



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

October 1, 2002 thru March 31, 2003

To Preserve and Protect



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

Mission Statement

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

Vision and Values

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



Message from the Inspector General

Dramatically changing times have challenged our office during the first half of fiscal year (FY) 2003. Dangers on the international scene have added urgency to protecting the integrity of the Social Security number (SSN), a vital aspect of American life and our homeland security. Given the heightened threat of terrorism today, failure to protect the SSN's integrity can have enormous consequences for our Nation and its citizens. This number is the single most widely used identifier for Federal and State Governments as well as the private sector. We continue, in concert with the Social Security Administration (SSA) and Congress, to support efforts to further protect the SSN.

Our accomplishments in defending the security of our homeland and in combating fraud, waste, and abuse have been achieved through the dedicated efforts of every staff member. Because of this commitment, we continue to make significant progress. In this reporting period, our investigators reported over \$293 million in investigative accomplishments with over \$30 million in SSA recoveries, restitution, fines, settlements, and judgments and over \$239 million in projected savings. Our attorneys reported over \$335,000 in penalties and assessments as part of our civil monetary penalty program. And finally, our auditors issued 48 reports with recommendations that over \$94 million in Federal funds could be put to better use, and identified over \$7.6 million in questioned costs.

This Semiannual Report to the Congress covers our accomplishments for the period of October 1, 2002 through March 31, 2003. It outlines our mission, describes significant activities, and provides our assessment of SSA's top management issues for FY 2003. It also highlights our work on each of these challenges, including several major cases and other organizational achievements.

Social Security is a cornerstone of American life. We are continuing to work with SSA to achieve measurably improved results, and to anticipate future challenges as we achieve our own goals.

Sincerely,

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

James G. Huse, Jr.
Inspector General







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Introduction to Our Organization

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

Immediate Office of the Inspector General



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

Office of the Counsel to the Inspector General



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



Office of Audit



OA conducts and/or supervises comprehensive financial and performance audits of SSA programs and operations and makes recommendations to ensure that program objectives and operational functions are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officer Act of 1990 (CFO Act), assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management and program evaluations and projects focused on issues of concern to SSA, Congress, and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program and operational fraud, waste, and abuse as well as inefficiency and ineffectiveness, rather than detecting problems after they occur.

Office of Investigations



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

Office of Executive Operations



OEO assists the IG with the formulation and execution of OIG's budget and confers with the Office of the Commissioner, the Office of Management and Budget (OMB), and the Congress on budget matters. OEO conducts management analyses and establishes and coordinates general administrative management policies for OIG. This office serves as OIG liaison on personnel management and other administrative and management policies and practices, and equal employment opportunity and civil rights matters. This office is also responsible for the development, design, redesign, and maintenance



of major automated systems throughout OIG and for the security of sensitive data relating to investigations, audits and legal proceedings which is kept on OIG's systems as well as the administration of systems security plans for OIG. OEO is responsible for and coordinates OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act (GPRA). In addition, OEO administers programs for public affairs, interagency activities, OIG reporting requirements, publications, and congressional inquiries.





Significant Activities

This year has been a remarkable one for our organization. Since our establishment in 1995, we have built an organization of highly skilled professionals focusing on critical issues in SSA's fight against fraud, waste, and abuse. We also have a significant interagency role in homeland security and the many challenges of wartime. We help SSA perform its service and stewardship functions both faster and smarter, and make the best use of technological advances to ensure SSA's success. We, too, have made steady progress along these lines while expanding our role. Our effectiveness is illustrated by the sustained accomplishments highlighted in this report.

Our components collaborate as one OIG to address each critical issue while capitalizing on individual staff skills to deliver the best possible work product. This section details several of our most significant activities in this reporting period, including our:

- Homeland Security Efforts
- Fugitive Felon Program
- Cooperative Disability Investigations Program
- Civil Monetary Penalty Program
- Organizational Accomplishments

Homeland Security Efforts



Our ongoing involvement in homeland security is mandated by the SSN's role in establishing false identities and in facilitating the commission of financial crimes which can be used to finance terrorism. Our core role is to protect the integrity of the enumeration process to ensure the accuracy of SSA's records.

Today it is unrealistic to believe that the SSN is simply a number for tracking workers' earnings and the payment of social insurance benefits. The SSN has become the *de facto* national identifier, and is the key to social, legal, and financial assimilation in this country. Protecting the integrity of that identifier is as important to our homeland security as patrolling our borders or airport screening.

The evolution of critical information infrastructure and systems security as one of SSA's most significant management issues further heightens OIG's homeland security role. People and organizations have more tools than ever for disrupting or sabotaging important operations. The dramatic growth in computer interconnectivity carries with it the risk that such operations will



be disrupted. Sensitive data can be compromised, and key processes can be interrupted.

With that in mind, our support for homeland security has taken several forms:

- Working with congressional committees to address the threats to SSN integrity and measures we believe can reduce those threats significantly.
- Participating in a variety of anti-terrorism task forces, including airport security operations conducted across the country.
- Conducting audits and reporting on areas where SSA can further secure the integrity of the SSN.

Working With Congress

After the events of September 11, we provided Congress our assessment of SSA's business processes for ensuring SSN integrity. We based this assessment on extensive prior audit and investigative work. We continue to give Congress our evaluation of suggested legislative changes and new techniques to improve SSN verification and decrease identity theft crimes.

Throughout our testimony and other responses to Congress, we have stressed the importance of interagency data verification and data matching agreements between Federal and State agencies. The Immigration and Naturalization Service (INS) and SSA "should find a way to authenticate immigration documents before an SSN is issued," IG Huse told a Senate Finance Committee hearing last August. "We must ensure that no SSN is issued based on INS documents that a simple interagency check could have revealed to be fraudulent." SSA began verifying alien status for all noncitizen SSN applicants with INS in September 2002. INS has been incorporated into the new Department of Homeland Security (DHS).



Participating in Anti-terrorism Task Forces

We play a key role as part of various national, regional, and local anti-terrorism task forces, along with such agencies as DOJ, DHS, and the Federal Aviation Administration. We became immediately involved and remained involved in the struggle against terrorism because of the nature of our jurisdiction with respect to the integrity and use of SSNs and the records SSA maintains as a consequence of that activity.

Since the first airport operation in Salt Lake City in December 2001, we have participated in 51 airport security operations across the country, with 14 of



these occurring in this semiannual period. Working with Joint Terrorism Task Forces and other Federal agencies under the aegis of the Offices of United States Attorneys, we have helped to ensure that no airport employee who has misrepresented his or her SSN and identity has access to secure areas of the Nation's airports. The primary charges have been related to SSN misuse, false statements, and INS/DHS violations.

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



Our Boston Field Division took part in an interagency homeland security project at the Sikorsky Aircraft Corporation coordinated by the United States Attorney's Office, which also included the Defense Criminal Investigative Service and INS. The corporation is the sole source for Blackhawk and Comanche helicopters and maintains the presidential helicopter fleet. The effort resulted in the arrests of 15 people who used false SSNs and fraudulent documents to gain security badges allowing them access to secure areas at the facility.



Our Los Angeles Field Division investigated a man who was arrested in Orlando, Florida after authorities found him near a pay phone that was used to make bomb threats to the Orlando Police Department. He had various identification documents in his possession. These included a Palestinian passport, identity cards from 3 States, and Social Security cards under 3 identities. He was also found carrying a package containing several plastic box-cutters. He was incarcerated and will be deported once he completes his sentence.



Our Boston Field Division investigated and disbanded a ring that helped over 150 people, mostly from the Middle East, fraudulently obtain Social Security cards from SSA, along with genuine U.S. visas from INS. The ringleader was incarcerated, fined \$100,400, and will be deported once his sentence is completed. His 5 co-conspirators were either deported or incarcerated. The judge noted that this ring's activities posed a threat to our homeland security.

Conducting Audits

We have also conducted several important audits that consider the impact of SSN integrity issues on homeland security. The Chairman of the Subcommittee on Social Security, House Ways and Means Committee, asked us to examine how Federal agencies disseminate and control the use of SSNs. After consultation on this request with the President's Council

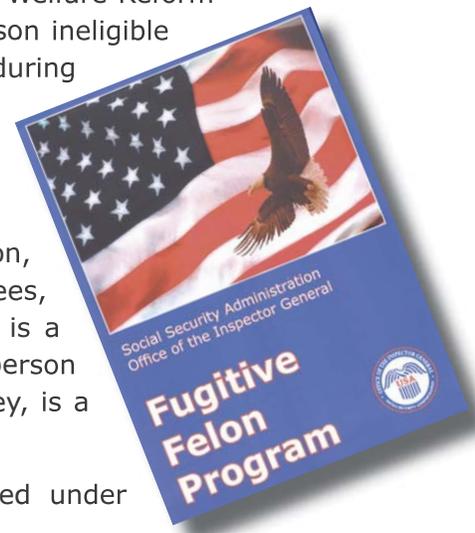


on Integrity and Efficiency (PCIE), we took the lead on an audit in which 15 OIGs, including our office, assessed their own agency's practices. The final report noted that despite safeguards to prevent improper access, as well as disclosure and use of SSNs by external entities, many agencies remain at risk. This audit report incorporated data from other audit work we performed at the request of PCIE. This work followed up on a May 2002 General Accounting Office (GAO) review of SSN safeguards by providing a more in-depth analysis of SSA's controls over the access, disclosure, and use of SSNs by external entities. Another audit report in this period determined that SSA employees do not routinely refer potentially fraudulent SSN applications to us for investigation. These reports are discussed in the section on significant management issues facing SSA under Homeland Security, SSN Integrity, and SSN Misuse.

Fugitive Felon Program

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

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



The Welfare Reform Act enables SSA to suspend SSI payments to fugitives and parole and probation violators, and allows us to provide vital information to law enforcement agencies. "We have always believed that criminals fleeing from justice should not have the support of Federal benefits," IG Huse told the Subcommittee on Social Security of the House Committee on Ways and Means at its February 27, 2003 hearing. Investigators in our offices often work hand-in-hand with local law enforcement officers in locating and apprehending fugitive felons, and in developing fugitive cases from a variety of referral sources.



While the program was very successful using manual data searches and direct referrals, using automated data matches to compare warrant information from the National Crime Information Center (NCIC), the Federal Bureau of Investigation (FBI), the United States Marshals Service (USMS) and State agencies with SSA’s SSI rolls has proved a much more efficient way to carry out the program. SSA currently has computer matching agreements with 25 States and several police departments. SSA is still pursuing matching agreements with the balance of the States that do not enter all of their felony warrant data into NCIC. We continue working with SSA to further refine and enhance the automated process.

The following cases exemplify our efforts under this program:



Our Chicago Field Division participated in a 3-day fugitive sweep as part of the Violent Crimes/Street Gang Alliance Task Force that combined the resources of Federal, State, county and local law enforcement agencies from the Detroit metropolitan area. Our agents contacted approximately 100 subjects who were receiving SSI benefits to get them to come to our office for arrest. The sweep resulted in over 100 arrests for a variety of felony offenses including arson, criminal sexual conduct, felonious assault, and narcotics and firearms violations.



Our Boston Field Division helped arrest a woman who had escaped from prison while serving a narcotics-related sentence. The case resulted from our first electronic data match with Connecticut’s State Police felony warrant file. The woman applied for SSI benefits in January 2003, using a Hartford address, where she was ultimately arrested. She will serve her remaining sentence.

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

Fugitive Felon Program Results		
	October 1, 2002 to March 31, 2003	Since inception on August 1996
Fugitives Investigated	19,951	108,695
Fugitives Arrested	4,320	14,630
Fraud Loss / Overpayment	\$61,903,239	\$285,614,397
Projected Savings	\$128,709,490	\$469,645,464



Cooperative Disability Investigations Program

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

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

- Provide the DDS with investigative evidence for use in making timely and accurate disability eligibility determinations.
- Seek criminal and/or civil prosecution of applicants and beneficiaries and refer cases for consideration of CMPs and administrative sanctions when appropriate.
- Identify, investigate, and seek prosecution of doctors, lawyers, interpreters, and other third parties who facilitate disability fraud.



In January 2003, GAO acknowledged the CDI program by stating that we have "also increased the level of resources and staff devoted to investigating SSI fraud and abuse. Key among these efforts is the formation of CDI teams in [several] field locations. These teams are designed to identify fraud and abuse before SSI benefits are approved and paid."

Seventeen units have been opened in sixteen States since FY 1998. We plan to add CDI units on a year-to-year basis, depending on availability of funds.

The following table outlines our CDI Program accomplishments for this reporting period.



Cooperative Disability Investigations Program Results October 1, 2002 through March 31, 2003					
State	Allegations Received	Confirmed Fraud Cases	SSA Recoveries & Restitution	SSA Savings*	Non-SSA Savings*
Arizona	37	8	0	\$465,500	\$124,680
California	180	98	\$456,309	\$5,675,052	\$4,342,935
Florida	81	58	\$178,428	\$3,652,494	\$1,655,870
Georgia	139	86	0	\$5,196,508	\$2,052,379
Illinois	67	36	\$10,000	\$2,372,440	\$854,406
Louisiana	105	37	0	\$2,224,376	\$737,697
Massachusetts	44	18	0	\$1,131,066	\$510,430
Missouri	76	58	\$2,528	\$2,922,100	\$1,553,000
New Jersey	172	31	\$135,696	\$1,919,745	\$1,419,395
New York	137	89	0	\$5,715,360	\$5,872,650
Ohio	86	7	0	\$465,500	0
Oregon	127	87	0	5,210,940	\$4,130,275
Tennessee	59	32	\$20,991	\$1,909,546	\$1,079,480
Texas	94	58	0	\$3,161,360	\$1,655,410
Virginia	49	20	\$75,283	\$1,168,044	\$509,950
Washington	30	10	0	\$504,253	\$508,800
Totals	1,483	733	\$879,235	\$43,694,284	\$27,007,357

* When a CDI investigation supports the cessation of an in-pay case, SSA program savings are calculated by multiplying the actual monthly benefit times 60 months. Non-SSA savings are also projected over 60 months whenever another governmental program withholds benefits as a result of CDI investigations, using estimated or actual benefit amounts documented by the responsible agency.

CDI Case Highlights

The following cases highlight the success of the CDI program.



