

IN CONGRESS, JULY 4,

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Semiannual Report to Congress
The Realities We Face:
Continuing the Vision

October 1, 2003 - March 31, 2004



Social Security Administration ~ Office of the Inspector General



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 Acting Inspector General

In a world of constantly changing realities, the Social Security Administration's (SSA) Office of the Inspector General (OIG) exists to serve as an agent of positive change for SSA and the American people. Our criminal investigations, audit reports, and legal analyses help make Social Security programs and operations more efficient, more effective, and more secure. In addition, we provide assistance to homeland security efforts that cut across the Federal Government.

No program touches more lives than Social Security. Today SSA serves over 50 million beneficiaries and manages annual expenditures of over \$500 billion. While SSA is consistently ranked among the best in Government for service, the stakes are far too high for either the Agency or OIG to rest on its laurels. Thus, we continuously strive to keep SSA and its programs efficient and effective, and free from fraud, waste, and abuse.

Henry Clay observed, "Government is a trust, and the officers of Government are trustees; and both the trust and the trustees are created for the benefits of the people." As the Acting Inspector General, I share that commitment to integrity and pride. When James G. Huse, Jr. retired in March 2004 as Inspector General (IG), he left behind a legacy of excellence in our organizational dynamics, structure, goals and corporate culture. I plan to continue his bold vision through progressive partnerships, strategic alliances and a targeted approach to fraud, waste and abuse.

This first Semiannual Report to the Congress for Fiscal Year (FY) 2004 focuses on our accomplishments for the period of October 1, 2003 through March 31, 2004. It defines our mission, describes our significant activities, presents our assessment of the top management issues facing SSA, and outlines our work on these challenges.

Over the years, we have accomplished great things as a team. I look forward to building on that record for bigger and better things to come.

Sincerely,

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

Patrick P. O'Carroll, Jr.
Acting Inspector General





Executive Summary

We are proud of our successes in combating fraud, waste and abuse in SSA's programs and operations, and in providing strong support to our homeland security with other Federal agencies.

In FY 2004, we returned up to \$20 for every dollar invested in our operations. In this reporting period, our investigators reported nearly \$137 million in investigative accomplishments with over \$33 million in SSA recoveries, restitution, fines, settlements, and judgments and nearly \$104 million in projected savings. As part of our civil monetary penalty (CMP) program, our attorneys also reported over \$309,000 in penalties and assessments. And finally, our auditors issued 49 reports with recommendations identifying over \$13 million in questioned costs and almost \$118 million in Federal funds that could be put to better use.

Significant Activities

The Significant Activities section details our most important activities in this reporting period. We continue making major strides to help SSA accomplish its service and stewardship responsibilities, while we face the challenges and opportunities of a leadership transition. This report highlights these accomplishments and identifies areas where improvement is necessary.

In addition, several legislative changes have begun to impact our efforts in this reporting period. They include:

- *The Social Security Protection Act of 2004.*
- *The Homeland Security Act of 2002.*
- *The Medicare Prescription Drug Improvement and Modernization Act of 2003.*

Inspector General James G. Huse, Jr. Retires

After more than 38 years of public service, SSA Inspector General James G. Huse, Jr. retired from Federal service on March 6, 2004, completing a distinguished career, beginning in 1965 as a U.S. Army officer who served two combat tours in Vietnam. He joined the Secret Service and rose to the position of Assistant Director. In 1996, Mr. Huse came to SSA as the Assistant Inspector General for Investigations. Later, he was named Deputy Inspector General at SSA and in 1998 was appointed Inspector General for Social Security. Mr. Huse said, "It was a difficult decision for me to choose to leave this wonderful Agency, but I take my leave with the knowledge that there is great value in public service and I have never regretted following



this path for the past 38 years. There is certain wisdom in knowing the right time to step down, and that time has come for me.”

President Nominates Patrick P. O’Carroll, Jr., to be IG

The White House designated Patrick P. O’Carroll, Jr. Acting Inspector General on March 10, 2004, followed by an announcement on April 8, 2004 that President George W. Bush nominated Mr. O’Carroll to be SSA’s Inspector General. Before being named Acting IG, Mr. O’Carroll was our Assistant Inspector General for Investigations. Earlier in his career, he worked in the Office of Inspection at the United States Secret Service. He earned his bachelor’s degree from Mount Saint Mary’s College and his master’s degree from George Washington University.

Homeland Security Efforts

The Social Security number (SSN) is no longer simply used to track workers’ earnings and pay social insurance benefits. It is recognized as a *de facto* national identifier, a key to social, legal, and financial assimilation into our Nation. Protecting the SSN’s integrity is a critical part of our homeland security efforts.

We have several initiatives under way to improve homeland security:

- We work with congressional committees to address the threats to SSN integrity and advocate measures we believe can significantly reduce those threats.
- We participate in a range of anti-terrorism task forces, including operations at critical infrastructure sites conducted across the country.
- We established an SSN Integrity Protection Team to identify patterns and trends to better target audit work, refer cases for investigation, and ensure efficient, effective liaison with other relevant public and private sector entities.
- We work closely with Agency representatives as participants of SSA’s Enumeration Response Team (ERT) to recommend and develop initiatives to strengthen the integrity of the SSN and SSA’s enumeration process.
- We are also participating on an Identity Theft Work Group with Agency executives.
- We conduct audits and make recommendations for areas in which SSA can further strengthen the integrity of the SSN.



- We work with SSA to safeguard and protect Agency employees and facilities.

Cooperative Disability Investigations Program

We manage the Cooperative Disability Investigations (CDI) program in cooperation with SSA to obtain evidence that can resolve questions of fraud in SSA's disability programs.

Last year, the General Accounting Office (GAO) acknowledged the CDI program's successes by noting that we have increased the level of resources and staff devoted to investigating Supplemental Security Income (SSI) fraud and abuse. Our CDI teams identify fraud and abuse before SSI benefits are approved and paid.

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

Civil Monetary Penalty Program

We administer the CMP enforcement statutes under a delegation of authority from SSA's Commissioner, which allows OIG to use CMPs against certain violators of the Social Security Act. Our investigative work provides an important contribution to these cases.

The enactment this year of the *Social Security Protection Act of 2004* will significantly expand our ability to utilize this valuable tool against such violators, including representative payees who misuse benefits paid on behalf of their client.

Significant Management Issues Facing SSA

This report describes our annual assessment of the most significant management issues facing SSA. This assessment is valuable in focusing congressional attention on mission-critical management problems, and serves as a catalyst for resolving significant issues across the Agency. Based on legislative mandates and our audit and investigative work, we believe the most significant management issues currently facing SSA are those described below.

Issue 1: Improper Payments

Improper payments are payments that should not have been made or were made for incorrect amounts. In FY 2003, SSA issued over \$500 billion in payments to over 50 million individuals. Even the slightest error in the overall process can result in millions of dollars in overpayments



or underpayments. Working with SSA, we have made great strides in combating this problem, but more needs to be done.

We have a number of reviews underway concerning improper payments, such as:

- A review to quantify the amount of fraudulent undetected overpayments in SSA's disability programs.
- A review to determine whether SSA evaluated earnings for disabled individuals.
- A review to assess overpayment waivers.

The *Social Security Protection Act of 2004* expands the denial of benefits to include both SSI and Old-Age, Survivors, and Disability Insurance (OASDI) beneficiaries who are fugitive felons or those violating probation or parole under Federal or State law. Our highly successful Fugitive Felon Program assists law enforcement with locating criminals, thus making our neighborhoods safer.

In conjunction with SSA, we have also taken aggressive action to stop erroneous payments to deceased individuals. This includes front-end detection of such payments and controls to prevent them, as well as detailed investigations to locate wrongdoers when the system breaks down. SSA agreed with our recommendation to modify its automated systems to support Electronic Death Registration (EDR), and to continue working on systems support for EDR. We are currently conducting a national investigative operation in this area.

Issue 2: Management of the Disability Process

Management of the disability process is another major management challenge for SSA. This includes the Disability Insurance (DI) and SSI programs, which provide payments to individuals based on disability. Our concerns were echoed by GAO when it added Federal disability programs to its 2003 high risk list.

The Commissioner's long-term strategy for improving the Agency's disability process relies on a combination of process modifications and automation, which SSA expects to shorten disability processing times. We will continue to evaluate these initiatives to determine their effectiveness and report to Congress on the Agency's progress once data is available.

Issue 3: SSN Integrity and Protection

The importance placed on SSNs and the magnitude of SSA's enumeration function provides a tempting motive to fraudulently acquire SSNs and use



them for illegal purposes. In FY 2003, SSA issued over 17 million original and replacement SSN cards, and received approximately \$533 billion in employment taxes related to earnings under the SSNs it has issued.

Protecting the SSN and properly posting the wages reported under each SSN is critical to ensuring eligible people receive their benefits correctly. Unfortunately, the SSN is often misused. Criminals can improperly obtain and misuse SSNs, causing innocent individuals years of difficulty. SSN misuse also impacts financial and commercial institutions, which is ultimately passed on to consumers. Worse yet, SSN misuse can impact our homeland security by disguising a dangerous felon or a would-be terrorist as a law-abiding citizen.

SSA has a duty to the American public to safeguard the integrity of the enumeration process. Given the magnitude of SSN misuse, we believe SSA must continue to employ and enhance effective front-end controls in issuing SSNs. Likewise, additional techniques, such as data mining, biometrics, and updated systems processes are critical in the fight against SSN misuse. We have made several recommendations and the Agency has taken steps to improve procedures for ensuring SSN integrity and to strengthen its link in the homeland security chain.

Issue 4: Critical Infrastructure Protection and Systems Security

The Government has a major responsibility for public health and safety. Dramatic and widespread harm would result should its systems be compromised. Therefore, it is imperative that the Nation's critical information infrastructure, which is essential to the operations of the economy and Government, be protected.

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

Issue 5: Budget and Performance Integration

To effectively meet its mission, manage its programs, and report on its performance, SSA needs sound performance and financial data. Congress, other external interested parties, and the general public also want sound data to monitor and evaluate SSA's performance. The *Chief Financial Officer Act of 1990* (CFO Act), the *Government Management Reform Act of 1994*,



and the *Government Performance and Results Act (GPRA)* were passed to create an environment of greater accountability within Federal agencies.

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

Issue 6: Service Delivery

Service delivery to the American people poses a significant challenge that SSA is compelled to address. The Agency's goal of "service" encompasses traditional and electronic services to applicants for benefits, beneficiaries, and the general public.

