



10th Anniversary

SOCIAL SECURITY ADMINISTRATION
OFFICE OF THE INSPECTOR GENERAL



Building On Our Past
∞
Anticipating Our Future

10th Anniversary

SOCIAL SECURITY ADMINISTRATION
OFFICE OF THE INSPECTOR GENERAL



Mission Statement

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

Vision and Values

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



Message from the Inspector General

On March 31, 2005, the Social Security Administration (SSA) Office of the Inspector General (OIG) marked its 10th anniversary. When the *Social Security Independence and Program Improvements Act of 1994* established SSA as an independent Federal agency, it also created the SSA OIG and assigned to it the full range of authorities and responsibilities set forth in the *Inspector General Act of 1978*.

Since that time, we have endeavored to put into place an organization whose criminal investigations and audits excel in protecting the integrity of the Social Security programs and in providing meaningful information to SSA, Administration officials, the Congress and the American people. Over the past 10 years, our efforts have expanded beyond our core mandate of deterring fraud, waste, and abuse to include important intergovernmental initiatives such as homeland security. Throughout this time, we have maintained our focus on the single most important fact of our mission—that the programs we protect touch the lives of virtually every American.

This, our first Semiannual Report to the Congress for Fiscal Year (FY) 2005, presents our accomplishments for the period from October 1, 2004 through March 31, 2005. It provides an in-depth description of our OIG organization and how our organization operates to fulfill our mission. It also summarizes significant accomplishments in our audit, investigation, legal and management areas and includes a number of statistical summaries relating to those areas.

With an ever complex world in which to operate, and technologies unheard of 10 years ago, we find ourselves continually confronting new challenges to SSA program integrity and to our ability to identify and respond to those challenges. We enter our second decade with a renewed commitment to serving, with SSA, as stewards of the Social Security programs and the people they support.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Patrick P. O'Carroll, Jr.'.

Patrick P. O'Carroll, Jr.
Inspector General







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Executive Summary

As we complete our 10th year of operation, we have built upon our past accomplishments to make even greater strides in combating fraud, waste, and abuse in SSA's programs and operations and in providing significant support to our country's homeland security, in conjunction with other Federal agencies.

In this reporting period, our auditors issued 54 reports with recommendations identifying over \$190 million in questioned costs and over \$92 million in Federal funds that could be put to better use. Our investigators reported over \$117 million in investigative accomplishments, with over \$28 million in SSA recoveries, restitution, fines, settlements, and judgments and close to \$89 million in projected savings from investigations resulting in the suspension or termination of benefits. Included in the investigative accomplishments total is \$288,285 in penalties and assessments that our attorneys reported through our civil monetary penalty (CMP) program.

The following summaries highlight our noteworthy achievements during this reporting period.

Homeland Security Efforts

The Social Security number (SSN) is recognized as a widely-used identifier and a key to social, legal, and financial assimilation into our nation. The role the SSN plays in establishing false identities and facilitating crimes which can be used to finance terrorism mandates our ongoing involvement in homeland security efforts. So, we work in close collaboration with SSA and other public and private sector entities to strengthen the fabric of homeland security by supporting a fortified enumeration process and combating SSN misuse to the greatest practical extent. We do this through our audit and investigative activities, as well as through our work with Congressional committees aimed at addressing and finding means to resolve threats to SSN integrity.

Significant Audits

Our audit, evaluation and review work focuses attention on problems in areas critical to SSA's mission and, in doing so, provides support for SSA actions and Congressional initiatives. During this reporting period, our work covered areas ranging from SSN protection to improper benefit payments. We reviewed the operation of the Enumeration at Entry process and identified a number of weaknesses for which SSA is taking remedial action. We also performed





several audits dealing with wage items in the Earnings Suspense File (ESF), dealing with both military and civilian employers. In addition, we provided oversight for the FY 2004 SSA Financial Statement Audit and addressed a number of important SSA management issues, such as the physical security of SSA Hearing Offices (HO) and the proper disposal of sensitive documents.

Significant Investigations

Our investigators closed over 4,200 criminal and administrative investigations, resulting in almost 1,900 arrests and indictments and over 1,100 convictions, CMP assessments and apprehensions of illegal aliens.

In addition, we built on the success of the Cooperative Disability Investigation (CDI) program. The program, a joint effort of OIG, SSA, State Disability Determination Services (DDS) and State and local law enforcement personnel, consists of 18 CDI units located in 17 States whose mission is to obtain evidence of material fact sufficient to identify and resolve issues of fraud and abuse related to initial and continuing disability claims. CDI units investigate individual disability claims and identify lawyers, doctors, translators, or other third parties who facilitate disability fraud. During this reporting period, the efforts of our CDI teams resulted in over \$55 million in SSA program savings and more than \$36 million in savings to non-SSA programs, such as Medicaid. In 2004, the National Association of Disability Examiners acknowledged the success of the CDI program, noting that it represents an effective use of resources to promote stewardship and ensure program integrity and recommending that the program be expanded to all 50 States. In light of such favorable feedback and program accomplishments, it is anticipated that this program will continue to expand as additional resources become available.

In FY 2005, we also created the Fugitive Enforcement Division to provide an OIG focal point for implementation of those provisions of the *Welfare Reform Act* (Public Law [P.L.] 104-193) and the *Social Security Protection Act of 2004* (P.L. 108-203) which deny payments to Supplemental Security Income (SSI) recipients and Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries who are fugitive felons or probation and parole violators. P.L. 108-203 also disqualifies fugitives from serving as representative payees. This division identifies such individuals via automated data matches between SSA's beneficiary rolls and a number of Federal and State warrant databases. Our efforts contributed to the arrest of 3,520 fugitives during this reporting period—and a total of over 26,000 arrests since the program's inception in August 1996.

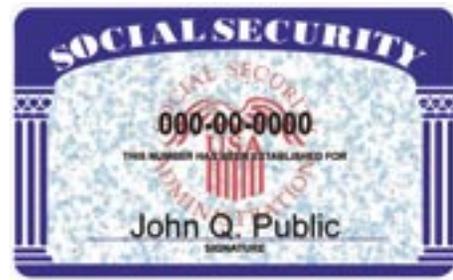


CMP Program

We administer the CMP enforcement statutes under a delegation of authority from SSA's Commissioner, which allows OIG to impose CMPs against certain violators of the *Social Security Act* (the *Act*). During this reporting period, we initiated 77 cases involving false statements or representations made in connection with obtaining or retaining benefits or payments under Titles II and XVI of the *Act* (Section 1129 cases). Our imposition of CMPs for these cases totaled \$288,285. In addition, we also processed 20 complaints and closed 11 cases dealing with forms of misleading advertising and communication prohibited by Section 1140 of the *Act* because of improper use of SSA's program words, symbols, or emblems. We were able to resolve almost all of these cases through voluntary compliance.

The Path Ahead

As we enter our second decade of service to SSA's programs and to the American people, we look back over our efforts to develop robust audit and investigative capacities and we look forward to the many diverse and complex challenges awaiting the application of our creativity and skills. At this juncture between our past and our future, we rededicate ourselves to our mission of independently and objectively conducting audits, evaluations, and investigations aimed at protecting the integrity of SSA's programs and operations and contributing to their continuous improvement.





Introduction to Our Organization

SSA OIG is comprised of the Immediate Office of the Inspector General and four major components: the Office of Audit, the Office of Investigations, the Office of the Chief Counsel to the Inspector General, and the Office of Executive Operations.

IMMEDIATE OFFICE OF THE INSPECTOR GENERAL (IO)

IO provides the Inspector General with staff assistance on the full range of his responsibilities. IO staff provide liaison services with all agencies sharing an interest or a role with OIG and assure coordination with Congressional committees, SSA, the Social Security Advisory Board and the President's Council on Integrity and Efficiency. The Office of Quality Assurance and Professional Responsibility (OQAPR), part of the IO, is responsible for two critical functions. First, it conducts exhaustive reviews of each of the OIG's component offices to ensure compliance with Federal laws and regulations, Agency policies, and relevant professional standards. These reviews prepare the components for external peer review, provide OIG executives with an objective measure of quality and progress, and provide measures for several components of OIG's overall Strategic Plan. Second, OQAPR performs OIG's Professional Responsibility function, conducting thorough and timely investigations when allegations of misconduct are lodged against an OIG employee. In addition to these key functions, OQAPR prepares OIG's annual Management Control Plan and performs special projects at the request of the Inspector General.

OFFICE OF AUDIT (OA)

OA conducts and supervises financial and performance audits of SSA programs and operations and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits 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 other projects on issues of concern to SSA, Congress, and the general public.

OFFICE OF INVESTIGATIONS (OI)

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

OFFICE OF THE CHIEF COUNSEL TO THE INSPECTOR GENERAL (OCCIG)

OCCIG provides independent legal advice and counsel to the Inspector General on a wide range of issues, including statutes, regulations, legislation, and policy directives. OCCIG



advises the Inspector General on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. OCCIG also administers the CMP program. In addition, this office manages OIG's external and public affairs program, preparing OIG publications and handling Congressional, media and public requests for information.

OFFICE OF EXECUTIVE OPERATIONS (OEO)

OEO provides administrative and management support to the Inspector General and all OIG components. OEO formulates and executes the OIG budget and confers with the Office of the Commissioner, the Office of Management and Budget (OMB) and Congress on budget matters. OEO is responsible for strategic planning and performance reporting, facility management and property management. OEO develops and maintains OIG's administrative and management policy and procedures and performs all human resource support activities for OIG. This includes the planning, design, development, testing, implementation and maintenance of hardware, software and telecommunications networks to support OIG's mission.

How Our Organization Functions

OIG utilizes a number of specific strategies and associations to carry out its mission to improve SSA's programs and operations and to protect them against fraud, waste, and abuse. Several of these strategies are outlined below.

OIG STRATEGIC PLAN

The core of the OIG mission is supported by the goals outlined in our FY 2003 – 2005 Strategic Plan, which provides a framework for how we conduct our business. The Plan focuses on five general goals and a series of related self-measuring goals and implementation strategies.

- Our first goal relates to the impact we have on Social Security's programs and operations. Through our investigative, audit, and legal activities, we strive to continually improve integrity, efficiency and effectiveness throughout SSA.
- Our second goal deals with quality. The products and services we deliver shall be highly reliable in terms of content and value.
- Our third goal involves the timeliness of our products. We recognize the importance of timely delivery of our work products, so our Strategic Plan includes a number of strategies that involve the sharing of best practices and the use of technology and improved processes that will enable us to meet this goal.
- Our fourth goal focuses on value and the need to sustain a positive return for the monies invested in this organization.
- Our fifth goal includes actions to enhance the work experience for the people who are the foundation of our organization.



The most important aspect of our Strategic Plan is the integrated manner in which the five goals are addressed. Since the Plan formally recognizes that each OIG component produces data, information, and analysis of value to its peers, the strategies supporting each goal are crosscutting and consider the role each component has in affecting an outcome. Understanding these relationships and taking the steps outlined in the Plan to ensure information sharing facilitate our operation as “One OIG.”

At the conclusion of each FY, we prepare a Performance Report which serves as our “report card” for how well we achieved the goals and targets in our Strategic Plan. As we near the end of the term covered by the current Strategic Plan, we are developing the follow-on Strategic Plan that will chart our course for FY 2006 and beyond.

HOMELAND SECURITY EFFORTS

The SSN is no longer used simply to track workers’ earnings and pay social insurance benefits. It is recognized as a widely-used identifier and a key to social, legal, and financial assimilation into our nation. As a result, our ongoing involvement in homeland security efforts is required by the role the SSN plays in establishing false identities and facilitating financial crimes which can be used to finance terrorism. We continue to work in close collaboration with SSA, and with other public and private sector entities, to help strengthen the fabric of homeland security by supporting a fortified enumeration process and combating SSN misuse to the greatest practical extent.

Our efforts in this area occur on many fronts. We work with Congressional committees to address threats to SSN integrity and advocate for measures we believe can significantly reduce those threats. In February 2005, the Inspector General met Representative Jim McCrery, newly appointed Chairman of the Social Security Subcommittee of the House Committee on Ways and Means, to discuss the important role that OIG plays in homeland security initiatives and SSN integrity issues.

In cooperation with DOJ, and in conjunction with a host of Federal and State agencies, particularly those within the Department of Homeland Security (DHS), we engage in a variety of joint investigative operations, including operations conducted at critical infrastructure sites across the country. At the request of the U.S. Attorney General, we also participate in anti- terrorism task forces when mission-related issues arise.

As a member of SSA’s Enumeration Response Team, we work closely with SSA representatives to recommend and develop initiatives to strengthen the integrity of the SSN and fortify SSA’s enumeration process.

Within our Office of Audit, we continue to conduct audits and make recommendations for areas in which SSA can further strengthen the integrity of the SSN. Our audit work in this area primarily reviews SSA’s issuance of the SSN, the use of the SSN within the economy and the associated earnings reported to the Agency, and the protection of the SSN during (and even after) the life of the numberholder.



Some recent audits have reviewed issues such as (1) coordination between SSA, the Department of State, and DHS when non-citizens apply for Social Security cards, (2) trends among the top 100 employers submitting the highest volume of employee name and/or SSN mismatches to SSA, (3) the use of the SSN as a student identifier at universities, and (4) coordination between SSA and the Department of Defense (DoD) on payroll reporting anomalies.

Given the magnitude of the SSN misuse issue and its potential ripple effect on homeland security, we believe SSA must continue to employ and enhance effective front-end controls in issuing SSNs. Likewise, additional techniques, such as data mining, biometrics, employee verification, and improved systems processes (i.e., capturing more electronic data on Social Security card applicants) are critical in the fight against SSN misuse. We have made several recommendations and SSA has taken steps to improve procedures for ensuring SSN integrity and strengthening its link in the homeland security chain.

THE PRESIDENT’S COUNCIL ON INTEGRITY AND EFFICIENCY (PCIE)

OIG is an active participant on the PCIE, which was established by Executive Order 12805 on May 11, 1992, to:

- Address integrity, economy, and effectiveness issues that transcend individual Government agencies; and
- Increase the professionalism and effectiveness of Inspector General personnel throughout the Federal Government.