Our Oakland CDI unit investigated a California woman serving as representative payee for her husband and her children, all of whom received disability benefits for mental impairments. We found that each member of the family had established several fictitious identities and SSNs, and improperly obtained \$456,309 in SSI disability benefits, as well as county welfare benefits and some \$2 million from numerous unrelated scams. The husband and wife were each incarcerated for 10 years, and ordered to pay joint restitution of \$456,309 to SSA, \$19,189 to Alameda County, and \$1,002,529 to their scam victims. Their benefits were terminated.



Our Atlanta CDI unit investigated a report from a DDS that a woman had received disability benefits for 10 years with no history of medical treatment. She claimed to be totally dependent on her mother and incapable of independent activity, and her mother confirmed the claim. Our agents interviewed neighbors who revealed the woman did not live with her mother, but had her own residence. A neighbor said he had seen her at a local bar, and its owner employed her as a part-time waitress and described her as his "best employee." The woman's disability benefits were stopped.



Our Boston CDI unit investigated a 36-year-old Massachusetts man, who had received disability benefits since 1992, and said during a continuing disability review (CDR) that he was disabled by chronic back pain and had trouble walking, standing, or sitting. He said he could only be up and about for an hour at a time and couldn't drive for long periods. Our investigators confirmed a report that the man ran his own construction business, and witnessed him performing a variety of difficult physical tasks. His disability benefits were stopped.



Our Chicago CDI unit investigated an Illinois woman who claimed a mental disorder prevented her from working because she was unable to cook, drive, hold things, or bend over. The woman said she was violent and unable to socialize with other people. We found she worked full time for a book binding company with 40-50 other employees, standing for 8 hours a day, operating machinery, and packing boxes. The manager and supervisor described her as a nice person whom everyone loved. Her disability claim was denied.



Our Nashville CDI unit investigated a 57-year-old cement worker who said he had not worked since having a stroke. However, during an interview, an SSA employee noticed cement dust on his shoes and cap. The employee referred the case to our agents, who observed the man driving a commercial van, setting concrete forms, using construction tools, lifting equipment, and pouring concrete. As a result of our investigation, his disability claim was denied.



Our Houston CDI unit pursued a tip on a 45-year-old Texas woman who filed for disability benefits, claiming back problems and difficulty with her memory and making decisions. An anonymous caller told SSA the woman worked in a bar every day, which we confirmed. The woman told our undercover investigators she had



worked at the bar off and on for the past 8 years and got paid “under the table.” She said she had once had back problems, but even though she now felt well, she was going to “get on disability.” Her claim was denied.

Civil Monetary Penalty Program

OCIG administers the CMP enforcement statutes under a delegation of authority from SSA’s Commissioner, which allows OIG to impose CMPs against violators of sections 1129 and 1140 of the Social Security Act. Based on this delegation, we drafted and published regulations, trained legal and investigative staff and established an infrastructure that included placing attorneys in several OI Field Divisions to support this successful enforcement program. OI’s investigative work provides an important contribution to these cases. Since FY 1998, OCIG has imposed over \$2.3 million in penalties and assessments.

False Statements Under Section 1129

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

Our enforcement efforts have been enhanced as our investigative organization matures. Using our CMP enforcement tools, we have imposed over \$2.3 million in penalties and assessments since FY 1998 and Congress continues to introduce new legislation that would expand CMP authority.

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

False Statements Under Section 1129 Results	
October 1, 2002 through March 31, 2003	
Cases Received	37
CMP Cases Initiated	29
CMP Cases Closed	61
CMP Penalties and Assessments	\$300,511
Number of Hearings Requested	6



False Statements Case Highlights



A Michigan car dealership agreed to pay one of its employees under his wife's name and SSN so that the employee's earnings would not be properly reported to SSA, thereby rendering him ineligible for SSI payments. The employee was criminally prosecuted, and agreed to testify against the company's chief executive officer (CEO). A jury found the CEO guilty of making false statements. OCIG proposed a CMP against the corporation that owned the car dealership and its principal for knowingly making false statements on the employee's W-2 forms it submitted to SSA, ultimately settling the CMP action for \$25,000.



A Connecticut SSI recipient misrepresented her living arrangements and income so she could continue receiving SSI payments after her marriage. She stated that neither she nor her spouse earned any money, though her husband made over \$70,000 a year. This resulted in a penalty and assessment totaling \$30,592.



An Illinois woman serving as the representative payee for her son, who received SSI for a mental impairment, provided numerous false statements to SSA to keep collecting the son's benefits for her own use while he was incarcerated. Most notably, she falsely stated that her son had not moved from his home and even provided the name and address of the "landlord" of his apartment while he was in prison. This resulted in \$46,072 in penalties and assessments.

Misleading Advertising Under Section 1140

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

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

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





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

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

Misleading Advertising Under Section 1140 Results	
October 1, 2002 through March 31, 2003	
Complaints Received	33
New Cases Opened	26
Cases Closed	20
No Violation	14
Voluntary Compliance	5
Settlement Agreement (of cases/amount)	1/\$35,000
Penalty/Court Action (of cases/amount)	1/\$167,138 ¹
Number of Hearings Requested	1

¹ This case is presently on appeal.

Misleading Advertising Case Highlights



By using Social Security program words in conjunction with other misleading tactics in its direct mail campaigns, the National Federation of Retired Persons (NFRP) was able to elicit personal information from senior citizens under the appearance that SSA was requesting this information. The NFRP would turn this personal information over to an insurance representative for the purpose of selling insurance. After several cease and desist orders, we proposed an \$83,569 CMP against the NFRP, which was upheld with a further finding that doubling the proposed penalty was warranted. The NFRP is appealing the decision.



Distribution Center, a Texas corporation, mailed deceptive solicitations to senior citizens for private burial and Medicare supplemental insurance which appeared to be connected with or issued by the Federal Government. After numerous attempts to bring the corporation into compliance, OCIG joined the U.S. Attorney in obtaining injunctive relief,



prohibiting further mailings, freezing assets, detaining mail, and authorizing a search of the corporation's premises. The search yielded evidence that resulted in four additional CMP cases against insurance agencies and companies that were customers of Distribution Center. The original CMP action against Distribution Center was ultimately settled for \$35,000. Our Dallas Field Division provided invaluable support to OCIG during the injunctive portion of this case.

Organizational Accomplishments

During this reporting period, we have strengthened our emphasis on reinforcing and integrating our work together as one OIG. This was the theme of an OIG Managers Meeting at SSA Headquarters in Baltimore on March 18-19, 2003. IG Huse and Deputy IG Jane E. Vezeris opened the meeting with a forward-looking presentation. Participants from around the country were updated on administrative and legislative issues and our new Strategic Plan. In addition, several OIG staff members received the prestigious IG's Award for their contributions to our work.

These and other awards presented throughout the reporting period give individual dimension to the accomplishments of our components. For instance, in its 48 reports in this period, OA issued recommendations that would allow over \$94 million in Federal funds to be put to better use, and identified over \$7.6 million in questioned costs. Also, OCIG's enforcement of CMP statutes resulted in over \$335,000 in penalties and assessments for violations of sections 1129 and 1140 of the Social Security Act.

On the investigative side, OI received 51,311 allegations from a variety of sources that cut across SSA programs, as shown in the following tables. In addition, during this reporting period, our Fraud Hotline referrals to SSA offices resulted in the identification of nearly \$2 million in overpayments that were posted to SSA records. These referrals frequently resulted in the suspension of benefits to individuals who were no longer entitled or eligible to receive these benefits.





The following tables represent the collective efforts of our OI headquarters and field divisions, including our Fraud Hotline.

Investigative Results October 1, 2002 through March 31, 2003	
Allegations Received	51,311
Cases Opened	9,170
Cases Closed	9,389
Arrests/Indictments	2,677
Total Judicial Actions	5,655
Criminal Convictions	1,008
Civil/CMP	35
Illegal Alien Apprehensions	274
Fugitive Felon Apprehensions	4,338 ¹
<small>¹ This figure includes 18 additional apprehensions that resulted from field investigations outside the purview of the Fugitive Felon Program discussed on page 8.</small>	

Allegations Received by Source October 1, 2002 through March 31, 2003	
Private Citizens	23,951
Anonymous	8,782
SSA Employees	7,402
Law Enforcement	10,120
Public Agencies	323
Beneficiaries	726
Other	7
TOTAL	51,311



Allegations Received by Category October 1, 2002 through March 31, 2003	
SSN	24,340
SSI Disability	14,175
Disability Insurance	7,456
Old Age and Survivors Insurance	3,364
Other	1,556
SSI Aged	188
Employee	232
TOTAL	51,311

Funds Reported October 1, 2002 through March 31, 2003		
	SSA Funds	Non-SSA Funds
Scheduled Recoveries	\$17,136,709	\$530,761
Fines	\$347,083	\$470,155
Settlements/Judgments	\$120,788	\$150,500
Restitution	\$13,091,240	\$22,307,892
Estimated Savings	\$211,463,043	\$27,807,349
TOTALS	\$242,158,863	\$51,266,657
GRAND TOTALS	\$293,425,520	



Significant Management Issues Facing SSA

Every year we assess the most significant management issues facing SSA. This process is valuable in focusing congressional attention on mission-critical management problems and serves as a catalyst for resolving significant issues across the Agency. Based on legislative mandates and our audit and investigative work, we believe the 10 most significant management issues facing SSA in FY 2003 are:

1. Homeland Security, SSN Integrity, and SSN Misuse
2. Integrity of the Earnings Reporting Process
3. Management of the Disability Process
4. Fraud Risk
5. Improper Payments
6. Critical Infrastructure Protection and Systems Security
7. Integrity of the Representative Payee Process
8. Electronic Government and Service Delivery
9. Budget and Performance Integration
10. Human Capital

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

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





Issue 1: Homeland Security, SSN Integrity, and SSN Misuse

The SSN is the single most widely used identifier for Federal and State governments as well as the private sector. During FY 2002, SSA issued over 18 million original and replacement Social Security cards.

The public's growing concern with SSN misuse and identity theft is evident from the large number of allegations our Fraud Hotline receives annually. Last year the Federal Trade Commission (FTC) reported receiving 161,819 complaints of identity theft, nearly twice the 2001 figure. The most common types of identity theft crimes reported are credit card fraud, unauthorized attainment of utility services, and bank account and loan fraud.

Our Fraud Hotline guides victims of identity theft to the FTC for information and assistance in resolving financial and other problems that can result from this crime. We focus on the use of counterfeit Government documents and fraudulent attainment of Government benefits such as Social Security and SSI. SSN misuse crimes affect individuals, government agencies, and private companies, often causing tremendous losses. To successfully address SSN misuse, we believe SSA must focus on the integrity of the SSN from the time a number is assigned through the life span of the numberholder, and even after a numberholder's death.

"Given the heightened threat of terrorism today," IG Huse told a hearing of the Subcommittee on Labor, Health and Human Services and Education of the House Committee on Appropriations on March 4, 2003, "failure to protect the SSN's integrity can have enormous consequences for our Nation and its citizens. Now more than ever, SSA must be particularly cautious in striking a balance between serving the public and SSN integrity." We recognize that increased SSN integrity measures will impact the time necessary to process SSN applications. However, we believe the Agency has a duty to the American public to safeguard the integrity of the enumeration process.

With the magnitude of SSN misuse, we believe SSA must employ effective front-end controls in its enumeration process. Likewise, additional techniques, such as data mining, biometrics, and enhanced systems controls are critical in the fight against SSN misuse.

To effectively combat SSN misuse and identity theft, we believe SSA should take the following steps.

- Establish a reasonable threshold for the number of replacement Social Security cards an individual may obtain during a year and over a lifetime.



- Expedite systems controls that would interrupt SSN assignment when SSA mails multiple cards to common addresses or when parents claim an improbably large number of children.
- Continue to educate SSA staff about counterfeit documents.

Additionally, as we reported to Congress, we believe Congress and SSA should consider the following steps:

- Increase the number of investigative and enforcement resources provided for SSN misuse and identity theft cases.
- Expand the Agency's data matching activities with other Federal, State, and local government entities.
- Explore the use of other innovative technologies, such as biometrics, in the enumeration process.

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

Federal Agencies' Controls Over the Access, Disclosure and Use of SSNs by External Entities

The Chairman of the Subcommittee on Social Security, House Ways and Means Committee, asked us to look at the way Federal agencies disseminate and control the use of SSNs. After consulting with the PCIE, we served as the audit lead for 15 participating OIGs and completed this review.

Despite Federal agencies' safeguards to prevent external entities from improperly accessing, disclosing, and using SSNs, agencies remained at risk to such activity. Findings included:

- Fourteen lacked adequate controls over contractors' access to and use of SSNs (for example, eight agencies had not performed site inspections to ensure contractors upheld their obligation to protect the confidentiality and security of SSNs).
- Nine agencies had inadequate controls over access to SSNs maintained in their computer systems (for example, one agency granted systems access before completing background security checks while others were not monitoring user access to ensure users were still authorized).
- Two did not have adequate controls over the access to and use of SSNs by external entities such as physicians and the general public (for example, one OIG reported its agency had no standard contract language to include Privacy Act safeguards).
- One agency did not make legal and informed SSN disclosures (this OIG identified instances in which the agency did not inform research study participants that providing their SSNs was voluntary).





We recognize Federal agencies' efforts cannot eliminate the potential that unscrupulous individuals may inappropriately acquire and misuse SSNs. However, we believe each Federal agency has a duty to safeguard the integrity of SSNs by reducing opportunities for misuse. Given the potential risk for individuals to engage in such activity, we believe Federal agencies would benefit by strengthening some of their controls over the access, disclosure, and use of SSNs by external entities.

Review of SSA Controls over the Access, Disclosure and Use of SSNs by External Entities

We were asked to follow up on a previous review by the GAO entitled, "Social Security Numbers: Government Benefits from SSN Use but Could Provide Better Safeguards" (GAO-02-352, issued May 2002). Our objective was to assess and provide a more in-depth analysis of SSA's controls over the access, disclosure, and use of SSNs by external entities.

In the earlier report, GAO conducted a study of how and to what extent Federal, State, and local government agencies use individuals' SSNs and how these entities safeguard records or documents containing those SSNs.

We identified instances in which SSA personnel:

- Unnecessarily displayed SSNs on documents it sent to external entities that may not have had a need to know.
- Did not adequately monitor contractors' access and use of SSNs.

Additionally, based on our review of recent audit reports related to SSA's information security environment, we believe SSA may be vulnerable to unauthorized access to its computer systems containing SSNs.