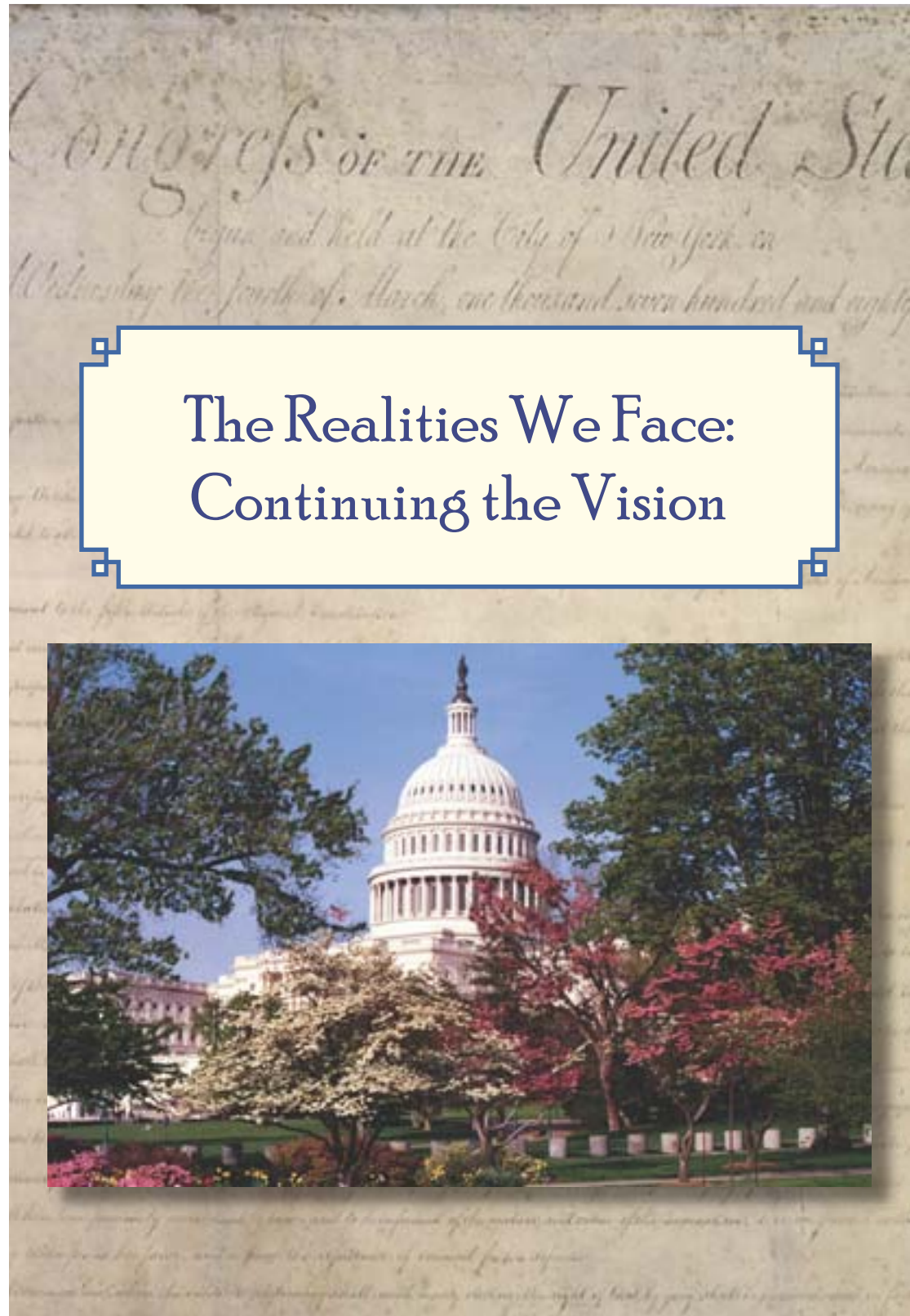
We consider electronic service delivery and the integrity of the representative payee process to be the two most significant concerns related to SSA's Service Delivery. Within the next 5 years, SSA expects to provide E-government services that will give citizens, businesses and other Government agencies the ability to easily and securely transact most of their business with SSA electronically. The Agency will need to ensure that its information systems and networks are accurate, reliable and secure. We will continue to review the Agency's progress.

Another area of concern is the Representative Payment Program. There are about 5.3 million representative payees who manage the payments for 6.7 million beneficiaries who need their help. SSA must provide appropriate safeguards, and we must monitor and enforce them.

We provided information to Congress during its development of the *Social Security Protection Act of 2004*, which will significantly strengthen the Representative Payee Program and our ability to deal with dishonest representative payees. Its provisions allow imposing CMPs against representative payees who misuse benefits paid on behalf of their clients, and bar fugitive felons from serving as representative payees.

The Realities We Face Today

The challenges of 2004 are numerous. We are pressed by new legislative mandates, growing demands for services, and increasing budget constraints across the Federal Government. Notwithstanding these challenges, we will step forward aggressively and work with SSA to combat fraud, waste and abuse, as well as to support America's homeland security.



The Realities We Face: Continuing the Vision



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Introduction to Our Organization

The Office of the Inspector General (OIG) is comprised of our Office of Investigations (OI), Office of Audit (OA), Office of the Chief Counsel to the Inspector General (OCCIG), and Office of Executive Operations (OEO). To ensure compliance with policies and procedures, internal controls, and professional standards, we also have a comprehensive Professional Responsibility and Quality Assurance program.

Office of Investigations

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



Office of Audit

OA conducts and/or supervises financial and performance audits of SSA programs and operations and makes recommendations to ensure 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 projects on issues of concern to SSA, Congress, and the general public.



Office of the Chief Counsel to the Inspector General

OCCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Finally, OCCIG administers the CMP program.



Office of Executive Operations

OEO supports OIG by providing information resource management and systems security. OEO also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OEO is the focal point for OIG's strategic planning function and the development and implementation of performance measures required by GPRA.







Significant Activities

FY 2004 is off to a very promising beginning. We continue making significant strides in helping the Social Security Administration (SSA) accomplish its service and stewardship responsibilities while we face the challenges and opportunities of a leadership transition. This report highlights these accomplishments and identifies areas where improvement is necessary. Since SSA's Office of the Inspector General (OIG) was created in 1995, we have focused on a number of key issues in the fight against fraud, waste, and abuse at SSA. We also play an integral role in protecting our Nation's homeland security.

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

- Inspector General James G. Huse, Jr. Retires
- Legislative Changes
- Homeland Security Efforts
- Cooperative Disability Investigations Program
- Civil Monetary Penalty Program
- Partnerships with U.S. Attorneys
- Investigative Data

Inspector General James G. Huse, Jr. Retires

After more than 38 years of public service, Inspector General (IG) James G. Huse, Jr. retired from Federal Service on March 6th, completing a distinguished career. Mr. Huse established a number of law enforcement initiatives to make efficient use of OIG's resources. Several of these initiatives prevent fraud on the front end of SSA's business processes. These include our Cooperative Disability Investigations (CDI) Units that focus on front-end disability fraud and our Identity Theft Task Forces.

He also launched a dialogue within the Federal Government on the dangers posed by Social Security number (SSN) misuse and identity theft nearly 2½ years before the terrorist attacks of September 11, 2001. His congressional testimony and other efforts contributed to the enactment of significant legislation to strengthen Social Security, capped by the enactment this year of the *Social Security Protection Act of 2004*. The work of 3 Congresses, this legislation provides significant new authority to our office to protect the SSN, SSA employees, and the Social Security Trust Funds.





Mr. Huse began his career in public service with the United States Army in 1965, and joined the United States Secret Service in 1970, rising to the position of Assistant Director. He came to Social Security in 1996 as Assistant Inspector General for Investigations, and was appointed Inspector General for Social Security in 1998. Throughout his public service career in the Federal Government and military, Mr. Huse received numerous awards for meritorious service.

President Nominates Patrick P. O'Carroll, Jr., to be IG

The White House designated Patrick P. O'Carroll, Jr. Acting Inspector General on March 10, 2004, upon the retirement of Mr. Huse. This was followed by the April 8, 2004 announcement that President George W. Bush nominated Mr. O'Carroll to be SSA's Inspector General. Before being named Acting IG, Mr. O'Carroll was our Assistant Inspector General for Investigations. He previously served at SSA OIG as Assistant Inspector General for External Affairs, Special Agent-in-Charge of Congressional Affairs, and Special Agent-in-Charge of Strategic Enforcement.

Earlier in his career, Mr. O'Carroll worked in the Office of Inspection at the United States Secret Service. He earned his bachelor's degree from Mount Saint Mary's College and his master's degree from George Washington University. He also attended the National Cryptologic School, Georgetown University, and the Kennedy School at Harvard University.

Legislative Changes

Several legislative changes have begun to impact our efforts in this reporting period. They include:

- The *Social Security Protection Act of 2004*, enacted into law during this reporting period, represents a significant achievement for us. Our office has provided key background information for Congress as it developed this legislation. It will provide significant new authority to our office to protect Social Security beneficiaries, SSA employees, the SSN, and the Social Security Trust Funds. We are reviewing the anticipated increases in workloads this legislation mandates, especially in the areas of fugitive felons and representative payees.
- The *Medicare Prescription Drug Improvement and Modernization Act of 2003*, which creates a prescription drug benefit program for individuals eligible for Medicare, will impact our investigative and auditing workload. We are working the Department of Health and Human Services (HHS) to assess the potential workload expansion mandated by the legislation's enforcement provisions under its Medicare drug section.



- The *Homeland Security Act of 2002*, which provides for granting Federal OIGs—including ours—the same law enforcement authorities previously delegated to them by the Department of Justice (DOJ), including authority for special agents to carry firearms, seek and execute arrest and search warrants, and make warrantless arrests under specified circumstances. It also mandates creation of an external review process to ensure adequate internal safeguards and management procedures.

Homeland Security Efforts

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

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

The dramatic growth in computer interconnectivity carries with it risks that operations can be disrupted, sensitive data can be compromised, and key processes can be interrupted. People and organizations have more tools than ever to disrupt or sabotage important operations. Our role is vitally important to homeland security in assisting SSA to protect its critical infrastructure and systems security.