The PCIE is comprised of Presidentially-appointed Inspectors General, with additional representation from OMB, the Federal Bureau of Investigation, the Office of Government Ethics, the Office of Special Counsel, and the Office of Personnel Management.

To accomplish their mission, PCIE members conduct interagency and inter-entity audit, inspection, and investigative projects to promote economy and efficiency in Federal programs and operations and to address more effectively government-wide issues of fraud, waste, and abuse. Council members also develop policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled Inspector General workforce.

As part of our PCIE involvement, the SSA Inspector General is a member of both the Investigative and Audit Committees, as well as a liaison to the Chief Financial Officer Council.

On October 27, 2004, at the PCIE’s seventh annual Awards Ceremony, the *Social Security Protection Act* Team received the Service to Congress “Glenn/Roth Exemplary Service Award.” This award was named for Senators John Glenn and William Roth, who were instrumental in the original passage and subsequent implementation of the *Inspector General Act of 1978*. It recognizes the highest example of collaboration and effective relationships between the Congress and the Inspector General community. Several OIG staff members were part of the team recognized.



THE SOCIAL SECURITY NUMBER INTEGRITY PROTECTION TEAM (SSNIPT)

OIG's SSNIPT was created to address the escalating issue of SSN misuse. SSN misuse and related crimes have been an even greater focus of Congress, the Administration, and SSA in recent years.

SSNIPT uses an integrated approach combining the talents of our auditors, investigators, computer specialists, analysts, and attorneys. In addition to supporting homeland security initiatives, this group focuses its efforts on: (1) identifying patterns and trends of SSN misuse; (2) locating systemic weaknesses that contribute to SSN misuse such as those occurring in the enumeration and earnings-related processes; (3) recommending corrective actions to ensure SSN integrity; and (4) pursuing criminal and civil enforcement provisions for individuals misusing SSNs. The team also collaborates with external private and public sector organizations to pursue mutually beneficial activities to prevent and detect fraudulent use of SSNs.

During the reporting period, the Team provided assistance in responding to numerous Congressional and media inquiries. Additionally, the Team coordinated with SSA on the implementation of new legislative provisions designed to strengthen the SSN, including new requirements under the *Social Security Protection Act of 2004* and the *Intelligence Reform and Terrorism Prevention Act of 2004*. The Team also continues to coordinate with SSA on SSN issues via the Enumeration Response Team, and participates in several workgroups related to terrorism, SSN misuse and identity theft with public and private entities. Finally, the Team provided assistance in developing legislative proposals, audit recommendations and investigative trend analyses for SSA, Congress, and the law enforcement community.

THE OIG ORGANIZATIONAL HEALTH COMMITTEE (OHC)

Within OIG, we believe that a workforce that finds their jobs fulfilling and rewarding enhances our ability to achieve our mission. To that end, the Inspector General established an OHC during this reporting period.

The OHC's purpose is to be an agent of positive change by discussing, evaluating, and presenting to senior management employee issues and proposed solutions that affect the operation, administration, and efficiency of OIG. In doing this, the Committee acts as a representative of all OIG employees. The OHC is comprised of five OIG employees: two representatives from management and three from the staff level. In addition to the five committee members, a senior staff representative coordinates communication between the OHC and the Inspector General and his executives.

Through the OHC, OIG employees can present issues that directly or indirectly affect the organization's production or efficiency in an effort to further the mission of OIG and, in turn, SSA. During this semiannual period, five OHC members were selected; a charter for the committee was created and shared with all OIG employees; an internal website was created to keep employees informed of the Committee's work; procedures were established to confidentially solicit and address OIG employee concerns; and the OHC held its first quarterly meeting.



OIG Audit Matters

OA protects the integrity of SSA's programs by conducting and supervising comprehensive financial and performance audits of SSA's programs and operations and making recommendations to ensure that program objectives and operational functions are supported in an efficient and effective manner.

- Our financial audits, required by the *Chief Financial Officers' Act of 1990*, assess whether SSA's financial statements fairly present its financial position, results of operations and cash flow.
- Our performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations.
- Our short-term management and program evaluations focus on issues of concern to SSA, the Congress, and the general public. These efforts aim to identify and recommend ways to prevent and minimize program and operational fraud, waste, and abuse (including inefficiency and ineffectiveness), rather than detecting problems after they occur.

Our Annual Audit Plan is a tool for communicating our audit priorities to SSA, the Congress, OMB, and other interested parties. Many of the activities described in the Audit Plan address the fundamental goals related to SSA's mission to administer Social Security programs effectively and efficiently. In preparing the Plan, we prioritize reviews to focus on the programs and activities most vulnerable to fraud and abuse. To further develop Plan items and conduct audits and evaluations, we coordinate closely with OI and OCCIG to identify, refer, and support each other's work.

Each year, OIG issues a list of the top issues facing SSA management. Our FY 2005 Plan describes 106 reviews we intend to complete in FY 2005 in the following issue areas:

1. SSN Protection
2. Management of the Disability Process
3. Improper Payments
4. Internal Control Environment and Performance Measures
5. Critical Infrastructure Protection and Systems Security
6. Service Delivery

In addition, our Audit Plan details 45 reviews we intend to begin and 16 performance indicator reviews we will oversee in FY 2005. In preparing this Plan, we solicited suggestions





from SSA to ensure our Plan appropriately addresses all areas vulnerable to fraud and abuse or would assist SSA in achieving its key service delivery goals. We received many important suggestions for inclusion in our Plan. We have incorporated many of those suggestions into this document as planned audits/evaluations, and those not included will be addressed as staffing and scheduling permit.

Our Headquarters operation consists of four divisions. While much of our work touches on more than one of these areas, the following is a summary of each audit division's particular scope of responsibility:

GENERAL MANAGEMENT AUDIT DIVISION (GMAD)

GMAD performs audits and evaluations of the full range of SSA program and administrative functions. It also conducts short-duration, time-sensitive projects that address requests from Congress, senior SSA management, other organizations, and the public. In addition, GMAD provides support for initiatives that encourage cooperative investigation-audit collaboration.

DATA ANALYSIS AND TECHNOLOGY AUDIT DIVISION (DATAD)

DATAD plans, conducts, oversees, and reports on the results of audits of SSA's centralized automated systems. DATAD is also responsible for reviews of general and application controls in SSA's automated data processing systems and for reviews of the operational efficiency and effectiveness of SSA's data processing operations.

FINANCIAL AUDIT DIVISION (FAD)

FAD plans, conducts, oversees, and reports on the results of audits of SSA financial statements. The division is responsible for audits and reviews of SSA's accounting and financial reporting, financial systems, asset management, information resource management, budget execution and internal controls. FAD audits finance contracts and State Disability Determination Services' (DDS) administrative costs.

POLICY, PLANNING, AND TECHNICAL SERVICES DIVISION (PPTSD)

PPTSD provides a full range of technical assistance, operations, and staff support to OA by developing policies and procedures, standards, and instructions for all OIG audit and evaluation activities and by ensuring compliance with generally accepted Government auditing standards and professional requirements. The division also develops policies and procedures for OA's internal quality assurance system and manages OA's management information reporting.

FIELD AUDIT DIVISIONS

OA has nine field audit divisions, each of which is responsible for planning, conducting, overseeing and reporting on the results of audits, evaluations, inspections and other reviews



related to SSA's OASDI and SSI programs and to SSA's administration of those programs. Audit Divisions are located in the following cities:

- Boston, MA
- New York, NY
- Philadelphia, PA
- Atlanta, GA
- Birmingham, AL
- Chicago, IL
- Dallas, TX
- Kansas City, MO
- San Francisco, CA

Significant Audits

During the reporting period, we completed 54 audits, reviews, and evaluations covering all of the major areas over which we have jurisdiction. The following summaries provide a sample of some of the major audits and reviews we conducted during this reporting period.

SSN Protection

Assessment of the Enumeration at Entry Process

SSA entered into agreements with the Department of State (State) and the former Immigration and Naturalization Service (INS) in 1996 and 2000, respectively, for those agencies to assist SSA in assigning SSNs to certain classes of immigrants entering the United States. (The responsibility for immigration-related services shifted to DHS on March 1, 2003.) When an immigrant applies for an original SSN or a replacement SSN card on the State or DHS immigration form, the immigrant does not have to also file an application with SSA. Instead, State and DHS collect the needed information and DHS electronically transmits the data to SSA which, in turn, uses this data to assign the immigrant an SSN or a replacement SSN card. SSA refers to this process as "Enumeration at Entry" (EAE).

Our audit work identified weaknesses in existing controls and operations we believe SSA needs to address to improve the efficiency and effectiveness of the EAE process. We estimated that SSA assigned more than one SSN to about 1,161 immigrants who received an SSN through EAE from December 2003 through February 2004 (about 11 percent of the total). We identified instances in which records State and DHS transmitted to SSA did not include immigrants' complete names or previously assigned SSNs, which are important information for SSA records. Using EAE records with complete identifying information decreases the



likelihood that SSA will assign multiple SSNs. In addition, we determined that SSA could not process about 26 percent of EAE applications during FY 2004 because of data compatibility issues among SSA, State, and DHS.

We believe EAE has the potential to assist SSA in preventing fraud and improving customer service. However, because of the weaknesses identified in this audit, we recommended that SSA: (1) enhance its edits to provide greater protection against assigning multiple SSNs to the same person; (2) cross-reference multiple SSNs that SSA assigned to the immigrants we identified; (3) work with State and DHS to provide clear instructions to immigrants regarding SSNs; (4) provide its handout regarding SSN attainment to immigrants in their native languages; (5) work with State and DHS to resolve data compatibility issues; and (6) contact EAE applicants to resolve pending records.

SSA agreed with all but one of our recommendations. SSA stated that it was not practical to contact applicants because it does not have complete and current address information. We believe most pending EAE applications have adequate address information that SSA could have used to mail the SSN card, and we encourage SSA to reconsider its response to this recommendation.

Congressional Response Report: Follow-up of Federal Agencies' Controls over the Access, Disclosure, and Use of SSNs by External Entities

In 2003, working with 14 other OIGs, we reviewed Federal agencies' controls over the access, disclosure and use of SSNs by external entities. Most OIGs reported that their respective agencies had inadequate controls. We found that of the 15 agencies reviewed, 14 lacked adequate controls over contractors' access to, and use of, SSNs; 9 had inadequate controls over the access to SSNs maintained in their computer systems; 2 did not have adequate controls over non-Government and/or non-contractor entities' access to, and use of, SSNs; and 1 did not make legal and informed SSN disclosures. We concluded that Federal agencies would benefit by strengthening some of their controls over the access, disclosure and use of SSNs by external entities.

During this reporting period, we followed-up on the status of corrective actions Federal agencies have taken to address recommendations resulting from our 2003 review. We are encouraged to learn that all 15 Federal agencies have taken corrective actions to strengthen some of their SSN controls. Given the potential for individuals to improperly obtain and misuse SSNs, we encourage Federal agencies to continue their efforts to safeguard SSNs.

Universities' Use of SSNs as Student Identifiers

A 2002 survey of the American Association of Collegiate Registrars and Admissions Officers found that, for those responding, one-half of member institutions used SSNs as the primary student identifier. Although no single Federal law regulates overall use and disclosure of SSNs by colleges and universities, the *Privacy Act of 1974*, the *Family Educational Rights and Privacy Act*, and the *Social Security Act* all have provisions that govern disclosure and use of SSNs.



We are conducting audits of universities' use of SSNs in each of SSA's 10 regions. During this reporting period, we performed audits in Regions IV (Atlanta), VII (Kansas City), VIII (Denver), and X (Seattle). Our objectives were to assess universities' use of SSNs as student identifiers and the potential risks associated with such use. We contacted a sample of educational institutions in each Region, and for each selected school, interviewed university personnel and reviewed school policies and practices for using SSNs. In addition, we identified schools that no longer use SSNs as student identifiers and determined reasons for this change and best practices that could be adopted by other schools.

While we recognize that under existing law SSA cannot prohibit colleges and universities from using SSNs as student identifiers, we believe SSA can help reduce potential threats to SSN integrity by encouraging schools to limit SSN collection and use. Accordingly, we recommended that SSA:

- Coordinate with schools and educational associations to inform the university community about the potential risks associated with using SSNs as student identifiers;
- Encourage universities to limit their collection and use of SSNs; and
- Promote the best practices of educational institutions that no longer use SSNs as student identifiers.

SSA agreed with our recommendations.

Benefit Payment and Representative Payee Issues

SSA's Clean-Up of Title II Disability Insurance (DI) Cases with a Workers' Compensation Offset

Our objective for this audit was to assess SSA's accuracy in cleaning up a group of Title II DI cases involving workers' compensation (WC) offsets which occurred during the period 1966 to 1993. We also reviewed the accuracy of the SSA Office of Quality Assurance and Performance Assessment's (OQA) estimate of the dollar effect of errors that occurred and continue to exist in this population of WC offset cases.

SSA formed a workgroup to improve the accuracy of the WC offset workload. The improvement process included a clean-up of previously computed WC offset cases by redeveloping and re verifying the offset calculations for beneficiaries who met specific criteria. SSA's clean-up tracked the number of WC cases it paid correctly, underpaid, and overpaid; however, it did not track the monetary value of all errors detected.

In addition to the \$256.5 million in payment errors OQA identified, we estimated SSA missed or incorrectly calculated \$87.5 million in payment errors in its initial WC clean-up population, for a total of \$344 million in payment errors. We stated that these errors may continue to occur until the cause of the payment errors is corrected.



During our review, we noted that the payment errors resulted from various mistakes in processing WC claims. Given the complexity of processing WC claims and the various mistakes affecting payment accuracy overlooked during the clean-up, we believe the process may still be significantly error prone.

We recommended that SSA evaluate the effectiveness of the procedures implemented to improve the payment accuracy of the WC workload and implement new or additional procedures, as necessary.

SSA agreed with our recommendation.