We concluded that SSA could strengthen some of its controls over the access, disclosure, and use of SSNs and recommended that SSA:

- Limit SSN display on documents to external entities to those that have a need to know.
- Monitor contractors' access, disclosure, and use of SSNs to ensure they uphold their obligation to protect the confidentiality and security of SSNs.
- Continue to address identified weaknesses within its information security environment to better safeguard SSNs.

SSA agreed with our recommendations.





Referring Potentially Fraudulent Enumeration Applications to OIG

Our objective was to determine the extent that SSA adhered to its policy of referring potentially fraudulent SSN applications to OIG for investigation.

We found that SSA employees do not routinely refer potentially fraudulent SSN applications to us for investigation. Although SSA policy requires these referrals, our review found that less than 30 percent were referred because SSA employees see little benefit in referring potential SSN fraud cases to us. Yet, when cases of suspected fraud are not referred, the SSN application process becomes even more susceptible to fraud.

We recommended that SSA:

1. Emphasize the availability of work credit for fraud referrals.
2. Ensure field office (FO) compliance with the policy mandating the referral of potentially fraudulent SSN application allegations.
3. Change its policy to have employees retain fraudulent or suspect documentation submitted by SSN applicants.
4. Identify alternative administrative sanctions that would discourage people from fraudulently attempting to obtain SSNs.
5. Actively seek appropriate authority for imposing CMPs and administrative sanctions for fraudulent attempts to obtain SSNs.

SSA agreed with most of our recommendations. In February 2003, the Agency issued an informational message to all SSA facility managers highlighting the importance of formally referring suspected fraud cases to us. SSA will also actively seek appropriate authority to impose CMPs for fraudulent attempts to obtain SSNs. SSA disagreed with recommendation 3 because at the time of the initial SSN interview, SSA employees do not know whether a document will be determined fraudulent. SSA's current procedure instructs employees to copy documents in suspect cases due to concerns for the safety of SSA employees. While we recognize that this is a legitimate concern, we continue to believe that the optimal solution is the confiscation of potentially fraudulent documents. Therefore, in the event SSA is unable to provide original documents, we will work with copies of the questionable documents until such time that the Agency is able to address its concerns.

SSN Integrity and Misuse Case Highlights

Assaults on the integrity of the SSN and the enumeration process, as well as cases of simple SSN misuse and identity theft, have risen sharply in past years. Examples of our work in this reporting period include:





Our Denver Field Division, INS (now in DHS), and local law enforcement completed a joint investigation of a Mexico City organization with an estimated \$2-3 million annual income from sales of counterfeit documents it manufactured and sold primarily to illegal aliens. OIG and INS agents identified the organization's leaders and used search warrants to seize fake Government documents and production equipment. The organizational leader was incarcerated and the 9 other co-conspirators were sent to jail and/or deported.



A New York Field Division investigator discovered an offer on eBay's web site to sell a list of 2,600 SSNs with matching names. The suspect advertised that he could provide 8,000 to 10,000 additional SSNs with matching names at a cost of \$1 per name. Because the subject operated in North Carolina, our Atlanta Field Division, along with the U.S. Postal Inspection Service and the Secret Service, set up an undercover buy. They purchased 100 SSNs which belonged to University of North Carolina Pembroke staff, students and applicants, the source of at least 98 percent of the advertised list of 2,600 SSNs. The man was incarcerated.



Our Boston Field Division investigated an illegal alien who sold information to other undocumented aliens and assisted them in applying for identification documents from INS (now in DHS), the State Department, SSA, and the California Department of Motor Vehicles. A lengthy investigation in cooperation with several Federal and State agencies proved the subject had assumed the identity of an American citizen, and had obtained a Social Security card, a passport, a State drivers license and a business license under that identity. He was incarcerated, fined \$600, and after serving his sentence he will be returned to DHS for deportation.



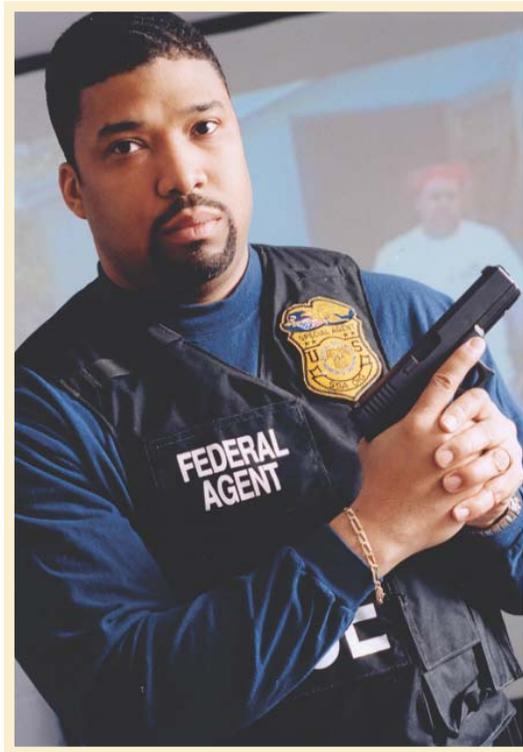
The FBI asked our Dallas Field Division to help investigate a Little Rock, Arkansas, man who created a small corporation to buy distressed real estate, then rehabilitate the properties for resale. Using variations of his name and SSN, he obtained three different mortgages totaling over \$224,000. He was incarcerated and ordered to pay restitution of \$120,061 to 2 financial institutions, and to forfeit a fraudulently-obtained house valued at \$79,900.



Our Seattle Field Division cracked a conspiracy in which 6 people were responsible for more than \$500,000 of fraud under false identities they established. Beginning in 1993, they obtained identification documents from the Washington Department of Licensing in more than 50 false identities and SSNs. Using these identities, they opened bank accounts, committed fraud, and wrote worthless checks to merchants. All 6 were incarcerated for as long as 12 years and ordered to pay restitution.



Our Dallas Field Division worked with the Internal Revenue Service (IRS) to investigate a man who, as part of a conspiracy, used the identities and SSNs of 33 different victims to file 53 fraudulent Federal income tax returns to obtain over \$40,000 in Federal tax refund checks. The man used a stolen name and SSN to open a bank account which was used to deposit some of the refund checks. He was incarcerated and ordered to pay the IRS \$41,405.





Issue 2: Integrity of the Earnings Reporting Process

The integrity of SSA's process for posting workers' earnings is critical to ensuring that eligible individuals receive the full retirement, survivor and/or disability benefits due them. Earnings information reported to SSA by employers and self-employed individuals impacts the level of benefits provided to individuals under both the Old-Age, Survivors and Disability Insurance (OASDI) and SSI programs. If earnings information is reported incorrectly or not reported at all, SSA cannot ensure all eligible individuals are receiving the correct payment amounts. In addition, SSA's disability programs under OASDI and SSI depend on this earnings information to determine (1) whether an individual is eligible for benefits and (2) the size of the disability payment. Finally, SSA spends scarce resources trying to correct the earnings data when incorrect information is reported.

The Earnings Suspense File (ESF) is the Agency's record of annual wage reports for which wage earners' names and SSNs fail to match SSA's records. Between 1937 and 2000, the ESF grew to represent about \$374 billion in wages, reflecting approximately 236 million wage items with an invalid name and SSN combination. As of July 2002, SSA posted 9.6 million wage items to the ESF for tax year (TY) 2000, representing about \$49 billion in wages. Although SSA is able to post most of the reported earnings to an individual's account, those that cannot be matched continue to accumulate in the ESF.

Another concern is the additional administrative cost and time required to correct invalid earnings information. Resolving suspended items unnecessarily consumes Agency resources. For example, to resolve TY 2001 invalid wage items, some of SSA's estimated expenditures included:

- \$5.4 million in TY 2001 to send notices to every individual whose name and SSN do not match SSA's records.
- \$600,000 in TY 2001 to send 944,000 notices to all employers who had an item posted to the ESF.
- An average of \$9.00 for each call (estimated to be 100,000 for the TY 2001 letters) to SSA's national 800-number generated by the notices.
- Over \$200,000 for system maintenance and cyclical changes.

While SSA has limited control over the factors that cause the volume of erroneous wage reports submitted each year, the Agency still has some ability to improve the process. SSA can improve wage reporting by educating employers on reporting criteria, identifying and resolving





employer reporting problems, and encouraging greater use of the Agency's SSN verification programs. For example, a September 2001 OIG report noted how one employer could have prevented \$10.2 million in wages from going into the ESF if the employer had used SSA's Enumeration Verification Service (EVS).

SSA can take additional steps, including establishing tighter wage reporting accuracy thresholds to identify problems with wage reports and attempting corrections with the employer before the wages go into the ESF. Furthermore, implementing a GPRA measure monitoring the ESF's growth may, over time, indicate to management whether the problem is alleviated by ongoing Agency efforts.

SSA also needs to improve coordination with other Federal agencies with separate yet related mandates. For example, SSA's ability to improve wage reporting is related to the failure of IRS to sanction employers for submitting invalid wage data, as well as to employer understanding of complicated DHS procedures for verification of eligible employees.

Ensuring the integrity of the earnings in the Master Earnings File (MEF), the repository of earnings related to specific individual records, is also a critical audit area. In an August 2002 report, we noted SSA did not have an effective process for resolving earnings items suspended due to an individual's presumed death. In the report we estimated that 6,809 suspended wage items related to individuals who were alive on SSA's records, but these earnings had not been reinstated. SSA addressed this concern by establishing an annual process to reinstate earnings items where the indication of death has been removed.

Furthermore, in a September 2002 audit we reported SSA did not have adequate controls over its EVS program to detect deceased individuals and individuals in nonwork status, notify employers, and alert Agency staff for necessary action. As a result, employers were not always informed about their workforce and potential wage reporting problems. SSA has agreed to modify the EVS program to detect and report on such instances in the future.

SSA has developed other processes that inform individuals about their earnings while validating the earnings data in the MEF. SSA now mails Social Security statements to individuals who have earnings and are age 25 or older. In FY 2002, SSA mailed about 138 million statements. If an individual whose earnings are currently in the suspense file contacts SSA about missing earnings, these amounts are either reinstated from the ESF to the MEF or added as new earnings to the MEF. This process can improve the integrity of SSA's earnings data.



We have recommended that SSA:

- Seek legislative authority to provide SSA the tools to require chronic problem employers to use EVS.
- Continue to pursue and/or expand on viable options to the current SSN verification procedures to broaden employer participation in SSA's name and SSN verification projects.
- Strengthen efforts with DHS and IRS to identify problem employers, given that some large employers have as much as two-thirds of their wage reports going into suspense.
- Pursue with IRS penalties on chronic problem employers and, should the IRS fail to impose such penalties, seek SSA sanctioning authority.
- Modify EVS to detect SSNs for deceased individuals and individuals in nonwork status, while providing appropriate notification to employers and SSA staff.
- Establish performance goals and measures in accordance with GPRA that track SSA's success in reducing the growth and size of the ESF.

During this reporting period, we conducted the following reviews in this area.

Congressional Response Report: Status of SSA's Earnings Suspense File

In response to a September 5, 2002 request from E. Clay Shaw, Jr., Chairman of the Subcommittee on Social Security, we reviewed the status of the ESF in terms of wages and items and determined the number of items reinstated to earners' accounts from the ESF.

Our report contains specific information on: wages and items remaining in the ESF since Tax Year 1937, SSA's edit processes designed to remove wages and items from the ESF, the volume of wages and items removed from the ESF, and SSA's attempts to reduce the size and growth of the ESF.

We commended SSA for its efforts to reduce the size and growth of the ESF. We also noted that the ESF continues to grow in both real and relative terms, and that it will continue to need management's attention. Finally, the report states that while SSA cannot control all of the factors related to the ESF's growth, we believe our earlier recommendations are still valid and would assist SSA in resolving some of the issues related to accurately posting earnings.





SSA's Processing of Internal Revenue Service Overstated Wage Referrals

Our objective was to evaluate SSA's processing of IRS overstated wage referrals.

Each year a number of taxpayers contact IRS to dispute wages posted to their earnings record as well as the associated taxes. If IRS concurs with the taxpayer, IRS sends a referral to SSA stating the earnings reported do not belong to the person holding that SSN and notifies SSA to correct its earnings records. IRS has sent referrals to SSA for over 10 years, and SSA has an estimated backlog of 80,000 unprocessed referrals.



We found that SSA has not been processing the IRS referrals and, as a result, the Agency has missed an opportunity to improve the integrity of wage earner's records, reduce potential overpayments, and identify SSN misuse within the economy. We estimate the unprocessed referrals have caused the MEF to be overstated by \$438 million. In addition, these overstated wages, if left uncorrected, could lead to improper payments to future retired beneficiaries, totaling an estimated \$41 million over the beneficiaries' lifetimes.

We believe SSA can reduce the overall workload related to unprocessed referrals by creating a database to highlight trends and prioritize cases based on the likelihood of improper benefit payments and/or identity theft. SSA should renegotiate its referral procedures with IRS if the current process is not providing SSA the necessary information in the right format to resolve the underlying issues.

To improve the integrity of the MEF, prevent potential overpayments, and detect instances of identity theft, we recommended that SSA begin processing the backlogged IRS referrals, starting with the referrals that are most likely to:

- Reduce overpayments, such as those related to individuals closer to retirement age.
- Minimize identity theft, such as those with higher disputed wages over multiple tax years

We also recommended that SSA work with IRS to establish and implement procedures to process the referrals, which could include:

- IRS obtaining sufficient information from the numberholder to allow SSA to remove the wages without additional development.
- SSA requesting that future referrals be provided electronically to minimize handling at SSA.



- IRS requesting that the numberholder contact SSA to correct the wages.
- IRS requesting that the employer send a corrected wage report to SSA.

SSA generally agreed with our recommendations. Specifically, SSA agreed to:

- Develop a workplan to begin processing the workload while considering budget and resource constraints.
- Form a workgroup with IRS to revisit the overall process to implement processing improvements and/or automate this workload.

Congressional Response Report: SSA Benefits Related to Unauthorized Work

In response to an October 10, 2002 request from E. Clay Shaw, Jr., Chairman of the Subcommittee on Social Security, House Ways and Means Committee, we reviewed the statutory and regulatory framework that allows noncitizens to receive Social Security benefits based on unauthorized work and defined the characteristics of specific instances where such unauthorized work later led to Social Security benefits.