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

- We work with congressional committees to address the threats to SSN integrity and advocate measures we believe can reduce those threats significantly.
- We participate in a range of anti-terrorism task forces, including operations at critical infrastructure sites conducted across the country.
- We established an SSN Integrity Protection Team to identify patterns and trends to better target audit work, refer cases for investigation, and ensure efficient, effective liaison with other relevant public and private sector entities.
- We work closely with Agency representatives as participants of SSA's Enumeration Response Team (ERT) to recommend and develop initiatives to strengthen SSN integrity and the enumeration process.





- We participate in an Identity Theft Work Group with Agency executives.
- We conduct audits and report on areas where SSA can further strengthen the integrity of the SSN.

Working With Congress

We continue to provide Congress with our assessment of developing threats to the SSN's integrity. Our body of audit and investigative work permits us to give Congress our evaluation of suggested legislative changes and new techniques to improve SSN security and to decrease identity theft crimes.



We have stressed the importance of interagency data verification and data matching agreements between Federal and State agencies in our testimony and other responses to Congress. While SSA issues the SSN, we all share responsibility for protecting its integrity. SSA has come very far in its efforts to protect the SSN and is willing to do more, but other Federal, State and local jurisdictions, as well as the private sector must each do their part, too. With everyone's participation, we can protect the SSN and ultimately our homeland.

Participating in Anti-terrorism Task Forces

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

The SSN Integrity Protection Team

There is a great deal of illicit money to be made in SSN misuse, and the costs to all of us are very high. To help combat this, we are continuing the efforts of our SSN Integrity Protection Team. This integrated team provides a targeted approach, allowing SSA and OIG to more effectively address this issue and provide assistance to SSA, Congress, the public, and other law enforcement.

Specifically, the Team focuses its efforts on identifying patterns and trends to better target audit work, referring cases for investigation, and ensuring efficient and effective liaison with other relevant public and private sector entities. Furthermore, the Team takes part in a number of initiatives under this effort, including:

- The potential for cross verification of data.



- Homeland security investigations.
- The integrity of the enumeration process.
- Unauthorized work in the U.S. economy.
- Supporting SSA with regulatory and legislative actions.

The Team also acts as liaison on projects and initiatives with SSN Misuse task forces, credit bureaus, motor vehicle administrations, the Federal Trade Commission, credit card companies, and other entities.

Conducting Audits

We have performed several important audits to strengthen SSN integrity, a vital component of homeland security. The review with the most direct bearing on homeland security was a Management Advisory Report on SSA procedures for enumerating foreign students. This study was conducted due to concerns about vulnerabilities in our immigration system regarding entry of individuals posing threats to national security. We evaluated SSA policies and procedures for enumerating the 500,000 foreign students enrolled at U.S. educational institutions in the United States during a typical academic year. SSA generally concurred with our recommendations to continue improving evidence requirements for assigning SSNs to foreign students with actual jobs or offers of employment. The Agency also agreed to coordinate with DHS in developing potential data enhancements to improve student enumeration and monitoring.

We conducted reviews to strengthen Agency data on SSNs. Incorrect data can conceal SSN misuse of many kinds, including threats to homeland security. Two reviews focused on the accuracy of earnings reported to SSA and the role of the Earnings Suspense File (ESF), which contains information reported under name and SSN combinations that do not match SSA records. We conducted a follow-up to a 1999 audit report that found a relatively small number of employers account for a disproportionate share of incorrect data in the ESF. Our review determined SSA has taken steps to address earlier recommendations. However, the Agency still needs to do more in establishing preventative controls to detect wage reporting errors and irregularities. Another review recommended removing ESF wages 30 years old or older.

Congressman E. Clay Shaw, Jr., the Chairman of the House Subcommittee on Social Security, requested we review whether SSA is properly including military wage credits when calculating benefits. Military veterans represent approximately one out of every four Social Security beneficiaries. Changes in legislation have made the claims process more complex. Limitations within SSA's systems complicate the benefit calculation process. We noted



that regardless of the complexities involved in implementing legislative mandates, military veterans are entitled to full credit for the service they provided to the United States. SSA needs to ensure sufficient resources are made available.

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

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

Investigation: "Lackawanna Six" Jailed for Terrorist-Related Acts

As part of its anti-terrorism activities in the Buffalo area, our New York Field Division investigated 6 men from neighboring Lackawanna suspected of terrorist-related activities. Our investigators determined the identities of the "Lackawanna Six" and their attendance and participation in an al Qaeda terrorist training camp in Afghanistan. One suspect had two Social Security cards in his possession at the time of his arrest. All six suspects pleaded guilty to providing material support or resources to designated foreign terrorist organizations and received sentences of 7-10 years in prison.

Investigation: Ring Nets 17 Convictions, \$1 Million in Restitution

Our Philadelphia Field Division participated in Operation Swipe Out, a large-scale, anti-terrorism, white-collar crime initiative. The investigation focused on the fraudulent activities of a Pakistani group involved in credit card, Social Security, immigration, bank and mortgage fraud. The suspects defrauded numerous credit card companies of approximately \$5 million, sending some of their proceeds to banks in Pakistan and Canada. For the 30 criminal cases, 17 of the subjects pleaded guilty, receiving sentences ranging from 2 years probation to 57 months of incarceration, and being ordered to pay \$1,137,224 restitution. Two subjects' cases were dismissed. The remaining 11 subjects are fugitives. Seven were charged with SSN misuse.

Investigation: Anthrax Threat Proves to be Hoax

Our Philadelphia Field Division and the U.S. Postal Inspection Service determined that a letter addressed to a State Disability Determination Services (DDS) employee, threatening the Harrisburg DDS office with anthrax was a hoax. Laboratory analysis confirmed that the envelope, which contained a white powdery substance, was not anthrax. The man who sent it was sentenced to prison.



Investigation: Employee Sentenced to Prison for Taking Bribes

Our Atlanta Field Division, taking part in a joint homeland security airport operation in Atlanta, found that middlemen charging up to \$1,500 for Social Security cards were sending illegal immigrants to an SSA employee to process their applications. She accepted up to \$2,000 per week over a 3½ year period, along with airplane tickets, theater tickets, and other personal items for helping funnel more than 2,000 Social Security cards to illegal aliens. She was sentenced to 71 months in prison, and prohibited from holding any positions of trust and honor in the U.S. Government. More than 2 dozen other defendants indicted for the Social Security card conspiracy are cooperating with Federal authorities.

Cooperative Disability Investigations Program

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

Last year, GAO acknowledged the CDI program's successes by noting that we have increased the level of resources and staff devoted to investigating SSI fraud and abuse. CDI units are composed of OI special agents and personnel from SSA's Office of Operations, the States' DDSs, and State or local law enforcement. They use their combined skills and specialized knowledge to:

- Provide the DDS with investigative evidence so it can make timely and accurate disability eligibility determinations.
- Seek criminal and/or civil prosecution of applicants and beneficiaries and refer cases for consideration of civil monetary penalties (CMP) and administrative sanctions as appropriate.
- Identify, investigate, and seek prosecution of doctors, lawyers, interpreters, and other third parties who facilitate disability fraud.

Our CDI units identify fraud and abuse before benefits are approved and paid. Thus far, 18 units have been opened in 17 States since Fiscal Year (FY) 1998. Depending on available funds, we hope to add CDI units on a year-to-year basis.

The following cases and table highlight the successes of the CDI Program in this reporting period.

Investigation: Husband and Wife Get Jail for Disability Fraud

Our Atlanta CDI Unit investigated a man who concealed his work activities from SSA so he and his wife could continue receiving disability benefits. Our

GAO
sees CDI
as critical
to head off
SSI fraud
and abuse.



investigators found that the man had been employed full time since 1994 as a maintenance supervisor at a nuclear power plant in South Carolina. None of the work activity was reported to SSA. The loss to the disability program as a result of the concealed work activity was \$104,533 for the man and \$32,564 for the wife. He and his wife were each sentenced to 21 months in prison and ordered to pay full restitution to SSA.

Investigation: Malingering Suspect Denied Benefits Again

Our Nashville CDI Unit investigated a man who claimed he had disabilities based on a learning disorder and back problems. He was previously denied disability benefits 3 times. The man said he was unable to stand for long periods of time, lift objects, or bend over. The Tennessee DDS referred this matter based on his prior filings and suspected malingering. Our investigators observed him taking parts off of a vehicle and putting them on another. The man told the investigators he was restoring an old truck. They observed him using a floor jack to raise a transmission, bending over repeatedly without difficulty. His disability application was denied.

Investigation: Man Jailed for Double Benefits Fraud

An anonymous tip revealed that a man receiving benefits for an obesity disability was working. Our Chicago CDI Unit determined that he had worked since 1994 under a fraudulent second SSN, earning approximately \$60,000 per year. He also received disability benefits for a dependent child based on his record. The fraud loss totaled \$139,026. He was sentenced to 1 year of incarceration and ordered to pay SSA full restitution.

Investigation: Woman Works Harder Than She Claims She Can

Our Boston CDI Unit investigated an anonymous call alleging that a woman who began receiving disability benefits in November 2001 was working at a real estate office. The woman alleged disability due to chronic pain, muscle spasms, depression, and anxiety. She said she needed assistance with daily activities, and had difficulty lifting and carrying items due to weakness in her arm. Our investigator observed the woman exiting the realty office, carrying a pocketbook with her left arm and several books with her right arm. A few days later, she was seen leaving a laundromat, carrying a large bag of laundry unassisted to her car. A week later, she was observed entering the real estate office, carrying a shoulder bag and several books. Her disability benefits were ceased.

Investigation: Sex Offender's Fraudulent Benefits Claim Denied

A 23-year-old man filed for disability benefits, alleging brain damage and mental retardation caused by exposure to toxic fumes at a chemical plant.



Our Houston CDI Unit was assisted by local police, who arrested him at a girlfriend's house on an outstanding felony warrant for failure to register as a sex offender. After the arrest, our investigators found he was able to talk, communicate well and follow directions. The man's claim was denied.

Investigation: Cab Driver Caught Faking Disability Claim

The Richmond DDS referred a claim for investigation after it determined that the claimant attempted to appear more impaired than she actually was. She reported difficulty with mood swings, concentration and significant limitations in her ability to perform activities due to multiple physical problems and depression. Our Richmond CDI Unit observed her driving a taxi, and confirmed that she had driven a cab approximately 12 hours a day since June 2003. She prepared daily usage reports and was responsible for properly reporting the money she collected from her fares. The woman's disability application was denied.

