in over \$25 million in savings, restitution, and recoveries for other agencies. Highlighted investigations in this section relate to representative payee fraud and concealment of work activity in order to collect disability benefits.

Our Cooperative Disability Investigations (CDI) Program continues to be one of our most successful initiatives, contributing to the integrity of SSA's disability programs. The efforts of our CDI Units during this reporting period resulted in more than \$117 million in SSA program savings.

During this reporting period, our attorneys initiated 74 CMP actions (Section 1129 cases) that involved false statements, representations, or omissions made in connection with obtaining or retaining benefits or payments under Titles II (Federal Old-Age, Survivors, and Disability Insurance Benefits) and XVI (Supplemental Security Income) of the *Social Security Act (the Act)*. Included in our investigative accomplishments above is nearly \$2 million in penalties and assessments that our attorneys imposed through our CMP program.

People

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

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





INTRODUCTION TO OUR ORGANIZATION

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

Immediate Office of the Inspector General

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

Office of Audit

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

Office of the Counsel to the Inspector General

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



Office of External Relations

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

Office of Investigations

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

Office of Technology and Resource Management

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





IMPACT

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

Audit Impact Initiatives

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

American Recovery and Reinvestment Act of 2009

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

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

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

During this semiannual period, our *Recovery Act* oversight focused on staffing plans at various SSA offices and *Recovery Act* data quality reviews.



1) The Office of Operations' Staffing Plans Under the American Recovery and Reinvestment Act of 2009

In this review, we reported that SSA's Office of Operations developed an appropriate plan for its \$251 million in *Recovery Act* funds to process disability and retirement workloads. However, we identified some matters for attention to ensure *Recovery Act* funds are properly accounted for, efficiently used and their benefits fully disclosed. We determined that SSA uses a cost allocation methodology that charges *Recovery Act* funds based on the average workyear costs. The charges based on this methodology are approximately \$195 million. However, the actual costs of the 1,531 new employees will only be approximately \$101 million.

Further, we reported that SSA's workload plan should have disclosed the estimated \$18 million in training costs because it is time spent in training rather than processing disability and retirement workloads. Finally, SSA's performance measures do not identify all the anticipated benefits of the *Recovery Act* funds. We recommended SSA disclose its cost allocation methodology. The Agency issued an updated plan disclosing both SSA's cost allocation methodology and training costs.

2) The Office of Disability Adjudication and Review's Staffing Plans Under the American Recovery and Reinvestment Act of 2009

In this review, we reported that SSA allocated \$30 million to the Office of Disability and Adjudication Review (ODAR) during FY 2009 and another \$93 million in FY 2010 to hire administrative law judges and support staff. However, at the time of our review, we estimated that the actual cost of the new hires will be less than ODAR planned for FY 2009. Further, we found the final staffing plan submitted to the Office of Management and Budget (OMB) did not provide information on a number of areas that would be useful to those relying on the staffing plan.

3) Disability Determination Services' Staffing Under the American Recovery and Reinvestment Act of 2009

We reported that SSA developed an appropriate plan for the \$87 million in *Recovery Act* funds it was given to process disability workloads. However, we identified matters for consideration to ensure *Recovery Act* funds are properly accounted for and efficiently used and their benefits are fully disclosed. We reported that having only one performance measure for Disability Determination Services (DDS) in the *Disability and Retirement Workload Plan* will not disclose all the anticipated benefits of the *Recovery Act* funds. We recommended SSA include additional performance measures in its *Disability and Retirement Workload Plan* related to minimizing the average processing time for initial disability claims, the number of periodic continuing disability reviews processed, initial claims pending, and overall processing time for disability claims.



4) Office of Acquisition and Grants' Staffing to Process American Recovery and Reinvestment Act of 2009 Acquisitions

We reported that SSA's Office of Acquisition and Grants (OAG) has taken steps to ensure it has sufficient qualified staff to process Agency acquisitions funded with *Recovery Act* dollars. The Agency hired new staff and assigned them to existing workloads to allow existing staff to handle the *Recovery Act* workloads. We also determined that SSA had an internal certification program for contract officers (CO) and Program and Project Managers in place before converting to OMB's Office of Federal Procurement Policy programs, but did not have a program for Contracting Officer Technical Representatives (COTRs). We found that eligible COs were either certified or received the necessary training and experience to become eligible to apply for Federal Acquisition Certification, including all COs processing *Recovery Act* awards. Using newly hired and existing acquisition staff, SSA should have sufficient and adequately trained and certified staff to process all its planned and actual *Recovery Act* acquisitions.

Although SSA's OAG has a database to document the names of staff who have taken the Agency's required COTR training, we found the database was not updated as employees left the Agency or transferred from one Agency component to another. We requested SSA's OAG consider periodically reconciling its database with SSA's Office of Personnel database. Additionally, the Agency should continue its plan to implement the structured training program for COTRs and other individuals performing these functions to achieve standard competencies and training. Once SSA implements the program in July 2010, it will no longer need the COTR training database.

5) American Recovery and Reinvestment Act of 2009 Data Quality Reviews

In this review, we determined whether SSA had established a process to perform limited data quality reviews to (1) identify material omissions and/or significant *Recovery Act* reporting errors and (2) notify the recipients of the need to make appropriate and timely changes. We also reviewed SSA's process for monitoring recipient reporting of recovery funds for the quarter ended September 30, 2009.

We found that SSA had established a process to perform limited data quality reviews to (1) identify material omissions and/or significant *Recovery Act* reporting errors and (2) notify the recipients of the need to make appropriate and timely changes. We also reviewed SSA's process for monitoring recipient reporting of recovery funds for the quarter ended September 30, 2009, and found that staff and management were following the policies and procedure they put in place to review contractor reporting.



Impact of State Budget Issues on the Social Security Administration's Disability Programs

Federal regulations state, "Subject to appropriate Federal funding, the State will, to the best of its ability, facilitate the processing of disability claims by avoiding personnel freezes, restrictions against overtime work, or curtailment of facilities or activities."

However, to address budget deficits, some States have instituted, or are considering, furloughs for State employees—including staff at DDSs, which are fully funded by SSA. Additionally, some States have implemented other measures, such as changes in hiring procedures, that may affect disability claims processing in the DDSs. Our objective was to assess the impact of State budget issues on the SSA's disability programs.

State budget issues have affected SSA's disability programs. At the same time that SSA has experienced a surge in new disability claims, State furloughs have affected the Agency's ability to process claims—even though it has taken measures to address these issues. Additionally, State budget cuts have affected disability beneficiaries and recipients. At the time of our review, nine States had implemented, or were considering, furloughs for all DDS employees, and three States had implemented furloughs for some DDS employees.

In the States furloughing all DDS employees, the DDSs will encounter a shortfall of capacity up to 14 percent because of furlough days. As a result of furloughs, we expect approximately 69,000 disability cases to be delayed in processing over the next 12 months. This wait will result in about \$126.2 million in benefit payments being delayed to newly disabled claimants and from flowing into the economies of these States.

The Act and Federal regulations give the Agency limited control over how the States set up and administer the DDSs, even though they are fully federally funded. However, SSA has been proactive in addressing the effect of furloughs, and some States have responded to the Agency's efforts to exempt the DDSs from furloughs and hiring freezes.

Hearing Office Performance and Staffing

In FY 2009, as a result of additional Agency funding, ODAR was able to increase the number of administrative law judges (ALJ), hearing office managers, and support staff. With this new hiring, ODAR's staffing ratio increased to 5.1 thereby exceeding the Agency's national goal of 4.5 staff per ALJ. However, there were a number of hearing offices with staffing ratios below 4.0 staff per ALJ.

Our objective was to determine the staffing ratio and combination of staff skills in the ODAR hearing offices that maximize hearing office performance.

In performing their duties, ALJs are assisted by decision writers and other support staff. ODAR's staffing mix goals are to have at least 1.5 decision writers per ALJ and 2.5 other support staff per ALJ in each of its hearing offices. We found that the hearing offices that met or exceeded the 1.5 decision writer per ALJ staffing mix goal had, on average, almost a 9-percent higher productivity rate than those hearing offices with a ratio less than the goal. However, ODAR's staffing ratio had not been adjusted to reflect senior attorney adjudicators who perform two roles—staffing duties when drafting decisions and ALJ duties when issuing fully favorable, on-the-record decisions.



In addition, we found that ODAR has begun using centralized units to assist hearing offices in processing their workloads. These units can supplement staffing and space shortages in hearing offices while providing management with greater flexibility to address unforeseen workload changes.

We made four recommendations to the Agency to (1) focus resources on offices below a 4.0 staffing ratio, (2) consider modifying the staffing mix by increasing the number of decision writers per ALJ, (3) determine how the attorney adjudicators' new duties of issuing decisions affect the staffing ratio and adjust the ratio based on this analysis, and (4) continue expanding the use of centralized pulling and writing centers. SSA agreed with all of our recommendations.

Prisoners' Access to Social Security Numbers

Our objective was to determine the status of corrective actions SSA had taken to address recommendations in our August 2006 report, *Prisoners' Access to Social Security Numbers*, and assess the extent to which prisoners had access to SSNs.

Some prisons allow inmates to work while incarcerated. While performing some of these duties, inmates may have access to other individuals' SSNs. Although SSA had taken some steps to educate the correctional institutions about the potential risks associated with allowing prisoners access to SSNs, we determined that eight (62 percent) of the 13 States identified in our August 2006 report continued this practice. While prisons generally had some controls in place to safeguard SSNs, vulnerabilities still existed. Because of identity theft concerns and the recognition that SSNs are linked to vast amounts of personal information, some States no longer allowed prisoners access to SSNs.

While we recognize SSA cannot prohibit prisons from allowing prisoners access to SSNs, we continue to believe it can help reduce potential threats to SSN integrity by encouraging States to limit SSN access. We encourage SSA to contact correctional officials in the eight States that continue to allow prisoners access to SSNs. We also encourage SSA to support legislation that would prohibit executive, legislative, and judicial agencies from employing prisoners in any capacity that would allow prisoners access to SSNs of other individuals.

SSA responded that it will consider possible options, such as sending letters or contacting the correctional officials in the eight States that continue to allow prisoners' access to SSNs. In addition, SSA stated it will develop a legislative proposal that would prohibit Federal, State, or local governments and private contractors from employing prisoners in any capacity that would allow access to full or partial SSNs.

Congressional Response Report: The SSA's Fugitive Felon Program and the Martinez Settlement Agreement

Our objective was to address a request from the Subcommittee on Social Security to provide information on how the proposed *Martinez* class action settlement agreement would affect the Agency's fugitive felon policy.