SSA's Controls Over the Title XVI Overpayment Waiver Process

Our objectives for this audit were to evaluate SSA's controls over the SSI overpayment waiver process to assess the appropriateness of overpayment waiver decisions of \$500 or less and to determine whether overpayment waivers exceeding \$500 were developed in accordance with the provisions defined in Title XVI of the *Social Security Act*.

We reviewed a statistical sample of 250 waiver decisions below \$20,000 and 13 waiver decisions above \$20,000 from the Supplemental Security Record. The results of our review disclosed that no documentation was available to support waiver decisions for 133 of the 263 sample items (50.6 percent); SSA was unable to provide case folders for another 30 decisions (11 percent); SSA approval of 17 overpayment waivers (7 percent) did not conform to SSA policy; and, of 42 approved waiver decisions above \$2,000 that required supervisory review, only 23 had supporting documentation and 7 of these did not have the required supervisory review.

We concluded that SSA's policies and procedures provided safeguards from fraud, waste and mismanagement for SSI overpayment waivers; however, there was no documentation for 50.6 percent of the decisions to demonstrate that SSA complied with its policies. We also found waiver decisions had been made without the required development of the recipient's fault and financial circumstances. Failure to document that waiver policies and procedures are followed or the inability to produce that documentation brings into question the integrity of this process.

We recommended that SSA: (1) ensure that employees develop and maintain documentation for all waivers, to include the recipient's request for waiver and discontinue the practice of shredding waiver documentation; (2) ensure that employees properly develop fault and financial circumstances and discontinue the practice of granting waivers when development is incomplete; and (3) ensure that waivers over \$2,000 are reviewed by supervisors before a decision becomes final.

SSA agreed with our recommendations.



Individual Representative Payees for SSA

We conducted a nationwide review of individual representative payees who serve 14 or fewer beneficiaries. Our objective was to confirm that beneficiaries in the care of representative payees existed, and, through personal observation and interviews, determine if the beneficiaries' food, clothing and shelter needs were being met. To accomplish our objective, we selected a random sample of 275 representative payees nationwide. We summarized the work completed in each of SSA's respective regions in 10 separate reports. As of March 2005, we had issued reports for 5 of the 10 regions (Boston, New York, Denver, Dallas and Seattle).

For the five regions for which reports were issued, we confirmed the existence of the beneficiaries in the care of the representative payees in each region. Through personal observation and interviews, we found, for most beneficiaries, that their food, clothing, and shelter needs were being met.

Organizational Representative Payees for SSA

We conducted reviews of two organizational representative payees for SSA:

Family Services, Inc. (FSI) of Charleston, SC

During this audit our objectives were to determine whether FSI had effective safeguards over the receipt and disbursement of Social Security benefits and to ensure that Social Security benefits were used and accounted for in accordance with SSA's policies and procedures.

Our audit found FSI neither (1) effectively safeguarded the receipt and disbursement of SSA benefits, nor (2) ensured that Social Security benefits were accounted for in accordance with SSA's policies and procedures. FSI had significant weaknesses which prevented it from meeting its responsibilities as a representative payee. Specifically we found that:

- FSI had limited contact with beneficiaries;
- FSI did not have adequate internal controls to effectively safeguard the receipt and disbursement of SSA benefits;
- A separate bank account was not established to protect the beneficiaries' interest or properly titled to show beneficiary ownership;
- FSI was not the representative payee of record for five beneficiaries; and
- Conserved funds for some deceased beneficiaries were not sent to the estates of the beneficiaries.

We recommended that SSA make a determination as to whether FSI should continue to serve as a representative payee. If SSA's decision is to continue to let FSI serve as a representative payee, then SSA should ensure FSI takes the necessary steps to improve its accounting for beneficiary funds. Both SSA and FSI agreed with our recommendations.



Seattle Mental Health Institute (SMHI)

Our objectives were to determine whether SMHI had effective safeguards over the receipt and disbursement of Social Security benefits and to ensure that Social Security benefits were used and accounted for in accordance with SSA policies and procedures.

Our audit showed that SMHI did not have effective safeguards over the disbursement of Social Security benefits. Nor did it ensure that Social Security benefits were used and accounted for in accordance with SSA's policies and procedures. Therefore, we could not determine whether SMHI properly used these payments for the beneficiaries' use and benefit.

SMHI did not have an effective system of internal controls to safeguard an estimated \$3 million in annual benefits received and disbursed. Specifically, SMHI did not:

- Maintain supporting documentation for 84 percent of the beneficiary transactions we reviewed;
- Provide evidence that an estimated \$40,054 in beneficiary funds issued to SMHI employees was spent on behalf of the beneficiaries;
- Consistently report to SSA in a timely fashion when beneficiaries were incarcerated, resulting in \$12,668 in overpayments;
- Report work activity to SSA for two SSI recipients;
- Identify SSI recipients with excess resources, resulting in \$7,153 in overpayments; and
- Return \$3,421 in conserved funds to SSA for beneficiaries no longer in its care.

These conditions existed because SMHI management did not place enough priority on its representative payee program and did not ensure that its employees were properly trained in SMHI's responsibilities as a representative payee.

Both SSA and SMHI agreed with our recommendations to rectify the situations noted.

School Attendance by Student Beneficiaries Over Age 18

Our objective was to determine the adequacy of SSA's procedures for ensuring that student beneficiaries over age 18 were entitled to receive benefits in accordance with the *Social Security Act* (the *Act*).

Title II of the *Act* provides benefits to children upon the worker's retirement, death, or disability. Generally, child beneficiaries may receive benefits until they marry or reach age 18. Amendments to the *Act* provide for extended benefits beyond age 18 to enable child beneficiaries who are full-time students at an elementary or secondary school to complete their education. SSA relies on student beneficiaries to voluntarily report events that may affect their continuing entitlement to benefits. For example, students who attend school part-time or have graduated or dropped out are no longer eligible for benefits.



Prior audit work disclosed that student beneficiaries received incorrect and unsupported payments of \$73.9 and \$140.4 million, respectively. In March 2001, in response to our previous audit, SSA redesigned its student monitoring system. Specifically, SSA revised its forms and reporting requirements, obtained school certification before awarding student benefits, shifted the workload from processing centers to field offices, and provided additional training and guidance to its employees.

However, we found that additional actions are still necessary to strengthen program integrity and deter fraud, waste, and abuse. Based on a random sample of 300 students, we found that SSA incorrectly paid \$202,917 in benefits to 61 students from October 2000 to August 2003. In addition, SSA did not retain documentation to support \$56,065 in benefits to 13 students from October 2000 to July 2003. Projecting these results to our population of 254,121 students, we estimate that SSA disbursed incorrect and unsupported payments of \$70 million and \$39.5 million, respectively. This occurred, in part, because (1) students and schools did not report events that affected their benefit status in an accurate and timely manner and (2) schools were not fully aware of the notification procedures.

We recommended, and SSA agreed to: (1) ensure overpayments were established for the cases identified during our audit; (2) evaluate the feasibility of establishing overpayments for the remaining cases questioned by our audit; (3) revise Form SSA-1372, *STUDENT'S STATEMENT REGARDING SCHOOL ATTENDANCE*, to request that schools report changes in graduation dates to SSA and to require school officials to acknowledge receipt of the *NOTICE OF CESSATION OF FULL-TIME SCHOOL ATTENDANCE* when they certify the full-time attendance of student beneficiaries; (4) develop a fact sheet to provide information about reporting responsibilities for student beneficiaries and school officials; and (5) improve adherence to retention policies for the supporting documentation for student beneficiaries.

Individuals Receiving Multiple Auxiliary or Survivor Benefits

The objective of this audit was to determine whether individuals who received multiple auxiliary or survivor benefits were actually entitled to the benefits.

Eligible spouses and children of retired or disabled workers may be paid auxiliary benefits under Title II of the *Act*. In addition, benefits may also be payable to certain survivors of deceased workers. As a result, individuals may be entitled to auxiliary or survivors benefits based on several workers' earnings simultaneously (for example, based on the earnings of both parents), but should generally only be paid the higher of the two amounts. When an auxiliary or survivor beneficiary becomes entitled to another, higher benefit, SSA's policy is to stop issuing the lower benefit payment, thus preventing an overpayment from occurring.

From all auxiliary and survivor beneficiaries receiving payments in February 2004, we identified 1,514 beneficiaries whose SSNs were recorded on multiple records and who, therefore, appeared to be incorrectly receiving multiple auxiliary or survivor benefits. We initiated a review to determine whether payments to these beneficiaries were appropriate.



Generally, individuals who received multiple auxiliary or survivor benefits were not entitled to the benefits paid to them. Based on the results of our sample, we estimate that about 863 beneficiaries were incorrectly paid approximately \$3.5 million in benefits under multiple records. Although SSA identified about \$1.5 million of these overpayments, we estimate about \$2 million went undetected by SSA. Further, because of our audit, we estimate SSA avoided paying about \$614,336 by stopping some incorrect payments sooner than it would have through its existing procedures.

SSA agreed with most of our recommendations, and we are encouraged by its plans to enhance its computer systems to better identify and prevent multiple benefits to auxiliary or survivor beneficiaries.

SSA's Ticket to Work Program

Our objective was to conduct a performance review of SSA and its contractor, Maximus, Inc., to ensure contract objectives were being met and were in accordance with the *Ticket to Work (TTW) and Work Incentives Improvement Act*. For our review, we selected 10 tasks identified in the contract with Maximus:

Task 1 - Contractor Orientation	Task 16 - Monthly Progress Reports
Task 2 - Start-Up Plan	Task 17 - Annual Report
Task 3 - Toll-Free Number	Task 20 - Periodic Meetings with SSA
Task 8 - Ticket Program Training	Task 21 - Periodic Special Studies
Task 9 - Management of the Ticket Process	Task 22 - Conference Planning

We found that SSA and Maximus generally met the contract objectives within the 10 reviewed tasks, which were established to ensure the proper implementation and management of the TTW program. While the contract tasks were met, we identified opportunities to improve the management of the program. Maximus retained information on undeliverable tickets, including those that were returned due to the suspected death of the addressees, but SSA did not request this information from Maximus for further investigation. We could not confirm in all cases that Maximus received a signed letter from a beneficiary when one was required prior to initiating a change to the ticket holder's status. Finally, we could not determine how many of the Employment Network (EN) and Vocational Rehabilitation (VR) agencies enrolled in the TTW program have been trained on the requirements of participation in the program.

We recommended that SSA and Maximus work together to: (1) investigate all undeliverable tickets to determine if the reasons the tickets were undeliverable correlate to a change in ticket eligibility or payment status; (2) establish a policy on the retention of signed letters requesting a change to a ticket holder's record; (3) ensure that Maximus has accurate information on the expiration of tickets; and (4) ensure ENs and State VR agencies have received adequate training to properly serve ticket holders and adhere to TTW policies and procedures.



SSA generally agreed with our recommendations except for our recommendation to develop a policy regarding record retention. SSA's disagreement was based on Maximus' existing internal policy governing the retention of Ticket reassignment requests and other Ticket-related original documents and SSA's reminder to Maximus to continue to maintain all hard copy files.

Wage Reporting

Department of Defense (DoD) Wage Items in the Earnings Suspense File (ESF)

We performed this audit to determine whether individuals having public responsibilities and positions of trust at the DoD have wages posted in SSA's ESF and what actions have been taken to resolve these wage reporting problems.

We found that for Tax Years (TY) 1997 through 2002, DoD components submitted over 26 million W-2s to SSA totaling approximately \$361 billion in wages. DoD components consisted of the Army, Navy, Marine Corps, Air Force, and other DoD agencies. The U.S. Coast Guard was also included since it is a special component of the Navy in wartime. In TY 2002, these components submitted approximately 4.1 million W-2s totaling about \$72 billion in wages.

We found that for TYs 1997 – 2002, DoD components submitted about 6,400 wage items representing approximately \$30 million in wages that were placed in the ESF. SSA placed the wages in the ESF because (1) the reported names and/or SSNs did not match SSA's records; (2) a special indicator was assigned when the individual appeared to be deceased in SSA's records, a child was under the age of 7, or the individual disclaimed the wages; or (3) the reported SSNs were invalid. Some of these errors appear to relate to simple input errors, such as transposition or typographical errors, name changes, and incorrect dates of birth and death on SSA's records. However, it is also possible that individuals employed at the DoD components were not using their own SSNs and, as a result, DoD components may have employed individuals whose true identity cannot be confirmed.

SSA has taken many steps to resolve wage reporting problems and reduce the size of the ESF. However, the DoD components have not been informed of all instances where a DoD employee disclaimed the wages that DoD had reported to SSA. Further, DoD does not regularly receive notification of suspended wages from SSA. Finally, not all DoD components have taken advantage of SSA's verification service. For example, we could not find evidence that the Air Force or Coast Guard were currently verifying their employees' names and SSNs.

While we recognized there are legitimate reasons why some of the employees' names and SSNs did not match SSA's records, we also found cases where the discrepancies could not be explained. Additionally, as long as the wage items remain in the ESF, DoD employees may not receive proper credit for their wages, which can affect their eligibility for and/or the amount of the retirement, disability, or survivor benefits. To assist SSA in achieving its goal to increase the accuracy of earnings records, we recommended that it: (1) make the necessary corrections



for the cases referred to during the audit; (2) work closely with each DoD component to encourage the use of verification services; and (3) share with each DoD component all wage items that are placed in the ESF. SSA agreed with our recommendations.

Employers with the Most Suspended Wage Items in the 5-Year Period 1997 – 2001

Our objectives for this audit were to: (1) identify the 100 employers responsible for sending the most wage items to the ESF in the 5-year period 1997 – 2001; and (2) identify patterns of errors and irregularities in wage reporting or other reasons for the large number of ESF items for the 100 employers during that time period.