We concluded that under the current statutory and regulatory framework, the Social Security Act often does not prohibit noncitizens from claiming entitlement to Social Security benefits based on earnings derived from covered employment in the United States, even if the individuals were illegal residents, or legal residents who had engaged in unauthorized employment. As a result, while SSA is adhering to the Social Security Act in terms of paying benefits to such persons, these statutory requirements are benefiting noncitizens whose work activities are not consistent with U.S. immigration laws. In some specific cases, this practice may also be inconsistent with other provisions, such as certain penalties in section 208 of the Social Security Act and the Identity Theft and Assumption Deterrence Act.

With respect to nonwork SSNs, we made recommendations in earlier audits to discourage illegal employment. In this earlier work, we recommended that SSA:

- Propose legislation to prohibit the crediting of nonwork earnings and related quarters of coverage for purposes of benefit entitlement.
- Work with INS to resolve data compatibility problems between SSA and the INS to improve the information in both agencies' databases.





With respect to noncitizen work without an SSN, SSA may need to consider these potential wage reinstatements in future workload plans. In addition, SSA needs to consider how its current policy to reinstate wages related to unauthorized work by noncitizens impacts:

- The growth of the ESF.
- The consistency with immigration and SSN misuse legislation.
- Conformance with ongoing Government efforts to identify and deter illegal immigration.





Issue 3: Management of the Disability Process

SSA administers two programs that provide benefits based on disability: Disability Insurance (DI) and SSI. Most disability claims are initially processed through a network of Social Security FOs and State DDSs. SSA representatives in FOs are responsible for obtaining applications for disability benefits and verifying nonmedical eligibility requirements, which may include age, employment, marital status, or Social Security coverage information. The FO sends the case to a DDS for evaluation of disability.

The DDSs, which SSA fully funds, are State agencies responsible for developing medical evidence and rendering the initial determination on whether the claimant is disabled or blind. After the DDS makes the disability determination, it returns the case to the FO for appropriate action depending on whether the claim is allowed or denied. In FY 2002, FOs processed 2,376,918 initial disability claims, and the average processing time was 104 days.

Once an individual begins receiving disability benefits under either the DI or SSI program, the Agency's concern is whether that person continues to meet eligibility criteria. Disability benefits will not continue if:

- Legislation or Federal regulations rescind a prior disabling condition from allowing a person to qualify for benefits.
- A child turns 18 years old and is no longer considered disabled under adult criteria.
- An individual returns to work and has income over SSA's allowable amount.
- A CDR shows the individual is no longer disabled.

SSA's Office of Hearings and Appeals (OHA) is responsible for holding hearings and issuing decisions at two distinct stages in SSA's appeals process. Administrative law judges hold hearings and issue decisions in hearing offices nationwide. OHA's field structure consists of 10 regional offices and 138 hearing offices. In FY 2002, hearing offices processed 532,106 cases, and the average processing time was 336 days.

The Appeals Council is the final level of administrative review for claims filed under SSA's disability programs. The Appeals Council reviews administrative law judge decisions and dismissals upon the claimant's timely request for review. In FY 2002, the Appeals Council processed 115,467 cases, and the average processing time was 408 days.

Over the last several years, SSA has tested several improvements to the disability claims process as a result of concerns about the timeliness and



quality of service. These disability improvement initiatives include all levels of eligibility determination—beginning with State DDSs and going through the hearings and appeals processes.

To date, these initiatives have not resulted in significant improvements in the disability claims process, and in January 2003, GAO added the modernizing of Federal disability programs, including SSA's, to its 2003 high-risk list. The Commissioner recently announced several decisions on the future of SSA's Disability Process. The Commissioner's decisions included: pursuing the expansion of single decisionmaker authority nationwide, ending the requirements for the claimant conference in sites testing the prototype disability process, evaluating the elimination of the reconsideration level of the claims process nationwide, making additional improvements to the hearings process, and implementing an Electronic Disability System by 2004.

SSA reports that its short-term initiatives have improved the hearings process. The short-term initiatives include expedited techniques for the review of cases and technology enhancements designed to improve the timeliness of decisions. Furthermore, SSA expects the electronic disability system to provide OHA a more efficient and effective case processing system when implemented.

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

DDSs' Use of Volume Consultative Examination Providers

Our objectives were to determine why only a small number of State DDSs receive discounts on consultative examinations purchased from volume medical providers (VMP), and whether the potential exists to increase these discounts from VMPs.

Each DDS is responsible for obtaining adequate medical evidence to support the disability decision. In so doing, a DDS may purchase exams from medical providers to supplement the medical records obtained from a claimant's treatment sources. Federal regulations allow each DDS to establish its rate of payment for exams. However, a DDS's rate of payment for an exam may not exceed the highest rate paid by the Federal Government or other agencies in the State for the same or similar types of service.

During the review, we determined that 38 of the 54 DDSs purchased exams from VMPs during FY 2001. The other 16 DDSs stated that small exam workloads did not attract VMPs. However, only 5 of the 38 DDSs purchasing exams from VMPs received such discounts. The remaining DDSs that purchased exams from VMPs had various reasons why they were not receiving a discount. The primary reason was that the rate for exams was lower than Medicare rates. We confirmed that four of the five





DDSs receiving discounts from VMPs in FY 2001 had exam rates lower than Medicare's rates.

We believe there is potential for the Agency to increase such discounts at some DDSs, mainly those that have a relationship with VMPs. It would be helpful for SSA to assist the DDSs in negotiating the discounts with the VMPs, starting with those DDSs that would be most beneficial in lowering the medical costs for the Agency. We also identified best practices that may improve the DDSs ability to procure discounts from VMPs.

Therefore, we recommended that SSA:

- Identify the methods and processes used by the New York, Florida, and Oregon DDSs to obtain discounts from multiple VMPs and disseminate the information to other DDSs.
- Provide guidance to the DDSs for recruiting VMPs and negotiating discounted exam fees.

SSA agreed with our recommendations.





Issue 4: Fraud Risk

Fraud is an inherent risk in all of SSA's core business processes: enumeration, earnings, claims, and post-entitlement. All of these processes include vulnerabilities that provide individuals the opportunity to defraud third parties, SSA, or its beneficiaries and recipients. Our focus on fraud risk is based on program eligibility factors individuals misrepresent to attain or maintain eligibility.

Examples of the eligibility factors under the OASDI program include family relationships (for dependents and survivors), school attendance (for children age 18 and older), and child in-care (for surviving spouses under age 60). Because the SSI program is needs-based, it includes eligibility factors that tend to be more difficult for SSA to verify and monitor. These include income, resources, living arrangements, U.S. residency, and deemed income.

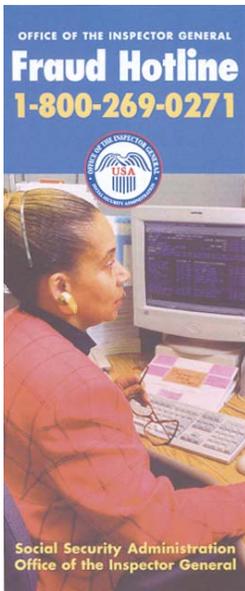
Key risk factors common to both OASDI and SSI programs are the reporting of beneficiary and recipient deaths and the monitoring of medical improvements for disabled individuals. SSA has taken an active role in addressing the integrity of the OASDI and SSI programs through various fraud initiatives. Key projects under this initiative include Prisoners, Fugitive Felons, and Electronic Death Registration.

SSA's difficulty in monitoring eligibility factors for SSI recipients was one of the key reasons GAO put the SSI program on its list of "high-risk" Federal programs in 1997. However, GAO announced in January 2003 that SSA's progress in addressing SSI overpayment issues warranted removal of high-risk designation.

Prior audits have identified weaknesses in SSA's detection of prisoners who improperly received Social Security benefits. As a result of the expansion of data agreements with correctional facilities, SSA's Actuary estimated the total 7-year savings through 2001 at \$3.5 billion.

Our audits have disclosed the need for SSA to improve its capability to avoid improper payments to fugitive felons. One audit found that, without effective matching of State fugitive files, SSA will pay fugitives at least \$30 million in SSI payments per year. A second audit recommended that SSA propose legislation to prohibit paying OASDI benefits to fugitives. (Currently, the Social Security Act prohibits only paying SSI benefits to fugitives.)

Another significant fraud risk is the detection of unreported beneficiary and recipient deaths. SSA relies on computer matches between its Death Alert, Control, and Update System (DACUS) to identify unreported deaths from Federal and State databases. One audit disclosed that about \$31 million was paid to 881 deceased individuals because the DACUS did not properly





match their records. Another audit identified 26 individuals who may have fraudulently negotiated \$429,779 in benefits to deceased individuals.

SSA has taken steps to combat fraud by offering its employees work credits for fraud referrals. While we applaud this action, we believe SSA needs to go further. For example, to fulfill its role as a steward of public dollars, it is imperative that SSA define the universe or magnitude of fraud as do the insurance, retail, and banking industries, which have baselines to estimate potential dollars lost to fraud.

Fraud risk is a major focus of our office. The following provides an overview of some of the work we do to combat fraud in SSA's operations.

Payments Made to Deceased Individuals

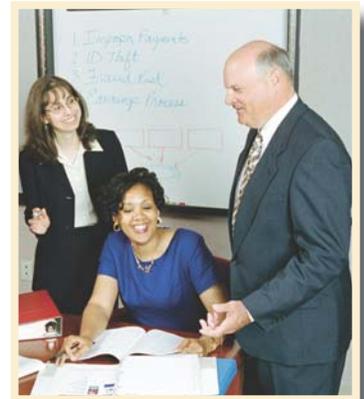
In conjunction with SSA, we have taken aggressive action to stop erroneous payments to deceased individuals. This includes front-end detection of these improper payments, controls to prevent such payments, and detailed investigations to locate wrongdoers when the system breaks down. We believe that paying the right person the right amount of benefits is paramount. Payments made to deceased individuals undermine public trust and confidence in SSA's programs. In this area, we are currently conducting a national operation, as well as other investigative and audit activities as described below.

BIC "D" Project

Our BIC "D" Project is an operation of national scope that focuses on deceased auxiliary Social Security beneficiaries who are in current payment status, despite having their date of death posted in SSA records. The project's name derives from Beneficiary Identification Code "D" for widows and widowers.

The BIC "D" operation identifies subjects who are considered likely to be deceased and in current pay status based on a records match of SSA's payment records against its files. Our investigators work with SSA FOs to verify these deaths, take administrative action, and open investigations as appropriate. If the beneficiary is alive, our investigators notify the local SSA FO that the record is in error.

We initiated Phase II of this project in February 2003 and accepted 980 referrals for investigation in which beneficiaries were receiving OASDI benefits despite having a date of death on their records. As a result, OI opened 159 BIC "D" cases.





Since the project's inception in FY 2001, we have identified \$26,274,913 in fraud losses. The project has resulted in \$52,600,927 in scheduled recoveries and projected savings.

Our BIC "D" Project has resulted in recouping significant amounts of wrongly paid benefits, through a number of investigative cases such as the following.



Our Philadelphia Field Division investigated a man who received and converted for his own use SSA payments sent to his deceased mother from September 1974 to April 2001. He was incarcerated and ordered to pay \$153,484 in restitution to SSA.



The Chicago Field Division investigated a case in which a woman who died in 1983 was paid benefits as recently as 2002. Our investigation found that her daughter was the only other person listed on the bank account to which the benefits were being deposited. The daughter began withdrawing and spending the funds in 1985 and continued until the benefits were stopped in 2002. She was incarcerated and ordered to pay full restitution in the amount of \$101,805.



Our St. Louis Field Division investigated the continued payment of benefits to a man's mother after her 1997 death. From February 1997 to June 2001, SSA paid the benefits by direct deposit into the mother's bank account. Our investigation revealed that her son, a prominent Iowa attorney, continued to access his mother's account following her death and converted more than \$72,000 to his own use. Once his scheme was revealed, he admitted his wrongdoing, and later surrendered his law license to the Iowa State Bar Association. He was incarcerated and ordered to pay full restitution to SSA.

Medicare Non-Usage

The Medicare Non-Usage Project is an SSA anti-fraud initiative that is also designed to identify unreported deaths. SSA receives data from the Center for Medicare and Medicaid Services identifying SSA beneficiaries who are 96 years old or older and have not used Medicare within 3 years. SSA FO employees try to contact the identified beneficiaries. If SSA determines that the case is suspicious, the FO refers the case to us for investigation.

During this reporting period, OI opened 93 Medicare Non-Usage cases. This project has identified \$5,901,567 in fraud losses and resulted in savings, restitution, and recoveries of \$6,127,404 since its inception.



The following cases highlight our efforts under this project:



A Dallas Field Division investigation revealed that an SSI recipient died in 1981 but her death was not reported to SSA. She had lived with a woman who told both SSA and our agents that she was visiting relatives out of town. The woman ultimately admitted she had cashed the checks at a grocery store and bank over a 20-year period after the recipient's death. She received probation with home confinement and was ordered to pay \$89,531 in restitution to SSA.



Our St. Louis Field Division investigated when the local SSA office was unable to contact either an elderly beneficiary or the niece who was her representative payee. Our agents located the representative payee, who admitted her aunt had died in 1988. The niece had continued cashing SSA checks for her own personal use after her aunt's death. She received probation and was ordered to pay \$99,560 in restitution.

Operation "Vulture Sweep"

The World Trade Center (WTC) Fraud Task Force investigation, called "Vulture Sweep," investigates people who falsely filed for death certificates, claiming that members of their family died in the September 11, 2001 attacks. Our New York Field Division has investigated the following cases:



A man received \$17,575 from the American Red Cross, based upon his false statement that his wife died in the WTC. Our investigation established that his wife was alive. Our agents and the New York City Police Department arrested him, and he was charged under New York State Law and incarcerated.



Another New York man fraudulently claimed that his former wife had perished in the WTC attack, and applied for SSA survivor benefits for their two children and for the proceeds of her life insurance policy. Our investigation revealed that his former wife was living in Holland. Following the defendant's arrest, he refunded \$5,739 in SSA payments received on behalf of his children, and was incarcerated.



A woman attempting to obtain emergency relief funds stated in a claim that her husband died in the WTC disaster. Our investigation found that the husband was in fact alive. The woman was incarcerated and ordered to pay \$10,000 in restitution to Safe Horizon.



Other SSA Program Fraud Cases

Some unscrupulous people view SSA's disability and retirement programs as money waiting to be taken. Although SSA employees are trained in fraud prevention and are required to comply with procedures designed to prevent fraud, their performance is measured primarily in terms of customer service. This is an issue the Agency will continue to deal with as it recognizes customers expect service to be the top priority. Our experience has shown that some employees instinctively know when they are presented with false documents. However, employees may be reluctant to question individuals because of fear of violence or retaliation by that person.