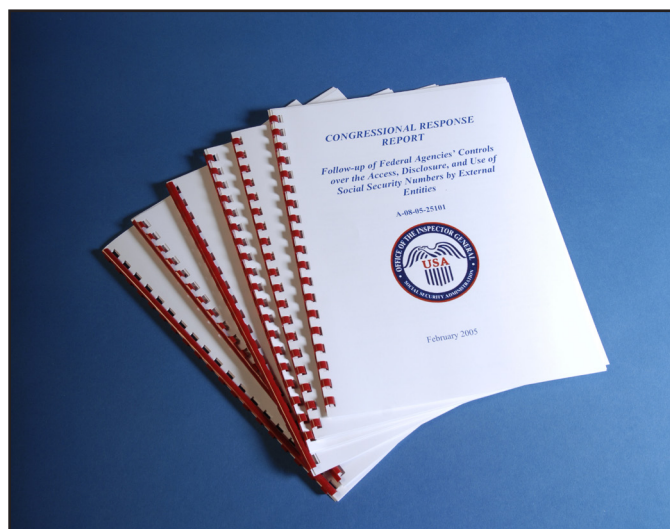
Martinez challenged the SSA's fugitive felon policy of basing payment suspensions solely on the existence of an outstanding felony arrest warrant rather than developing information to ensure that the individual was "fleeing." As a result of the *Martinez* case, a tentative settlement was reached in which SSA policy will suspend Title II and deny Title XVI benefits only if the individual's outstanding felony warrant was issued for one of three offenses: escape; flight to avoid prosecution, confinement, etc.; and flight-escape.

We estimate that about 60.7 percent of individuals with outstanding warrants will be paid Title II and XVI benefits if the *Martinez* settlement agreement is approved. The remaining 39.3 percent will continue to have their benefits stopped. The 39.3 percent consists of:

- About 0.7 percent of fugitive felons who have outstanding warrants with one of the three offense codes cited in the *Martinez* settlement agreement; and
- About 38.6 percent who are probation or parole violators—since the *Martinez* agreement has no impact on this group.

The settlement agreement, however, does not restrict SSA or the OIG's data-sharing activities with law enforcement. Therefore, the OIG will continue to obtain data from law enforcement agencies on fugitive felons wanted for all Offense Codes and match that data with SSA's records. Additionally, the OIG will share information in SSA's records regarding the fugitive's location (that is, address information) with law enforcement so that they can potentially arrest the fugitive.

Note: The Martinez settlement was finalized after the completion of this report, issued in October 2009.





Investigative Impact Initiatives

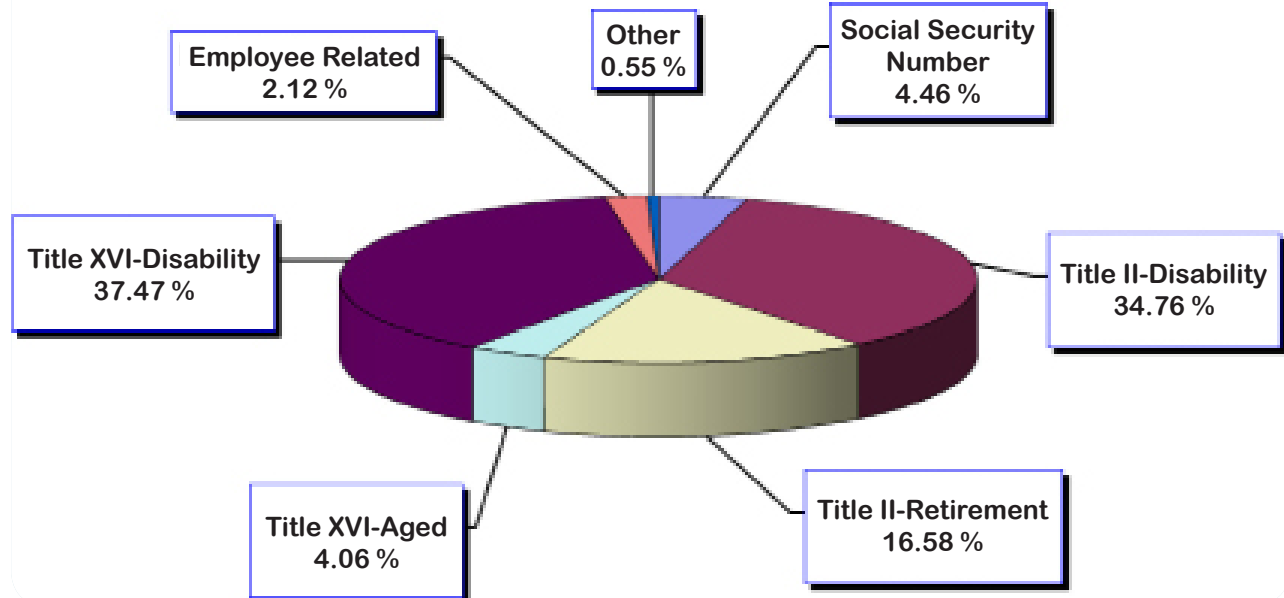
OI examines and investigates allegations of fraud, waste, abuse, and mismanagement in SSA programs and operations. These allegations may involve benefit fraud, SSN misuse, violations by SSA employees, or fraud related to grants and contracts. Our investigations often result in criminal or civil prosecutions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

| Investigative Results October 1, 2009 - March 31, 2010 | |
|---|--------|
| Allegations Received | 75,563 |
| Cases Opened | 3,251 |
| Cases Closed | 3,740 |
| Arrests | 303 |
| Indictments/Informations | 432 |
| Criminal Convictions | 794 |
| Civil/CMPs | 69 |

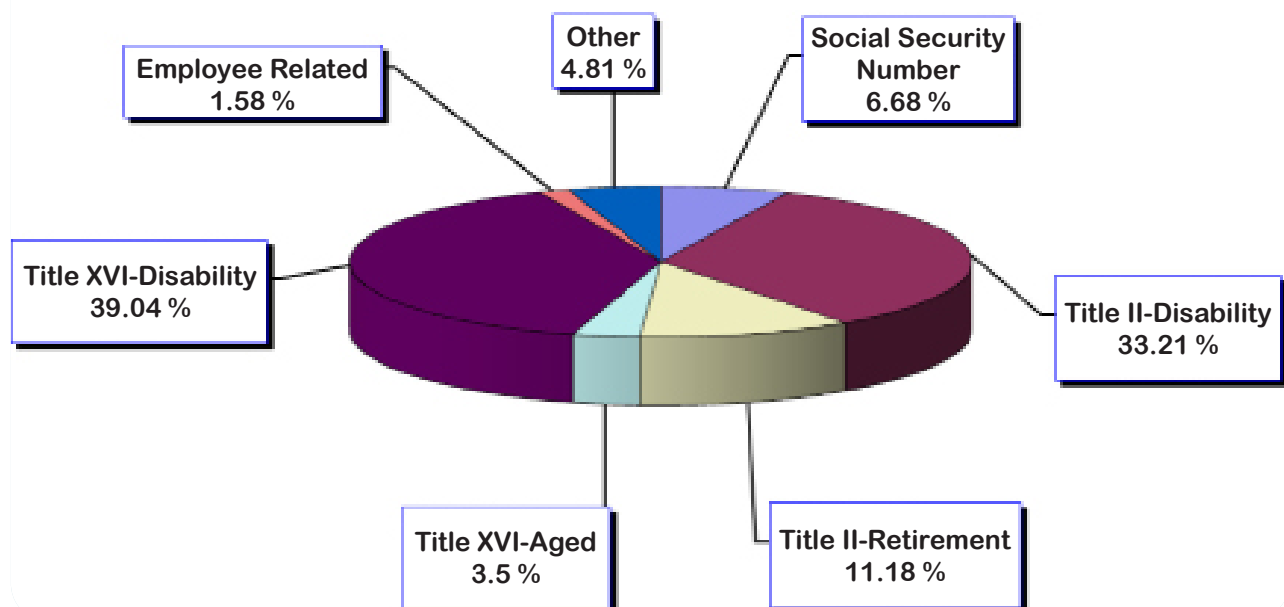




Cases Opened by Program Category October 1, 2009 - March 31, 2010



Cases Closed by Program Category October 1, 2009 - March 31, 2010





SSN Misuse: Woman's Identity Misused for More Than 20 years

Acting on a referral from a Texas identity theft victim, our San Diego, California office investigated a California resident for using the victim's SSN. For more than 20 years, the victim's identity had been used to obtain benefits from multiple Federal and state agencies. Further investigation determined that the perpetrator used the victim's identity to receive Title XVI disability benefits since 1998.

Prior to her sentencing, the perpetrator pled guilty to identity theft and grand theft. She was sentenced in November 2009 to serve 210 days' incarceration and 3 years' probation, and she was ordered to pay restitution of \$101,845 to SSA and an \$800 fine.

| Allegations Received by Source October 1, 2009 - March 31, 2010 | |
|--|---------------|
| Law Enforcement | 25,815 |
| SSA Employees | 16,934 |
| Private Citizens | 17,181 |
| Anonymous | 3,722 |
| Other | 9,892 |
| Beneficiaries | 1,384 |
| Public Agencies | 635 |
| TOTAL | 75,563 |

SSN Misuse: Task Force Uncovers \$1 Million Fraud Loss

Our Los Angeles, California office participated in an investigation with the U.S. Postal Inspection Service Identity Theft and Economic Crime Task Force. The investigation revealed that a man used other individuals' personal identifying information, including their SSNs, obtained from mortgage and credit files, to acquire credit cards.

The individual used the credit cards to purchase merchandise and services that resulted in a loss of \$1,047,321. He was indicted for use of unauthorized access devices, misuse of an SSN, and aggravated identity theft.

After signing a plea agreement, the man was sentenced in November 2009 to serve 95 months in Federal prison and was ordered to pay \$1,047,321 to the various credit card companies and stores he victimized. He was also ordered to pay a special assessment of \$300.

| Allegations Received by Category October 1, 2009 - March 31, 2010 | |
|--|---------------|
| SSI Disability | 29,197 |
| Disability Insurance | 27,698 |
| SSN | 6,748 |
| Old-Age, Survivors Insurance | 4,349 |
| Other | 5,894 |
| Employee | 1,130 |
| SSI Aged | 547 |
| TOTAL | 75,563 |



SSN Misuse: N.C. Resident Obtains More Than \$1 Million in Fraudulent Loans

Our Atlanta, Georgia office participated in an investigation with the U.S. Secret Service, which revealed a North Carolina man had been using several SSNs to obtain fraudulent loans. The investigation determined that the man used SSNs belonging to others to acquire mortgages, credit cards, and automobile loans.

In October 2009, after pleading guilty to false statements on loan applications, bank fraud, aggravated identity theft, and misuse of an SSN, the man was sentenced to 40 months' incarceration and 3 years' supervised release, and he was ordered to pay restitution of \$1,224,721 to various financial institutions.