We found that a small number of identifiable employers account for a disproportionate number of ESF items and wages. The 100 employers identified were responsible for approximately 7 percent of the total ESF items and about 5 percent of the total ESF wages during the 5-year review period. The employers were mainly in three industries: services, restaurants, and agriculture. The top 100 employers' payroll offices were located in 27 States. We found that 54 of these employers were located in three States—California, Texas, and Illinois—representing almost 1.5 million wage items and over \$4.8 billion in wages during TYs 1997 – 2001. California had the highest number of top 100 employers, with 25 employers representing about 683,000 wage items and approximately \$2 billion in wages during the audit period. In addition, 20 of the 100 employers had more than 60 percent of their reported wage items in the ESF.

To pursue corrective actions with employers, SSA has Employer Service Liaison Officers (ESLO) in each region to resolve wage-reporting problems. On a yearly basis, a list of the employers with 100 or more suspended wage items within a region is developed in Headquarters and sent to the ESLOs for follow-up contact with the employer. We reported that SSA is developing an Earnings Data Warehouse (EDW), which could assist the ESLOs in providing statistics and other useful data when reviewing the top 100 employer listings.

We recommended that SSA: (1) create centralized EDW reports to assist ESLOs with identifying problematic employer reporting trends, such as increases in the volume of wage items in suspense, as well as the percent of an employer's payroll in the ESF; and (2) ensure ESLOs consider employer reporting trends in identifying employers for assistance.

SSA partially agreed with our recommendations.

Financial Reviews

The *Chief Financial Officers Act* (as amended) requires OIG or an independent external auditor, as determined by the Inspector General, to audit SSA's financial statements in accordance with the Government Accountability Office's GOVERNMENT AUDITING STANDARDS. In addition to this requirement, we also conduct other financial-related audits of SSA's operations and review the quality of single audits conducted by State auditors and public accounting firms.



The following summarizes a selection of our financial reviews and audit work for this reporting period.

Audit of the FYs 2004 and 2003 Financial Statements of SSA and the Results of OIG's Review Thereof

PricewaterhouseCoopers LLP (PwC) performed SSA's FY 2004 Financial Statement Audit. On November 8, 2004, PwC issued an unqualified opinion on SSA's FY 2004 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, 2004 and 2003..." However, PwC's audit report identified a reportable condition related to SSA's need to further strengthen internal controls over information protection. SSA generally agreed with this finding and PwC's related recommendation.

Administrative Cost Audits of DDSs

Disability determinations under SSA's DI and SSI programs are performed by DDSs according to Federal regulations. The DDS in each State or other responsible jurisdiction performs disability determinations of claimants' medical eligibility. SSA reimburses the DDS 100 percent for allowable expenditures.

There are 52 DDSs located in the 50 States, the District of Columbia and Puerto Rico. In FY 2004, SSA allocated about \$1.7 billion to fund State DDS operations.

During this reporting period, we performed DDS administrative cost audits for the States of Arizona, South Carolina, and South Dakota. 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. Our findings and recommendations related to:

- Unallowable indirect costs;
- Inappropriate cash management practices;
- Overstated disbursements and unliquidated obligations;
- Excessive consultative examination payments;
- Internal control weaknesses involving accounting for and reporting of administrative costs; and
- Internal control weaknesses relating to access to SSA computer hardware, software and sensitive data.

In total we reported \$515,000 in questioned costs and \$771,000 in funds that could be put to better use. Most of our recommendations were for the DDSs to comply with Federal regulations, as well as SSA policies and procedures.



SSA Agency Operations

Access to Secured Areas in Regional HOs

During this reporting period, we completed physical security audits at eight Office of Hearings and Appeals (OHA) offices—two HOs in each of four regions (Boston, Philadelphia, Atlanta, and Dallas). The objectives of our audits were to review controls over access to secured areas in the offices. We are completing similar reviews in the remaining six regions.

OHA is one of the largest administrative adjudicative systems in the world. Claims folders containing sensitive information about the claimant, such as SSNs and private medical information, are stored, reviewed, and moved throughout the HO. Both SSA employees and authorized non-SSA employees are on-site conducting work in many different capacities in these offices. To protect its employees, facilities and records against physical security threats, OHA has policies and procedures to safeguard HO access and to protect Government property, on-site personnel, and sensitive data.

Our findings and recommendations in the eight HOs related to:

- Intrusion detection systems;
- Installing and testing duress alarm systems;
- Changing locks and pass codes when employees leave permanently;
- Controls over keys and proximity cards;
- Installing locks on certain hearing room doors;
- Access of cleaning personnel and other non-employees after hours; and
- Lack of peepholes on doors.

For example, with regard to intrusion detection systems: (1) HOs were not changing the pass codes when employees left OHA employment; (2) management was not periodically testing the systems and recording the test results; and (3) HOs were issuing the same system access codes to all employees, thereby limiting management's ability to properly monitor the use of the system.

These four reports contained 28 recommendations. SSA agreed with our recommendations and has either taken or scheduled corrective action for each recommendation.

The Effects of Staffing on HO Performance

Our objective was to examine how staffing affects HO performance in the areas of productivity and timeliness. Within SSA, OHA is responsible for holding hearings and making decisions on appealed determinations involving the OASDI and SSI programs. At the end of FY 2004, OHA had 6,475 full-time permanent employees in its 140 HOs, representing approximately 10 percent of SSA's workforce. According to OHA executives, the key criteria for analyzing HO performance are the disposition rate (dispositions per day per administrative law judge (ALJ) and timeliness (average processing time)). Since FY 1999, OHA has improved its disposition rate; however,



timeliness has declined. In FY 1999, OHA's disposition rate was 2.03 dispositions per day per ALJ, while in FY 2004 the disposition rate improved to 2.40. During the same time period, OHA's average processing time increased from 316 days to 391 days.

Over the last 5 years, HO receipts have outpaced dispositions every year, resulting in a large increase in pending claims and an adverse effect on timeliness. Nonetheless, OHA's HO productivity levels have actually increased in terms of disposition rate, though total dispositions have not surpassed FY 1999 levels. Our analysis revealed that HO staffing ratios may be a good indicator of performance, especially in offices with low staffing ratios. OHA might improve its productivity if it considered staffing ratios when making staffing allocations to HOs. Further, OHA could be aided in its staffing decisions by determining an ideal staffing ratio for its HOs. We also found that despite the file assembly contractors filling a critical need in these offices, OHA has not measured the effect that file assembly contractors have had on staffing ratios, dispositions and timeliness in those offices that used file assembly contractors.

To improve overall staffing at the HOs and assist OHA in meeting its performance goals, we recommended that SSA: (1) consider developing an ideal national staffing ratio to assist OHA in allocating staff to HOs; and (2) consider prioritizing file assembly assistance for those offices that have staffing ratios below the national staffing ratio.

Overall, SSA was in agreement with our recommendations, but commented that with respect to staffing ratios, factors other than ratios needed to be considered in allocating staff, and that resources should be distributed to the offices where they will be most productive. SSA also commented that contractors were no longer being used to prepare cases, but had been replaced with permanent file assembly units.

Performance Indicator Audits: Audits of SSA's Performance Data

We contracted with PwC to evaluate SSA's performance indicators established to comply with the *Government Performance and Results Act*. For each performance indicator, PwC's objectives were to:

- Test critical controls over the data generation and calculation processes for the specific performance indicator;
- Assess the overall adequacy, accuracy, reasonableness, completeness, and consistency of the performance indicator and supporting data; and
- Determine if each performance indicator provides meaningful measurement of the program and the achievement of its stated objectives.

During FY 2005, we released four reports that contained the results of PwC's work. These reports included results of reviews of six individual SSA performance measures and summarized PwC's recent audits. The reports included:

- Performance Indicator Audit: Processing Time;
- Performance Indicator Audit: Productivity;



- Performance Indicator Audit: DDS Net Accuracy Rate-Allowances and Denials Combined; and
- Performance Indicator Audit: General Observations.

In these reports, PwC noted areas for improvement in SSA policies and procedures. Specifically, SSA did not ensure that each performance indicator was fully described in a complete, accurate, reliable, and explicit manner in SSA's FY 2003 Performance and Accountability Report (PAR). SSA believes that its FY 2004 PAR included clear descriptions and definitions of each performance indicator.

Management Advisory Report: Proper Disposal of Sensitive Documents at SSA Headquarters

The objective of our review was to present to SSA management areas of concern with regard to SSA's policies and procedures for the proper disposal of sensitive documents.

SSA's procedures dictate that individual records containing privacy-related information must be destroyed by shredding, burning, or pulping. Individual offices or components may accomplish this by designating separate burn bags or shredding individual documents.

During a separate audit, we identified concerns regarding employees disposing of sensitive information that was not shredded. The unshredded documents contained SSNs and other identifying information, such as names, addresses, earnings, and dates of birth.

We made several recommendations to improve SSA's policies and procedures regarding disposal of sensitive documents. SSA agreed with our recommendations.

This report contains restricted information for official use. Distribution is limited to authorized officials.

SSA's Regional Office (RO) Procedures for Addressing Employee-Related Allegations

SSA receives various types of allegations related to its programs, the misuse of SSNs and employee conduct. Some examples of employee-related allegations include time and attendance, service issues, and the theft of Government property. SSA receives these allegations from employees, the public, and OIG. Allegations concerning SSA employees are significant because of the potential monetary losses to SSA's programs and the corresponding negative public impact. To determine the validity of allegations, SSA is required to obtain sufficient evidence to support or remove suspicion that criminal violations may have been committed.

During this reporting period, we completed reviews of procedures for addressing employee-related allegations in three SSA ROs, as well as in SSA's Office of Systems. In our 4 reports, we made a total of 12 recommendations for corrective action. The objectives of our reviews were to evaluate the adequacy of SSA's policies and procedures for addressing employee-related allegations, to determine how well SSA complied with its policies and



procedures, and to determine whether SSA referred all employee-related allegations warranting further investigation to OIG.

Nine of our recommendations were made to SSA's ROs in Kansas City and Seattle and related to:

- Lack of maintenance of documentation supporting the recording, investigation, and resolution of employee-related allegations; and
- Instances where potential criminal violations were not forwarded to OIG.

SSA agreed to take action to address all of our recommendations for these two regions.

In our report to SSA's Office of Systems, we made three recommendations related to establishing a system of records. SSA did not agree with the recommendations and stated, "Any control system as described in the OIG recommendations would have to be part of a system of records established under the provisions of the *Privacy Act*." In addition, SSA stated, "Any system of records would have to be consistent with existing and future collective bargaining agreements." While we acknowledged SSA's concerns, we believe the issues raised should be addressed to ensure uniformity throughout the Agency—particularly in view of the existence of allegation control logs in SSA's ROs and SSA's acceptance of similar recommendations in the Regions we reviewed.

SSA's Compliance with the *Employee Retirement Income Security Act (ERISA)*

Since 1974, *ERISA* has required SSA to inform certain individuals of their potential eligibility for deferred vested benefits from private pension plans. SSA receives both paper and electronic *ERISA* reports. We initiated this audit to determine how well SSA is complying with provisions of *ERISA*, and offer cost-effective recommendations to enhance SSA's processing of this workload.

In evaluating the receipt and processing of electronic records, we found SSA was unable to meet all of the responsibilities required by *ERISA*. We noted that while the Department of Labor's (DOL) *ERISA* Filing Acceptance System (EFAST), developed in conjunction with the Internal Revenue Service (IRS) and the Pension Benefit Guaranty Corporation (PBGC), was designed to streamline the process for filing and processing the Form 5500s, ANNUAL RETURN/REPORT OF EMPLOYEE BENEFIT PLAN, at the time of the review SSA did not have a computerized system to process them. As a result, we reported a backlog of 8.87 million EFAST records (2.96 million beneficiary records and 5.91 million pension plan administrator changes). While we do not know how many of the 2.96 million unprocessed beneficiary records would result in an *ERISA* notice, even if it is only 1 percent, approximately 29,600 individuals would not have been informed timely of their potential entitlement to approximately \$287.5 million in annual benefits.

In reporting on the manual processing of *ERISA* transactions at the Wilkes-Barre Data Operations Center (WBDOC), SSA personnel estimated that between 25 and 50 percent



of the paper records received from the IRS were incomplete or illegible and, therefore, could not be processed without additional work. We noted that despite the Memorandum of Understanding (MOU) between SSA and IRS that requires IRS to (1) send complete and legible data; and (2) contact plan sponsors when the data is incomplete or illegible, WBDOC staff were contacting plan administrators to obtain data and then process the records. We also identified the need to develop an MOU with the PBGC, the need to ensure that adequate controls are in place to prevent improper entries in the *ERISA* database, and the need to document formal procedures to handle *ERISA* inquiries from the public.

We recommended that SSA: (1) continue to develop and implement its system to process all electronic EFAST records as soon as practicable; (2) formally participate on the development team for DOL's EFAST 2 project; (3) determine what its responsibilities are under *ERISA* and its obligations concerning the MOU with IRS regarding incomplete and illegible documents; (4) develop and implement an MOU with PBGC to specify roles and responsibilities of both parties regarding the sharing of information; (5) ensure that adequate controls are in place to prevent improper changes or deletions of records in the *ERISA* database; and (6) document and implement formal procedures for the *ERISA* process, including the handling of *ERISA* inquiries from the public.

SSA agreed with our recommendations.



OIG Investigative Matters

OI protects the integrity of SSA's programs by investigating allegations of fraud, waste, and abuse. These include investigations of grant and contract fraud, as well as violations by SSA's employees and by those who attempt to secure benefits illegally.

Our investigations can result in criminal or civil prosecutions and civil monetary penalties against wrongdoers, and can act as a deterrent against those contemplating fraud against SSA and its beneficiaries. We also propose systemic changes for remedying program flaws detected during investigations to prevent future fraudulent activities. Special fraud alerts are issued to warn SSA and others of illegal schemes that deplete the Social Security trust funds or victimize beneficiaries.

Our policy is to concentrate our resources on homeland security issues and criminal investigations relating to the programs and operations of SSA. These investigations include the following:

- Allegations of employee misconduct/criminal activity;
- Program fraud cases (Title II–Federal OASDI and Title XVI–SSI for the Aged, Blind, and Disabled);
- Enumeration cases (enumeration is the process of establishing legitimate SSNs and maintaining records established there under); and
- SSN misuse unrelated to SSA programs.