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



Our Chicago Field Division investigated a couple who feigned and exaggerated symptoms of mental and physical illness, and received \$420,000 in disability and other benefits. They received Social Security benefits for 2 fictitious children they claimed had been born in a foreign country. The wife also used an alias SSN to get a drivers license, to apply for financial aid, and to get a job while attending Chicago State University, and was awarded \$20,000 in Government education funds to which she was not entitled. The husband was incarcerated and ordered to repay \$462,097 to SSA. The wife's sentence is pending.



Disability fraud was the lever that turned a joint investigation into a long sentence for a Syracuse drug dealer. The IRS and Syracuse police asked our New York Field Division for help investigating a man who was part of a ring that distributed cocaine and crack. He had been receiving disability benefits from Social Security since 1994, concealing assets of over a million dollars that made him ineligible for SSA benefits. He was incarcerated, ordered to pay \$92,278 restitution to SSA, and required to forfeit over \$600,000, 2 sport utility vehicles, firearms, and a house worth \$250,000.



Our Philadelphia Field Division investigated a private citizen's report that a disability beneficiary had a second identity and SSN. The suspect, a West Virginia man, worked under an assumed identity for 13 years, during which he received SSA disability benefits under his true identity. He was incarcerated and ordered to pay \$110,839 restitution to SSA.



Our St. Louis Field Division began what became a murder investigation in conjunction with local police in an effort to find women who were being sent checks for disability benefits. The checks were being cashed, but the women's whereabouts were unknown. A search of a Kansas man's property for an unrelated offense turned up 2 of the women's bodies in barrels. Another 3 were found at a Missouri storage facility he had rented. Our investigation revealed that the man had promised women secretarial jobs in a scheme to defraud SSA so he could collect over \$189,000 in undeserved disability benefits. The suspect had obtained the checks by filing fraudulent medical reports in the victims' names. He was convicted of murdering 3 individuals, including a mother and her disabled daughter, as well as kidnapping and theft, and sentenced to death.

SSA Employee Fraud

It only takes a few corrupt employees to compromise the integrity of the Social Security system and undermine the public's confidence in SSA programs. Although the vast majority of SSA's over 64,000 employees are trustworthy and dedicated, OIG remains vigilant. Due to the potential for widespread abuse, the detection of employee fraud is an investigative priority, although it comprises the fewest number of allegations and cases.

During this reporting period, we opened 64 new employee investigations, closed 52 employee investigations, arrested 12 employees, secured indictments of 9 employees, and participated in 6 judicial actions that resulted in the conviction of SSA employees.

SSA Employee Fraud Cases



Our Atlanta Field Division investigated 2 SSA employees and 2 other people in Florida who conspired to issue at least 19 fraudulent SSNs to illegal aliens. Both SSA employees lost their jobs and were incarcerated, and each was ordered to pay a special assessment. The remaining co-defendants are awaiting sentencing.



Our Los Angeles Field Division investigated an SSA employee who had accessed SSA's computer system to conceal a former SSI recipient's incarceration and generate fraudulent SSI payments of \$5,047, out of which he directed the recipient to pay him \$4,600 in cash. The employee was removed from his position, given 3 years supervised probation and 400 hours of community service. He was also ordered to pay \$4,947 restitution to SSA.



Our Philadelphia Field Division investigated an SSA employee who provided a co-conspirator confidential SSA identifying information to be used in account takeovers and credit card fraud. The investigation was part of Operation Pinch, a joint investigation our agents conducted with the FBI. The employee lost his job and received 3 years' probation. His colleague was fined \$2,000 and incarcerated for 16 months.

In this reporting period, we also conducted the following reviews:

Congressional Response Report: SSA's Efforts to Process Death Reports and Improve its Death Master File

Senator Dianne Feinstein and Congressman Luis Gutierrez asked us to review SSA's processing of death reports and progress in implementing prior recommendations to improve the Death Master File (DMF).

Our report contained information on:

- The number and source of death reports processed by SSA.
- The timeliness of death information received by SSA.
- An overview of the death termination process.
- The number of fraud cases involving improper payments to deceased individuals.
- The status of recommendations from our September 2002 audit entitled, "Effectiveness of SSA's Death Termination Process."
- Information on prior recommendations made to improve SSA's DMF and the corrective actions SSA has taken.

This report was released for informational purposes and did not contain any new recommendations. We noted that SSA plans to implement a nationwide system of electronic death registration with the eventual goal of receiving death information from States both:

- Within 5 days of death.
- Within 24 hours of receipt in the State Bureau of Vital Statistics.

We further noted that although the Agency has initiated actions to improve the accuracy of the information in the DMF, we believe continued efforts are needed to ensure its accuracy and reliability. We cite that the accuracy of the DMF is compromised in two ways:

- It does not contain information on every deceased SSN holder.
- The DMF contains information on individuals who are not deceased.



We also said the DMF's deficiencies need correcting to increase reliability, improving its usefulness to other Government agencies and the public.

Analysis of Multiple, Unrelated Title II Payments to the Same Bank Account

On August 17, 1988, when SSA and our office were still part of HHS, we issued an audit report, "Identifying Unauthorized Multiple Payments to the Same Person at the Same Address." In that report, we suggested improvement to SSA's Master File Duplicate Detection Operation (MAFDUP) to identify multiple payments going to the same mailing address. MAFDUP serves as a control to help prevent fraud in SSA's programs.



Our objective for the current review was to develop a process SSA could use to identify fraudulent title II benefit payments. We also evaluated issues that arose during the audit that related to nursing homes directly receiving benefit payments and lack of cross-referencing of spousal accounts.

The results of the review revealed that testing of multiple payments to the same bank account did not reveal any instances of fraudulent benefit payments. However, we identified two issues during the audit that we believed warranted SSA's immediate attention. First, SSA needs to be more proactive in identifying beneficiaries in nursing homes that may not be capable of managing their funds. Second, SSA needs to implement policies and procedures for identifying dually entitled beneficiaries and ensuring beneficiaries receive all the benefits to which they are entitled.

We recommended that SSA:

- Implement policies and procedures necessary for detecting nursing homes receiving beneficiary funds without being the representative payee. Afterward, SSA should make appropriate capability determinations so that representative payees can be appointed (as needed) and held accountable.
- Perform official capability determinations for all of the beneficiaries in the nursing homes we visited.
- Implement policies and procedures for identifying spousal beneficiaries who are not cross-referenced, determine whether they are due additional benefits and notify all such beneficiaries of the option to elect higher benefits.
- Amend the Program Operations Manual System to make cross-referencing of SSNs a required entry for married beneficiaries.

SSA agreed with these recommendations and described its plans to implement them.



Issue 5: Improper Payments

SSA is responsible for issuing benefit payments under the OASDI and SSI programs. In FY 2002, SSA issued \$483 billion in benefit payments to about 53 million beneficiaries. Considering the volume and amount of payments SSA makes each month, even the slightest error in the overall process can result in millions of dollars in overpayments or underpayments.

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

The President and Congress expressed interest in measuring the universe of improper payments within the Government. In August 2001, OMB published the President's Management Agenda for FY 2002, which included a Governmentwide initiative for improving financial performance. Each year, SSA reports payment accuracy rates for its programs as well as the amount of actual overpayments identified. For FY 2001, SSA's Stewardship Report showed that the OASDI accuracy rate was 99.8 percent.

While SSA reports a payment accuracy rate for each of its programs, its payment accuracy rates do not directly correspond to the overpayments reported in SSA's financial statements. For each program, SSA's payment accuracy rate is based on a detailed analysis of a sample of cases. While this sample case review is more extensive than SSA's normal processes, the payment accuracy rate is higher than it would be if all types of overpayments were considered in calculating the rate.

Actual overpayments are higher than the payment accuracy rate because SSA does not include all types of improper payments, such as the medical factors of eligibility, when calculating its payment accuracy rate. Further, SSA does not count all types of overpayments identified during its case review as "errors" when calculating the payment accuracy rate.

As a result, SSA's payment accuracy rates are not based on the total amount of improper payments that occur in its programs and, in fact, overstate the Agency's accuracy in making payments. The lack of correspondence between SSA's accuracy rates and reported overpayments is demonstrated by the OASDI payment accuracy rate for FY 2001. Using the payment accuracy rate for the OASDI program in FY 2001, one would have expected



\$857 million in overpayments. However, SSA reported actual OASDI overpayments of \$1.6 billion in its FY 2001 financial statements.

Improper Payments				
Program	FY 2001 Expenditures (in billions)	FY 2001 Payment Accuracy Rate (percent)	FY 2001 Actual Overpayments (in billions)¹	FY 2002 Actual Overpayments (in billions)¹
OASDI	\$428.3	99.8	\$1.59	\$1.61
SSI	\$27.7	92.8	\$1.95	\$2.05
Total	\$456.0	N/A	\$3.54	\$3.66

¹ Represents new programmatic debt detected as reflected in SSA's financial statements without regard to the year in which the payment was made.

Since the SSI program is more complex than the OASDI program—and relies heavily on beneficiary self-reporting of events that affect program eligibility—we would expect SSA's overpayment rate for the SSI program to be significantly higher than the overpayment rate for the OASDI program. We compared SSA's payment accuracy rates to its actual overpayment amounts for FY 2001 and estimated SSA's unknown portion of improper payments to be over \$2 billion. While neither SSA nor we have determined the exact amount of improper payments in SSA's programs, we are continuing our efforts to refine such a calculation and believe our \$2 billion estimate is valid.

SSA has undertaken many projects to identify and improve areas where it could do more to reduce improper payments and/or recover amounts overpaid. SSA has been working to improve its ability to prevent overpayments by obtaining beneficiary information from independent sources sooner and/or using technology more effectively. In this regard, SSA has initiated new computer matching agreements, obtained online access to wage and income data, and implemented improvements in its debt recovery program. Working with SSA, we have made great strides in reducing benefit payments to prisoners and SSI payments to fugitive felons, and these efforts continue. However, erroneous payments, including those to deceased beneficiaries, students, and individuals receiving State workers compensation (WC) benefits, continue to occur.

For example, SSA has made significant improper payments to disabled beneficiaries who also receive State WC payments. In general, the Social Security Act requires that SSA benefits be offset for beneficiaries who receive State-administered benefits. This reduction in benefits prevents a disabled worker from receiving more in disability payments than he



or she earned before becoming disabled. Because SSA does not have direct access to State WC databases, it primarily relies on beneficiaries to voluntarily report changes in WC benefits. In our 1998 and 1999 audit reports, we identified potential total dollar errors amounting to \$600 million in overpayments and \$253 million in underpayments due to various errors in benefits involving WC. In response to our reports, SSA performed its own studies and estimated that the total past and future errors for two subsets of the population involving WC payments could reach \$1.3 billion in underpayments and overpayments. In an effort to correct these errors, SSA began recomputing payments for beneficiaries involving WC payments. SSA estimated that this effort has corrected over \$811 million in past and future payment errors.

During this reporting period, we conducted the following audit and review:

Congressional Response Report: Status of Corrective Actions Taken in Response to Recommendations in Fiscal Years 1997 Through 2000 Payment Accuracy Task Force Reports

During the early 1990s, SSA reported a decline in the accuracy of certain SSI benefit payments. To improve the accuracy of SSI and Old-Age and Survivors Insurance (OASI) program benefit payments, SSA created the Payment Accuracy Task Force (PATF) in 1996. PATF was a cooperative effort between SSA and our office. Each year, PATF's Steering Committee designated a "payment error category" for review. From FY 1997 through FY 2000, PATF reviewed four payment error categories: OASI earnings records, SSI earned income, SSI unearned income, and OASI relationship and dependency. Over the 4-year period, PATF reports contained 47 recommendations and the Agency concurred with all but 4.

The Subcommittee on Social Security, House Committee on Ways and Means, asked us to obtain information on the status of corrective actions taken on PATF recommendations. In response, SSA provided updates on the status of recommendations, and advised us that current measurement instruments did not provide data specific enough to measure whether the implementation of the recommendations improved payment accuracy. SSA also informed us that, in its view, the narrow focus of the recommendations made measuring the impact of implementation difficult to identify and isolate. SSA also advised that it did not believe the creation of new measurement instruments would be cost-beneficial.

We also advised the Subcommittee that we could not determine whether overall payment accuracy improved after we issued the PATF's reports. This was due, in part, because not enough time had elapsed since the issuance of the reports to allow for corrective action on all recommendations, and because limited information was available at the time of the review.



OASDI and SSI Payments to Deceased Beneficiaries and Recipients

As part of SSA's FY 2000 Financial Statement Audit Management Letter, Part 2, PricewaterhouseCoopers (PwC) conducted integrity matches on death data, comparing date of death information between the Master Beneficiary Record (MBR) containing OASDI beneficiaries, the Supplemental Security Record (SSR) containing SSI recipients, and SSA's Numident record. The Numident holds information on all valid SSN applications since 1936. The integrity matches for FY 2000 identified 706 OASDI beneficiaries and 79 SSI recipients listed as alive and in current pay status on SSA's MBR or SSR but deceased on the Agency's Numident record.



Our objective was to determine the status of these cases. As part of the objective, we also determined whether SSA made improper payments to individuals who were deceased and whether the DMF contained information on living beneficiaries or recipients.

We found that, as of July 2001, 553 (71.9 percent) of the cases still contained a discrepancy between the payment status information in the MBR and SSR when compared with Numident records. We requested that SSA determine whether the individuals for the 553 cases were alive or deceased. As of April 30, 2002, the cut-off date for our review, SSA provided information to us that 426 beneficiaries or recipients were alive, 48 were deceased, and 32 cases remained unresolved. SSA did not provide any information on the remaining 47 cases.

SSA did not act to correct cases that had been identified as having a date of death discrepancy between the MBR or SSR and Numident records. Consequently, the Agency made payments to individuals after their death. In addition, private information for many living individuals was inadvertently listed in death records that were made available to the public. We recommended, and SSA agreed with, the following:

- Recover the payments made after death identified in the sample.
- Undertake a data match of the entire population to identify cases that need to be corrected and amounts recovered for payments after death.
- Ensure that the 71 live individuals, whose records were still listed in Internet death records, are removed from the DMF.
- Determine the status of individuals in the remaining unresolved cases and, if alive, remove them from the DMF and recover payments made after death if any.
- Establish a schedule to conduct routine periodic data integrity matches to identify date of death discrepancies for review and correction.