Cooperative Disability Investigations Program Results October 1, 2003 through March 31, 2004					
State	Allegations Received	Confirmed Fraud Cases	SSA Recoveries & Restitution	SSA Savings ¹	Non-SSA Savings ¹
Arizona	57	24	0	\$1,103,450	\$505,990
California	184	100	\$20,843	\$5,799,359	\$4,471,195
Colorado ²	28	1	0	\$66,500	0
Florida	78	71	\$44,664	\$4,187,945	\$2,862,119
Georgia	116	90	\$276,655	\$5,668,481	\$1,679,723
Illinois	72	29	\$310,053	\$1,719,180	\$674,409
Louisiana	92	46	0	\$2,756,000	\$982,085
Massachusetts	55	30	\$2,771	\$1,632,338	\$929,757
Missouri	81	55	\$39,031	\$2,940,310	\$1,237,300
New Jersey	199	35	\$67,717	\$2,375,389	\$1,877,585
New York	127	89	\$34,912	\$4,574,734	\$5,851,530
Ohio	238	97	\$17,869	\$6,619,380	\$4,334,696
Oregon	138	86	\$42,868	\$5,110,046	\$3,318,835
Tennessee	49	43	0	\$2,711,000	\$1,349,054
Texas ³	165	95	\$55,586	\$5,096,218	\$2,601,895
Virginia	79	80	\$21,130	\$5,150,956	\$2,233,764
Washington	138	100	0	\$6,087,357	\$5,045,549
Totals	1,896	1,071	\$934,099	\$63,598,643	\$39,955,486
<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 The new unit in Denver began operation after the reporting period ended.</p> <p>³ Texas has 2 units, one in Dallas and the other in Houston.</p>					



Civil Monetary Penalty Program

OCCIG administers the CMP enforcement statutes under a delegation of authority from SSA's Commissioner, which allows OIG to impose CMPs against violators of sections 1129 and 1140 of the *Social Security Act*. Based on this delegation, we drafted and published regulations, trained legal and investigative staff, and established a case screening structure to implement this successful enforcement program. OI's investigative work provides an important contribution to these cases.

We have imposed over \$2.6 million in penalties and assessments since 1998.

Our enforcement efforts have been enhanced as our investigative organization matures. Using our CMP enforcement tools, we have imposed over \$2.6 million in penalties and assessments since FY 1998. Enactment of the *Social Security Protection Act of 2004* during this reporting period will expand CMP authority into additional areas when its provisions go into effect in FY 2005.

False Statements Under Section 1129

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

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

Investigation: Beneficiary's Payee Hides Income, Agrees to CMP

A woman acting as the representative payee for her son, an SSI recipient, claimed the only income she or her husband received was \$575 per month renting the lower floor of her home. Our investigation, however, revealed that the subject owned both a convenience store and a cleaning service. She also collected rent from a second property she owned. Prior to our receipt of the case, the subject entered into an agreement with SSA to repay the \$19,698 overpayment. OCCIG was able to reach a settlement agreement with the subject by which she will pay an additional \$13,000 CMP.

Investigation: Representative Payee Fakes Custody Information

When Kansas City's Division of Family Services took protective custody of a low birth weight infant receiving SSI payments, the representative payee falsely told SSA that he did not expect the child's living arrangements to change. He returned to SSA several months later for an SSI redetermination, claiming the baby still lived at his address. He provided false information on her medical visits and referred to the baby as his "granddaughter" when



speaking to SSA employees, though he was not related to the baby. OCCIG imposed a \$20,000 CMP and a \$16,084 assessment, for a total recovery of \$36,084.

Investigation: Claimant Representative Lies to Help Clients

A claimant representative made numerous false statements to SSA in connection with his attempt to obtain or continue DI and SSI benefits for his clients. He altered sections, deleted information, and forged physician signatures on medical assessment forms to indicate that conditions and symptoms were more severe in order to obtain favorable disability hearing decisions for his clients. He was disqualified from representing Social Security claimants, and OCCIG imposed a \$25,000 CMP.

False Statements Under Section 1129 Results	
	October 1, 2003 – March 31, 2004
Cases Received	26
CMP Cases Initiated	19
CMP Cases Closed	65
CMP Penalties and Assessments	\$309,458
Number of Hearings Requested	3

Misleading Advertising Under Section 1140

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

Our nationwide enforcement efforts in this area continue to send a clear message to companies that deceive senior citizens and others under the name and reputation of Social Security. As a direct result of OCCIG enforcement efforts, the number of Section 1140 complaints have substantially decreased. The *Social Security Protection Act of 2004*, enacted into law during this reporting period, will significantly expand our CMP authority under Section 1140.





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

Misleading Advertising Under Section 1140 Results	
	October 1, 2003 – March 31, 2004
Complaints Received	31
New Cases Opened	14
Cases Closed	15
No Violation	9
Voluntary Compliance	6
Settlement Agreement	0
Penalty/Court Action	0
Hearings Requested	0

Investigation: OCCIG Makes Firm Change Misleading Letterhead

OCCIG received complaints from SSA employees that a private company was using a misleading letterhead which contained the phrase "Social Security Office" directly under the abbreviated company name. After we discussed our concerns with the company, it immediately agreed to modify its letterhead. In February 2004, OCCIG notified the company that due to its voluntary compliance, we would not recommend enforcement action.

Investigation: Attorney Agrees to Halt Copycat Phone Book Listing

An attorney's ad in the Yellow Pages used the words "SOCIAL SECURITY" in the same typeface used on Social Security cards. The ad took the form of a Social Security card with the same symbols found on an authentic card. We instructed the attorney to cease and desist publishing his ad because it could cause a person of ordinary intelligence to reasonably conclude that the legal services were authorized, approved, or endorsed by SSA. The





attorney agreed to voluntary compliance and ceased publication of this ad in the next edition of the Yellow Pages to avoid misleading the public.

Partnerships with U.S. Attorneys

Since 2001, OCCIG attorneys have served in several United States' Attorneys' Offices (USAO) as Special Assistant United States Attorneys (SAUSA). This partnership enables us to have cases that are developed by our investigators criminally prosecuted—cases that would normally be declined due to the limited resources of the various USAOs. OCCIG currently has a full-time SAUSA in Los Angeles, CA and part-time SAUSAs in New Haven, CT and Memphis, TN. In addition, OCCIG is wrapping up several criminal cases in Phoenix, AZ.

OCCIG will continue to explore the feasibility of the SAUSA program in other areas of the country, furthering our statutory mission through this teamwork among OI's investigative efforts, OCCIG attorneys, and the USAOs. SSA's Office of General Counsel also partners with U.S. Attorney's Offices in several major metropolitan areas further facilitating the successful prosecution of OIG fraud cases. Examples of our successful SAUSA prosecutions during this reporting period include the following:

SAUSA Prosecution: SSA Employee Sells Cards to Illegal Aliens

An SSA claims representative pleaded guilty in Los Angeles to conspiracy, unauthorized access to a government computer, and trafficking in identity documents following an investigation by our Los Angeles Field Division. She admitted issuing over 500 Social Security cards to illegal aliens between 1997 and 2003, for which she received between \$750 and \$2,000 per card. She will be sentenced later this year and faces up to 25 years in prison and a fine of up to \$750,000.

SAUSA Prosecution: Credit Card Scheme Nets \$1,800,000

A California man and two co-conspirators conducted a credit card scheme that defrauded hundreds of victims—including credit card companies and private individuals—out of more than \$1,800,000 in cash advances and purchases. As a result of a Los Angeles Field Division investigation and SAUSA efforts, he pleaded guilty to 23 criminal counts. He is facing more than 30 years in prison and fines of over \$1,750,000.



SAUSA Prosecution: Woman Loots Benefits After Son's Death

As a result of an Atlanta Field Division investigation and SAUSA prosecution in Tennessee, a woman who served as a representative payee for her minor son was convicted of misusing an SSN and making false statements after



she failed to report her son's death and continued to collect his benefits. As part of her scheme to continue receiving his benefits, she had another minor pretend to be her deceased son in an interview with SSA. The woman was sentenced to 5 months in prison and ordered to pay SSA restitution of \$10,814.

SAUSA Prosecution: Mother to Repay \$200,000, Faces Jail

An Arizona family received more than \$200,000 in SSI payments between 1990 and 2003 for the mother and all 6 of her children, based on various alleged mental and learning disabilities. Our Los Angeles Field Division investigation revealed that many of the children not only attended college, but excelled academically. Also, several of the children captained community and school-based sports teams. As a result of a plea agreement, the mother agreed to make full restitution, and could spend more than 4 years in prison after she is sentenced later this year.

SAUSA Prosecution: Nephew Guilty in Looting Bank Account

After a Boston Field Division investigation and SAUSA efforts, a Connecticut man pleaded guilty to the theft of \$62,280 in Social Security benefits. Our investigation revealed that the defendant stole benefits from his deceased aunt's bank account for over 7 years. He faces up to 10 years of imprisonment and a maximum fine of \$250,000. The subject has agreed to make full restitution.





Investigative Data

The following tables represent the collective efforts of our OI Headquarters and Field Divisions, including our SSA OIG Fraud Hotline. In this reporting period, we received 37,524 allegations from various sources cutting across SSA programs. Our Allegation Management Division operates the Fraud Hotline, and has made great strides since its inception in the early days of OIG. Our Fraud Hotline referrals to SSA offices resulted in the identification of over \$1 million in overpayments that were posted to SSA records. We also identified nearly \$3 million in savings from referrals to SSA that resulted in suspension or termination of benefits to individuals who were no longer entitled or eligible to receive these benefits.

We also worked on multi-agency investigations that resulted in over \$77.5 million in savings, restitution and recoveries for other agencies. This money is not included in the charts that follow.