SSN Misuse: Senegal Man Makes False Statements and Receives Three SSNs

A Kansas City, Missouri office investigation involved a man from the Republic of Senegal who attempted to apply for a third SSN by making false statements on his SSN application. The man (initially in the United States on a Student Visa) succeeded in obtaining three SSNs by providing almost identical identifying information, with slight variances to his place of birth. He stated that he applied for the SSNs in order to obtain new credit.

In February 2010, after entering a guilty plea to making a false statement, the man was sentenced to serve 3 years' probation and was ordered to pay a special assessment fee of \$100.

SSN Misuse: Deportee Returns and Applies for Retirement Benefits

A joint investigation was conducted by our Phoenix, Arizona office, the U.S. Department of Immigration and Customs Enforcement, and the Department of State involving a Mexican national who filed for Title II retirement benefits using the identity of another woman.

The investigation revealed that the woman fraudulently filed for benefits using the SSN of an individual who was not only receiving Title II disability benefits, but who also had previously reported that her identity had been stolen. The victim's identity had also been used to obtain a fraudulent Arizona driver's license, SSN cards, and a U.S. passport.

Following her plea of guilty to reentry of a removed alien and aggravated identity theft, the previously deported Mexican national was sentenced in January 2010 to 30 months' incarceration and 3 years' of supervised release, and she was ordered to pay a \$200 special assessment.



Employee Fraud: Former SSA Employee Accesses Records of Church Study Group

Based on a referral from SSA's Ft. Lauderdale Teleservice Center, our Ft. Lauderdale, Florida office conducted an investigation of an SSA Teleservice Representative for exceeding his authorized access of the SSA database. The investigation determined that the employee fraudulently accessed the SSA database of 17 individuals, and many of these individuals were females he met at a church study group. The employee queried the SSA database at least 56 times in a five-month period.

The employee was subsequently terminated in September 2009. On October 29, 2009, after a jury found him guilty of intentionally exceeding the authorized access to a computer, the former employee was sentenced to 1 year in prison, followed by 1 year of supervised release, and he was ordered to pay a \$425 court fee.

Employee Fraud: Former SSA Employee Convicted of Using SSA Computers to Misbrand Pharmaceuticals

Based on a request from the U.S. Food and Drug Administration/Office of Criminal Investigations, our Philadelphia Field Division/Special Projects Team investigated an SSA Information Technology Specialist. The employee used his government computer to divert expired or suspected counterfeit prescription drugs to a Maryland pharmacist.

The employee resigned in January 2010. Following his plea of guilty to misbranding of pharmaceuticals, the former employee was sentenced in January 2010 to serve 3 months' home confinement and 3 years' supervised probation, and he was ordered to pay a court fee of \$100.

Employee Fraud: Former SSA Employee Convicted of Embezzlement

Acting on a referral from the Little Rock SSA office, our Little Rock, Arkansas office investigated an SSA Claims Representative for unlawfully authorizing multiple critical payments and directing the funds into the bank accounts of her two co-conspirators. Portions of those funds were withdrawn and the monies were paid to the employee as part of a kickback scheme.

The employee was subsequently terminated from SSA in September 2008. On October 8, 2009, after pleading guilty to conspiracy to defraud SSA, the former employee was sentenced to 1 year and 1 day imprisonment and 2 years' supervised release, and she was ordered to pay restitution of \$99,082 to SSA. The restitution amount is owed jointly and severally with one of the co-conspirators.

In June 2008, as a result of an indictment for conspiracy and theft of public money, one of the co-conspirators entered in a pretrial diversion agreement. The co-conspirator was ordered to pay restitution of \$2,550 to SSA. The other co-conspirator, after pleading guilty to conspiracy, was sentenced in September 2009 to 10 months' community confinement and 4 years' probation, and was ordered to pay restitution of \$99,082 to SSA (jointly and severally with the former employee).



Hurricane Response Efforts

We continue to be actively involved in pursuing investigations of fraud related to Hurricanes Katrina and Rita and helping SSA prepare for similar events in the future. Because the SSN is a key identifier for various disaster assistance programs, we have been a critical partner in multi-agency investigations of this type of fraud. In fact, we have assigned an agent to the DOJ's Hurricane Katrina Fraud Task Force in Louisiana, where we have been involved in numerous joint investigations of hurricane-related fraud.

Since the inception of the Task Force, OI has secured 70 indictments and 67 convictions of individuals for hurricane-related fraud. For this reporting period, our investigators secured 6 indictments and 8 convictions of individuals for hurricane-related fraud.

FEMA Recipients Use False Addresses to Receive Disaster Relief

Our Birmingham, Alabama office and the Hurricane Katrina Fraud Task Force jointly investigated six women who fraudulently received Federal Emergency Management Agency (FEMA) disaster assistance due to Hurricanes Katrina and Rita. The investigation revealed that the women filed seven fraudulent FEMA claims using false SSNs, and claimed Louisiana residence, even though they did not reside in Louisiana during the hurricanes.

Four of the women pled guilty to theft of government funds and were sentenced in November 2009 to serve 3 years' probation. A fifth woman pled guilty to conspiracy to defraud the government and was sentenced to serve 5 years' probation. In addition, two of the women were ordered to pay restitution of \$4,358 each to FEMA, two others were ordered to pay restitution of \$2,000 each to FEMA, and one of the women was ordered to pay restitution of \$12,716 to FEMA.

The remaining woman pled guilty to theft of government funds and, in December 2009, was sentenced to serve 3 years' probation and was ordered to pay restitution of \$2,358 to FEMA.

Alabama Man Commits Disaster Fraud

Agents from our Birmingham, Alabama office, along with the Hurricane Katrina Fraud Task Force, investigated a man who used a fraudulent SSN to file a disaster assistance claim with FEMA.

Following the man's plea of guilty to theft of government funds, he was sentenced in November 2009 to serve 3 years' probation and was ordered to pay restitution of \$2,000 to FEMA.

Woman Uses Addresses of Condemned Property to Collect Disaster Funds

Our Baton Rouge, Louisiana office, along with the National Disaster Fraud Task Force, investigated a woman who, in the aftermath of Hurricane Rita, used a fraudulent SSN to apply for a grant from the Louisiana Road Home Program. In addition, her grant application contained an address of a property condemned prior to Hurricane Rita.

In October 2009, after pleading guilty to theft of government funds, the woman was sentenced to 1 day of incarceration, 8 months in a halfway house, and 3 years' supervised probation. Additionally, she was ordered to pay restitution of \$55,600 to the state of Louisiana Office of Community Development.



Fugitive Felon Enforcement Program

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

Martinez vs. Astrue

In October 2008, SSA's Fugitive Felon Program was challenged by a group of litigants known collectively as "Martinez," the name of the original plaintiff. This group challenged the Agency's policy and procedures in applying non-payment actions to fugitive felons and non-selection of fugitive felons as representative payees. Upon the advice of DOJ, SSA decided to settle this litigation and change its processing of certain fugitive felon non-payments and representative payees.

As of April 1, 2009, SSA policy has been to suspend or deny Title II, Title VIII and Title XVI payments, or to prohibit an individual from serving as a representative payee, only if the individual's outstanding felony warrant was issued for one of the following three offenses: escape; flight to avoid prosecution, confinement, etc.; and flight-escape. However, SSA may use all warrant information in determining an individual's suitability to serve as a representative payee.

The *Martinez* settlement does not affect SSA's policy or procedures for processing Title II, Title VIII or Title XVI payments or representative payee actions for cases involving outstanding parole or probation violation warrants. Nor does the *Martinez* settlement affect OIG's data-sharing activities with law enforcement. OIG will continue matching subjects wanted for all offense codes and share SSA's location information with the warrant-issuing law enforcement entity. Additionally, the *Martinez* settlement applies to all jurisdictions including the Second Circuit (New York, Connecticut, and Vermont) where fugitive activities had been curtailed, based on prior litigation. Data-sharing for all offense codes now applies to this Circuit, and subjects wanted for any of the three offense codes mentioned above can be referred to the Agency for appropriate action.

OIG's Management and Fugitive Enforcement Program

Our data-sharing efforts with law enforcement agencies contributed to the arrest of 3,651 subjects during the reporting period, and over 91,000 arrests since the program's inception in 1996. The following are some examples of fugitive felon activities during the past six months.

- OIG agents and members of the U. S. Marshals Service Southwest Regional Fugitive Task Force in Atlanta, Georgia arrested an SSI beneficiary wanted on an outstanding warrant dated December 18, 2009. The subject was arrested for Failure to Register as a Sex Offender as part of a joint effort to identify and arrest egregious felons.
- The Onondaga County Sheriff's Office in Syracuse, New York reported the arrest of a wanted subject for an outstanding probation violation warrant issued October 19, 2009. The subject, an SSA beneficiary, was on probation stemming from a Larceny charge.
- The Onondaga County Sheriff's Office in Syracuse, New York reported the arrest of a wanted subject for a felony bench warrant issued November 6, 2009. The subject, an SSI beneficiary and sex offender, failed to register his address as required by Megan's Law and absconded from supervision.
- The San Bernardino County Sheriff's Office in San Bernardino, California reported that the FBI Inland Regional Apprehension Team arrested a wanted subject based on a warrant dated October 6, 2009. The subject, an SSI beneficiary was wanted for a charge of Attempted Murder.

Legal Impact Initiatives

Section 1140 Enforcement

In our enforcement of Section 1140 of *the Act*, OCIG has learned of multiple Internet Web sites that appear designed to mislead visitors to believe that they are visiting SSA's official Web site, or a Web site affiliated with SSA. Some of these Web sites receive revenue from advertisers, such as Social Security disability representatives, who capitalize on the Web site's misleading character and attract clients through deception.

Because the operators of many of these Web sites conceal their true identities, or are located outside of the United States, OCIG has begun pursuing the disability representatives and others who advertise on the offending Web sites, using the authority delegated to OCIG under Section 1140 of *the Act*.

To date, all entities contacted have voluntarily agreed to cease and desist from advertising on the deceptive Web sites OCIG has identified. These efforts are ongoing.





VALUE

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

Value Attained Through Audits

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

During this reporting period, our auditors issued 42 reports, identifying over \$1.3 billion in questioned costs and about \$2.06 billion in Federal funds that could be put to better use. Some of our most notable audits are summarized below.

Full Medical Continuing Disability Reviews

SSA is required to conduct periodic CDRs to determine whether individuals continue to be disabled. Our objective was to determine the financial impact to Disability Insurance and Supplemental Security Income programs as a result of conducting fewer full medical CDRs.

The number of full medical CDRs conducted has decreased, particularly between FY 2004 and 2008 with a decline of approximately 65 percent. As a result, SSA estimates a backlog of more than 1.5 million full medical CDRs will exist at the end of FY 2010.