Issue 6: Critical Infrastructure Protection and Systems Security

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

- Telecommunications
- Energy
- Banking and finance
- Transportation
- Water systems
- Facility and personnel security
- Emergency services, both Federal and private.



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

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

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

SSA's current information security challenge is to understand and mitigate system vulnerabilities. At SSA, this means ensuring its critical information infrastructure, such as access to the Internet and the networks, is secure.



By improving systems security and controls, SSA will be able to use current and future technology more effectively to fulfill the public's needs. The public will not use electronic access to SSA services if they do not believe those systems are secure.

SSA addresses critical information infrastructure and systems security in a variety of ways. It created a Critical Infrastructure Protection work group that continually works toward compliance with PDD-63. The work group has created several components throughout the Agency to handle systems security. SSA also routinely sends out security advisories to its employees and has hired outside contractors to provide expertise in this area.

Our work has identified several areas where SSA needs to ensure the security of its information. With a variety of challenges on the horizon, SSA needs to address the following issues:

- Lack of a comprehensive approach to information security.
- Continued weaknesses in SSA's overall information protection control structure, as identified by PwC.
- Internal control weaknesses that provide opportunity for unauthorized access to confidential information.
- Limited review and analysis of system intrusion data.
- Risks associated with providing service over the Internet.

During this reporting period, we conducted the following reviews involving critical infrastructure and systems security:

Management Advisory Report: SSA's Oversight of DDS Systems Security (Limited Distribution Review)

Our objective was to provide information regarding the SSA oversight of DDSs' systems security, including monitoring of logical access controls and the suitability of its users. We found that there were not sufficient compensating controls to adequately monitor DDS employee access to SSA systems in accordance with laws, regulations, and best practices.

SSA generally agreed with our recommendations. SSA is improving its security policies and monitoring procedures for the DDS environment through the use of new tools and software. The Agency is working with the DDSs to ensure that they review and certify the appropriateness of each DDS employee's level of systems access. The internal SSA Intrusion Detection System team continues to develop new ways to detect incidents and enhance internal control capabilities, including detection and controls relating to DDS systems access. The Agency is working with the DDSs to ensure that violations are reported and acted on in a prompt manner.

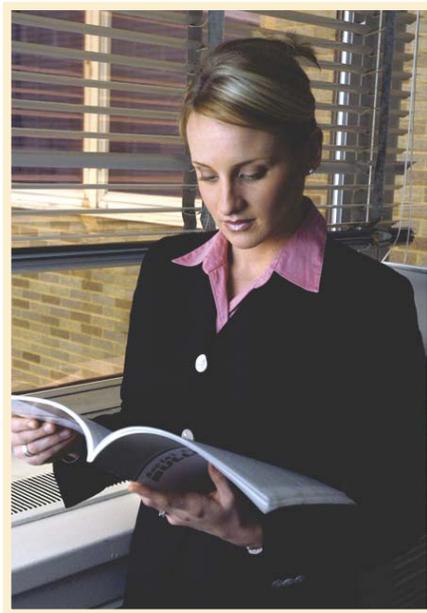




Management Advisory Report: Physical Security for SSA's Laptop Computers, Cellular Telephones, and Pagers (Limited Distribution Review)

Our objective was to review SSA's physical security and controls over its laptop computers, cellular telephones and pagers at Headquarters. During the review, we did not find any problem with policies regarding cellular telephones and pagers. However, we identified opportunities for SSA Headquarters employees to improve physical security over laptops.

To better safeguard SSA Headquarters laptops, we recommended that SSA institute several changes. SSA responded that it has already taken steps dealing with employee awareness of security policies and agreed with our other recommendations. This report is not available for distribution.





Issue 7: Integrity of the Representative Payee Process

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. While representative payees provide a valuable service for beneficiaries, SSA must employ appropriate safeguards to ensure they meet their responsibilities to the beneficiaries they serve.

Congress granted SSA the authority to appoint representative payees to receive and manage these beneficiaries' payments. A representative payee may be an individual or an organization. SSA selects representative payees for OASDI beneficiaries or SSI recipients when representative payments would serve the individuals' interests. Representative payees are responsible for using benefits in the individual's best interests. There are about 5.4 million representative payees who manage benefits for about 7.6 million individuals.

Since FY 2001, we have performed 13 financial-related audits of representative payees. Our audit results showed that representative payees did not always meet their responsibilities to the beneficiaries they served. We identified deficiencies with:

- Financial management of, and accounting for, benefit receipts and disbursements.
- Vulnerabilities in safeguarding individuals' payments.
- Poor monitoring and reporting to SSA of changes in individual circumstances.
- Inappropriate handling of conserved funds.
- Improper charging of fees.

We continue to identify problems with SSA's oversight of representative payees. For example, in March 2001, we alerted SSA to a condition whereby individuals were serving as representative payees who also had a representative payee managing their own Social Security benefits. SSA subsequently identified approximately 3,800 instances where this had occurred. We also identified 121 individuals whose own benefit payments were stopped by SSA because they were fugitive felons or parole or probation violators. However, SSA's policy does not specifically prohibit these individuals from serving as representative payees.

In FY 2000, SSA established a Representative Payee Task Force to perform a comprehensive review of the features and vulnerabilities of the representative payee program. The Task Force was comprised of three



subgroups concentrating on monitoring representative payees, systems support for the representative payee program, and bonding and licensing of representative payees.

“Legislation is needed to ensure the integrity of the representative payee process at several stages,” IG Huse told the members of the Subcommittee on Social Security, House Committee on Ways and Means, at its February 27, 2003 hearing. Based on our audits and investigations, the IG called for:

- Addressing the issue of fugitive felons and parole or probation violators serving as representative payees.
- Developing procedures to require representative payees to provide accounting forms before releasing a beneficiary’s funds where other attempts to obtain accountability have been unsuccessful (including making the representative payee come to the FO to receive the check).
- SSA to be authorized to reissue an individual’s misappropriated funds and hold the representative payee who misused them liable to repay them.
- Allowing the imposition of CMPs for willful conversion of an individual’s funds by a representative payee.

Examples of our investigative work involving representative payees in this reporting period include:



Our Seattle Field Division investigated “Payee-R-Us,” an organizational representative payee service in Washington State that handled as many as 200 clients, for which it received a \$25 fee per client. Its executive director embezzled over \$107,000. A homeless beneficiary, for example, was unaware of his approximately \$15,000 retroactive benefit check that the executive director had embezzled for her personal use. The executive director was incarcerated and ordered to pay \$107,292 in restitution directly to 88 victims.



Our Los Angeles Field Division investigated an SSA Honolulu office report that a woman who had been appointed representative payee for her 3 minor children in 1996 had misused their survivors’ benefits. They had been removed from her home and placed in State custody by Hawaii Child Welfare Social Services. She was incarcerated and ordered to pay SSA full restitution of \$17,631.



Our Philadelphia Field Division investigated the SSA Charlottesville office's suspicions of a claimant's whereabouts when numerous attempts to contact her and/or her representative payee—her granddaughter—were unsuccessful. Our investigation revealed that the older woman had died in November 1995, but her representative payee continued to receive her benefits until February 1999. The granddaughter was incarcerated and has paid full restitution of \$45,379 to SSA.



Our Los Angeles Field Division investigated a report that a man who no longer had custody of his 2 minor children might have misused their benefits. Our agents found that the father, appointed as their representative payee in 1991 and 1992, had moved out of his children's household, leaving the children in their mother's custody. From 1994 to 2000, his children's benefits were deposited directly into his bank account, and he failed to forward the money to them. The father had been a transient since 1994, and had minimum contact with his children since moving out. He was incarcerated and ordered to pay SSA full restitution of over \$28,000.

During this reporting period, we conducted the following audits involving the representative payee process.

Identifying Representative Payees Who Had Their Own Benefits Suspended Under the Fugitive Provisions of P.L. 104-193

Our objective was to identify fugitives whose SSI payments were stopped under P.L. 104-193 but who continued to serve as representative payees and manage Social Security funds for other beneficiaries.

With the enactment of section 202 of P.L. 104-193 in August 1996, fugitive felons and parole and probation violators are no longer eligible to receive SSI payments. To identify SSI recipients who are fugitives, SSA matches Federal, State, and local law enforcement fugitive data against its SSI payment records. When SSI recipients are found to be fugitives, SSA stops their payments and assesses an overpayment for the amount of SSI payments paid incorrectly.

SSA periodically matches its Prisoner Update Processing System with its Master Representative Payee File (MRPF) to identify unsuitable representative payees and protect the most vulnerable individuals from potential abuse by these representative payees who have become prisoners. However, SSA does not have a similar program to identify and replace fugitives who are representative payees. Although SSA staff informed us they perform





suitability checks when there is any activity or change in the status of a beneficiary who is also a representative payee, SSA does not have a specific policy in place that prohibits a fugitive from acting as another individual's representative payee.

We identified 121 fugitives whose SSI payments were stopped under P.L. 104-193, but who continued to serve as representative payees and managed over \$1.4 million in Social Security funds for 161 individuals. We notified SSA of this, and as a result, SSA replaced 15 of the fugitives with more suitable representative payees. However, SSA took no action to replace 10 other fugitives whose own SSI payments were reinstated since their fugitive warrants were resolved after January 2002. SSA did not replace the remaining 96 representative payees who remained fugitives as of July 2002.

We believe SSA needs to identify and reassess all fugitives who are acting as representative payees. A fugitive for a felony or parole/probation violation is not likely to be in the best position to serve as a representative payee.

We recommended and SSA agreed to:

- Evaluate the 96 fugitives who continue to serve as representative payees to determine whether they are still suitable.
- Assess the 10 representative payees who are no longer considered fugitives to determine whether they are still suitable to serve as representative payees.
- Establish and implement a policy to query databases, such as the MRPF, whenever SSI payments are suspended due to a recipient's fugitive status to ensure a suitability review is performed when the fugitive is also a representative payee.

Screening Representative Payees for Fugitive Warrants

Our objective was to assess the use of fugitive warrant information as a screening tool for representative payees.

We matched records from 10 State fugitive files to SSA's MRPF and identified 3,473 fugitive felons and/or parole and probation violators who appeared to be representative payees.

We believe SSA should use fugitive warrant information to screen representative payees because a fugitive felon may not be in the best position to manage a beneficiary's funds. Based on our analysis, we estimated that approximately 3,145 fugitives served as representative payees and managed approximately \$81.2 million in Social Security funds. Furthermore, we estimated that, if not replaced, current fugitives will





manage approximately \$19.6 million in Social Security benefits over the next year.

We recommended that SSA:

- Enhance its current representative payee process to include fugitive felon data in its suitability determinations for new payee applicants.
- Periodically validate its representative payee file against fugitive warrant data to identify existing representative payees who are fugitives and re-evaluate their suitability.

SSA generally agreed with both of our recommendations. However, SSA stated, "we believe a better and more efficient course is to make these changes to our current process only after the Congress enacts supportive legislation."

Financial-Related Audit of the Harris County Guardianship Program—an Organizational Representative Payee for SSA

Our objectives were to determine whether the Harris County Guardianship Program (HCGP):

- Had effective safeguards over the receipt and disbursement of Social Security benefits.
- Ensured Social Security benefits were used and accounted for in accordance with SSA's policies and procedures.



Our review found that HCGP did not effectively safeguard over \$1.2 million in SSA benefits and account for those benefits in accordance with SSA policies and procedures. HCGP serves as an organizational representative payee and provides care to incapacitated and indigent adults as ordered by Harris County Probate Courts.

Some of the adverse conditions we identified at HCGP might have been identified and corrected had there been greater oversight by SSA. In December 1999, SSA's Houston FO conducted an on-site review at HCGP. According to FO personnel, the site review was limited to a review of expenditures for five beneficiaries and was completed in under 1 hour. The review did not identify any problems. However, FO personnel did not interview beneficiaries or assess their living conditions. If the FO had conducted a more thorough review, many of the adverse conditions we identified would have been discovered.

Generally, HCGP did not meet its overall responsibilities, and needs to make significant changes and improvements in several areas of its representative payee program. SSA agreed with our recommendation that it determine whether HCGP should remain a representative payee, and that if HCGP does



so, that SSA increase its oversight of HCGP. We also recommended that SSA instruct HCGP to submit guardianship fee assessments to SSA FO for review and approval. SSA disagreed, noting that SSA policy does not require a representative payee to obtain SSA approval prior to charging guardianship fees.

In addition, we recommended that SSA review the appropriateness of all guardianship fees paid since HCGP began serving as representative payee, and instruct HCGP to return unapproved and/or excessive fees to affected beneficiaries. SSA agreed to conduct a case-by-case review of excessive fees once a review of the Texas laws addressing guardianship fees is completed.

We further recommended that SSA:

- Calculate and collect overpayments resulting from the 13 beneficiaries' accounts we identified that contain more than \$2,000 in conserved funds.
- Recover \$9,096 in benefits from HCGP received for 2 beneficiaries we determined were not under its care during our audit.
- Direct HCGP to return the beneficiaries' funds misappropriated by two former employees to the affected beneficiaries' accounts.

SSA agreed with these recommendations. We also recommended and SSA agreed to:

- Provide guidance to HCGP regarding the appropriate level of documentation to account for the receipt and disbursement of SSA benefits.
- Instruct HCGP to title its bank account to reflect that the ownership of the deposits belongs to SSA beneficiaries.
- Update the Representative Payee System to reflect the current beneficiaries under HCGP's care.





Issue 8: Electronic Government and Service Delivery

SSA has made a commitment to deliver high-quality, citizen-centered, service. Providing quality service to the public remains a key management issue facing SSA, and it recognizes there are a number of significant service delivery problems that need attention. The complexity of SSA programs is one such problem.

SSA's workloads will continue to increase as "baby boomers" reach retirement age. As the Social Security Advisory Board reported, the result has been, and will continue to be, uneven service. Over the next 10 years, the Agency faces some daunting challenges, which it must begin to address now. SSA needs to balance its delivery and stewardship roles. Some major challenges the Agency faces on the road ahead are discussed below.

By 2010, workloads will swell to unprecedented volumes. The most significant factor contributing to this change will be the aging of the baby-boom generation (those born from 1946 through 1964). Along with an increased workload, the incredible pace of technological change will have a profound impact on both the public's expectations and SSA's ability to meet those expectations.

At the same time, SSA is likely to lose a significant number of experienced employees by 2010. Over 28,000 SSA employees will be eligible to retire, and another 10,000 are expected to leave the Agency for other reasons. The loss of these employees will result in a significant loss of institutional knowledge.