Our Headquarters operation consists of six divisions, each headed by a Special Agent-in-Charge. The following is a summary of each OI division and its primary areas of responsibility.

ALLEGATION MANAGEMENT DIVISION (AMD)

AMD was established in 1998 to ensure investigative oversight of the SSA Fraud Hotline. The most critical part of AMD's mission is to provide the public with an avenue for reporting allegations of fraud and to process these allegations in a timely, efficient, and professional manner. The public reports fraud, waste, and abuse to AMD through our toll-free Hotline, internet/email, facsimile, and U.S. mail communications. AMD refers the allegations received to OI FDs, other OIG offices, SSA, or outside agencies as appropriate. Services are now provided in English and Spanish as well as through a TTY device to communicate with hearing-impaired citizens.

CRITICAL INFRASTRUCTURE DIVISION (CID)

CID oversees the OIG management information system for investigations and prepares statistical reports using that information. CID also coordinates with various SSA components and government agencies to ensure that OIG is aware of the latest concerns, requirements, and



techniques relating to critical infrastructure protection. Other CID responsibilities include managing the OIG Electronic Crimes Team and ensuring OIG's continuity of operations.

ENFORCEMENT OPERATIONS DIVISION (EOD)

EOD is responsible for day-to-day coordination of the investigative and administrative information flow between OI Headquarters and its FDs. This coordination includes facilitating requests for homeland security or undercover investigations. EOD also provides liaison with other law enforcement agencies and SSA components that require assistance from or provide assistance to OI Field Divisions (FD). Other EOD responsibilities include oversight of the Regional Anti-Fraud Committees in each of the 10 FDs and the issuance of National and Regional Fraud Alerts to OI FDs and to SSA through its Office of Operations.

FUGITIVE ENFORCEMENT DIVISION (FED)

The *Welfare Reform Act*, P.L. 104-193, enacted on August 22, 1996, denies SSI payments to fugitive felons and probation and parole violators. The *Social Security Protection Act of 2004*, P.L. 108-203, extends this denial of payments to OASDI beneficiaries, and disqualifies fugitives and convicted felons from serving as representative payees. Both provisions provide for the exchange of information with law enforcement to enable apprehension of the fugitive.



The newly created FED is responsible for identifying these individuals via automated data matches which compare warrant information from the National Crime Information Center, the FBI, the United States Marshals Service and State agencies with SSA's beneficiary rolls. SSA currently has data-matching agreements with numerous States and police departments, and is in the process of pursuing such agreements with other States. FED continues working with SSA to further refine and enhance the automated process.

MANPOWER AND ADMINISTRATION DIVISION (MAD)

MAD is responsible for budget, staffing plans, policy development, procurement, personnel issues, and general administrative matters for OI. MAD also identifies and procures special technical investigative equipment for use by OI personnel. In addition, MAD develops and manages training programs for OI personnel and coordinates with the Federal Law Enforcement Training Center and the Inspector General Criminal Investigator Academy.

STRATEGIC ENFORCEMENT DIVISION (SED)

SED develops and implements innovative anti-fraud initiatives, consistent with OIG strategic plans, to protect SSA programs and operations from fraud, waste, and abuse. SED is also responsible for planning and coordinating OI's national investigative operations while



promoting the judicious and effective use of available resources. To accomplish its mission, SED identifies systemic and programmatic vulnerabilities in SSA's operations and makes recommendations for changes to the appropriate official. In addition, in accordance with applicable law and policy, SED provides pertinent information from OIG records to assist Federal, State, and local investigative agencies in detecting, investigating, and prosecuting fraud.

In addition, SED jointly manages the Cooperative Disability Investigations (CDI) program with SSA's Office of Operations and Office of Disability Programs.

FIELD DIVISIONS

Our FDs are responsible for conducting investigations in assigned geographic areas. Currently, the FDs, and the States and territories they cover, are:

ATLANTA:	Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee
BOSTON:	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont
CHICAGO:	Illinois, Indiana, Michigan, Minnesota, Ohio and Wisconsin
DALLAS:	Arkansas, Louisiana, New Mexico, Oklahoma, and Texas
DENVER:	Colorado, Montana, North Dakota, South Dakota, Utah, and Wyoming
LOS ANGELES:	Arizona, California, Hawaii, Nevada, American Samoa, Guam, and the Northern Mariana Islands
NEW YORK:	New Jersey, New York, Puerto Rico, and the Virgin Islands
PHILADELPHIA:	Delaware, Maryland, Pennsylvania, Virginia, West Virginia, and the District of Columbia
SEATTLE:	Alaska, Idaho, Oregon, and Washington
ST. LOUIS:	Iowa, Kansas, Missouri, and Nebraska

Investigative Data

The following tables represent the collective efforts of our OI Headquarters divisions and FDs, including our SSA OIG Fraud Hotline. In addition, we worked on multi-agency investigations that resulted in almost \$76 million in savings, restitution, and recoveries for those agencies. Non-SSA monies saved or recovered from these joint investigations are not included in the following charts.



SSA Funds Reported	
	October 1, 2004 – March 31, 2005
Recoveries	\$15,442,687
Fines	\$214,131
Settlements/Judgments	\$557,705
Restitution	\$12,055,687
Estimated Savings	\$88,950,961
TOTAL	\$117,221,171

Investigative Results	
	October 1, 2004 – March 31, 2005
Allegations Received	38,171
Cases Opened	4,355
Cases Closed	4,233
Arrests/Indictments	1,896
Total Judicial Actions	1,128
Criminal Convictions	963
Civil/CMP	37
Illegal Alien Apprehensions	128



Allegations Received by Category	
	October 1, 2004 – March 31, 2005
SSI Disability	16,444
Disability Insurance	12,510
SSN	4,593
Old-Age and Survivors Insurance	2,956
Other	724
Employee	530
SSI Aged	414
TOTAL	38,171

Allegations Received by Source	
	October 1, 2004 – March 31, 2005
Law Enforcement	10,104
Private Citizens	9,688
SSA Employees	8,562
Anonymous	8,516
Beneficiaries	782
Public Agencies	510
Other	9
TOTAL	38,171



CDI Program Results

The following table highlights the successes of the CDI program in this reporting period.

Cooperative Disability Investigations Program Results October 1, 2004 through March 31, 2005				
State	Allegations Received	Confirmed Fraud Cases	SSA Savings ¹	Non-SSA Savings ¹
Arizona	52	27	\$1,542,084	\$340,825
California	131	71	\$3,685,285	\$3,250,517
Colorado	44	25	\$1,705,320	\$1,470,614
Florida	76	52	\$3,221,436	\$2,460,895
Georgia	113	73	\$4,518,804	\$1,279,222
Illinois	49	36	\$2,272,800	\$918,870
Louisiana	79	34	\$2,085,400	\$797,608
Massachusetts	39	31	\$1,761,559	\$1,254,795
Missouri	87	55	\$3,069,613	\$1,254,180
New Jersey	67	32	\$2,096,407	\$1,823,310
New York	94	86	\$4,748,929	\$5,745,870
Ohio	150	61	\$3,687,240	\$2,424,500
Oregon	133	86	\$5,170,542	\$3,440,395
Tennessee	49	31	\$1,856,522	\$1,006,414
Texas ²	160	96	\$5,502,969	\$2,546,959
Virginia	61	45	\$3,004,020	\$1,666,548
Washington	176	88	\$5,611,254	\$4,350,590
Total	1,560	929	\$55,540,184	\$36,032,112
<p>¹ 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.</p> <p>² Texas has 2 units, one in Dallas and the other in Houston.</p>				

Significant Investigations

During the reporting period, we have conducted over 4,300 investigations covering all of the major areas over which we have jurisdiction. The following summaries illustrate the types of investigations we undertake.



Fugitive Felon Investigations

Rapist/Kidnapper Caught in Michigan

Agents from our Detroit office apprehended a Michigan man wanted for kidnapping and raping a 14-year old girl, transporting her across State lines, and forcing her into prostitution at truck stops and motels in Indiana. The girl was eventually rescued by a female truck driver who noticed her youthful appearance and questioned her about her situation. The truck driver drove the girl away from the truck stop and brought her to police. The fugitive, an SSI recipient, was arrested on a Federal warrant issued by the Eastern District of Michigan and turned over to the FBI's Detroit Violent Crime Task Force.

Gang Member Arrested in California

A man wanted for murder since 2000 was arrested by agents from our Los Angeles FD. The man was alleged to have shot and killed a rival gang member in 1995. The fugitive was in the process of applying for SSI benefits in California and was apprehended with help from the Los Angeles Sheriff's Department as he arrived for a scheduled appointment at SSA.

Cooperative Disability Investigations

SSI Fraud by Ohio "Traveler" Group

A joint investigation by the Cleveland CDI Unit and the Toledo Police Department revealed that four individuals within a familial "traveler" group conspired to falsely obtain SSI benefits. Medical evidence obtained through consultative examinations showed that a significant number of these SSI recipients exhibited strikingly similar disabilities of such severity that the individuals appeared almost entirely unable to communicate or function in any independent fashion. In contrast, local police reports of the same individuals detailed extensive criminal histories. The group fraudulently netted \$74,522 from SSA between 1991–2003. The four defendants pled "no contest" to conspiracy to commit grand theft. One defendant was sentenced to 6 months' incarceration, and the others were sentenced to 10 days' incarceration. In addition, all were ordered to serve 5 years' probation, pay the costs of the prosecution and pay restitution to SSA of \$74,522, divided equally among the defendants. In addition to the successful criminal case, the investigation also exposed 20 SSI claims as fraudulent, most of which were filed on behalf of the four defendants' minor children or other family members. These claims were subsequently denied or changed retroactively from allowances to denials.





Prosecution of Individual in New Jersey for Fraudulently Collecting Disability Benefits

The Iselin, NJ CDI Unit investigated a man who was awarded Title II disability benefits and workers compensation in 1993 for back and knee injuries. Documentation obtained by the CDI team determined that he had been self-employed since at least January 1997 as a boat detailer. Video surveillance captured him engaging in physical activities inconsistent with his alleged limitations. A continuing disability review resulted in a determination that his disability had ceased in December 2000. He was charged with making false statements to SSA and the Department of Labor (DOL), based on his claim that he had not been employed, while receiving disability benefits from DOL and SSA. In December 2004, this individual was sentenced to 6 months' house arrest, 3 years' probation, a special assessment of \$200, a \$5,000 fine, and restitution of \$20,280 to SSA and \$9,500 to DOL.

Cessation of Disability Benefits Paid to Apparently Healthy Young Woman

Our investigation of a 24 year-old Title II disability beneficiary, who was entitled based on asthma, seizures, and stress, revealed that she was attending a 4-year college and was participating in school sports during the period she was receiving benefits. In fact, the woman received a Bachelor of Science degree in Accounting in December 2002 and was an active member of the basketball team for 4 years, also playing soccer and running track. Her basketball coach stated the woman received a physical exam each year which showed she was in good physical and mental health. The coach also stated she participated in daily practices with no apparent problems. Videotapes of the claimant playing in college basketball games were obtained. CDI investigators interviewed the woman, who admitted making false statements to the doctors to continue receiving her disability benefits. The woman's benefits were ceased and, because fraud was detected, there was a reopening/reversal of the initial allowance in 1999, which resulted in an overpayment of \$30,018. In June 2004, the woman was indicted on one count of Social Security fraud, to which she pled guilty. In January 2005, she was sentenced to 5 years' probation.

Cessation of SSI Disability Benefits to Man Alleging Mental Retardation

The New York CDI Unit investigated a 26 year-old man who had been receiving Title XVI disability benefits since July 1994 based on a diagnosis of mental retardation. The man alleged a fear of traveling alone, a fear of getting lost, back pain, headaches, and an inability to comprehend instructions. The man also alleged the need for a Vietnamese translator, even though he had lived in the United States since he was 2 years old. This matter came to the CDI Unit's attention because his part-time work history at Airborne Express seemed inconsistent with his medical evidence. SSA records indicated that wages began in 1998 but stopped in 2000, shortly after their discovery through a wage alert. CDI investigators located the man at an address he had given when applying for his driver's license (he was not known at the address he supplied to SSA) and found him wearing an Airborne Express uniform when he came to the door. The man appeared surprised that SSA officials had located him at this address. He



stated in part that he was in a hurry to get to work and that he had intended to advise SSA that he had recently returned to work. The man's disability benefits were ceased.

Double Check Negotiation (DCN)

In late 2002, the New York FD began an investigative project designed to deter a practice by a growing number of SSI recipients, which entails cashing monthly benefit checks, falsely claiming non-receipt, and ultimately cashing a replacement check to which the recipient is not entitled. In conjunction with OA, OI subsequently launched a national project by sending out over 11,000 investigative referrals for subjects with five or more occurrences of DCN over a 42-month period. SSA reports that its efforts in the areas of training and systems improvements, together with OIG's vigilance, have resulted in an 18 percent decrease in incidents of DCN over the 3 years ending with this reporting period.

Man Negotiated over \$20,000 in Original and Replacement SSI Checks

An SSI beneficiary was found to have lied on 37 separate occasions between February 1998 and June 2003, claiming not to have received his SSI check in order to have a replacement check issued. He admitted that he received, signed, cashed, and spent all original and replacement SSI checks, thus defrauding SSA of \$20,307. This individual pled guilty to the charge of theft of government funds and was sentenced to 6 months' home confinement, 2 years' probation, and restitution to SSA \$20,307. This investigation was undertaken by the Batavia, NY OIG office as part of the DCN pilot project.

Recipient Cashed 29 Replacement Checks after Receiving Original Checks

The Fresno, CA OIG office uncovered another incident of DCN based on information supplied by the Modesto, CA Social Security office. SSA personnel reported that an SSI beneficiary had routinely contacted SSA to request a replacement check for her SSI benefit payment. She then negotiated both the original and replacement checks. From February 2000 – April 2003, this individual negotiated 29 replacement checks after receiving the original check each month. During an interview with an OIG investigator, she admitted to cashing all of the original and replacement checks. She ultimately pled guilty to a theft of government property charge and was sentenced to 1 year of probation and restitution of \$21,433 to SSA.