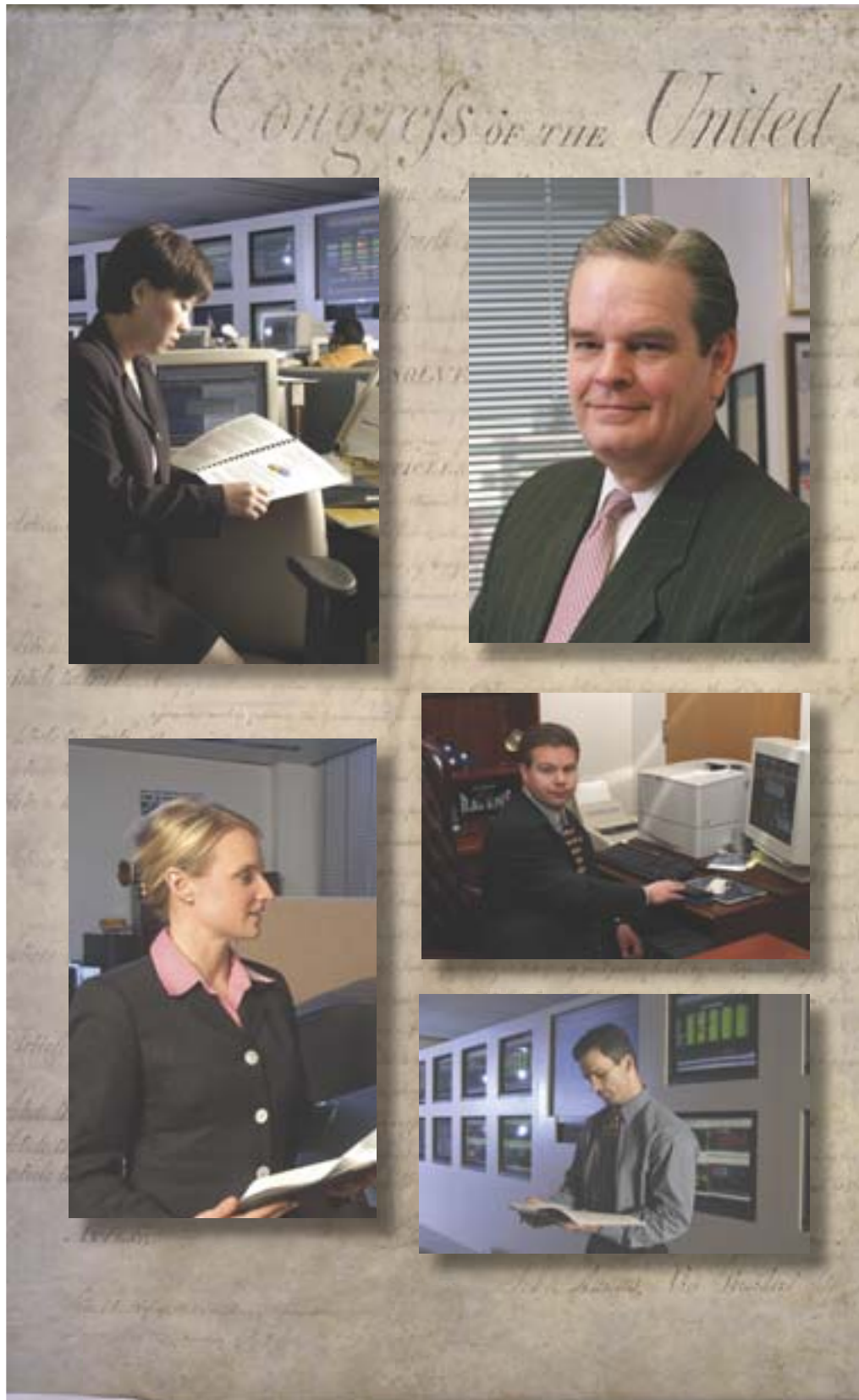
Funds Reported	
	October 1, 2003 - March 31, 2004
	SSA Funds
Scheduled Recoveries	\$20,044,724
Fines	\$315,517
Settlements/Judgments	\$587,509
Restitution	\$12,075,852
Estimated Savings	\$103,805,060
TOTALS	\$136,828,662

Investigative Results	
	October 1, 2003 - March 31, 2004
Allegations Received	37,524
Cases Opened	4,776
Cases Closed	5,107
Arrests/Indictments	2,293
Total Judicial Actions	1,428
Criminal Convictions	1,213
Civil/CMP	43
Illegal Alien Apprehensions	172



Allegations Received by Category	
	October 1, 2003 - March 31, 2004
SSI Disability	17,268
Disability Insurance	10,871
SSN	5,067
Old Age and Survivors Insurance	2,555
Other	1,198
Employee	350
SSI Aged	215
TOTALS	37,524

Allegations Received by Source	
	October 1, 2003 - March 31, 2004
Law Enforcement	11,479
Anonymous	9,703
SSA Employees	7,672
Private Citizens	7,583
Beneficiaries	626
Public Agencies	451
Other	10
TOTALS	37,524





Significant Management Issues Facing SSA

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

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

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

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





Issue 1: Improper Payments

SSA is responsible for issuing benefit payments under the OASDI and SSI programs. In FY 2003, SSA issued over \$500 billion in benefit payments to over 50 million beneficiaries. Considering the volume and amount of payments the Agency makes each month, even the slightest error in the overall process can result in millions of dollars in overpayments or underpayments.

Improper payments are defined as payments that should not have been made or were made for incorrect amounts. Examples of improper payments include:

- Inadvertent errors.
- Payments for unsupported or inadequately supported claims.
- Payments for services not rendered.
- Payments to ineligible beneficiaries.

The risk of improper payments increases in programs with:

- A significant volume of transactions.
- Complex criteria for computing payments.
- An overemphasis on expediting payments.

Since SSA is responsible for issuing timely benefit payments for complex entitlement programs to over 50 million individuals, the Agency is at-risk of making significant improper payments.

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

Under this law, agencies that administer programs where the risk of improper payments is significant must estimate their annual amount of improper payments and report this information in their Performance and Accountability Report for FYs ending on or after September 30, 2004. OMB will use this information, while working with the agencies, to establish goals for reducing erroneous payments for each program. (SSA included information on its improper payments for the OASDI and SSI programs in its FY 2003 Performance and Accountability Report, which was issued in November 2003.)





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

SSA has undertaken many projects to identify and improve areas where it could do more to reduce improper payments and/or recover amounts overpaid. Specifically, SSA has been working to improve its ability to prevent overpayments and underpayments by obtaining beneficiary information from independent sources sooner and/or using technology more effectively. In this regard, SSA has initiated new computer matching agreements, obtained on-line access to wage and income data, and implemented improvements in its debt recovery program. Also, SSA’s continuing disability review process is in place to prevent improper benefit payments to those who are no longer disabled.

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

Our audit work on improper payments in this reporting period has included the following.

Audit Report: Impact on SSA’s Programs When Auxiliary Beneficiaries Have Incorrect SSNs

Our objective was to determine the impact on SSA programs when auxiliary beneficiaries have incorrect SSNs on their Master Beneficiary Records (MBR).

Auxiliary beneficiaries are children, widows, spouses, and parents who receive OASDI benefits based on another wage earner’s Social Security record. As such, the primary wage earner’s SSN—not the auxiliary beneficiary’s SSN—is used to track the auxiliary beneficiary’s benefit payments on the MBR.

Many of SSA’s systems use SSNs to control information about individuals. For example, death reports, SSI records, and earnings records are associated with the SSNs of the individuals to whom the information pertains. Because this information can affect an individual’s entitlement to benefits, SSA

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or under-
payments.



routinely compares or matches this information to its payment files to ensure payment accuracy.

SSA's ability to ensure payment accuracy in both the OASDI and SSI programs is impacted when auxiliary beneficiaries do not have their correct SSNs on the primary wage earner's MBR. During our audit, we identified about \$1.1 million in improper payments due to incorrect auxiliary SSNs on the MBR. This \$1.1 million consisted of the following:

- \$398,141 in OASDI benefits improperly paid because the auxiliary beneficiaries' earnings were not considered in determining their OASDI benefit amount.
- \$325,872 in OASDI benefits improperly paid because of the deaths of auxiliary beneficiaries.
- \$448,275 in improper SSI payments because the auxiliary beneficiaries' OASDI benefits were not recognized as income when their SSI payments were calculated.

It is important that SSA take all cost effective steps to ensure payment accuracy within its programs—especially in light of SSA's Strategic Goals for FY 2004, which includes a goal to ensure "Superior stewardship of Social Security programs and resources." To help meet this goal, SSA hopes to prevent erroneous payments and increase the accuracy of its earnings records.

To improve the Agency's stewardship of Social Security programs, we made 4 recommendations to SSA—which the Agency agreed to implement.

Audit Report: SSA Controls Over the Taxation and Suspension of Payments to Foreign Beneficiaries

According to the 1983 amendments to the Social Security Act, SSA must, under certain conditions, withhold benefit payments to non-citizens when they leave the United States for 6 consecutive months. Additionally, payments cannot be made to beneficiaries residing in certain countries. The Social Security Act also requires SSA to withhold taxes from the monthly benefit payments of certain non-citizens living outside the U.S. The objective of our audit was to determine how effectively SSA meets these requirements.

We found SSA has not consistently applied alien tax withholding provisions as required by law or its own policy, nor has it withheld benefits from certain non-resident beneficiaries as required by Agency guidelines. In addition, SSA has not obtained or kept required documentation in cases where it does not withhold taxes from resident aliens who live outside the country. This lack of documentation offers little assurance that resident aliens are



aware of their obligation to file tax returns with the Internal Revenue Service (IRS) and pay any taxes due. Finally, SSA relies on unreliable electronic data in determining whether to pay non-resident beneficiaries. The control weaknesses we found resulted in errors to the Social Security Trust Funds of approximately \$112 million since 1984.

To prevent further loss of revenue and maintain integrity of its databases, we recommended SSA:

- Identify and resolve cases of errors made in applying alien withholding tax provisions or paying benefits to non-citizens living abroad.
- Establish policy and procedures to ensure that beneficiaries either pay required taxes or submit missing documentation.
- Periodically review input transactions that update alien information on the MBR for compliance with policy and procedures.
- Use existing applications to ensure that non-resident beneficiary payments are suspended if required documentation is not received.
- Consider software changes to prevent updates to alien information on the MBR if the update conflicts with other MBR data fields, or if key data fields like country of citizenship are blank or shown as unknown.

SSA agreed with these recommendations. We also recommended SSA evaluate policies and procedures regarding retroactive alien taxes due to determine if any changes are needed to comply with statutory law and regulations. However, we could not determine whether SSA and IRS ever reached an agreement on this issue. We believe that SSA needs to clarify its responsibility to IRS in the alien taxation process, and ensure that taxes due are collected as required by law. We modified this recommendation to take SSA's concerns into consideration.

We further recommended SSA consider establishing a software application to collect and transmit residency and citizenship information received from non-resident beneficiaries. While SSA concurred with this recommendation and considered a software application to collect SSA Form SSA-21 information (*Supplement To Claim Of Person Outside The United States*), it disagreed with the recommendation's objective.