SSA has made, and will continue to make, benefit payments to individuals who would no longer be eligible if full medical CDRs had been conducted when due.

- From Calendar Year (CY) 2005 through CY 2010, we estimate benefit payments of between \$1.3 billion and \$2.6 billion could have potentially been avoided if full medical CDRs had been conducted when due.
- Although SSA plans to conduct an increased number of full medical CDRs in FY 2011, the 1.5-million full medical CDR backlog will most likely remain. Therefore, we estimate between \$556 million and \$1.1 billion during CY 2011 could have potentially been avoided if full medical CDRs had been conducted when due.

We recommended SSA continue to work with Congress to secure funds necessary to eliminate the existing full medical CDR backlog and conduct the CDRs that become due each year. To the extent resources are not available, SSA should report the reasons and associated impact on Federal benefit payments in its annual CDR Report to Congress.

SSA partially agreed with our recommendation. According to SSA, the time it takes to prepare the annual CDR Report to Congress undermines the usefulness of reporting therein the reasons and associated impact on Federal benefit payments of not conducting all CDRs due each year. However, in accordance with the President's commitment to transparency and open Government, we believe SSA should fully disclose this information to Congress as timely as possible, even if the annual CDR Report to Congress is not the best place to do so.



Supplemental Security Income Recipients Eligible for Veterans Benefits

Generally, individuals are not eligible for SSI if they fail to take all the appropriate steps to apply for all other benefits for which they may be eligible—including VA benefits.

Our objective was to identify SSI recipients who were potentially eligible for VA benefits instead of SSI payments.

VA administers a pension program that provides benefits to financially needy veterans who are aged or have disabilities unrelated to their military service. VA considers individuals disabled if they have been determined disabled by SSA. Veterans must also meet eligibility requirements related to their military service to qualify for VA pension benefits.

We found that some SSI recipients appeared potentially eligible for VA benefits instead of SSI payments. Based on our review, we estimate SSA paid about \$1.3 billion to approximately 22,000 SSI recipients who appeared to meet VA requirements for benefits. In addition, we estimate that SSA will continue to pay about \$126 million in SSI payments over the next 12 months to individuals who appear eligible for VA benefits instead of SSI payments.

VA benefits are generally of greater monetary value than SSI payments—so it is usually more advantageous for the individuals to receive VA benefits. Specifically, in FY 2007, the average monthly VA benefit was \$709, whereas the average monthly SSI payment was \$468. Therefore, if these individuals are in fact eligible for VA benefits, they could receive higher monthly benefit payments.

We recommended SSA continue its efforts to work with VA to ensure individuals who should be receiving VA benefits instead of SSI payments are, in fact, receiving VA benefits.

SSA agreed with the recommendation.

Contract with Mathematica Policy Research, Inc. for Services to Evaluate Youth Transition Demonstration Projects

Our objective was to ensure SSA received the goods and services for which it contracted and to review the services provided by Mathematica Policy Research, Inc. SSA awarded Mathematica a \$46.8 million contract to support the development, implementation, and evaluation of Youth Transition Demonstration (YTD) interventions. SSA initiated this research to better understand how to support disabled individuals in reaching their full economic potential and in becoming less reliant on Social Security benefits.

For the first three years of the nine-year contract period, SSA received the goods and services for which it contracted. However, based on a lack of demonstrated, tangible results achieved to date through this and other YTD-related projects, we question whether spending the \$29.7 million remaining on this contract will yield any benefit to SSA. Also, SSA did not establish performance goals that could be objectively measured to allow for informed project funding decisions. Further, services provided and costs charged to SSA did not always adhere to contract terms and applicable regulations, resulting in overpayment of fixed fees and travel costs and disbursements to unauthorized subcontractors.

We recommended that SSA (1) establish performance goals for the program benefits expected to result from continued expenditures, (2) establish key milestones that objectively measure progress, (3) continue



YTD project funding only if program results or administrative savings are worth the continued project costs. We provided five additional recommendations addressing adherence to contract terms and applicable regulations.

SSA disagreed with four of our recommendations and stated that inserting performance goals with respect to administrative savings or program benefits during the demonstration is inappropriate. SSA believed 1) there would be insufficient data to conduct a complete cost-benefit analysis, and 2) the YTD project's success cannot be reliably predicted or measured before the research is completed.

Congressional Response Report: San Francisco Regional Management Training Forum

Our objective was to respond to Senator Grassley's July 16, 2009 letter requesting we (1) conduct an audit of SSA's July 2009 training conference in Phoenix, Arizona; (2) determine the number of training conferences conducted by the Agency over the past eight years; and (3) provide information pertaining to all OIG investigations, audits, and evaluations conducted on conference events at SSA over the past five fiscal years.

From July 7 to 9, 2009, the San Francisco Region conducted a Regional Management Training Forum at the Arizona Biltmore Hotel in Phoenix, Arizona. Approximately 670 SSA management officials from across the Region and Headquarters in Baltimore attended. The agenda included presentations from SSA and non-SSA speakers.

We found the majority of the approximately \$675,000 in costs incurred at the training forum was properly supported and in compliance with Agency guidance and applicable laws and regulations. However, we identified approximately \$13,400 in questionable costs related to refreshments at an employee reception the first night of the training forum. In addition, the Region may have inappropriately accepted gifts and donations for the conference. Finally, regional staff could have maintained better contract procurement documentation related to the trainers.

While the training conference was consistent with the Region's five-year training plan, the Agency's conference practices were inconsistent with its published policies calling for centralized approval and reporting on conferences. SSA management recently addressed this oversight issue by establishing new conference guidance.

In terms of prior conferences, we determined SSA had held approximately 180 conferences since January 1, 2001 for approximately 34,000 attendees at a cost to the Agency of about \$26 million. Our office has conducted three audits and one investigation related to training conferences at SSA in the past five years. One audit of administrative law judge conferences and the investigation of a Diversity Conference identified Agency oversight issues.

Supplemental Security Income Payments to Parents or Relatives Not Supporting Children

Generally, residents of public institutions are not eligible for SSI payments. However, in some cases, SSI recipients under age 18 remain eligible for payments while residing in institutions. Our objective was to assess SSA's payment of SSI to parents or relatives serving as representative payees for children they were not supporting.

We found that some parents/relatives serving as representative payees received SSI payments for children they were not supporting. Based on our review, we estimate that approximately 320 children resided in institutions, and their parents/relatives did not contribute to the cost of care at the institutions. These parents/relatives received approximately \$8.3 million in SSI payments for children they were not supporting. In addition, we estimate the Government could realize potential savings of about \$1.9 million per year if SSA limited these children to reduced SSI payments—similar to how children residing in certain medical facilities are limited to a \$30 Federal SSI payment.

For example, in one case, a 17-year-old SSI recipient resided in an institution for children with autism in which a third party paid for his care. He had not lived with his father since at least July 2000. His father served as his representative payee and received about \$36,000 on behalf of his disabled son for the period July 2000 to May 2009. This child's father earned about \$98,000 in 2008—and this income did not have any impact on his son's SSI payments.

We recommend SSA consider whether it is equitable to reduce SSI payments to parents/relatives serving as representative payees for children they are not supporting. If SSA determines it is equitable to do so, the Agency should seek the legislative revisions needed to enact this change in policy.

SSA agreed with the recommendation.





Value Attained Through Investigations

During this reporting period, the efforts of our investigators yielded significant results arising from the successful prosecution of cases that we developed. Our investigators achieved over \$173 million in monetary accomplishments, with over \$29.5 million in SSA recoveries, restitution, fines, and settlements/judgments; and over \$143.5 million in projected savings from investigations resulting in the suspension or termination of benefits.

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

| SSA Funds Reported October 1, 2009 - March 31, 2010 | |
|--|----------------------|
| Recoveries | \$15,592,300 |
| Fines | \$889,533 |
| Settlements/Judgments | \$495,766 |
| Restitution | \$12,929,476 |
| Estimated Savings | \$143,941,121 |
| TOTAL | \$173,848,196 |

The following case summaries are indicative of the more than 3,700 investigations that we closed during this reporting period. The cases we have highlighted illustrate the many instances where our investigative efforts have resulted in a significant return on investment.

Disability Program Fraud: Detroit Man Conceals Employment

In response to a complaint filed by a private citizen, our Detroit, Michigan office investigated a Title II disability beneficiary. The investigation revealed the beneficiary worked as a metal cutter and used his brother's Social Security number to conceal his earnings from SSA in an effort to continue to receive his disability benefits.

Prior to his sentencing in October 2009, the man pled guilty to theft of government property. He was sentenced to serve 180 days' home confinement and 3 years' probation, and he was ordered to pay restitution of \$77,511 to SSA.

Disability Program Fraud: Social Worker Commits Disability Fraud

Acting on information supplied by the Murray, Utah SSA office, our Salt Lake City, Utah office investigated a Title II disability beneficiary who also served as the representative payee for his daughter. The man concealed his employment as a social worker and a part-time instructor from SSA to continue to receive benefits for himself and the child.

After pleading guilty to Social Security fraud, the man was sentenced in January 2010 to serve 42 months of supervised release (to include 6 months' home confinement) and was ordered to pay restitution of \$126,847 to SSA.



Disability Program Fraud: Construction Company Owner Conceals Work

Based on information provided by the Harrison, Arkansas SSA office, our Little Rock, Arkansas office investigated a Title II disability beneficiary for concealing his work activity. From April 1997 through January 2007, the man owned and operated a construction company.

In November 2009, after pleading guilty to theft of government funds, the man was sentenced to 8 months' incarceration and was ordered to pay restitution of \$108,789 to SSA.

Disability Program Fraud: Woman Hides Marriage to Receive Title XVI Benefits

Our Des Moines, Iowa office conducted a joint investigation with the Housing and Urban Development/Office of Inspector General of a woman who received Title XVI disability benefits and housing assistance. To continue receiving benefits, the woman concealed her marriage and her spouse's income from SSA.

The woman was sentenced in December 2009, after pleading guilty to theft of government funds, to serve 6 months' incarceration and 3 years' supervised release, and she was ordered to pay restitution of \$86,878 to SSA and \$17,939 to HUD.

Representative Payee Fraud: Son Leaves Mother's Custody

Our Indianapolis, Indiana office investigated a woman who served as the representative payee for her son's SSI benefits. The woman failed to report that her son left her care and custody in July 2006.

As a result of our investigation, the woman pled guilty to theft of government funds and, in December 2009, was sentenced to 10 months' incarceration and 3 years' supervised release, and she was ordered to pay restitution of \$15,656 to SSA.

Representative Payee Fraud: Woman Fails to Report Child Left Custody

Based on information submitted by the Somerset, Pennsylvania SSA office, our Pittsburgh, Pennsylvania office investigated a woman who received Title II mother's benefits and also served as the representative payee for her child's Title II survivor's benefits. The woman failed to notify SSA that, beginning in February 1994 and continuing through April 2008, her daughter was not in her care and custody.