Cashing Original and Replacement SSI Checks Results in Prosecution

Another investigation undertaken as part of the national DCN project involved a California woman who had repeatedly requested replacement checks for her SSI benefit payment and then proceeded to negotiate both the original and the replacement check. From June 1999 – October 2003, she negotiated multiple replacement checks after already receiving and cashing the original check that month. The woman confessed the scheme to our agents. The total loss to SSA was \$14,730, of which \$2,239 has been recovered. She was sentenced to 400 hours of community service, 3 years' probation, and restitution of \$12,491 to the Agency.



Deceased Payee Investigations

Son Conceals Father's Death for Over 7 Years

On the basis of information received from the Atlanta West Social Security office, our Atlanta office investigated an allegation that SSA had paid Title II retirement insurance benefits to an individual after his death. We found that the beneficiary's son concealed his father's death from October 1994 until June 2002 and continued to receive his father's benefits after his death. As a result, SSA suffered a loss of \$178,637 of which \$80,598 was recovered from a bank account into which the funds had been deposited. The individual pled guilty to wire fraud and was sentenced to 18 months' incarceration, 3 years' supervised release, and restitution to SSA of \$98,039.

Daughter Cashes Over \$139,000 Worth of Deceased Mother's Benefits

Our Cleveland, Ohio office examined a case in which a woman cashed her deceased mother's Title II retirement insurance checks from May 1989 – August 2001, which resulted in an overpayment of \$139,091. During this period, the woman was an Army officer. She retired from the Army in 1999 and then became employed as a DoD ROTC instructor in California. She was made aware that the case was being worked jointly with DoD's Defense Criminal Investigative Service (DCIS) and that it had been presented to the U.S. Attorney's Office (USAO) for prosecution. She was concerned about losing her military pension and her security clearance as a DoD contractor. Prior to a grand jury indictment, she paid back \$128,407 to SSA, hoping to avoid prosecution. However, the USAO decided that she posed a potential risk as a DoD contractor and pursued the case. As a result, she pled guilty to one felony count and was sentenced to a 6 month Home Confinement Program with electronic monitoring, 2 years' probation, and restitution to SSA of an additional \$10,684. According to DCIS, she cannot work as an ROTC instructor for DoD with a felony conviction on her record.

Detroit Bank Employee Appropriates Over \$75,000 in Benefits Paid into Deceased Woman's Account

As part of the OIG National Medicare Non-Usage Project (an anti-fraud initiative designed to detect unreported deaths through a review of aged individuals with long periods of nonusage of Medicare), information was received that a Title II retirement insurance beneficiary was believed to be deceased. Our Detroit office determined that she had died in January 1988 and that \$95,699 had been paid after her death to a bank account in Detroit. Further investigation revealed that only \$18,419 remained in the account and that \$77,280 had been stolen from the account. Our investigation determined that a bank employee masterminded a conspiracy with another bank employee and a third person to withdraw the funds from the account. The bank employee was sentenced to 21 months' incarceration, 3 years' supervised release, and restitution to SSA of \$77,280. The judge also revoked her bail because of failed drug testing and ordered the U.S. Marshals Service to immediately take her into custody.



Daughter Cashes Checks of Mother Dead for 20 Years

Our New Haven, Connecticut office investigated a case in which an individual receiving Title II widow's benefits had not filed a Medicare claim in 3 years. We determined that she had been a beneficiary since 1965 and that she was currently receiving these benefits via U.S. Treasury Check at an in-care-of address. Our search of commercial databases revealed the name of an individual who resided at the same address as the beneficiary and SSA records revealed that she was the daughter of the beneficiary. During an interview with our investigators, the daughter acknowledged that her mother died in April 1982. She admitted that she continued to receive and cash her mother's SSA checks after her death and used the proceeds for herself and that she knew what she was doing was wrong. We obtained the beneficiary's death certificate from which SSA determined that, from 1982 through 2002, \$116,167 in SSA benefits were paid after her death. The daughter pled guilty to a theft of government property charge and was sentenced to 3 years' probation and restitution to SSA of \$116,167.

Disability Program Fraud

Disability Beneficiary Received over \$100,000 in Benefits While Continuing to Work under Another SSN

After receiving an allegation from the Office of Security and Integrity in SSA's Philadelphia Region, our Baltimore office initiated an investigation into an individual who received Social Security benefits under two different SSNs and names, having fraudulently applied for the second SSN. Our investigation indicated that the individual filed a fraudulent disability claim under her original SSN while continuing to work and conceal wages from SSA under her second SSN. She pled guilty to a theft of government property charge and was sentenced to 12 months' incarceration, 2 years' supervised release, and restitution to SSA of \$123,918.

Beneficiary Uses Brother's SSN to Amass Over \$150,000 in Fraudulent Benefits

The Anniston, AL Social Security office alerted us to a situation that ultimately was found to involve a Title II disability beneficiary who was working under his brother's SSN. While checking a prisoner alert on the beneficiary's own SSN, staff of the office was told by the beneficiary that this was an error caused by his brother's use of his SSN when he was sentenced to prison. In fact, the situation was somewhat the reverse, with the beneficiary actually working under his brother's true SSN for over 10 years, while receiving benefits at the same time.

The beneficiary was indicted for misuse of an SSN, concealment of a disqualifying event to fraudulently receive SSA Title II disability insurance benefits, and theft of SSA funds. Upon indictment, he claimed he had Alzheimer's disease and was unable to stand trial. After evaluation, the court found him to be competent and he subsequently entered a guilty plea.



This individual was sentenced in December 2004 to 1 year in prison, 3 years of supervised release, a \$300 assessment fee, and restitution to SSA in the amount of \$152,037.

SSI Beneficiary Makes Fraudulent SSI Claims for Six Children

Our Phoenix, AZ office opened an investigation into the mother of six minor children, all SSI beneficiaries, because her statements and the children's behavior during evaluations were inconsistent with their normal daily behavior, as documented by school records and reports. The woman, also an SSI beneficiary, alleged that her children all had mental disorders and spoke on behalf of her children during evaluations. Our investigation led to SSA's determination that none of the children were disabled as alleged. In fact, one of the daughters, receiving SSI for affective disorders, was revealed to be attending college classes and playing on the basketball team. The other children underwent psycho-educational evaluations and mental health screenings that contradicted their claims of mental retardation and other mental disorders.

The investigation into the children's SSI benefits also led to the discovery that their mother, herself receiving SSI for affective disorders since September 2000, had concealed a marriage that affected her own benefit eligibility. The woman pled guilty and was sentenced in October 2004 to 12 months and 1 day of incarceration, 3 years' supervised release, and ordered to pay \$222,000 in restitution to SSA.

Woman Receives Title II and XVI Benefits Under Two Different Names

A woman in California was found to be receiving Title II and Title XVI benefits under two different SSNs, using her own name and an alias. The Riverside Social Security office alerted our Los Angeles office to this situation. We served a search warrant at her home and seized numerous items in the name of the alias. We interviewed her during the search and she admitted to fraudulently receiving the benefits under the false identity. She was charged with theft of government funds and making false statements as part of her application for SSI benefits and was sentenced to 8 months' home confinement, 1 year of probation, and restitution of \$57,122 to SSA.

Systems Security Violations

Misdirection of SSI Checks by SSA Claims Representative (CR) in Tennessee

We investigated a referral from a local bank security officer in Tennessee who reported that there were several questionable deposits of SSI checks into the account of one of their customers. Our investigation revealed that an SSA CR had improperly accessed SSA's system to fraudulently misdirect SSI funds into his girlfriend's bank account. To accomplish this, the CR accessed an existing SSI beneficiary's record and routed numerous one-time payments to the account. The CR's employment with SSA was terminated and he was sentenced to



21 months' incarceration, 3 years of supervised release, a \$2,500 special assessment, and restitution to SSA of \$149,196. His girlfriend was convicted on numerous counts of theft and money laundering and was sentenced to 15 months' incarceration, 2 years of supervised release, a \$500 special assessment, and ordered to pay \$23,132 in restitution to SSA.

Employee Fraud

SSA Employee Sentenced for Issuing 50 Social Security Cards to Undocumented Aliens

Our Fort Lauderdale office initiated an investigation based on an anonymous complaint that an SSA employee in the Miami, FL area was selling SSN cards to undocumented aliens. The investigation revealed that from July 1998 – September 2002, the employee fraudulently processed and issued more than 50 SSN cards. The employee was terminated and entered a guilty plea to an indictment that charged her with producing false identification documents. In October 2004, the former employee was sentenced to 21 months' incarceration, 3 years of supervised release, and a special assessment of \$3,200.

SSA Employee and Accomplice Sentenced for Creating Fake Claimants

During this reporting period, a former SSA CR and her accomplice, both subjects of an investigation detailed in our April – September 2004 Semiannual Report to Congress, were sentenced. Beginning in 1993, they had worked together to create 37 fictitious identities, assign SSNs to them, and authorize the payment of \$1,266,825 in Title II survivor's benefits to them via direct deposit to accounts they controlled in multiple financial institutions. The former employee was sentenced to 46 months' incarceration, 3 years of supervised release, a \$100 special assessment, and restitution to SSA of \$1,266,825. At the sentencing, the employee failed to turn over the balance of her Federal Employee Retirement System account, as stated in her plea agreement, so she was not given full consideration for cooperating with the government. Due to her failure to make that payment, she was ordered to be incarcerated for the maximum penalty under the Federal Sentencing Guidelines. Her accomplice was sentenced to 24 months' incarceration, 3 years of supervised release, a \$100 special assessment fee and restitution to SSA in the amount of \$1,120,805.



OIG Legal Matters

OCCIG provides independent authoritative legal advice, guidance, and counsel to the Inspector General and OIG staff on the full range of OIG's responsibilities. In addition, OCCIG carries out several unique program functions.

Civil Monetary Penalty (CMP) Program

OCCIG administers the CMP statutes under a delegation of authority from the Commissioner of Social Security. This allows OIG to impose CMPs against individuals or entities that violate sections 1129 or 1140 of the *Social Security Act* (the *Act*).

False Statements Under Section 1129

Section 1129 of the *Act* allows for the imposition of a CMP against those who make false statements or representations of material facts or who omit material facts from statements or representations in connection with obtaining or retaining benefits or payments under Titles II, VIII, or XVI of the *Act*. After consultation with DOJ, OCCIG is authorized to impose penalties of up to \$5,000 against individuals for *each* false statement, representation or omission. A person may also be subject to an assessment, in lieu of damages, of up to twice the amount of any resulting overpayment.

The *Social Security Protection Act of 2004*, P.L. 108-203, enacted March 2, 2004, extends CMP authority to: penalize representative payees for wrongful conversion of payments made under Titles II, VIII, or XVI; and penalize individuals for the knowing withholding of a material fact, when the individual should have come forward but did not.

The following table and cases highlight our Section 1129 accomplishments for this reporting period.

False Statements Under Section 1129 Results	
	October 1, 2004 – March 31, 2005
Cases Received	207
CMP Cases Initiated	77
CMP Cases Closed	135
CMP Penalties and Assessments	\$288,285
Number of Hearings Requested	2



Woman Exploits World Trade Center (WTC) Tragedy

On October 21, 2001, a New York woman falsely reported that her daughter died in the September 11, 2001 attack on the WTC. The woman applied for survivors benefits under her daughter's account and falsely stated that she had custody of her daughter's two sons. In fact, the woman's daughter was alive and caring for her two sons. As a result of the fraud, the woman improperly received \$5,375 in Social Security benefits, \$15,250 from the American Red Cross, and \$1,500 from Safe Horizons. Based on a New York FD investigation, the woman was criminally prosecuted for larceny and fraud. She was sentenced to a 6-month jail term and 5 years of probation. Despite the theft of over \$22,000 in funds intended for the victims of the terrorist attack, the woman was never ordered to pay criminal restitution. Subsequent to the criminal prosecution, OCCIG imposed a \$15,000 CMP and a \$10,750 assessment, for a total of \$25,750.

Man Fails to Report Marriage

A Dallas man who was receiving benefits as an adult disabled child falsely informed SSA that he had never been married. An investigation by OIG revealed that this individual was married, and a police officer notified SSA that he threatened to harm his wife if she notified SSA of the marriage. During the investigation, in a signed, sworn statement to OIG agents, the man admitted to failing to notify SSA of his marriage. Consequently, OCCIG imposed a \$5,000 CMP and a \$29,888 assessment for a total levy of \$34,888 against the subject.

Misleading Advertising Under Section 1140

Section 1140 of the *Act* prohibits the use of SSA's program words, letters, symbols, or emblems in advertisements or other communications in a manner that falsely implies SSA's approval, endorsement, or authorization. An individual or entity that violates this provision is subject to a maximum penalty of \$5,000 for *each* misleading communication.

Two provisions of the *Social Security Protection Act of 2004* also extended enforcement authority under 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; and
- Expanding the list of prohibited terms to include many that seniors and others commonly associate with Federal benefits, especially SSA programs and benefits, such as "Death Benefits Update" and "Funeral Expenses."

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





The following table and cases highlight our Section 1140 accomplishments for this reporting period.

Misleading Advertising Under Section 1140 Results	
	October 1, 2004 – March 31, 2005
Complaints Received	20
New Cases Opened	9
Cases Closed	11
No Violation	2
Voluntary Compliance	9
Settlement Agreement (of cases/amounts)	0
Penalty/court Action (of cases/amounts)	0
Hearings Requested	0

Law Firm Ceases Misleading Advertising

An Indiana law firm was advertising in the local yellow pages using an image of the Social Security card in a manner that conveyed the false impression that their firm was endorsed, authorized, or affiliated with SSA. We issued a letter ordering the firm to cease and desist from using the image of the Social Security card in a misleading manner. The firm agreed not to use the image in any future advertisements.