Audit Report: Social Security Funds Held in Dormant Bank Accounts

Our objectives were to determine the amount of Social Security funds held in dormant bank accounts for beneficiaries in the New York region who were determined to be deceased based on recent investigations, and whether SSA could recover these funds.



Our New York Field Division investigated 95 beneficiaries whom SSA was unable to locate. We identified 15 accounts with no official evidence of the individuals' deaths or whereabouts, and concluded that they were deceased. The bank accounts for these beneficiaries, who had been receiving OASDI benefits through direct deposit as their only activity for many years, contained over \$1.3 million. Our analysis concluded that SSA deposited \$1,069,159 into these beneficiaries' accounts after the dates we determined to be their dates of death, based on investigations and bank records. Other OI regions have identified eight similar cases with bank accounts totaling \$538,139.

Under the policy in place at the time of the audit, the Agency initiated a Department of the Treasury reclamation procedure when it learned a beneficiary was deceased and Social Security funds were erroneously paid into the beneficiary's bank account. For those beneficiaries missing and believed to be dead without an official notice of death, SSA presumed the person's death when payments had been suspended for 7 years. Once a reclamation request was electronically initiated, Treasury will attempt to reclaim an amount equal to the last 6 years' worth of erroneous payments from the financial institution involved. Reclamations had not been initiated for the 15 cases identified by OI since benefits had been suspended only since 2002.

We determined that according to Treasury policies, SSA may initiate bank reclamations for beneficiaries it presumes are deceased. Retrieval of funds in dormant bank accounts would not subject a beneficiary to any penalty, since proof of a beneficiary's living status would entitle him or her to any benefits recovered by SSA. We believe that the Agency's inaction may risk the loss of funds paid to beneficiaries determined to be dead due to the statute of limitations being established by Treasury for reclamation procedures and/or the escheatment of the funds to a State.

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 suspended for 7 years where evidence to presume a person's death exists.
- Use its revised policy to establish dates of death for the 15 beneficiaries highlighted in our report and the other 8 similar cases investigated.
- Initiate Treasury reclamations to retrieve SSA funds held in the dormant bank accounts of the beneficiaries highlighted in our report.





- Request that the HHS Centers for Medicare and Medicaid Services return all of the Medicare premium payments made on behalf of the beneficiaries identified in our report.

SSA supports the recommendations for changing its policy, and ensuring that benefit payments and Medicare premiums paid after the death of a beneficiary are recovered and returned to the Social Security Trust Funds.

Investigative Project: Replacement Check Fraud

In the past year, we initiated an aggressive investigative project into replacement check fraud that has resulted in the prosecution of numerous individuals. Our investigators and auditors have found that a number of people attempted to cash their Social Security check, and then asked for replacement checks to be issued, falsely claiming they never received the original checks. SSA revised its procedures to improve controls over replacement checks and its recovery of related overpayments. We will continue to monitor such initiatives as they are implemented. The Agency is also developing a marketing strategy to increase use of direct deposit.

The following are examples of our successful replacement check fraud investigations during this reporting period:

Investigation: SSA Employee Conspires With Beneficiaries

Our New York Field Division investigated a suspect who admitted to being part of an immediate payment scheme conducted by an SSA employee. Our investigators found that during a 16-month period, she issued approximately 35 immediate payment checks to 3 individuals who otherwise would not have been entitled, with the agreement she would split the proceeds with them. Total fraud loss to SSA was \$22,446, which SSA recovered through administrative action to withhold the beneficiaries' checks. The employee voluntarily resigned from her position at SSA, and was sentenced to 6 months home confinement, 5 years probation, 100 hours community service, and \$2,100 in fines and assessment fees.

Investigation: Seven Join Replacement Check Scheme

A group of 7 representative payees who received a combined 20 SSI checks each month engaged in a replacement check fraud scheme. Our Atlanta Field Division determined they repeatedly called the SSA toll-free number to fraudulently report non-receipt of their legitimate monthly checks, and then cashed the duplicate checks when they arrived. One was incarcerated, and the remaining 6 were sentenced to varying terms of probation. All 7 were ordered to pay restitution totaling \$48,655 to SSA.

**Investigation: Beneficiary Files 15 Fraudulent Non-receipt Claims**

Our New York Field Division investigated a Syracuse man as part of "Operation Payback," an ongoing investigative initiative targeting individuals who have filed multiple false non-receipt claims of their benefit checks. Our investigators determined that he filed 15 non-receipt claims during 60 months. He received a total of \$7,161 in benefits to which he was not entitled. Through administrative recovery action, SSA recovered \$2,624, leaving a loss of \$4,537. He was incarcerated.

Investigative Project: Payments to Deceased Persons

In conjunction with SSA, we are currently conducting aggressive national operations to stop erroneous payments to deceased individuals. This includes front-end detection of such payments and controls to prevent them, as well as detailed investigations to locate wrongdoers when the system breaks down. We believe that paying the right person the right amount of benefits is paramount. Payments made to deceased individuals undermine public trust and confidence in SSA's programs.

The following are examples of our successful investigations to halt payments to deceased beneficiaries in this reporting period:

Investigation: Grandfather Murdered for Benefits and Apartment

The New York City Police Department (NYPD) asked our New York Field Division for help locating an SSA beneficiary missing since August 1997 and believed dead. The investigation determined that the missing man had been murdered in a scheme to keep his apartment and collect his benefits. We subsequently helped approximate the date of death by determining SSA benefits paid to the victim after his disappearance by comparing the signatures and fingerprints on SSA checks obtained by the NYPD Forensic Evidence Laboratory. Though the body was not recovered, the beneficiary's grandson was convicted of second degree murder, grand larceny, and forgery. He was sentenced to 32-37 years in prison.

Investigation: Payee Dumps Body, Keeps Benefits

A Tennessee woman acting as her 87-year-old mother's representative payee gave the mother a fatal dose of Percocet and drove her around in a car until the older woman died, dumping her body along a highway in North Carolina. Our Atlanta Field Division and the Tennessee Bureau of Investigation determined that the woman continued to receive her mother's Social Security benefits and WC checks, amounting to over \$28,000. Pleading guilty to reckless homicide, abusing a corpse, and theft, the daughter was sentenced to 5 years in prison.

We
believe
paying the
right person
the right
amount is
paramount.



Investigation: Deceased Payee Project Catches \$201,000 Theft

Under our national deceased payee project, our New York Field Division investigated a man who cashed his deceased mother's Social Security checks from October 1971 to December 2002. Our investigators arrested him for theft of government funds, and he pleaded guilty. He was sentenced to a year in prison, ordered to pay restitution to SSA for the last 5 years of payments, totaling \$39,974. The total amount of the overpayment was \$201,000.

Investigation: Representative Payee Impersonates Deceased Aunt

A California woman who was the representative payee for her aunt did not inform SSA of her aunt's death in February 1980. Instead, the woman impersonated her aunt during an SSA home visit and attempted to do so again when interviewed by our agents. Our Los Angeles Field Division determined that the aunt's benefits were direct deposited into a joint checking account held by the representative payee. Due to her age, the defendant was sentenced to 3 years probation and 6 months home detention. She was also ordered to pay restitution of \$160,740 to SSA.

Investigation: Son Forges Checks, Steals Dead Mother's Benefits

Our Los Angeles Field Division received information that a beneficiary in current pay status as a widow was possibly deceased. She died on November 17, 1991, but her benefits continued to be paid until November 2001. Our investigators determined that her son forged his mother's signature on her checks and used his mother's SSA benefits. The son admitted that he phoned SSA and arranged for his mother's benefits to be electronically deposited into a checking account he shared with her. He was sentenced to 10 months in prison and ordered to pay \$95,493 in restitution to SSA.

Investigation: Anonymous Hotline Tip Leads to Arrest

An anonymous hotline tip led our Seattle Field Division to investigate an Oregon woman whose mother received benefits and died in December 1990. Our investigators found that the daughter had not notified SSA of her death, and continued using her mother's benefits through frequent ATM withdrawals totaling \$123,041 from a joint bank account she had maintained with her mother. She was sentenced to a year in prison and ordered to pay full restitution to SSA.

Investigative Project: Fugitive Felon Program

We instituted our Fugitive Felon Program to implement provisions of the Welfare Reform Act, Public Law (P.L.) 104-193 denying SSI for fugitive



felons and for probation and parole violators, and providing for the exchange of certain SSI information with law enforcement agencies under specified conditions. Such fugitives are denied Federal assistance and parallel aid is also provided to law enforcement for their apprehension. Thus, in these cases the apprehension of such a person who is fleeing either prosecution or punishment can be as important as a conviction in other kinds of cases.

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

SSA data contributed to law enforcement agencies arresting 3,329 fugitives in this reporting period—and over 19,000 arrests since the program's inception in 1996. However, with passage of the *Social Security Protection Act of 2004*, we estimate our monthly workloads will increase substantially.

Investigation: One of "America's Most Wanted" Arrested

A Florida man wanted for killing a local pastor was featured on "America's Most Wanted" on November 22, 2003. NCIC submitted his arrest warrant to our Fugitive Felon Program. Our investigation discovered that the fugitive's SSI record indicated he had recently changed his address to a homeless shelter in San Diego, California. A citizen contacted the police after recognizing the man from a "wanted" flier our Los Angeles Field Division and the San Diego Violent Crimes Task Force distributed. The fugitive was arrested near the shelter minutes later. His SSI payments were terminated.

Investigation: SSI Applicant Has Outstanding Warrant for Arrest

The Springfield SSA office became suspicious about the identity of a woman who had applied for and was receiving SSI payments. Our St. Louis Field Division found the woman had an outstanding warrant for her arrest under another name for failure to appear on firearms and drug-related charges. Our investigators determined that the warrant, dated October 9, 1996, made her ineligible for all of the SSI payments she had received using the fraudulent identity. The overpayment amount was \$26,159. She was sentenced to 15 months in prison for SSN misuse.





Investigation: Fugitive Wanted for Aggravated Assault Caught

Our Chicago Field Division arrested a fugitive felon SSI recipient from Ohio who had recently fled to Chicago, based on an outstanding warrant for aggravated assault. She was identified as a fugitive felon through our matching agreement with NCIC. Prior to her arrest, she talked and laughed to herself, but became responsive and acted normally after being told she was under arrest. She explained that she acted that way to convince SSA employees that she was "crazy," but said she no longer wanted to receive SSI payments because it was becoming too difficult for her to "act crazy" each time she visited SSA.