In October 2009, after pleading guilty to theft, she was sentenced to serve 18 months' incarceration and 2 years' supervised release, and she was ordered to pay restitution of \$215,132 to SSA.

Representative Payee Fraud: Woman Loses Custody of Child

Acting on a referral from the Cleveland, Ohio SSA office, our Cleveland office investigated a representative payee who received Title XVI benefits on behalf of her minor son. The woman failed to report that she and the child's father lost custody of their son in November 2005, yet she continued to receive benefits on behalf of her child until October 2008.

The woman pled guilty to SSA fraud and was sentenced to serve 3 years' supervised release and was ordered to pay restitution of \$21,058 to SSA.



Representative Payee Fraud: Child Never in Mother's Care While Receiving SSA Benefits

In response to information provided by the Scottsbluff, Nebraska SSA office, our Omaha, Nebraska office investigated a woman who served as representative payee for her son's Title II auxiliary benefits. The woman failed to disclose that her son was not under her care and custody during any of the time that she received his benefits; instead, the child had been living with his father.

In October 2009, after pleading guilty to theft by deception, the woman was sentenced to 2 years' probation and was ordered to pay restitution of \$10,216 to SSA.

Deceased Payee Project: New Orleans Resident Continues to Receive Title II Beneficiary's Benefits After Mother's Death

Our Baton Rouge, Louisiana office conducted an investigation as part of the BIC-D. From March 2002 to August 2007, a 55-year-old New Orleans resident and Title XVI recipient received and converted to his own use the Title II widow's benefit payments made to a deceased beneficiary.

Prior to his sentencing in November 2009, the man pled guilty to theft of government funds. He was sentenced to serve 6 months' home confinement and 5 years' probation, and he was ordered to pay full restitution of \$40,990 to SSA.

Deceased Payee Project: Man Continues to Receive Sister's Benefits After Her Death

Our Cleveland, Ohio office conducted an investigation as part of the National Deceased Payee Project (BIC-D), which identifies widows and widowers of Title II beneficiaries whose benefits continue to be paid after their death. This investigation revealed that benefits continued to be paid to a deceased beneficiary after her death in July 2003. From July 2003 until July 2008, the deceased's brother withdrew the benefits from her account and used the money for his own personal gain.

Following his plea of guilty to theft of public money, he was sentenced in October 2009 to serve 6 months' home confinement and 5 years' probation, and he was ordered to pay restitution of \$64,638 to SSA.

Deceased Payee Project: Daughter Continues to Receive Deceased Mother's Benefits

As part of the BIC-D, our Jackson, Mississippi office conducted an investigation of a daughter who continued to receive her deceased mother's Title II benefits after her death. The mother died in November 2002, and the daughter used the continuing funds for her own personal use.

In November 2009, after pleading guilty to theft of government funds, the daughter was sentenced to serve 5 months' incarceration and 5 months of home confinement with electronic monitoring, followed by 100 hours of community service. She was also ordered to pay restitution of \$82,573 to SSA.



Cooperative Disability Investigations Program

Our CDI Program continues to be one of our most successful initiatives, contributing to the integrity of SSA's disability programs. CDI is a joint effort of the OIG, SSA, DDS, and State and local law enforcement personnel. Established in 1998 with Units in just 5 States, our CDI program now has 21 Units in 19 States. The Units work to obtain sufficient evidence to identify and resolve issues of fraud and abuse related to initial and continuing disability claims.

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

Woman Overstates Ailments While Applying for Title II and Title XVI Benefits

The Houston, Texas CDI Unit investigated a 27-year-old woman who applied for Title II and Title XVI disability benefits due to diabetes, anxiety, and depression. During a consultative examination (CE), the woman appeared delusional and complained of hearing voices. The woman reported limitations with lifting, squatting, bending, standing, hearing, seeing, memory loss, completing tasks, concentrating, and understanding. She also complained of evil thoughts and hearing voices. As a result of the woman's behavior during the CE, she was diagnosed as having mood disorders. The Texas DDS referred this case to the Houston CDI Unit due to suspected malingering.

The CDI Unit's investigation revealed that the woman lived in her own apartment with her 9-year-old son, visited with her neighbors and friends, "liked to party," and occasionally cut hair. The woman also advised our investigators that when she lived in New Orleans, she went to the casinos to gamble and obtain free drinks, on a daily basis.

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

Truck Driver Fails to Report Work Activity

Our Baton Rouge, Louisiana CDI Unit investigated a 54-year-old man who was receiving Title II disability benefits due to severe back pain. The man reported that he could not drive or perform any type of physical labor due to his back condition. During a CDR, the man was questioned about earnings from a trucking company that appeared on his record. The man advised that the earnings belonged to his twin brother, who is a truck driver. The Baton Rouge SSA office referred the case due to the man's receipt of several phone calls occurring during the CDR which appeared work-related.

Our investigation revealed that the man worked full-time as a truck driver, and his income for 2009 exceeded \$100,000. Upon being interviewed, the man admitted he had been untruthful with SSA about his condition.

As a result of the CDI Unit's investigation, SSA terminated the man's Title II disability benefits, which resulted in an overpayment of \$4,300. This case was referred to the Office of Counsel to the Inspector General for possible Civil Monetary Penalty assessment.



Woman Embellishes Physical Limitations While Applying for Disability Benefits

The Iselin, New Jersey CDI Unit investigated a 49-year-old woman who applied for Title XVI disability benefits due to severe back pain, a swollen right leg, and a visual impairment. The woman alleged that those conditions limited her ability to work, as she could not stand or walk for long periods and her vision impairment affected her ability to read. During her CE, the CE provider found the woman's eyes to be completely normal and concluded that the woman had no physiologically-based visual loss. The New Jersey DDS referred this case due to suspected malingering.

The CDI investigation determined that the woman was able to read with no apparent difficulties and walk with a normal gait. In addition, during an interview with our investigators, the woman's chair unexpectedly collapsed, and the woman stood, giving no indication that the incident caused any pain or discomfort. Following the incident, the woman remained standing for the remainder of the interview.

The New Jersey DDS denied the woman's application for Title XVI disability benefits.



Man Conceals Self-Employment Income

Our New York, New York CDI Unit investigated a 57-year-old man who was receiving Title II disability benefits due to back problems. This investigation was based on information obtained from an audit conducted by our Office of Audit located in Kansas City. The audit indicated the man was concealing his operation of an awards production business. The CDI Unit's investigation revealed the man received approximately \$150,720 in disability benefits to which he was not entitled.

In October 2009, after pleading guilty to theft, the man was sentenced to 5 years' probation and was ordered to serve a prison term of 12 weekends over the course of 2 years during his probationary period. He was also ordered to pay full restitution of \$150,720 to SSA over the period of his supervision.

Man Exaggerates Medical Symptoms While Applying for Disability Benefits

Our Los Angeles, California CDI Unit investigated a 49-year-old man who applied for Title II disability benefits due to severe anxiety attacks and a phobia of going outside alone. The man reported that he could not leave his home unaccompanied, watched television all day, and was unable to care for others. The California DDS referred this case due to suspected malingering.

Our investigation revealed that the man functioned at a higher level than reported. It was determined that he was able to go out alone, care for his girlfriend's children, and drive himself to a club several times during the week to dance and perform as a singer.

The California DDS denied the man's application for Title II disability benefits.



The following table highlights the successes of the CDI program, which yielded more than \$117 million in SSA program savings during this reporting period.

| Cooperative Disability Investigations Program Results | | | | |
|--|-----------------------------|------------------------------|--------------------------------|------------------------------------|
| October 1, 2009 - March 31, 2010 | | | | |
| State | Allegations Received | Confirmed Fraud Cases | SSA Savings¹ | Non-SSA Savings² |
| Arizona | 121 | 62 | 5,437,784 | 2,672,278 |
| Arkansas ³ | 46 | 23 | 1,970,076 | 1,109,339 |
| California ⁴ | 338 | 145 | 9,643,265 | 8,556,583 |
| Colorado | 78 | 56 | 4,626,659 | 2,621,825 |
| Florida | 71 | 52 | 4,183,085 | 2,273,801 |
| Georgia | 178 | 137 | 10,782,835 | 6,219,245 |
| Illinois | 63 | 41 | 1,963,359 | 1,446,438 |
| Louisiana | 85 | 41 | 3,472,821 | 2,035,129 |
| Massachusetts | 72 | 29 | 2,355,851 | 1,488,934 |
| Missouri | 82 | 45 | 3,685,632 | 2,074,912 |
| New Jersey | 101 | 73 | 4,208,967 | 3,175,010 |
| New York | 96 | 50 | 4,485,003 | 3,519,544 |
| Ohio | 296 | 127 | 10,094,201 | 6,499,488 |
| Oregon | 114 | 108 | 8,390,353 | 5,529,207 |
| South Carolina ⁵ | 22 | 5 | 360,500 | 179,748 |
| Tennessee | 53 | 55 | 4,596,375 | 2,090,446 |
| Texas ⁶ | 368 | 270 | 21,619,352 | 13,400,698 |
| Virginia | 107 | 76 | 5,784,797 | 3,793,232 |
| Washington | 116 | 136 | 9,889,842 | 5,808,428 |
| TOTAL | 2,407 | 1,531 | \$117,550,757 | \$74,494,285 |

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

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

³ The Little Rock, Arkansas unit was established on October 1, 2008.

⁴ California has two units, one in Los Angeles and the other in Oakland.

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

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



Value Attained Through Legal Initiatives

OCIG's efforts to administer the portion of the CMP program which deals with violators of Section 1129 of *the Act* maximize the resources available to us and create a positive return on investment. Section 1129 of *the Act* allows for the imposition of a CMP against those who make false statements or representations in connection with obtaining or retaining benefits or payments under Titles II, VIII, or XVI of the *Act*. In addition, CMPs may be used to penalize representative payees for wrongful conversion of payments made under the Social Security programs, and to penalize individuals who knowingly withhold a material fact from SSA. After consultation with the DOJ, OCIG is authorized to impose penalties of up to \$5,000 for each false statement, representation, conversion, or omission. A person may also be subject to an assessment, in lieu of damages, of up to twice the amount of any resulting overpayment.

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

| Civil Monetary Penalty Activity Under Section 1129 October 1, 2009 - March 31, 2010 | |
|--|-------------|
| Cases Received | 1,001 |
| Cases Initiated | 74 |
| Cases Closed | 927 |
| Penalties and Assessments Imposed | \$1,965,578 |
| Number of Hearings Requested | 8 |



Virginia Woman Engages in Representative Payee Fraud

A woman from Virginia received Title II Survivors benefits as the representative payee for her two daughters from March 2007 through February 2008 while they were not in her custody. On February 28, 2007, her daughters were placed in the custody of the Commonwealth of Virginia Department of Social Services. Her failure to report the changes in her daughters' living arrangements to SSA caused an overpayment in the amount of \$16,680 (\$8,340 per child). OCIG imposed a civil monetary penalty of \$25,000 and an assessment in lieu of damages in the amount of \$16,680, for a total of \$41,680.