These challenges can be addressed by succession planning, a strong recruitment effort and effective use of technology. Future service delivery challenges include providing electronic services over the Internet and telephone, 24 hours a day, 7 days a week. It will be the norm for business transactions to be processed electronically at the first point of contact.

The Agency has started to allow the public to file disability claims electronically over the Internet, and it expects to begin rolling out an electronic disability program nationally in early 2004. By 2005, SSA will make 60 percent of its customer-initiated services available electronically through automated telephone services or the Internet. Throughout this decade, SSA is also expected to develop an Internet service delivery format that is fully integrated with its formal telephone business processes. This will allow its public and business partners to conduct business transactions with the Agency electronically.

There are always risks involved in conducting electronic commerce, despite the Agency's efforts to identify and mitigate them. Privacy and security



concerns must remain at the forefront of its planning efforts. Working closely with technical experts and privacy advocates, the Agency needs to use a variety of tools to protect the public's information, such as data matching, public/private key tools, encryption, digital signatures, and biometrics. Secure electronic access to SSA's facilities, its multi-platform environment, and SSA's records will be a top priority. SSA will need to ensure it complies with PDD-63, which deals with critical infrastructure protection, and PDD-67, which is concerned with continuity of operations.

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

Evaluation of the Accelerated Electronic Disability System—Third Assessment

We completed our third assessment in an ongoing evaluation of the Accelerated Electronic Disability (AeDib) system (formerly the Electronic Disability or eDib system). We provided many of our ideas and concerns during the eDib planning process through participation in the AeDib Steering Committee.

As part of the assessment, we provided the following areas for SSA to consider.

- The AeDib's program management plans and risk management plans.
- The AeDib cost benefit analysis.
- Oversight of the AeDib System by its steering committee.
- The AeDib Project plan.
- The project scope agreement for enterprise document and imaging management architecture for the AeDib Project.
- The internal controls necessary in scanning hardcopy disability evidence at remote sites.

We believe our advice to SSA on each of these issues will assist the Agency in the enhancement of its AeDib systems development process. While the Agency was not asked to respond formally to the document, it did implement much of our advice given at the AeDib Steering Committee meetings and in our third assessment.





Issue 9: Budget and Performance Integration

Our work to date has demonstrated that SSA is generally committed to the production and use of reliable performance and financial management data, but some improvements would further enhance SSA's ability to produce accurate management information. This area encompasses SSA's efforts to provide timely, useful and reliable data to:

- Assist internal and external decisionmakers in effectively managing Agency programs.
- Evaluate performance.
- Ensure the validity and reliability of performance, budgeting, and financial data.

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



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

In addition to performance audits, we perform and oversee audits and reviews of SSA's financial statements and other financial-related audits of SSA's operations. Our work includes an annual audit of SSA's financial statements as well as reviews of single audits conducted by State auditors and public accounting firms. We also conduct administrative cost audits of State DDSs, which assist SSA with its disability workload. All of this work helps to assess the validity and reliability of the financial data SSA relies on to manage its programs and meet its mission.

The integrity of SSA's programs and those that rely on information from SSA depend on the reliability and quality of SSA's data. External data and



data exchanges are critical to SSA's programs and are the focus of many of our audits. Therefore, it is imperative that SSA's data be reliable. For example, States provide data on WC benefits paid to individuals who may also be receiving SSA benefits. The Department of Veterans Affairs and the Centers for Medicare and Medicaid Services provide SSA information about medical care and deaths that ultimately impact the amount of benefits the Agency pays. Also, States use SSA program data to verify their own residents' eligibility for benefits, while employers verify new worker SSNs against SSA's EVS. SSA has become the repository for prisoner information it shares with other Federal agencies. Finally, SSA sells some of its death data to the private sector.

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

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

Financial Reviews

The CFO Act (as amended) requires OIG or an independent external auditor, as determined by the IG, to audit SSA's financial statements in accordance with the GAO's Government Auditing Standards. In addition to this requirement, we also conduct other financial-related audits of SSA's operations and review the quality of single audits conducted by State auditors and public accounting firms.

Audit of the Fiscal Years 2002 and 2001 Financial Statements of SSA and the Results of OIG's Review Thereof

PwC performed SSA's FY 2002 financial statement audit. SSA met the Governmentwide goal to produce audited statements by November 15th. On November 14, 2002 PwC issued an unqualified opinion on SSA's FY 2002 financial statements. In PwC's opinion, ". . . the consolidated and combined financial statements . . . present fairly, in all material respects, the financial position of SSA at September 30, 2002 and 2001 . . ." However, PwC's audit report identified a reportable condition in SSA's internal controls. PwC reported that SSA needs to further strengthen controls to protect its information. SSA generally agreed with this finding and PwC's related recommendation.

Disability Determination Services Administrative Cost Audits

Disability determinations under SSA's DI and SSI programs are performed by DDSs according to Federal regulations. There are 54 DDSs located in the 50 States, the District of Columbia, Puerto Rico, Guam, and the





Virgin Islands. In carrying out its obligation, each DDS is responsible for determining claimants' disabilities and ensuring that adequate evidence is available to support its determinations. To assist in making proper disability determinations, each DDS is authorized to purchase consultative medical examinations to supplement evidence obtained from the claimants' physicians or other treating sources. SSA pays the DDS for 100 percent of allowable expenditures.



We performed administrative cost audits at the Kansas and Puerto Rico DDSs. The objectives of these audits were to evaluate internal controls over the accounting and reporting of administrative costs, and to determine whether costs claimed were allowable and funds were properly drawn.

The audits identified findings related to:

- Overstated obligations and unliquidated obligations.
- Incorrect indirect cost allocations.
- Excessive consultative examination payments.
- Inappropriate non-SSA work cost charges.
- Inaccurate other nonpersonnel costs.
- Internal control weaknesses involving the accounting for and reporting of administrative costs.

In total, our reports recommended that SSA recover \$5.8 million in unallowable costs, deobligate over \$100,000 in unliquidated obligations, and improve internal controls in several areas involving administrative costs.

Performance Reviews

Review of SSA's FY 2003 Annual Performance Plan

Our objectives were to determine the extent to which SSA's FY 2003 APP:

- Responds to prior recommendations made to improve APPs.
- Contains indicators that provide decisionmakers useful information and that meaningfully measure performance.



We found that SSA's FY 2003 APP responded to many of our suggestions for improvement from previous APPs and reflects SSA's strong commitment to GPRA objectives. Nevertheless, we concluded that opportunities existed for SSA to establish performance indicators that will provide more meaningful information to decisionmakers. For instance, SSA's APP did not include goals for all management challenges and major initiatives for which measurable



corrective action was possible. Additionally, we found that it lacked an appropriate array of outcome-based and service-related indicators. The APP also needed more information to permit an assessment of the nature and reasonableness of certain goals and a basis upon which to compare goals and subsequent performance with public expectations. Further, the APP could have displayed better integration of performance goals and the budgeted resources needed to achieve them.

We acknowledged the evolving nature of GPRA reporting and recommended that additional actions be taken to make future APPs more useful to decisionmakers and allow better assessment of progress toward world-class service.

Specifically, we recommended that SSA provide:

- Goals for those management challenges and major initiatives for which measurable corrective action is possible, such as progress in reducing the ESF and monitoring representative payees.
- Better outcome-based and service-related measures in the areas of 800-number waiting time, notice clarity, SSN card issuance, validation of medical listings, and initial disability claims processing.
- Information to more fully explain how performance will be measured, in such cases as the percent of employers rating SSA's overall service and the implementation of activities to put the software and infrastructure in place for electronic processing of hearings and appeals.
- Information to assess goals and subsequent performance that differ significantly with known public expectations, such as in the areas of 800-number performance and hearings decisions.
- Continued commitment to link its budget and performance data as envisioned by the President's Management Agenda and OMB.

SSA generally agreed with all of our recommendations, noting that actions to implement the recommendations will either be reflected in its FY 2004 APP or later.

Reliability of SSA's Performance Data

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

The six reports released were:





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

Five of the reports concluded that the performance measures were reliable. We found that data used in the performance indicators to measure Appeals Council processing time and efficiency was unreliable. Because of system security concerns, the Appeals Council report was released with a limited distribution, which prevents us from discussing specific details in this report. We also determined that all of the performance indicators audited were appropriate measures.

While most of the audited performance indicators were reliable, they could still be improved. We made recommendations for improving the measurement processes and manner of reporting on SSA's performance. For example, we recommended that SSA accurately disclose the process used to calculate its performance indicators within SSA's APP. SSA should also improve controls over the processes leading to its performance measure reporting, such as, creating control



procedures to ensure OASDI post-entitlement automation rates are accurate. Finally, SSA should eliminate instances of subjective determinations of customer satisfaction survey responses from performance measures.

We also noted that SSA's APP strategic objective A5 states that the Agency seeks to "improve the efficiency of service to people applying for DI and SSI disability benefits." However, we found no supporting performance indicators, and recommended that SSA include such indicators.



Issue 10: Human Capital

GAO and OIG have identified specific human capital challenges and vulnerabilities that may impact the Agency's ability to meet projected service delivery needs. Increasing demand on SSA for services, imminent retirement of a large portion of its workforce, changing needs of the public, and mixed success in implementing technology will challenge SSA's ability to meet increasing demands on SSA services. SSA's future will include major technological advances and exponential growth in workloads.

This growth will occur at the same time SSA may face an unusual wave of management and staff retirements. Even at current staffing levels, SSA finds it difficult to maintain an acceptable level of service to the public, especially in its most complicated workloads. The Government is facing a major challenge to meet the current and emerging needs of the Nation's citizens after a decade of downsizing and curtailing investments in human capital. Many agencies, including SSA share the challenge to address human capital shortfalls. Agency leaders need to make this a priority and apply tools and flexibilities already available to make substantial progress in managing their human capital.

In January 2001, GAO added strategic human capital management to its list of Federal programs and operations identified as high-risk. The strategic human capital challenges it identified include the following:

- *Acquiring and developing staffs whose size, skills, and deployment meet Agency needs*—ensuring current and future human capital needs are identified and gaps are filled through such efforts as effective recruiting, training, and contracting.
- *Leadership continuity and succession planning*—ensuring there are qualified people available to assume top leadership positions before they become available.
- *Strategic human capital planning and organizational alignment*—ensuring human capital strategies support strategic and program goals so an Agency's mission, vision, and objectives are realized.
- *Creating results-oriented organizational cultures*—ensuring staff is empowered and motivated in conjunction with workplace accountability.

SSA has addressed its human capital challenge in its strategic plan. SSA's goal "to strategically manage and align staff to support SSA's mission" relates to the Agency's management commitment to advance the economic security of the nation's people. SSA will be faced with significant workload growth at the same time it is experiencing an increasing loss of staff due



to retirements. SSA will strive to meet these challenges by maintaining a high-performance workforce and enhancing productivity through automation, job enrichment and training, redistribution of staff to direct service positions, succession planning, leadership development and other service enhancements. Further, SSA's strategies address the President's Management Agenda Human Capital initiative.



A Special Thank You

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





Appendices





Appendix A

Resolving Audit Recommendations

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

Reports with Questioned Costs for the Reporting Period October 1, 2002 through March 31, 2003			
	Number	Value Questioned	Value Unsupported
A. For which no management decision had been made by the commencement of the reporting period.	8	\$3,287,778	\$6,443,776
B. Which were issued during the reporting period.	7 ^a	\$6,435,042	\$1,218,766
Subtotal (A + B)	15	\$9,722,820	\$7,662,542
Less:			
C. For which a management decision was made during the reporting period.	12 ^b	\$6,981,605	\$6,443,776
i. Dollar value of disallowed costs.	5	\$5,372,248	0
ii. Dollar value of costs not disallowed.	7	\$1,609,357	\$6,443,776
D. For which no management decision had been made by the end of the reporting period.	6	\$2,741,215	\$1,218,766

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

b. Representative Payee Investigation of Puget Protective Payeeship (A-09-01-21045, 11/26/02) contained dollars that were disallowed and dollars not disallowed. Additionally, a management decision was made for only a portion of the questioned costs contained in the reports, Audit of the Administrative Costs Claimed by the Kansas Disability Determination Services (A-07-02-22003, 10/23/02) and Financial-Related Audit of the Harris County Guardianship Program—an Organizational Representative Payee for SSA (A-04-02-12020, 12/16/02).



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 for the Reporting Period October 1, 2002 through March 31, 2003		
	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	1	\$6,400
B. Which were issued during the reporting period.	7 ^a	\$93,772,040
Subtotal (A + B)	8	\$93,778,440
Less:		
C. For which a management decision was made during the reporting period.		
i. Dollar value of recommendations that were agreed to by management.		
(a) Based on proposed management action.	3	\$18,346,170
(b) Based on proposed legislative action.	0	0
ii. Dollar value of costs not agreed to by management.	2	\$125,331
Subtotal (i + ii)	5 ^b	\$18,471,501
D. For which no management decision had been made by the end of the reporting period.	4	\$75,306,939

- a. See Reports with Funds Put to Better Use in Appendix B of this report.
- b. A management decision was made for only a portion of the funds put to better use contained in the report Administrative Costs Claimed by the Commonwealth of Puerto Rico Disability Determination Program (A-06-02-22072, 2/12/03).



Appendix B

Non-Monetary Reports Issued

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



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



Reports Issued with Questioned Costs

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

Reports Issued with Funds Put to Better Use

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





Appendix C

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

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

Office of Investigations

We are reporting \$30,695,820 in SSA funds as a result of our investigative activities in this reporting period. These funds are broken down in the table below.

Investigative Activities			
	1st Quarter	2nd Quarter	Total
Court Ordered Restitution	\$5,248,995	\$7,842,245	\$13,091,240
Scheduled Recoveries	\$8,380,280	\$8,756,429	\$17,136,709
Fines	\$121,483	\$225,600	\$347,083
Settlements/ Judgments	\$108,965	\$11,823	\$120,788
TOTALS	\$13,859,723	\$16,836,097	\$30,695,820

Office of Audit

SSA management has informed us that it has completed implementing recommendations from 3 audit reports during this time period valued at over \$44 million.

SSA Incorrectly Paid Attorney Fees on Disability Income Cases When Workers' Compensation Payments were Involved (A-04-98-62001, 3/8/00)

We recommended that SSA review the cases in our sample to determine the proper attorney fee payment and take the required actions on the \$18,410 in errors of which \$17,238 were overpayments and \$1,172 were underpayments. The value of the projected dollar error to the total population of workers' compensation cases in the payment history system is over \$33.8 million.