Issue 2: Management of the Disability Process

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

DDSs, which SSA fully reimburses, are State agencies responsible for developing medical evidence and rendering the determination of whether the claimant is disabled or blind. After the DDS makes the disability determination, it returns the case to the FO for appropriate action depending on whether the claim is allowed or denied. In FY 2003, over 2.5 million initial disability claims were processed, and the average processing time was 97 days.

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

- A Continuing Disability Review (CDR) shows that the individual's impairments have medically improved and that he or she no longer meets SSA's disability criteria (subject to certain exceptions).
- A SSI beneficiary returns to work and has income over SSA's allowable amount or a SSDI beneficiary demonstrates the ability to engage in substantial gainful activity for a sustained period of time.
- A child receiving SSI payments turns 18 years old and, upon mandatory redetermination, is not considered disabled under adult criteria.
- Other non-medical factors of eligibility are no longer met.

If an individual disagrees with DDS decisions on his/her claim or continuing disability review, the claimant can then appeal to SSA's Office of Hearings and Appeals (OHA). OHA is responsible for holding hearings and issuing decisions in the Agency's appeals process. OHA's field structure consists of 10 regional offices and 139 hearing offices. ALJs hold hearings and issue decisions in hearing offices nationwide. In FY 2003, hearings offices processed 571,928 cases, and the average processing time was 344 days.

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



quality of customer service. These initiatives did not result in significant improvements in the disability claims process. In January 2003, GAO added the modernizing of Federal disability programs—including SSA's—to its 2003 high-risk list due, in part, to outmoded concepts of disability, lengthy processing times, and decisional inconsistencies.

In September 2003, the Commissioner proposed a new approach for improving the disability determination process and making the right decision as early in the process as possible. The approach includes several initiatives that emphasize timely and accurate decisions. For example, a quick decision step would initially sort claims based on information provided by claimants in order to identify people who are obviously disabled. The expedited claim would be processed by the Expert Review Units, allowing for timely decisions and focusing DDS resources to more complex claims. In addition, an in-line quality review process managed by the DDSs and a centralized quality control unit would replace the current SSA quality control system to quickly identify problem areas and implement corrective actions and related training. The Commissioner's approach was developed after considering information provided by SSA and DDS employees, interested organizations, private disability insurers, the Social Security Advisory Board, and others. The Commissioner views her September 2003 announcement of the approach as the first step in a collaborative process eventually leading to a final plan for disability improvements. She has stated that she plans to work with the Administration, Congress, the DDSs and interested organizations and advocacy groups before arriving at a final plan of action. Concurrent with the new approach, the Commissioner plans to conduct several demonstration projects to help people with disabilities return to work.



In addition to her long-term strategy, the Commissioner has accelerated the Agency's transition to the electronic disability folder stating that it is critical to improving SSA's disability process. The electronic disability folder will allow for disability claims information to be stored electronically and transmitted between FOs, DDSs, and OHA.

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



SSA and OIG have taken an active, cooperative role in addressing the integrity of the disability programs through the CDI program. The CDI program's mission is to obtain evidence that can resolve questions of fraud in SSA's disability programs. SSA's Offices of Operations, Disability Programs, and Disability Determinations, along with OIG, manage the CDI program. There are 18 CDI units operating in 17 States. In this reporting period, the CDI units saved SSA almost \$64 million by identifying fraud and abuse related to initial and continuing claims within the disability program.

Our audit work in this reporting period on the management of the disability process has included the following.

Evaluation: Appeals Council Process Improvement Action Plan

Our objective was to assess the effectiveness of the seven short-term initiatives of the Appeals Council Process Improvement (ACPI) Action Plan.

During the 1990s, the Appeals Council's workload grew dramatically and there was also a significant increase in the time it took claimants to receive a final decision. The requests for review increased from 69,000 in FY 1994 to 115,000 in FY 1999. The average processing time in FY 1994 was 118 days. In FY 1999, the average processing time was 458 days.

To address the increased workload and processing times, the Deputy Commissioner for Disability and Income Security Programs released the ACPI in March 2000. The plan contained short-term initiatives for achieving higher productivity, lower processing time, and improved public service. The initiatives were designed to get the number of pending cases to 16,224 and processing days to 90 by September 30, 2003.

It was not possible to determine the effectiveness of the short-term initiatives. Although the Office of Appellate Operations (OAO) pending workload and processing days decreased, some of the decrease was attributable to ACPI and some to the decrease in requests for reviews. The extent that ACPI contributed cannot be measured in its entirety since OAO did not track all the initiatives. Two initiatives were tracked, four were not measurable, and one was not implemented.

As of September 30, 2003, the number of pending cases was 51,078 and processing days was 294, higher than the ACPI goals. As part of the differential case management initiative, the Appeals Council placed a heightened emphasis on processing aged requests. OAO established an aged-case task force. Its goals were to clear all ready-to-work aged requests for review, reduce processing time, reduce pending cases, and improve public service. The aged-case task force made recommendations on 4,536 aged cases during its 4 months.



We are encouraged that OHA is making progress, but it appears that the goals were too ambitious to be achieved within the time frames established.

OHA employees who responded to our questionnaire had mixed opinions on quality of service to claimants and case processing efficiency. In responding to our questionnaire, 194 employees offered suggestions for reducing the pending workload and 200 employees offered ideas to reduce processing times.

We recommended that SSA measure the actual dispositions for each of the initiatives prospectively, to better determine which ones are working best and shift resources accordingly. SSA partially agreed, noting that our recommendation urged measuring the initiatives prospectively. As a result, we do not expect SSA to measure initiatives which have ended.

We also recommended that SSA:

- Consider the use of an aged case task force to process cases older than 2 years.
- Develop goals that have a much higher possibility of achievement.
- Consider suggestions in our report made by employees to reduce pending workload and processing days.

SSA agreed with these 3 recommendations.

Audit Report: SSA's Oversight of Indirect Costs Claimed by State DDSs

The objective of our review was to determine whether SSA's oversight of indirect costs claimed by DDSs was adequate to ensure that the costs benefit its disability programs equitably.

SSA reimburses DDSs for 100 percent of allowable expenditures incurred in making disability determinations under the DI and SSI programs. The expenditures include both direct and indirect costs. Direct costs are those that are readily identifiable to the DDS, such as the costs incurred to purchase medical services. Indirect costs arise from activities that benefit multiple State and Federal agencies but are not readily identifiable to the DDS. They include services, such as accounting, auditing, budgeting, and payroll that benefit all agencies in a State.

In accordance with OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, States can allocate indirect costs to the Federal Government based on the terms of an indirect cost rate and/or a cost allocation plan (rate/plan). For FYs 1998 through 2002, SSA reimbursed DDSs about \$489 million for indirect costs.



Our review disclosed opportunities for SSA to improve its oversight of indirect costs claimed by DDSs to ensure that SSA funds obligated by DDSs through the indirect cost process benefit SSA's disability programs and are equitably distributed to its programs. The Agency's current oversight process relies on the cognizant Federal agencies to represent SSA's interest in the rate/plan review, negotiation, and approval processes. However, the cognizant agencies' process is not designed to represent SSA's interest to the extent that it would identify all incorrect or inequitable indirect cost allocations to DDSs.

SSA delegates indirect cost oversight responsibilities to its regional offices (RO), but SSA did not ensure that the ROs had the detailed knowledge needed to oversee the complicated process. SSA relies extensively on State and Federal audits to identify and correct problems with the approved rate/plan and to ensure the rate/plan is properly executed by the DDSs. However, State and Federal audits do not provide annual audit coverage of indirect costs charged to SSA by DDSs.

We recommended SSA establish an indirect cost oversight process that ensures adequate technical expertise to evaluate allocation methodologies and to represent Agency interests during the indirect cost negotiation process. SSA stated that establishing such an indirect cost oversight process appears difficult and wasteful of its limited resources, given the stewardship currently performed by cognizant Federal agencies on indirect costs. SSA also stated that additional oversight of indirect costs should be performed by OIG rather than by SSA.

The following are examples of our successful disability fraud investigations during this reporting period:

Investigation: Man Has Wife Murdered, Claims Survivors Benefits

The New York District Attorney's office asked our New York Field Division to help investigate a man who filed for SSA survivors benefits for himself and his infant son days after hiring a hit man to kill his wife. Our investigators worked closely with SSA in determining the man's claim information and benefit status, in part to show his motivation for the murder. During the 8-day trial, prosecutors charged that he had his wife murdered to gain custody of their son. He was sentenced to life without the possibility of parole, and the hit man received 20 years' incarceration.

Investigation: Daughter Pockets Mother's Nursing Home Payments

Our Chicago Field Division investigated information received from a nursing home in Indianapolis, that a resident had not had her nursing home bill paid in 2 years. Our investigators determined that the victim received SSI and



Social Security benefits. The money was direct deposited into a joint savings account with her daughter, who would withdraw it each month and deposit it into her own personal checking account. The daughter used her mother's benefit money over a 4-year period to purchase two homes and pay her own bills. She received a 3-year suspended sentence, and was ordered to pay restitution of \$19,800 to SSA and the remainder to her mother.

Investigation: Deported Alien Returns, Caught Seeking Claim

A man claiming to be a legal resident alien filed for Social Security benefits that had previously been halted due to his incarceration. Our Dallas Field Division and Bureau of Immigration and Customs Enforcement (ICE) investigators determined that he had been deported in 2003, after his release from prison in Minnesota for criminal sexual conduct involving a minor. He pleaded guilty to being in the United States illegally after deportation for an aggravated felony, and was sentenced to 41 months in prison. After serving his sentence he will be returned to DHS for deportation.

Investigation: Crooked Contractor Nabbed for Benefits Fraud

Our Philadelphia Field Division investigated a representative payee who concealed his income from SSA because it would have affected his wife and son's SSI eligibility. Our investigators found that the man solicited home improvement work and obtained cash down-payments of over \$40,000 from customers, but never completed the work he was hired to do. He also prohibited his wife from speaking with SSA representatives during eligibility re-determinations, speaking on her behalf and providing false information on their household income. He was sentenced to 5 months imprisonment, to be served concurrently with a State sentences, and ordered to pay SSA restitution of \$17,125.





Issue 3: SSN Integrity and Protection

The SSN is the single most widely used identifier for Federal and State Governments, as well as the private sector. In FY 2003, SSA issued over 17 million original and replacement SSN cards, and SSA received approximately \$533 billion in employment taxes related to earnings under issued SSNs. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full retirement, survivor and/or disability benefits due them.