California Representative Payee Collects Adult Son's Benefits Without his Knowledge

A California woman collected SSI on behalf of her son while he was a minor and resided in her home. When he turned 18, he moved to Texas and secured full-time employment. Although the subject knew that her son engaged in substantial gainful activity in Texas, she continued to collect SSI benefits and converted 26 checks. In an interview, the woman admitted that she never used any of the payments for the beneficiary and converted all of the funds to her own use for a two-year period.

In a CMP action, OCIG imposed \$60,000 in civil monetary penalties against the subject. The subject has agreed to repay the overpayment of \$21,033 through withholding of her own SSI benefits.

Licensed Florida Recovery Agent Conceal Work Activity to Collect Disability Insurance Benefits

A Florida woman improperly collected Title II Disability Insurance Benefits (DIB) while engaging in substantial gainful activity as a licensed recovery agent for the State of Florida. In an interview with the OIG, the subject admitted that she made false statements in a "Work Activity Report" because she did not want SSA to terminate her benefits even though she knew it was wrong.

In a CMP action, OCIG recovered a \$5,000 penalty and a \$46,736 assessment for a total recovery of \$51,736 from the recovery agent.

Man Collects More Than \$48,000 in Benefits Intended for Three Daughters

A Title II benefit recipient from Louisiana had three daughters who resided with him until 2006, at which time they moved in with their mother. After they moved, he applied for auxiliary children's benefits on the girls' behalf, representing to SSA that his daughters still resided with him. SSA approved the application and over the next two years sent him monthly payments for each child totaling over \$48,000. The subject spent all the benefits meant for his daughters' needs on himself.

When confronted by SSA OIG, the man readily admitted to the fraud and agreed to repay the overpayment plus a penalty totaling \$70,000.00.



Oregon Couple Fails to Report Operating Licensed Adult Foster Home

An Oregon man applied for SSI payments in 2007 and made numerous false statements to support his eligibility. He represented that he had no income, that he had not worked since 2003, that he had never been accused or convicted of a felony, and that his wife only received a modest income from Wal-Mart.

However, a CDI investigation revealed that the man, a former convicted drug smuggler, and his wife operated a state licensed adult foster home which yielded more than \$8,000 per month. He served as the primary caregiver for four disabled adults, while his wife held a full-time position as a pharmacist. His income was far greater income than he represented.

The 10 false statements he made to SSA to obtain benefits to which he was not entitled yielded a \$30,000 civil monetary penalty against him.

Representative Payee Keeps Benefits for Child Not in Her Custody

A woman in Tennessee, serving as rep payee for her own son, failed to advise SSA that the child had been in the physical custody of the child's father for an extended period of time. The subject had not only continued to accept and cash the benefit checks intended for the child's use and care, she also submitted Representative Payee Reports to SSA on which she made false statements regarding the child's living arrangements.

OCIG opened a civil monetary penalty action against the subject, who ultimately entered into a settlement agreement with OCIG for a total CMP penalty of \$36,000.

New Mexico Man Fails to Report Change in Work Activity

A New Mexico man failed to report changes in his work activity while receiving DIB between August 2005 and March 2009, resulting in an overpayment of at least \$15,559. Moreover, he admitted his failure to report his work activity to SSA, and he further admitted that he knew he should have reported his work activity to SSA.

OIG proposed a penalty of \$22,000 and an assessment of \$31,118, for a total of \$53,118. The subject chose not to request a hearing in this matter, and the \$53,118 CMP was imposed.

Texas Woman Fails to Report Reconciliation with Husband

A woman in Texas accepted SSI benefits from SSA after reporting that she and her husband had separated. However, an OIG investigation revealed that they had, in fact, reconciled and were living together again. For more than two years, the subject failed to truthfully report her living arrangements and continued to accept and cash SSI benefit checks.

The subject also made a false statement with regard to her living arrangements on a Statement of Claimant or Other Person in 2008, in an effort to perpetuate her continuing fraud. An OIG investigation discovered this situation, and after being interviewed by OI agents, the subject admitted to having moved back in with her husband. The OIG imposed a CMP of \$46,338.

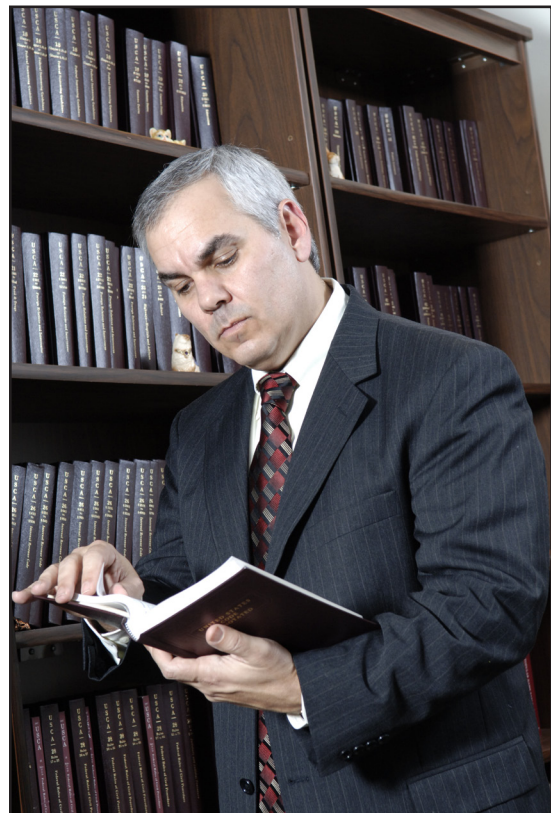
Arizona Man Fraudulently Collects Deceased Father's Benefit Checks

An Arizona resident served as Power of Attorney over his father, an SSA beneficiary. He failed to report his father's death to SSA, and continued to fraudulently receive his benefits for more than 28 months. The subject signed his deceased father's name on benefit checks, cashed those checks, and used the funds for his own personal use. These actions resulted in an overpayment of at least \$20,988.40.

OCIG negotiated a settlement whereby the subject will pay a \$28,000 penalty, plus an assessment of \$20,988.40, for a total of \$48,988.40.

Tennessee Man Fails to Report Change in Work Activity

A Tennessee man failed to disclose his change in work activity for at least 22 months while receiving DIB, resulting in an overpayment of \$60,399. OCIG negotiated a settlement whereby the subject will pay a penalty of \$10,000 and an assessment of \$60,399, for a total of \$70,399.





PEOPLE

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

Budget

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

Human Resource Planning and Management

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

Our human resource specialists and recruiters actively seek out and participate in national and virtual career fairs in our ongoing effort to attract the best and brightest talent to OIG. Ongoing evaluation and updating of our recruitment displays and brochures continue to enhance our outreach efforts. Through these events, we are able to actively recruit underrepresented groups in the labor market, enabling us to maintain a truly diverse workforce. OIG hired seven individuals (35 percent of new hires) from minority groups during the first half of FY 2010. These efforts yielded increases in our minority population of Black males and females, Hispanic males and females, and Asian/Pacific Islander males. Once we identify the best candidates, we employ a structured interview process to fairly assess their skills and qualifications. This is a process that has been instrumental in predicting the future success of new employees. Through these efforts, we have hired 20 employees during the first half of FY 2010.

Also, OIG's inaugural Leadership Development Program (LDP), which was launched in April 2008 and ended in October 2009, was extremely successful. Of the eight participants, two are currently participating in SSA's Senior Executive Service Candidate Development Program and five were promoted to leadership positions within OIG. The second offering of the LDP was announced in FY 09 and in January 2010, the four program participants began the first of several challenging program assignments.



Information Technology

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

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

In support of the President's goal to expand electronic services, we maintain an Internet Web site that is both informative and useful to the public. A workgroup comprised of administrative specialists, attorneys, auditors and investigative personnel continually monitor the OIG Web site to ensure that information is accurate and up-to-date.

Finally, our IT staff analyzes industry trends to find new technologies which may enhance our business processes. During this reporting period, we have continued to expand the use of virtual technologies and have begun to pilot virtual desktop infrastructure for both internal and remote use to reduce hardware and deployment costs and enhance data security. We have also utilized virtualization to decrease the number of physical servers in use, which has reduced power consumption and increased system up time. OIG IT Specialists continue to meet the challenge of providing a variety of IT support services for more than 90 OIG offices throughout the country.

Outreach Efforts

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

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

- In November 2009, an Executive Order was issued on reducing improper payments and eliminating waste in Federal Programs. The Order included a number of provisions that require input from the Council of Inspectors General on Integrity and Efficiency (CIGIE). The OIG has been asked to serve as a point of contact for the CIGIE in working with OMB on this implementation.
- The OIG continued its relationship with the National Association of Disability Examiners (NADE), as the Inspector General spoke at NADE's national conference in Covington, Kentucky in October 2009.
- OA stays abreast of work performed by the Federal Accounting Standards Advisory Board (FASAB), which considers and promulgates accounting concepts and standards for the federal government. OA attends FASAB'S bimonthly public meetings on a regular basis and periodically comments on preliminary and exposure draft documents. At the invitation of FASAB, OA has participated in public hearings in the past.



- OA staff has held leadership positions on the Federal Audit Executive Council's Information Technology Subcommittee, as well as an appointment to the Information Security and Privacy Advisory Board. In both instances, OA provides input to key decision makers at OMB as well as the National Institute of Standards and Technology on matters related to information security, privacy, and IT audits.
- The Resident Agent-in-Charge of our Batavia, New York office has volunteered to provide an optional, free presentation on Federal job opportunities after retirement for police officers, sheriff deputies, and New York State Troopers with more than 17 years on the job. This free, informational one-hour presentation is referred to as Transition Retiree Action Plan. These presentations are coordinated by the Monroe County Law Enforcement Council.