Insurance Company Revises Misleading Mailers

Senior Security Benefits, a Louisiana-based company, mailed solicitations to senior citizens purporting to offer information on a “final expense benefit program” to supplement funeral expenses paid by Social Security. These solicitations created the false impression that the benefit program was approved, endorsed or authorized by SSA. In fact, the company collected sensitive information from unknowing seniors and sold that information to private insurance companies for a fee. In response to a cease and desist letter we issued, the company voluntarily agreed to revise its violative solicitations to make clear that the offer involved was for the sale of *private* insurance plans. We continue to monitor the revised solicitations to ensure that there is no confusion regarding the company’s non-governmental status.



Through previous CMP enforcement measures, we have imposed over \$7.4 million in penalties and assessments since FY 1998. With the greater enforcement powers afforded to OCCIG through the *Social Security Protection Act of 2004*, we anticipate an increased caseload and continued results as the new CMP provisions become effective. During this reporting period, OCCIG drafted regulations implementing the new CMP provisions outlined in the *Social Security Protection Act of 2004*. The proposed regulations were approved by OMB and published in the *Federal Register* on March 22, 2005.

Legislation

During FY 2004, we provided substantive input on two major bills that became public law. Both pieces of legislation will enhance OIG's ability to fulfill its statutory mission as the provisions become effective. During this reporting period, we are actively involved in the implementation of those provisions that affect OIG's operations.

On March 2, 2004, the President signed P.L. 108-203, the *Social Security Protection Act of 2004*. This bipartisan legislation is the result of the efforts of numerous individuals, including many SSA and OIG employees. Among its provisions are much needed safeguards for OASDI and SSI beneficiaries with representative payees and enhanced protection for individuals acting in an official capacity to carry out a duty under the *Act*. In addition to the new CMP authorities discussed above, the legislation includes the following provisions:

- Denial of OASDI benefits to persons fleeing prosecution, custody, or confinement, and to persons violating probation or parole;
- Refusal to recognize certain individuals as claimant representatives;
- Imposition of criminal penalties for those attempting to corruptly or forcibly interfere with the administration of the *Act*;
- Disqualification from payment during trial work period upon conviction of fraudulent concealment of work activity; and
- Authority for judicial orders of restitution.



On July 15, 2004, the *Identity Theft Penalty Enhancement Act*, P.L. 108-275, was enacted. Most significantly for OIG, this legislation amended the definition of "value" in 18 U.S.C. § 641 to allow for aggregation of benefit payments. Previously, some Federal courts did not allow an individual's benefit payments to be aggregated under 18 U.S.C. § 641, thereby preventing many individuals from being charged with a felony for theft of Social Security benefits.



Our ability to seek felony prosecutions for theft of benefits will help to ensure the integrity of SSA's programs and operations. Additional provisions of this legislation include:

- Consecutive penalty enhancements for individuals who knowingly transfer, possess, or use the means of identification of another person to commit a serious Federal predicate offense;
- Addition of several predicate offenses, including 18 U.S.C. § 64, 42, U.S.C. §§ 408, 1011, 1307(b), 1320a-7b(a), and §§ 1383a and 1632 of the *Act*;
- Requirement that enhancement be imposed as consecutive sentence;
- Expansion of 18 U.S.C. § 1028(a)(7) to apply to individuals who "possess" the means of identification of another person with intent to commit an unlawful act.

OIG will continue to work with SSA and Congress to seek legislative remedies to assist in combating fraud, waste and abuse in SSA's programs and operations.



OIG Management Activities

OEO is charged with performing all management support activities for OIG. OEO is responsible for planning, formulating and executing OIG's annual budget and implementing and maintaining information technology systems for all OIG employees. In addition, OEO performs human capital planning and management activities, serves as the steward of all OIG assets and manages the physical facilities for OIG offices around the country.

Budget

Each year, we work with the Inspector General and each operating component to forecast the level of fiscal resources required to perform our mission. We conduct an assessment of historical data, along with an examination of current and planned workloads, to determine how much money should be requested in our annual appropriation. As with most Federal budgets, several factors can influence the level of requested funding, including legislation, world events and economic trends.

For FY 2005, OIG's annual appropriation is \$90.4 million. This funding supports a staffing level of 615 full-time equivalents. Employee salaries and benefits comprise 82 percent of our budget, with the remaining 18 percent used for expenses including travel, training, procurement and services. The majority of OIG's non-personnel expenditures are mandatory, covering rent, utilities and services, leaving only approximately five percent of the annual appropriation for discretionary spending.

Human Capital Planning and Management

Current OIG staffing is at the maximum level authorized for FY 2005 (615 individuals). Last year, we implemented a staffing strategy that carefully tracked employment gains and losses by individual pay period for each OIG component. Using this data along with historical trend information, we were able to begin FY 2005 at full staffing and have been able to sustain full employment throughout this semiannual reporting period. This ensures that OIG components have the necessary human resources to fulfill their respective missions. Working with each component, we forecast where future hiring will likely be required and take steps to begin the recruitment process and have qualified candidates in the pipeline to reduce the amount of time a position remains vacant.



OIG is vigilant in its efforts to recruit and retain the best people. Our human capital specialists and recruiters participate in job and career fairs around the country. Some of these events target underrepresented groups in the labor force, allowing us to continue our outreach efforts aimed at employing a diverse workforce. We continue



making progress in minority recruitment, with our diversity statistics meeting or exceeding our goals in most categories.

Once our employees are on board, we feel strongly that providing a quality work experience that includes excellent training and upward mobility is crucial for long-term retention. In addition to mandatory job-specific training, our Strategic Plan provides that employees receive at least 40 hours of annual training. Given budget limitations, our human capital management staff has explored many low or no-cost training opportunities to assist employees in meeting this requirement.

Information Technology

OIG provides and maintains most of its own Information Technology (IT) systems, although SSA does assist with voice, data and video network transport services. We realize the importance of state-of-the-art tools and place a high priority on ensuring that our employees have the latest proven technologies to perform their work. Our IT plan includes cyclical replacement schedules for select equipment including computers, servers, printers and laptop devices.

During this semiannual reporting period, we installed a Storage Area Network to augment file storage capabilities for critical data and we began implementing a new desktop computing Windows operating system to provide greater functionality for our users.

In addition to supporting an IT infrastructure for over 600 employees, our IT staff also provides software services in a number of areas. OIG has a comprehensive website, WWW.SOCIALSECURITY.GOV/OIG, which provides public information about our programs to deter and detect fraud, waste and abuse. Citizens may alert us of potential issues using

our online reporting form. For internal use, we maintain an intranet site that includes organizational information. We also created and maintain an online Employee Resource Center (ERC) that consolidates reference materials frequently used by OIG staff. The ERC includes contact information, administrative policies and procedures, forms, career development information and a host of other employee-related resources. Our IT software specialists also plan, design, develop, test and implement OIG program-related computer systems. These software applications support our investigators, auditors and attorneys across the country.



During this semiannual reporting period we continued implementing an audit automated working papers tool called TeamMate. This commercially available off-the-shelf software



product was acquired in FY 2004 and is expected to be fully implemented by the end of calendar year 2005.

In December 2004, we implemented a new case management system for OIG investigators and attorneys. This new system, called the National Investigative Case Management System (NICMS), provides enhanced case management functionality and improved query and reporting capabilities and workflow based on business process management rules. NICMS is implemented on a secure server platform with a standard browser interface for its users. The system uses intuitive screens and menus that eliminate redundant data entry and provide immediate notification to users when work requires their attention, thus avoiding potential delays in work processes.

NICMS enables our law enforcement personnel and attorneys to be more productive as users can more quickly access necessary data to plan work and make decisions.

- Using NICMS, OIG staff can perform detailed searches of complaints, subjects and victims, cross-referencing cases with the same or similar attributes, which assists in trend analysis and overall investigative activities.
- NICMS users can associate evidence files, including images and video clips, with cases, facilitating the move toward a paperless process. The system also has the ability to receive and transmit data to internal and external entities to facilitate joint investigative efforts at the Federal, State and local level.
- NICMS provides a better portal for our fraud hotline operators to capture allegations and immediately share data with program specialists and investigative personnel to determine if a case is warranted.
- NICMS facilitates better communication and data exchange among our investigators and attorneys as each group of users can access and share relevant data as cases are being developed. The new system will improve the time in which information about our CMP cases is exchanged, resulting in shorter processing times for these cases and additional recovery of fines.

With the implementation of NICMS, we expect to save over \$1 million annually by eliminating the expensive system maintenance and computer time-sharing costs required for the previous case management system.

A SPECIAL THANK YOU

The diligent work, outstanding efforts, and many contributions of our entire OIG staff make the numerous accomplishments highlighted in this Semiannual Report possible.

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



Reporting Requirements

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

Section	Requirement	Page(s)
Section 4(a)(2)	Review of legislation and regulations	N/A
Section 5(a)(1)	Significant problems, abuses, and deficiencies	13–48
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	13–48
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 that have resulted	31–43
Section 5(a)(5) & Section 6(b)(2)	Summary of instances where information was refused	N/A
Section 5(a)(6)	List of audits	Appendix B
Section 5(a)(7)	Summary of particularly significant reports	13–30
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



Appendices





Appendix A

Resolving Audit Recommendations

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

Reports with Questioned Costs for the Reporting Period October 1, 2004 through March 31, 2005			
	Number	Value Questioned	Value Unsupported
A. For which no management decision had been made by commencement of the reporting period.	7	\$1,476,492,737	\$2,660,550
B. Which were issued during the reporting period.	13 ^a	\$83,210,732	\$107,406,668
Subtotal (A + B)	20	\$1,559,703,469	\$110,067,218
Less:			
C. For which a management decision was made during the reporting period.	12 ^b	\$1,545,658,765	\$107,331,218
i. Dollar value of disallowed costs.	8	\$1,526,087,949	\$107,331,218
ii. Dollar value of costs not disallowed.	4	\$19,570,816	\$0
D. For which no management decision had been made by the end of the reporting period.	9	\$14,044,704	\$2,736,000

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

b. A management decision was made on only a portion of the dollars contained in the report, Administrative Costs Claimed by the Georgia Disability Adjudication Services (A-15-01-11021, 2/6/04).



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, 2004 through March 31, 2005		
	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	1	\$209,861
B. Which were issued during the reporting period.	7 ^a	\$92,176,346
Subtotal (A + B)	8	\$92,386,207
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.	4	\$87,666,050
(b) Based on proposed legislative action.	0	\$0
ii. Dollar value of costs not agreed to by management.	0	\$0
Subtotal (i + ii)	4	\$87,666,050
D. For which no management decision had been made by the end of the reporting period.	4	\$4,720,157

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



Appendix B

Reports Issued

Reports with Non-Monetary Findings October 1, 2004 through March 31, 2005		
CIN	Report	Issue Date
A-01-04-14091	The Social Security Administration's Procedures for Addressing Employee-Related Allegations in Region I	10/7/04
A-14-04-24099	The Social Security Administration's Compliance with the Employee Retirement Income Security Act	10/14/04
A-13-04-14047	Management of Allegations by the Social Security Administration's Office of Systems	10/15/04
A-02-04-14072	Performance Indicator Audit: Processing Time	10/25/04
A-03-03-13048	Employers with the Most Suspended Wage Items in the 5-Year Period 1997 through 2001	10/26/04
A-02-05-15092	Inspector General Statement on the Social Security Administration's Major Management Challenges	11/10/04
A-15-04-14074	Performance Indicator Audit: Disability Determination Services Net Accuracy Rate--Allowances and Denials Combined	11/10/04
A-15-04-34084	Oversight of the FY 2004 Financial Statement Audit	11/10/04
A-44-05-25111	Top Issues Facing Social Security Administration Management— FY 2005	11/10/04
A-15-04-14073	Performance Indicator Audit: Productivity	11/17/04
A-15-04-24103	Management Advisory Report: Proper Disposal of Sensitive Documents at the Social Security Administration's Headquarters (Limited Distribution)	11/17/04
A-15-04-34097	Disclosure Statement Review of Maximus, Inc. Home Office and Health Operations Divisions	11/23/04
A-77-05-00004	Management Advisory Report: Single Audit of the State of Colorado for the FY Ended June 30, 2003	12/7/04
A-01-05-15048	Individual Representative Payees for the Social Security Administration in the Boston Region	12/8/04
A-08-05-15034	Universities' Use of Social Security Numbers as Student Identifiers in Region IV	12/9/04
A-02-03-13079	Social Security Administration's Ticket to Work Program	12/20/04
A-77-05-00005	Management Advisory Report: Single Audit of the State of Idaho for the FY Ended June 30, 2003	12/28/04
A-15-05-25096	Performance Indicator Audit: General Observations	1/6/05
A-77-05-00006	Management Advisory Report: Single Audit of the State of New York for the FY Ended March 31, 2003	1/19/05



Reports with Non-Monetary Findings October 1, 2004 through March 31, 2005		
CIN	Report	Issue Date
A-01-05-15070	Access to Secured Areas in Region I Hearing Offices	1/31/05
A-07-05-15074	Universities' Use of Social Security Numbers as Student Identifiers in Region VII	1/31/05
A-77-05-00007	Management Advisory Report: Single Audit of the State of Wisconsin for the FY Ended June 30, 2003	2/9/05
A-77-05-00008	Management Advisory Report: Single Audit of the State of Illinois for the FY Ended June 30, 2003	2/9/05
A-06-05-15053	Individual Representative Payees for the Social Security Administration in the Dallas Region	2/11/05
A-77-05-00009	Management Advisory Report: Single Audit of the State of Oklahoma for the FY Ended June 30, 2003	2/22/05
A-12-05-35003	Access to Secured Areas in Region III Hearing Offices	2/25/05
A-08-05-25101	Congressional Response Report: Follow-up of Federal Agencies' Controls over the Access, Disclosure, and Use of Social Security Numbers by External Entities	2/28/05
A-06-05-15076	Access to Secured Areas in Region VI Hearing Offices	3/8/05
A-08-05-15033	Universities' Use of Social Security Numbers as Student Identifiers in Region X	3/8/05
A-77-05-00010	Management Advisory Report: Single Audit of the State of Minnesota for the FY Ended June 30, 2003	3/8/05
A-04-05-15039	Universities' Use of Social Security Numbers as Student Identifiers in Region VIII	3/21/05
A-07-05-15055	Individual Representative Payees for the Social Security Administration in the Denver Region	3/21/05
A-04-05-15066	Access to Secured Areas in Region IV Hearing Offices	3/28/05
A-03-04-14041	Department of Defense Wage Items in the Earnings Suspense File	3/29/05
A-07-05-15014	The Social Security Administration's Procedures for Addressing Employee-Related Allegations in Region VII	3/29/05
A-09-04-14089	The Social Security Administration's Regional Office Procedures for Addressing Employee-Related Allegations in Region X	3/30/05
A-12-04-14098	The Effects of Staffing on Hearing Office Performance	3/30/05