Continuing Disability Reviews (CDR) for Supplemental Security Income (SSI) Recipients Approved Based on Low Birth Weight (A-01-02-12031, 6/26/02)

We recommended that SSA identify low birth weight cases requiring CDRs each month instead of the current semiannual selection process. The implemented recommendation is valued at over \$3.8 million.

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

We recommended that SSA add the SSNs to the Master Beneficiary Record (MBR) records of all auxiliary beneficiaries currently receiving benefit payments. The implemented recommendation is valued at over \$6.4 million.



Appendix D

Collections From Investigations and Audits

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

Office of Investigations

Total Restitution Reported by the Department of Justice as Collected for the Social Security Administration			
Fiscal Year	Total Number of Individuals Assigned Court Ordered Restitution	Court Ordered Restitution for This Period	Total Restitution Collected by DOJ
2001	670	\$23,067,026	\$2,498,686 ¹
2002	600	\$18,068,423	\$2,643,872
2003	331	\$13,091,240	\$307,902
TOTALS	1,601	\$54,226,689	\$5,450,460

¹ Reflect correction of data from previous report.

Funds Received by the Office of Investigations Based on Recovery Actions			
Fiscal Year	Total Number of Recovery Actions Initiated	Amount Scheduled for Recovery	Actual Amount Recovered at the Close of the Investigation
2001	1,994	\$33,958,212	\$13,804,187
2002	2,202	\$29,434,025	\$8,765,025
2003	1,700	\$17,136,709	\$3,902,564
TOTALS	5,896	\$80,528,946	\$26,471,776



Office of Audit

The following chart summarizes the Agency's responses to our recommendations for the recovery or redirection of questioned and unsupported costs. This information is prepared in coordination with the Agency's management officials and is current as of March 31, 2003.

Responses to OIG's Recommendations for the Recovery or Redirection of Questioned and Unsupported Costs						
FY	Number of Reports with Questioned Costs	Questioned/Unsupported Costs	Management Concurrence	Amount Collected or to be Recovered	Amount Written-Off/Adjustments	Balance
2001	23	\$135,100,905	\$131,165,106	\$87,667,320	\$2,450,161	\$45,113,849
2002	13	\$15,551,282	\$7,515,730	\$8,276,020	\$8,041,929	0
2003	7	\$7,653,808	\$5,208,579	\$9,778	\$38,170	\$7,606,542
TOTALS	43	\$158,305,995	\$143,889,415	\$95,953,118	\$10,530,260	\$52,720,391



Appendix E

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

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

Recommendation: We recommended that SSA pursue legislation prohibiting payment of OASDI benefits to fugitives similar to the provisions pertaining to Supplemental Security Income (SSI) under P.L. 104-193.

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

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

Corrective Action: A provision in H.R. 4070 introduced in March 2002, would deny title II benefits to fugitive felons. H.R. 4070 was not enacted in the 107th Congress; however, similar provisions were introduced in the 108th Congress in H.R. 743.

Identification of Fugitives Receiving SSI Payments (A-01-98-61013, 8/28/00)

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

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

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA has matching agreements with 20 States and 4 local law enforcement jurisdictions. SSA has determined that 21 other States and the District of Columbia (D.C.) report all warrants (but not parole/probation violators) to NCIC. The State of Iowa, while refusing to sign an agreement with SSA, reports on paper to the local Office of the Inspector General. SSA is receiving full warrant information from 42 States, D.C. and 4 local jurisdictions and partial warrant data from 5 States. One State, Minnesota, is precluded by State law from releasing the warrant data to SSA. Negotiations continue with the remaining 2 States (Arizona and Nevada), as well as with the 5 States needing to report parole and probation violator warrants.



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

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

Valued at: \$435,282 in questioned costs.

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

Corrective Action: SSA plans to more fully automate this workload with implementation of Release 3 of the Title II Redesign. Release 3 will provide the systems capability to: 1) terminate benefits to child beneficiaries at age 18 if they are neither under a disability nor full-time students; and 2) automate the processing of many of the complex cases now worked manually, such as those involving workers' compensation. Some cases will still require manual processing because of the level of complexity, e.g., triple entitlement. While it is not possible to predict exact numbers of cases at this point, we anticipate that the majority of this workload will be fully automated with Release 3, which is expected to be implemented by April 2004.



Appendix F

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

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

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

Agency Response: SSA agreed with the recommendation.

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

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

Agency Response: SSA believes this recommendation may have merit.

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

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

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

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



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

Agency Response: SSA believes this recommendation may have merit.

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

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

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

Agency Response: SSA agreed with the recommendation.

Corrective Action: The Office of Systems (OS) is addressing this issue as it transitions the Management Information Initial Claims Record functionality to the Title II Workload Management Information System. A General Project Scope Agreement was agreed upon and the planning and analysis for the first release was completed. Detailed functional requirements are now being developed. A target implementation date for the first release is June 30, 2003. Processing times will not be addressed until Release 3, therefore, the final target date has yet to be determined.

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

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

Agency Response: SSA agreed in principle with the recommendation.

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

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



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

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

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

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

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

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

Corrective Action: SSA will review the procedures the payee has implemented to ensure compliance with our regulations and to prevent future occurrences of this nature. In addition, a new Death Alert, Control and Update System process is scheduled to be completed in FY 2003 which will identify deceased representative payees in the Representative Payee System.

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

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

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



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

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

Recommendation: We recommended that SSA coordinate with the Centers for Medicare and Medicaid Services to determine which Agency should establish performance goals for service to Medicare recipients.

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

Corrective Action: SSA has discussed this recommendation with the Centers for Medicare and Medicaid Services. At this time an implementation date has not been set.

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

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

Agency Response: SSA agreed with the recommendation.

Corrective Action: The Agency continues its efforts to implement enhancements in the Modernized Enumeration System (MES). The General Project Scope Agreement (PSA) for this initiative was signed in November 2000. It divides the effort into three separate releases. The PSA for Release 1, which will handle the "too-many-children" issue, was signed December 2000 and scheduled for implementation March 2004. Release 2 will interrupt processing for "too-many-cards" to the same address. Release 3 will expand the capabilities of the use of the development worksheets implemented in Releases 1 and 2. Also, the MES investigate process will be revised to include all alert conditions on the same feedback/investigate message. Implementation dates for Releases 2 and 3 have not yet been determined.

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

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

Agency Comments: SSA agreed with the recommendation.



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

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

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

Agency Response: SSA agreed with the recommendation.

Corrective Action: A memorandum of understanding (MOU) for applicants between SSA and the New York State Office of Temporary and Disability Assistance was signed June 2001 to use finger imaging data captured by New York State when individuals apply for public assistance. A biometric pilot in New York was scheduled to begin sometime in December 2001. The Office of Disclosure Policy received comments from all SSA components on a proposed Federal Register notice that would have announced the changes to existing systems of record that are related to this project. Due to the reaction from SSA components, this project is on hold.

Since the MOU, the pilot methodology has been revised considerably. The new method of verifying claimant identity will be nonelectronic. SSA will begin three State-level projects which involves the verification, via photograph, of the identity of an individual at a consultative examination requested by the DDS. Photographs taken of claimants applying for disability benefits will be taken and made part of the disability claims file. The evidence collected will be used both in initial claim situations and subsequently to verify a claimant's identity during redeterminations and continuing disability reviews. It is anticipated that the study will provide data regarding the rate of identity match/nonmatch at the time of the exam and the rate of claimants who have photographic identification available at the initial interview in the field office. The proposal included both title II and title XVI adult applicants. Because of the mandatory nature of the provisions, a new regulation is needed to deny claims if consent for being photographed is not given. A regulation has been drafted and will be sent to the Office of Management and Budget (OMB).

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

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



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

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



Appendix G

Significant Management Decisions With Which the Inspector General Disagrees

Referring Potentially Fraudulent Enumeration Applications to OIG (A-14-03-23052, 3/3/03)

Recommendation: We recommended that SSA change its policy and require employees to retain fraudulent or suspect documentation submitted by SSN applicants.

Agency Response: SSA disagreed because at the time of the initial SSN interview, SSA employees do not know if a document will be determined fraudulent. SSA employees depend on the issuing source to determine document validity. On June 1, 2002, SSA began verifying all birth records with the custodian of records for U.S. born SSN applicants 1 year old or older. Since September 2002, SSA verifies alien status for all noncitizen applicants with INS (now DHS). In addition, in SSA's Brooklyn Social Security Card Center, our agents are readily available, and in certain cases involving evidence of fraud, can confiscate suspect documents. However, in all other offices, due to concerns for the safety of SSA employees who would be responsible for confiscating possible fraudulent documents, current procedure is to copy documents in suspect cases.

Review of SSA's FY 2003 Annual Performance Plan (A-02-02-12033, 1/7/03)

Recommendation: We recommended that SSA provide goals for the management challenges and major initiatives for which measurable corrective action is possible, such as progress in reducing the Earnings Suspense File (ESF) and monitoring representative payees.

Agency Response: While the FY 2003 annual performance plan (APP) does not contain specific measures for the management challenges for the ESF and for monitoring representative payees, SSA does include an informative discussion of their means and strategies for both of them. Information regarding the specific items cited is as follows:

- ESF: SSA plans to include performance indicators for reducing the size of the ESF in their FY 2004 APP and the new Strategic Plan.
- Representative Payee Management: SSA has activities underway to ensure the timeliness and accuracy of representative payee actions, however, it is not yet prepared to set a new measure. SSA has an internal plan to establish an ongoing integrity review program for the payee accounting process that will permit the Agency to assess both the accuracy and timeliness of the payee accounting process. In addition, SSA implemented a three-phase pilot to evaluate the representative payee program. The first two phases dealt with the capability determination process and the change in payee process, and have been completed. The third and final phase is intended to test the feasibility of an ongoing integrity review program. If successful, and implemented nationally, it will allow SSA to measure the timeliness and accuracy of representative payee accounting.



Obstacles to Reducing SSN Misuse in the Agriculture Industry (A-08-99-41004, 1/22/01)

Recommendation: We recommended that SSA establish goals and measures, in accordance with the Government and Performance Results Act of 1993, that track SSA's success in reducing the growth and size of the ESF.

Agency Response: SSA initially agreed that a performance measure related to the steps being taken to limit the growth of the ESF may be appropriate. However, SSA Deputy Commissioners discussed this recommendation and decided not to implement it. SSA has determined that a measurement of the number of items that initially are sent to the ESF is not needed at this time. This is due to many conditions including:

- SSA has no control over what employers send.
- Many problems occur due to name presentation problems. Employers do not have a legal right to see employees' Social Security cards to get the correct spelling and name presentation.
- Even if employers see the cards, they may not be able to differentiate the last names from the middle names. SSA is working on revising the Social Security card to separate the last names, but the changes have not yet been made.

SSA will institute a performance measure that deals with finding items in the ESF and placing them on individual earnings records. SSA will also measure the number of items that SSA deletes from the ESF, such as certain penalties in section 208 of the Social Security Act and the Identity Theft and Assumption Deterrence Act.



Appendix H

Reporting Requirements

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

	Requirement	Pages
Section 4(a)(2)	Review of legislation and regulations	N/A
Section 5(a)(1)	Significant problems, abuses, and deficiencies	4-63
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	4-63
Section 5(a)(3)	Recommendations described in previous Semiannual Reports on which corrective actions are incomplete	Appendices E & F
Section 5(a)(4)	Matters referred to prospective authorities and the prosecutions and convictions which have resulted	4-63
Sections 5(a)(5) & Section 6(b)(2)	Summary of instances where information was refused	N/A
Section 5(a)(6)	List of audits	Appendix B
Section 5(a)(7)	Summary of particularly significant reports	18-63
Section 5(a)(8)	Table showing the total number of audit reports and total dollar value of questioned costs	Appendix A
Section 5(a)(9)	Table showing the total number of audit reports and total dollar value of funds put to better use	Appendix A
Section 5(a)(10)	Audit recommendations more than 6 months old for which no management decision has been made	Appendix A
Section 5(a)(11)	Significant management decisions that were revised during the reporting period	N/A
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees	Appendix G





Appendix I

Glossary

Abbreviation	Definition
AeDib	Accelerated Electronic Disability System
APP	Annual Performance Plan
BIC "D"	Beneficiary Identification Code "D" (Widows and Widowers)
CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
CEO	Chief Executive Officer
CFO Act	Chief Financial Officers Act of 1990
CMP	Civil Monetary Penalty
DACUS	Death Alert, Control, and Update System
DDS	(State) Disability Determination Services
DI	Disability Insurance
DMF	Death Master File
DHS	Department of Homeland Security
DOJ	Department of Justice
EAB	Enumeration at Birth
eDib	Electronic Disability
ESF	Earnings Suspense File
EVS	Enumeration Verification Service
FBI	Federal Bureau of Investigation
FO	Field Office
FTC	Federal Trade Commission
FY	Fiscal Year
GAO	General Accounting Office
GPRA	Government Performance and Results Act
HCGP	Harris County Guardianship Program
HHS	Department of Health and Human Services
IG	Inspector General
INS	Immigration and Naturalization Service
IO	Immediate Office of the Inspector General
IRS	Internal Revenue Service
MAFDUP	Master File Duplicate Detection Operation
MBR	Master Beneficiary Record
MEF	Master Earnings File
MES	Modernized Enumeration Sysytem



MOU	Memorandum of Understanding
MRPF	Master Representative Payee File
NCIC	National Crime Information Center
NFRP	National Federation of Retired Persons
OA	Office of Audit
OASDI	Old-Age, Survivors and Disability Insurance
OASI	Old-Age and Survivors Insurance
OCIG	Office of the Counsel to the Inspector General
ODP	Office of Disclosure Policy
OEO	Office of Executive Operations
OHA	Office of Hearings and Appeals
OI	Office of Investigations
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OTSO	Office of Telecommunications and Systems Operations
PATF	Payment Accuracy Task Force
PCIE	President's Council on Integrity and Efficiency
PDD	Presidential Decision Directive
P.L.	Public Law
PSA	Project Scope Agreement
PwC	PricewaterhouseCoopers LLP
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSR	Supplemental Security Record
title II (Social Security Act)	Old-Age, Survivors and Disability Insurance
title XVI (Social Security Act)	Supplemental Security Income
TY	Tax Year
USMS	United States Marshals Service
VMP	Volume Medical Providers
WC	Workers Compensation
WTC	World Trade Center



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