Volunteer Efforts

- In January, a Human Resources Specialist in OIG's OTRM participated in a week-long humanitarian mission in Guatemala City, Guatemala, assisting a dental team providing health services to approximately 300 impoverished persons, most of whom were children. The employee has committed to a second trip planned for April 2010 to volunteer on a project to construct a community center that will serve impoverished children of the community. While there, in addition to lending his construction expertise to the effort, he will host clinics for the children, teaching Bible studies and English as a Second Language.
- An agent from our Kansas City, Missouri office donated bone marrow to an anonymous patient. This was a significant procedure that required medical screening and injections (with side effects) before traveling to an out-of-state clinic to complete the donation procedure.
- As part of his volunteer efforts, an agent from our Little Rock, Arkansas office has been involved with Mustang Missions, has delivered food to those in need at Thanksgiving, provided a Christmas to children in the orphanage in Morrilton, Arkansas, participated in the Adopt-a-Child for Christmas program every year, and helps feed the homeless at a local homeless shelter. He is also a regular contributor to the Food Bank, Rice Depot, Hope Alliance and he provides financial, clothing, and household item donations to an Arkansas homeless mission. Additionally, he supports the Centers for Youth and Families, Paws on the Pavement, Humane Society, Susan Komen Race for the Cure, and Juvenile Diabetes Research Foundation.
- An Assistant Special Agent-in-Charge of our Atlanta, Georgia office is a volunteer with the Toys for Tots and the Helping Hands Organization, which obtains clothing and household items for those in need. He also counsels young adults with alcohol/drug addictions. Additionally, he volunteers at his church, assisting with fundraisers, including obtaining school supplies for various summer camps and food/clothing for Ministries United in Service and Training.

A Special Thank You

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

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

A photograph of a stack of old, worn books on a wooden shelf. The books have various colored spines, mostly in shades of brown and tan, and some show signs of age and wear. The background is a warm, orange-brown color.

REPORTING REQUIREMENTS AND APPENDICES



Reporting Requirements

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

| Section | Requirement | Page(s) |
|-----------------------------------|---|---------------------|
| Section 4(a)(2) | Review of legislation and regulations | N/A |
| Section 5(a)(1) | Significant problems, abuses, and deficiencies | 8 - 38 |
| Section 5(a)(2) | Recommendations with respect to significant problems, abuses, and deficiencies | 8 - 13, 22 - 25 |
| Section 5(a)(3) | Recommendations described in previous Semiannual Reports on which corrective actions are incomplete | Appendix F & G |
| Section 5(a)(4) | Matters referred to prospective authorities and the prosecutions and convictions that have resulted | 14 - 20, 26 - 31 |
| Section 5(a)(5) & Section 6(b)(2) | Summary of instances where information was refused | N/A |
| Section 5(a)(6) | List of audits | Appendix B |
| Section 5(a)(7) | Summary of particularly significant reports | 8 - 13, 22 - 25 |
| Section 5(a)(8) | Table showing the total number of audit reports and total dollar value of questioned costs | Appendix A |
| Section 5(a)(9) | Table showing the total number of audit reports and total dollar value of funds put to better use | Appendix A |
| Section 5(a)(10) | Audit recommendations more than 6 months old for which no management decision has been made | Appendix A |
| Section 5(a)(11) | Significant management decisions that were revised during the reporting period | N/A |
| Section 5(a)(12) | Significant management decisions with which the Inspector General disagrees | Appendix D |



Appendix A: Resolving Audit Recommendations

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

| Reports with Questioned Costs for the Reporting Period October 1, 2009 – March 31, 2010 | | | |
|--|----------------|---------------------|----------------------|
| | Number | Value Questioned | Value Unsupported |
| A. For which no management decision had been made by the commencement of the reporting period. | 28 | \$1,619,266,880 | \$59,598,586 |
| B. Which were issued during the reporting period. | 8 ^a | \$1,283,536,262 | \$70,809,225 |
| Subtotal (A + B) | 36 | \$2,902,803,142 | \$130,407,811 |
| Less: | | | |
| C. For which a management decision was made during the reporting period. | 16 | \$1,523,821,584 | \$57,786,617 |
| i. Dollar value of disallowed costs. | 13 | \$120,479,616 | \$57,430,085 |
| ii. Dollar value of costs not disallowed. | 3 | \$1,403,341,968 | \$356,532 |
| D. For which no management decision had been made by the end of the reporting period. | 20 | \$1,378,981,558 | \$72,621,194 |

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



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

| Reports with Recommendations that Funds Be Put to Better Use Reporting Period October 1, 2009 – March 31, 2010 | | |
|---|----------------|-----------------|
| | Number | Dollar Value |
| A. For which no management decision had been made by the commencement of the reporting period. | 17 | \$466,105,520 |
| B. Which were issued during the reporting period. | 6 ^a | \$2,056,923,022 |
| Subtotal (A + B) | 23 | \$2,523,028,542 |
| Less: | | |
| C. For which a management decision was made during the reporting period. | | |
| i. Dollar value of recommendations that were agreed to by management. | 14 | \$417,679,668 |
| (a) Based on proposed management action. | 14 | \$417,679,668 |
| (b) Based on proposed legislative action. | 0 | \$0 |
| ii. Dollar value of costs not agreed to by management. | 2 | \$51,672,062 |
| Subtotal (i + ii) | 16 | \$469,351,730 |
| D. For which no management decision had been made by the end of the reporting period. | 8 | \$2,053,676,812 |

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



Appendix B: Reports Issued

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



Reports with Non-Monetary Findings (Cont.)
October 1, 2009 – March 31, 2010

| | | |
|---------------|--|-----------|
| A-12-08-28088 | Hearing Office Performance and Staffing | 2/1/2010 |
| A-08-09-29106 | Sunshine Payee Corporation, a Fee-For-Service Representative Payee for the Social Security Administration | 2/5/2010 |
| A-77-10-00001 | Management Advisory Report: Single Audit of the Commonwealth of Massachusetts for the Fiscal Year Ended June 30, 2008 | 2/12/2010 |
| A-08-09-29163 | Alabama Disability Determination Service's Business Process for Adjudicating Disability Claims | 2/17/2010 |
| A-12-10-21039 | Congressional Response Report: Hearing Office Backlogs in Missouri | 3/1/2010 |
| A-02-09-19006 | The Social Security Administration's Compliance with Social Security Number Replacement Card Issuance Provisions of the Intelligence Reform and Terrorism Prevention Act of 2004 | 3/4/2010 |
| A-77-10-00004 | Management Advisory Report: Single Audit of the State of New York for the Fiscal Year Ended March 31, 2008 | 3/12/2010 |
| A-08-10-11042 | Prisoners' Access to Social Security Numbers | 3/12/2010 |
| A-13-09-19082 | The Social Security Administration's Hiring and Training of Information Technology Specialists | 3/15/2010 |
| A-01-10-21052 | Congressional Response Report: The Good Cause Provision Under the Fugitive Felon Program | 3/17/2010 |
| A-15-09-19148 | The Social Security Administration's Contract with Bankers Business Management Services, Inc., Contract Number SS00-08-60085 | 3/18/2010 |
| A-13-10-11013 | Congressional Response Report: Representative Payees Who Employ Beneficiaries or Provide Employment Services | 3/19/2010 |
| A-04-10-21047 | Field Office Post-Entitlement Workload Statistics | 3/25/2010 |
| A-77-10-00006 | Management Advisory Report: Single Audit of the State of Maine for the Fiscal Year Ended June 30, 2008 | 3/25/2010 |
| A-13-09-29027 | The Social Security Administration's Government Purchase Card Program | 3/25/2010 |



| Reports with Non-Monetary Findings (Cont.) October 1, 2009 – March 31, 2010 | | |
|--|---|-----------|
| A-77-10-00005 | Management Advisory Report: Single Audit of the State of Illinois for the Fiscal Year Ended June 30, 2008 | 3/26/2010 |
| A-02-08-28052 | Controls Over Changes Made to Direct Deposit Routing Numbers | 3/26/2010 |
| A-15-09-19150 | An Individual Representative Payee for the Social Security Administration in Los Angeles, California | 3/31/2010 |



| Reports with Questioned Costs October 1, 2009 – March 31, 2010 | | | |
|---|-------------------|---|------------------------|
| Audit Number | Issue Date | Report | Dollar Amount |
| A-01-09-29113 | 12/28/2009 | Supplemental Security Income Payments to Parents or Relatives Not Supporting Children | \$20,236 |
| A-06-09-19061 | 12/29/2009 | Contract with Mathematica Policy Research, Inc., for Services to Evaluate Youth Transition Demonstration Projects | \$34,203 |
| A-01-09-19031 | 1/6/2010 | Supplemental Security Income Recipients Eligible for Veterans Benefits | \$1,282,736,960 |
| A-15-09-19063 | 1/15/2010 | The Accuracy of the Garnishment of Title II Benefits by the Social Security Administration's Court Ordered Garnishment System | \$5,168 |
| A-77-10-00002 | 2/12/2010 | Management Advisory Report: Single Audit of the State of Texas for the Fiscal Year Ended August 31, 2008 | \$14,840 |
| A-77-10-00003 | 3/8/2010 | Management Advisory Report: Single Audit of the Commonwealth of Pennsylvania for the Fiscal Year Ended June 30, 2008 | \$16,025 |
| A-09-09-19020 | 3/8/2010 | Administrative Costs Claimed by the Arizona Disability Determination Services | \$728,123 |
| A-04-09-19138 | 3/24/2010 | Follow-up: The Social Security Administration's Controls over the Write-Off of Title XVI Overpayments | \$70,789,932 |
| TOTAL | | | \$1,354,345,487 |

**Reports with Funds Put to Better Use
October 1, 2009 – March 31, 2010**

| Audit Number | Issue Date | Report | Dollar Amount |
|---------------------|-------------------|---|------------------------|
| A-01-09-29113 | 12/28/2009 | Supplemental Security Income Payments to Parents or Relatives Not Supporting Children | \$10,234,689 |
| A-06-09-19061 | 12/29/2009 | Contract with Mathematica Policy Research, Inc., for Services to Evaluate Youth Transition Demonstration Projects | \$29,700,946 |
| A-01-09-19031 | 1/6/2010 | Supplemental Security Income Recipients Eligible for Veterans Benefits | \$125,579,060 |
| A-09-09-19020 | 3/8/2010 | Administrative Costs Claimed by the Arizona Disability Determination Services | \$2,182,741 |
| A-09-09-29004 | 3/26/2010 | Individuals Receiving Social Security Cards After Benefits Have Been Suspended | \$22,671,168 |
| A-07-09-29147 | 3/30/2010 | Full Medical Continuing Disability Reviews | \$1,866,554,418 |
| TOTAL | | | \$2,056,923,022 |



Appendix C: Reporting Requirements Under the Omnibus Consolidated Appropriations Act of FY 1997

To meet the requirements of the *Omnibus Consolidated Appropriations Act of 1997*, P.L. 104-208, we are providing requisite data for the first half of FY 2010 from the Offices of Investigations and Audit in this report.