**Reports with Questioned Costs
October 1, 2004 through March 31, 2005**

CIN	Issue Date	Report	Dollar Amount
A-04-04-14053	10/7/04	Administrative Costs Claimed by the South Carolina Disability Determination Services	\$8,600
A-06-03-13077	10/25/04	Social Security Administration's Controls Over the Title XVI Overpayment Waiver Process	\$64,818,500
A-09-04-14015	10/26/04	Seattle Mental Health Institute - An Organizational Representative Payee for the Social Security Administration	\$3,063,296
A-77-05-00001	11/16/04	Management Advisory Report: Single Audit of the State of Arizona for the FY Ended June 30, 2003	\$4,744
A-77-05-00002	11/17/04	Management Advisory Report: Single Audit of the State of Maine for the FY Ended June 30, 2003	\$633,282
A-77-05-00003	12/2/04	Management Advisory Report: Single Audit of the State of South Carolina for the FY Ended June 30, 2003	\$237,151
A-09-04-14013	1/31/05	School Attendance by Student Beneficiaries Over Age 18	\$109,455,000
A-15-05-20019	1/31/05	Westat Contract Close Out on Contract Number 0600- 99-36200 (Limited Distribution)	\$35,135
A-15-03-13060	2/25/05	Administrative Costs Claimed by the South Dakota Disability Determination Services	\$233,963
A-09-05-15057	3/8/05	Individual Representative Payees for the Social Security Administration in the Seattle Region	\$340
A-01-05-25015	3/28/05	Individuals Receiving Multiple Auxiliary or Survivors Benefits	\$2,003,320
A-09-04-14010	3/28/05	Indirect Costs Claimed by the Arizona Disability Determination Services	\$272,062
A-13-03-13065	3/28/05	Representative Payee Reports Indicating Excess Conserved Funds for Supplemental Security Income Recipients	\$9,852,007
TOTAL:			\$190,617,400



Reports with Funds Put to Better Use October 1, 2004 through March 31, 2005			
CIN	Issue Date	Report	Dollar Amount
A-13-04-14002	10/1/04	Family Services, Inc., of Charleston, South Carolina, A Fee-for-Service Representative Payee for the Social Security Administration	\$2,650
A-04-04-14053	10/7/04	Administrative Costs Claimed by the South Carolina Disability Determination Services	\$160,556
A-04-03-13042	10/14/04	The Social Security Administration's Clean-Up of Title II Disability Insurance Cases with a Workers' Compensation Offset	\$87,500,000
A-02-05-15049	1/31/05	Individual Representative Payees for the Social Security Administration in the New York Region	\$2,844
A-08-04-14093	3/15/05	Assessment of the Enumeration at Entry Process	\$3,285,960
A-01-05-25015	3/28/05	Individuals Receiving Multiple Auxiliary or Survivors Benefits	\$614,336
A-09-04-14010	3/28/05	Indirect Costs Claimed by the Arizona Disability Determination Services	\$610,000
TOTAL:			\$92,176,346



Appendix C

Reporting Requirements Under the *Omnibus Consolidated Appropriations Act of 1997*

To meet the requirements of the *Omnibus Consolidated Appropriations Act of 1997*, P.L. 104-208, we are providing requisite data for the first half of FY 2005 from the Offices of Investigations and Audit in this report.

OFFICE OF INVESTIGATIONS

We are reporting over \$28 million 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	5,221,579	6,834,108	12,055,687
Recoveries	6,534,591	8,908,096	15,442,687
Fines	150,545	63,586	214,131
Settlements/ Judgments	146,682	411,023	557,705
TOTAL	12,053,397	16,216,813	28,270,210

OFFICE OF AUDIT

SSA management has informed us that it has completed implementing recommendations from 5 audit reports during this time period valued at over \$268 million.

Puerto Rico Disability Determination Program (PR DDP) Indirect Cost Review (A-06-04-34035, 9/16/04)

We recommended that SSA reduce direct costs charged to SSA for early retirement costs for PR DDP employees who elected early retirement. These costs totaled \$407,057 for FYs 2000 through 2003.

We also recommended that SSA reduce direct costs charged to SSA for unused leave payments for PR DDP employees who terminated their employment through retirement or other separation. This consisted of \$323,080 identified during state FYs 2000 through 2003; \$50,193 identified as of December 1, 2003; and any additional amounts charged after December 1, 2003.

**Administrative Costs Claimed by the Michigan Disability Determination Services (MI-DDS) (A-05-03-13036, 5/7/04)**

We recommended that SSA instruct MI-DDS to claim future office space costs for the Detroit DDS based on reasonable and necessary square footage amounts that are approved by SSA. The implemented recommendation is valued at \$2.7 million.

Social Security Administration Controls over the Taxation and Suspension of Payments to Foreign Beneficiaries (A-14-03-23005, 3/3/04)

We recommended that SSA identify cases and recover funds where errors were made in applying alien withholding tax provisions or paying benefits to non-citizens living abroad. The implemented recommendation is valued at \$108.4 million.

Controls Over Supplemental Security Income Replacement Checks (A-05-03-13010, 9/26/03)

We recommended that SSA conduct training for both field office and teleservice center staff to address the issue of double-check negotiations (DCN). The training should focus on changes in processing requests for replacement checks and increasing the withholding amount to recover DCN overpayments from subsequent checks. The implemented recommendation is valued at \$137.5 million.

Screening Representative Payees for Fugitive Warrants (A-01-02-12032, 3/14/03)

We recommended that SSA periodically validate its Representative Payee file against fugitive warrant data to identify existing Representative Payees who are fugitives and re-evaluate their suitability. The implemented recommendation is valued at over \$19.5 million.



Appendix D

Collections From Investigations and Audits

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

Office of Investigations

Total Restitution Reported by 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
2002	600	\$18,068,423	\$2,643,872
2003	567	\$22,354,434	\$2,184,770
2004	700	\$24,309,652	\$2,307,487
2005	350	\$12,055,687	\$330,527 ^a
TOTAL	2,217	\$76,788,196	\$7,466,656

a. Reflects collection for October 1, 2004 – December 31, 2004.

Funds Received by the Office of Investigations Based on Recovery Actions		
Fiscal Year	Total Number of Recovery Actions Initiated	Amount for Recovery
2002	2,202	\$29,434,025
2003	2,442	\$31,515,050
2004	1,861	\$32,706,653
2005	913	\$15,442,687
TOTAL	7,418	\$109,098,415



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, 2005.

Responses to OIG’s Recommendations for the Recovery or Redirection of Questioned and Unsupported Costs						
Fiscal Year	Reports with Questioned Costs	Questioned/Unsupported Costs	Management Concurrence	Amount Collected or to be Recovered	Amount Written-Off/Adjustments	Balance
2003	18	\$56,602,321	\$53,002,556	\$21,575,579	\$3,709,842	\$31,395,567
2004	19	\$1,500,781,845	\$1,473,367,243	\$14,096,560	\$1,389,999,564 ^a	\$96,724,005
2005 ^b	13	\$190,617,400	\$177,372,271	\$67,917,271	\$8,600	\$122,691,529
TOTAL	50	\$1,748,001,566	\$1,703,742,070	\$103,589,410	\$1,393,718,006	\$250,811,101

a. This amount includes \$1,365,957,300 in adjustments that were contained in the report, Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File (MEF) (A-01-03-13019, 7/12/2004).

We recommended that SSA review past cases where significant earnings are present on the MEF and no determination has been made regarding trial work and/or substantial gainful activity (SGA). SSA agreed, where it is cost beneficial to do so and as its resources permit, to review the cases with significant earnings on the MEF where no determination has been made regarding trial work/SGA and take action. However, SSA subsequently informed us that it would not review the cases.

b. October 1, 2004 to March 31, 2005.



Appendix E

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

There are no significant monetary recommendations from prior FYs for which corrective actions have not been completed.



Appendix F

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

Social Security Funds Held in Dormant Bank Accounts (A-02-03-23080, 2/18/04)

Recommendation: We recommended that SSA change its policy regarding the presumption of death for purposes of reclaiming erroneously paid funds to eliminate the need for having benefits in suspension for 7 years where evidence to presume a person's death exists, as defined by 20 C.F.R. 404.721.

Agency Response: SSA agreed and will consider changing the policy to have a 2 year time frame to have benefits in suspension, as opposed to eliminating the provision altogether.

Corrective Action: SSA has not yet revised the policy.

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

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

Agency Response: SSA agreed with the recommendation.

Corrective Action: The project is being implemented in a phased approach. Phase 1, Assignment and Correspondence Tracking Release 1.0, is the replacement of the current Commissioner's Correspondence System. Vendor customization has been completed. The development process has entered the Integration Phase of the systems life cycle. This will be followed by the Training and Production Phase at which point a "Production Pilot" will begin and continue for 8 to 12 weeks.

Additionally, classroom training for the Application Administrators began in September and continued through the end of calendar year 2004. Deployment will begin at the end of the production pilot in a phased rollout. End user training will be given 1 week prior to each of the component's implementation date. The anticipated phase 1 completion date is September 2005.

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.

In the interim SSA has implemented the "SS-5 Assistant" software program (developed by the New York Region). The SS-5 Assistant Release 2 is a Microsoft Access-based application that has been developed to support processing of SSN applications. Working in conjunction with the existing system, it assists users to correctly process applications, including electronically capturing evidence (such as document numbers, issue and expiration dates) and interfacing with DHS verification data.

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

Agency Response: SSA believes this recommendation may have merit.



Corrective Action: SSA no longer issues an SSN solely for the purpose of securing a driver's license or motor vehicle registration. This policy change closes opportunities for illegal work. In addition, SSA is continuing to work with U.S. Citizenship and Immigration Service (USCIS), formerly INS, 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 USCIS 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 tightening controls, including the possibility of issuing revised instructions and reminders on the policy on issuing replacement cards and on updating Numident records. SSA will also explore appropriate mechanisms for helping DHS monitor employment authorization.

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

Agency Response: SSA believed the recommendation may have merit.

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

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 agreed with the recommendation.

Corrective Action: SSA has already begun to correct the records containing date of death discrepancies and will review the procedures to prevent future occurrences of this nature. In addition, a new Death Alert, Control and Update System (DACUS) process, which will identify deceased representative payees in the Representative Payee System, will be implemented in the DACUS Release II, which is not yet scheduled due to other systems priorities.

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 Internal Revenue Service (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: SSA must develop the automation support necessary to meet the Internal Revenue Code requirement that SSA issue Form-1099s to attorneys who receive attorney fees of \$600 or more in a taxable year. The Attorney Fee Task Force has established a revised target of issuing Form-1099s to attorneys to January 2008 (representing attorney fees received during TY 2007). SSA has initiated planning and analysis required for development of the systems enhancements to collect and process the appropriate attorney data required for issuing the Form-1099s. The Office of Systems plans to develop an attorney database, with implementation planned for late summer of 2006. This should allow for collection of the required attorney information beginning in FY 2007.



Appendix G

Significant Management Decisions With Which the Inspector General Disagrees

There are no significant management decisions with which the Inspector General disagrees.



Glossary of Acronyms

Abbreviation	Definition
<i>Act</i>	<i>Social Security Act</i>
ALJ	Administrative Law Judge
AMD	Allegation Management Division
CDI	Cooperative Disability Investigation
CID	Critical Infrastructure Division
CMP	Civil Monetary Penalty
DATAD	Data Analysis and Technology Audit Division
DCN	Double Check Negotiation
DDS	Disability Determination Service
DHS	Department of Homeland Security
DI	Disability Insurance
DoD	Department of Defense
DOJ	Department of Justice
DOL	Department of Labor
EAE	Enumeration at Entry
EDW	Earnings Data Warehouse
EFAST	ERISA Filing Acceptance System
EN	Employment Network
EOD	Enforcement Operations Division
ERC	Employee Resource Center
<i>ERISA</i>	<i>Employee Retirement Income Security Act</i>
ESF	Earnings Suspense File
ESLO	Employer Service Liaison Officer
FAD	Financial Audit Division
FD	Field Division
FSI	Family Services, Inc.
FY	Fiscal Year
GMAD	General Management Audit Division
HO	Hearing Office
INS	Immigration and Naturalization Service
IO	Immediate Office
IRS	Internal Revenue Service
IT	Information Technology
MAD	Manpower and Administration Division
MOU	Memorandum of Understanding
NICMS	National Investigative Case Management System



Abbreviation	Definition
OA	Office of Audit
OASDI	Old-Age, Survivor, and Disability Insurance
OCCIG	Office of the Chief Counsel to the Inspector General
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
OQA	Office of Quality Assurance and Performance Assessment
OQAPR	Office of Quality Assurance and Professional Responsibility
PL	Public Law
PAR	Performance and Accountability Report
PBGC	Pension Benefit Guaranty Corporation
PCIE	President's Council on Integrity and Efficiency
PPTSD	Policy, Planning, and Technical Services Division
PwC	Pricewaterhouse Coopers LLP
RO	Regional Office
SED	Strategic Enforcement Division
SMHI	Seattle Mental Health Institute
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security number
SSNIPT	Social Security Number Integrity Protection Team
State	Department of State
TTW	Ticket to Work
TY	Tax Year
VR	Vocational Rehabilitation
WBDOC	Wilkes-Barre Data Operations Center
WC	Workers Compensation
WTC	World Trade Center



How to Report Fraud

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

Call 1-800-269-0271

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

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