Office of Investigations

We are reporting over \$29.5 million in SSA funds as a result of our investigative activities in this reporting period (10/1/09 – 3/31/10). These funds are broken down in the table below.

| Investigative Activities | | | |
|---------------------------------|-----------------------------------|---------------------------------|---------------------|
| | 1st Quarter 10/1/09 – 12/31/09 | 2nd Quarter 1/1/10 – 3/31/10 | Total |
| Court Ordered Restitution | \$6,413,176 | \$6,516,300 | \$12,929,476 |
| Recoveries | \$5,955,030 | \$9,637,270 | \$15,592,300 |
| Fines | \$344,324 | \$545,209 | \$889,533 |
| Settlements/ Judgments | \$333,650 | \$162,116 | \$495,766 |
| TOTAL | \$13,046,180 | \$16,860,895 | \$29,907,075 |



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 \$17 million.

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

CONTRACT WITH MATHEMATICA POLICY RESEARCH, INC., FOR SERVICES TO EVALUATE YOUTH TRANSITION DEMONSTRATION PROJECTS (A-06-09-19061, 12/29/2009)

Results of Review: For the first three years of the nine-year contract period, SSA received the goods and services for which it contracted. However, based on a lack of demonstrated, tangible results achieved to date through this and other YTD-related projects, we question whether spending the \$29.7 million remaining on this contract will yield substantial benefit to SSA. Also, SSA did not establish specific performance goals that could be objectively measured to allow for informed project-funding decisions. In addition, services provided and costs charged to SSA did not always adhere to contract terms and applicable regulations, resulting in overpayment of fixed fees and travel costs and disbursements to unauthorized subcontractors.

Recommendation: Establish key milestones tied to performance metrics that objectively measure the progress in achieving the benefits of this project to permit go/no-go decisions informed by quantifiable results.

Agency Response: SSA disagreed with the recommendation.

Corrective Action: Prior to entering into an agreement with Mathematica, SSA contracted with a research organization to conduct an analysis and provide a recommendation about whether the Agency should proceed with the project. SSA stated that this step was an extremely important decision point that demonstrated the Agency decided to move forward with the project only after conducting a detailed, thoughtful analysis.

Further, part of the demonstration project decision included reviewing the previous results from prior demonstration projects, including the Youth Continuing Disability Review and the Disability Research Institute projects. Based on the information gathered, SSA approved moving forward with the project, understanding the Agency would incur significant up-front costs and may not see benefits until much later.

Several deliverables allow SSA to determine if the project is on track. These deliverables include process evaluations to determine if the interventions are implemented according to design, and impact evaluations to determine if there are either increases in youth leaving the rolls or increases in earnings. SSA stated that all of these evaluations require sufficient time to pass before an accurate assessment can be made. The Agency does not believe conducting an audit early in the process will yield accurate results.



Appendix E: Collections from Investigations and Audits

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

Office of Investigations

| Total Restitution Reported by DOJ as Collected for SSA | | | |
|--|--|---|------------------------------------|
| FY | Total Number of Individuals Assigned Court Ordered Restitution | Court Ordered Restitution for This Period | Total Restitution Collected by DOJ |
| 2008 | 765 | \$22,975,145 | See Footnote ¹ |
| 2009 | 603 | \$24,126,913 | See Footnote ¹ |
| 2010 (10/1/09 - 3/31/10) | 227 | \$10,388,379 | See Footnote ¹ |
| TOTAL | 1,595 | \$57,490,437 | See Footnote¹ |

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

| Recovery Actions Based on OI Investigations | | |
|---|--|---------------------|
| FY | Total Number of Recovery Actions Initiated | Amount for Recovery |
| 2008 | 1,862 | \$40,040,214 |
| 2009 | 954 | \$23,376,566 |
| 2010 (10/1/09 - 3/31/10) | 547 | \$15,592,300 |
| TOTAL | 3,363 | \$79,009,080 |



Office of Audit

The following chart summarizes SSA's responses to our recommendations for the recovery or redirection of questioned and unsupported costs. This information is prepared in coordination with SSA's management officials and was current as of March 31, 2010.

| SSA's Responses to OIG's Recommendations Recovery or Redirection of Questioned and Unsupported Costs¹ | | | | | | |
|---|-------------------------------|------------------------------|------------------------|-------------------------------------|--------------------------------|------------------------|
| FY | Reports with Questioned Costs | Questioned/Unsupported Costs | Management Concurrence | Amount Collected or to be Recovered | Amount Written-Off/Adjustments | Balance ² |
| 2008 | 28 | \$2,409,411,231 | \$485,835,413 | \$220,945,347 | \$1,956,683,032 | \$231,782,852 |
| 2009 | 28 | \$3,124,063,484 | \$1,644,114,942 | \$5,306,840 | \$1,405,303,989 | \$1,713,452,655 |
| 2010 | 8 | \$1,354,345,487 | \$39,371 | \$39,371 | \$0 | \$1,354,306,116 |
| TOTAL | 64 | \$6,887,820,202 | \$2,129,989,726 | \$226,291,558¹ | \$3,361,987,021 | \$3,299,541,623 |

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

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



Appendix F: Significant Monetary Recommendations From Prior FYs for Which Corrective Actions Have Not Been Completed

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

Results of Review: Between October 1, 2004 and June 30, 2007, there were 7,261 Title II cases that SSA referred to the OIG with allegations of potential fraud that were not accepted for prosecution. Given that there were allegations of potential fraud, we would have expected that SSA would have considered imposing administrative sanctions for a significant number of these cases. However, we were only able to confirm that 61 of the 7,261 cases were considered for administrative sanctions. While we do not know the percentage of the 7,200 cases where individuals should have had administrative sanctions imposed, we do know that individuals had administrative sanctions imposed for 45 percent of the cases SSA documented as being considered for sanctions from October 2000 through March 2008. Therefore, if SSA had pursued administrative sanctions on 45 percent of the 7,200 cases, individuals could have had sanctions imposed totaling approximately \$17.6 million.

Further, between December 1, 2006 and September 12, 2007, there were 94,299 Title II overpayments posted to beneficiaries' Social Security records. We reviewed a select number of these overpayments to determine whether they resulted from potentially sanctionable actions and whether they should have been referred to the OIG. Based on the results of our review of these overpayments, we estimate that at least 38,175 of the 94,299 overpayments could have been referred to the OIG since the overpayments occurred because of potentially sanctionable actions. If SSA had pursued administrative sanctions on 45 percent of the 38,175 overpayments, individuals could have had sanctions imposed totaling approximately \$105.8 million.

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

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

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA identified Headquarters and regional office components that will be involved in an intercomponent workgroup to evaluate the current administrative sanctions process. The SSA workgroup convened and discussions were held to determine the necessary changes to ensure all potential administrative sanctions are identified and proactively considered. SSA planned to update the Program Operating Manual System and distribute to appropriate components for their necessary action by April 2010.



TICKET TO WORK AND SELF SUFFICIENCY PROGRAM COST EFFECTIVENESS (A-02-07-17048, 8/11/2008)

Results of Review: Our audit found that approximately 3,800 of the 10 million beneficiaries, or less than one-tenth of 1 percent, who had received a Ticket by the beginning of FY 2005 were Ticket Program participants in that year. These participants appeared to have had limited success in attaining economic self-sufficiency. Approximately one-third of the participants did not have earnings from work activity from October 2004 to December 2006. Of the remaining two-thirds who had earnings for at least some of these months, half were not employed as of December 2006. A comparative analysis of Ticket Program participants to disabled beneficiaries who received vocational services outside of the Ticket Program (non-program participants) showed a similar work activity pattern. Specifically, the percentage of beneficiaries with earnings on their records after receiving vocational services steadily decreased over time for both groups. Additionally, the Ticket Program did not generate savings for SSA.

Recommendation: SSA should work with Congress to reform or end the Ticket Program if SSA determines the program is not having the desired impact and/or it is not cost-effective.

Valued at: \$138 million in funds put to better use.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA reformed certain aspects of the Ticket to Work program by publishing new regulations in July 2008. Since that time, SSA has seen positive trends. Over 270,000 beneficiaries are using their Ticket to get help finding a job. That is up 72 percent from the beginning of 2007. In 2008, 96,993 beneficiaries had their Ticket in use and were working. That is up from 59,443 in 2007, a 63 percent increase. After Mathematica Policy Research (MPR) completes the extended evaluation and analysis of the program, SSA will determine a course of action based upon MPR's findings. If SSA determines that the program is not producing the desired impact, or is not cost-effective, it will work with Congress to develop an appropriate course of action.

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

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

- improperly paid an estimated \$7.3 million to 11,912 non-beneficiaries;
- did not retain adequate supporting documentation for an estimated \$98 million in payments made to 50,030 non-beneficiaries;



- did not obtain or record the SSNs for 176,029 (53 percent) of the 332,680 death underpayments issued to non-beneficiaries; and
- paid improper duplicate payments of \$27,480 to three individuals.

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

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

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA responded that it will explore appropriate controls to ensure retention of documentation for death underpayments. SSA will also establish appropriate controls as resources permit.

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

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

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

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

Agency Response: SSA agreed with the recommendation.

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



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

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



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

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

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

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

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

Agency Response: SSA agreed with the recommendation.

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



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

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



Glossary of Acronyms

| | |
|--------------|--|
| ALJ | Administrative Law Judge |
| BIC-D | National Deceased Payee Project |
| CDI | Cooperative Disability Investigations |
| CDR | Continuing Disability Review |
| CE | Consultative Examination |
| CMP | Civil Monetary Penalty |
| CO | Contract Officer |
| COTR | Contracting Officer Technical Representative |
| CY | Calendar Year |
| DDS | Disability Determination Services |
| DIB | Disability Insurance Benefits |
| DOJ | Department of Justice |
| ERP | Economic Recovery Payment |
| FEMA | Federal Emergency Management Agency |
| FY | Fiscal Year |
| IO | Immediate Office |
| IT | Information Technology |
| LDP | Leadership Development Program |
| NCC | National Computer Center |
| NICMS | National Investigative Case Management System |
| OA | Office of Audit |
| OAG | Office of Acquisition and Grants |
| OCIG | Office of the Counsel to the Inspector General |
| ODAR | Office of Disability and Adjudication Review |
| OER | Office of External Relations |



Glossary of Acronyms (Cont.)

| | |
|---------------------|---|
| OI | Office of Investigations |
| OIG | Office of the Inspector General |
| OMB | Office of Management and Budget |
| OQAPR | Office of Quality Assurance and Professional Responsibility |
| OTRM | Office of Technology and Resource Management |
| <i>Recovery Act</i> | <i>American Recovery and Reinvestment Act of 2009</i> |
| SSA | Social Security Administration |
| SSI | Supplemental Security Income |
| SSN | Social Security number |
| <i>the Act</i> | <i>Social Security Act</i> |
| Title II | Federal Old-Age, Survivors, and Disability Insurance Benefits |
| Title VIII | Special Benefits for Certain World War II Veterans |
| Title XVI | Supplemental Security Income |
| VA | Department of Veterans Affairs |
| YTD | Youth Transition Demonstration |

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.

Call 1-800-268-0271

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

Fax 410-597-0118

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