The SSN
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The SSN has become a key to social, legal, and financial assimilation in this country. Because the SSN is so heavily relied upon as an identifier, it is valuable as an illegal commodity. Criminals improperly obtain SSNs in many ways:

- Presenting false documentation to SSA.
- Stealing another person's SSN.
- Purchasing an SSN on the black market.
- Using the SSN of a deceased individual.
- Creating a nine-digit number randomly.

We believe strengthening SSN integrity is one way in which SSA can make an important contribution to reducing the myriad of identity fraud schemes and potential threats to homeland security.

To ensure SSN integrity, SSA must focus on three stages of protection—when the SSN card is issued, during the life of the SSN cardholder, and upon the SSN cardholder's death.

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

To effectively combat SSN misuse, we believe SSA should:

- Establish a reasonable threshold for the number of replacement SSN cards an individual may obtain during a year and over a lifetime.
- Continue to address identified weaknesses within its information security environment to better safeguard SSNs.

In the past we have reported that it is critical for SSA to independently verify the authenticity of documents presented by SSN applicants. The Agency has taken significant steps to address this issue, including the establishment of SSA's ERT to address the integrity and protection of the SSN. As part of this



task force, we made recommendations which the Agency adopted. Among the many results of the task force's efforts are:

- SSA stopped assigning SSNs to non-citizens without first verifying the authenticity of their documents.
- The Agency tightened evidentiary requirements for SSN applicants.
- SSA began requiring mandatory interviews for all applicants for original SSNs over the age of 12 and requires evidence of identity for all children, regardless of age.

SSA has taken several additional steps, including:

- The Agency established a pilot center in Brooklyn, New York that focuses exclusively on enumeration.
- SSA implemented the enumeration at entry process, a voluntary program designed to allow certain classes of immigrants to apply for Social Security cards as a part of the immigration process. This process may also assist in preventing fraud and ensuring SSN integrity because SSA receives enumeration information directly from the Department of State (DOS) and DHS, preventing SSA employees from having to verify immigration documents.
- The Agency now verifies information on refugees through DOS.
- SSA has begun an educational campaign to inform the wage reporting community of error detection tools, including electronic reporting, available prior to submitting entire wage reports.
- SSA is also developing fact sheets and posters encouraging number holders to keep their Social Security card in a safe place and not carry it with them.
- Recently, the Agency also created an Identity Theft Work Group in which we are participating with Agency executives.



The Agency also recently implemented Long Term Modernized Enumeration System Fraud Enhancements and related policy changes. SSA's new system enhancements prevent issuance of an original SSN to a child under age 18 when a parent files an application based on a fictitious identity document. Additionally, another of the enhancements will prevent issuance of an original Social Security card to a child under age 18 when a parent files SSN applications for an improbable number of children.

The integrity of the SSN is also related to SSA's process for posting workers' earnings. The proper posting of earnings ensures that eligible individuals receive the full retirement, survivor and/or disability benefits due them. If earnings information is reported incorrectly or not reported at all, SSA



cannot ensure all eligible individuals are receiving the correct payment amounts. In addition, SSA's disability programs under the DI and/or SSI provisions depend on this earnings information to determine whether an individual is eligible for benefits and the amount of the disability payment.

SSA spends scarce resources trying to correct the earnings data when incorrect information is reported. The ESF is the Agency's record of annual wage reports for which wage earners' names and SSNs fail to match SSA's records. Between 1937 and 2001, the ESF grew to represent about \$421 billion in wages, which included approximately 244 million wage items with an invalid name and SSN combination. As of October 2003, SSA had posted 9.6 million wage items to the ESF for Tax Year (TY) 2001, representing about \$56 billion in wages. This was prior to some planned edits, which may have further reduced this number.

While SSA has limited control over the factors that cause the volume of erroneous wage reports submitted each year, there are still areas where the Agency can improve its processes. SSA can improve wage reporting by educating employers on reporting criteria, identifying and resolving employer reporting problems, and encouraging greater use of the Agency's SSN verification programs. SSA also needs to improve coordination with other Federal agencies with separate, yet related, mandates. For example, the Agency now collaborates with IRS to achieve more accurate wage reporting.

SSA has taken steps over the past year to reduce the size and growth of the ESF. For example, SSA has expanded its Employee Verification Service by piloting an on-line service called the Social Security Number Verification Service, which allows employers to verify the names and SSNs of employees prior to reporting their wages to SSA. The Agency has also modified its automated processes to better identify the number holder related to suspended items. Whereas previous internal edits used only the name and SSN related to the suspended wage, SSA stated that the new processes would use information stored on the earnings and benefits records. Moreover, the Agency has established a performance goal to remove 30 million items from the ESF by 2005.

As part of our efforts to protect the SSN, OIG implemented the SSN Integrity Protection Team. This Team represents an integrated approach that combines the talents of our auditors, investigators, computer specialists, analysts, and attorneys. In addition to supporting homeland security initiatives, this group focuses its efforts on:

- Identifying patterns and trends of SSN misuse.
- Locating systemic weaknesses that contribute to SSN misuse in the enumeration and earnings-related processes.



- Recommending legislative or other corrective actions to ensure the SSN's integrity.
- Pursuing criminal and civil enforcement provisions for individuals misusing SSNs.

This Team will also partner with external private and public sector organizations not only to educate, but to pursue mutually beneficial activities to prevent and detect fraudulent use of SSNs.

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

Management Advisory Report: SSA's Procedures for Enumerating Foreign Students

Due to concerns about vulnerabilities in our immigration system that allow the entry of individuals posing threats to national security, we evaluated SSA's policies and procedures for enumerating foreign students to ensure that foreign-born individuals entering the United States with student visas are not misusing the process. Over 500,000 foreign students enrolled at educational institutions in the United States during the 2001-2002 academic year. Given the large number of foreign students who enroll in schools each year, we believe SSA must employ effective controls in its assignment of SSNs.

As part of our review, we visited schools that were providing work authorization letters used to enumerate foreign students, and found that the schools did not always document an offer of actual employment. The integrity of the enumeration process would be strengthened if SSA required schools to verify actual employment before issuing letters to students authorizing that they receive SSNs. SSA has proposed a new regulation that would require additional work authorization documentation from schools prior to enumerating foreign students.

In addition, DHS has implemented the Student and Exchange Visitor Information System (SEVIS) to provide a means of monitoring students' status. As SEVIS is developed into a database for all foreign students, SSA has an opportunity to work with DHS in developing SEVIS into a reliable control system to ensure students are enrolled and enumerated students are working. SSA should also consider enhancements to its own systems to provide SSN and other pertinent data for its own use and use by other Government agencies as permissible by law.

Our recommendations to SSA included:

- Continuing its efforts to improve the evidence requirements for assigning SSNs to foreign student who have actual jobs or offers of employment.



- Coordinating with DHS in the development of potential data enhancements that could improve the enumeration and monitoring processes for students.

SSA generally concurred with our recommendations.

Audit Report: Utility of Older Reinstated Wages from the ESF

Title II of the Social Security Act requires that SSA maintain records of wage amounts employers pay to individuals. Employers report their employees' wages to SSA at the conclusion of each tax year. Wages on those employer reports containing invalid names and/or SSNs cannot be posted to an individual's earnings record in SSA's Master Earnings File. Instead, these wages are placed in the ESF—a repository for unmatched wages. Suspended wages can affect a worker's eligibility for and/or the amount of retirement, disability, or survivor benefits. Wages can be reinstated from the ESF to an individual's earnings record once the correct name and SSN is determined. SSA reinstates these wages through automated and manual processes. We reviewed the SWEEP automated process and the itemized correction manual process because these actions were more likely to relate to older reinstatements.

Our report indicated that removing ESF wages 30 years or older would impact approximately 0.07 percent of the individuals awarded benefits in Calendar Year 1999. In those cases where a beneficiary was impacted, the reduction in benefits would have been an average of \$4.22 per month. We found that:

- The manual processes reinstated approximately 70 percent of the wages that led to reduced benefits, and the remaining 30 percent involved SWEEP edits.
- Most of the manual actions did not adequately document the evidence provided by an individual, such as a W-2, that later may have led to reinstated wages. As a result, we could not determine whether the wages in the ESF were necessary before the wage information was posted to the earnings record.
- The full impact of the SWEEP edits may be difficult to determine since not all of the reinstatements were captured in SSA's management information system.
- SSA has implemented a new software edit that may increase the usefulness of this older information in the ESF.

We recommended and SSA agreed to:



- Modify the current edit processes so a record of all individuals impacted by SWEEP reinstatements is captured in the ESF Reinstates File.
- Consider removing wages that are 30 years or older from the ESF after SSA completes its planned reinstatement efforts, since we believe SSA can safely remove these wages without hindering the Agency's programs and operations.

Congressional Response Report: Title II Beneficiaries with Military Earnings

On August 11, 2003, Congressman E. Clay Shaw, Jr., the Chairman of the House Subcommittee on Social Security, requested OIG review whether SSA is properly including military wage credits when calculating benefits. We provided the Chairman with a report containing information related to:

- The number of military veterans receiving SSA benefits.
- The complexities of the legal and regulatory environment.
- Potential SSA systems limitations that need to be considered in correcting underpayments/overpayments.
- The status of any open OIG recommendations from previous reviews of military earnings.
- SSA's planned approach to resolve any underpayments/overpayments.

Military personnel have been covered under Social Security since 1957. Although Social Security benefits are based on average lifetime earnings, members of the military receive special credits that augment their earnings for the purpose of computing Social Security benefits. The Congress enacted special credits because it believed that the military earnings reported to SSA were too low and, without the credits, Social Security benefits for veterans and their dependents would also be too low. Congress has also provided special credits for veterans who served before the military was brought under the Social Security system.

In our report, we noted that military veterans represent approximately one out of every four Social Security beneficiaries. A number of changes in legislation have attempted to provide these veterans with equitable benefits when compared to the rest of the population. However, these changes have also made the claims process more complex. Furthermore, limitations within SSA's systems complicate the benefit calculation process. Currently, SSA is working to identify military veterans who may have errors in their previous benefit calculation and resolve these problems.





Military veterans are entitled to full credit for the service they provide.

Finally, we noted that regardless of the complexities involved in implementing legislative mandates, military veterans are entitled to full credit for the service they provided to the United States. Based on projections in a 1997 review, military earnings errors in Fiscal Year 1995 caused approximately \$52 million in payment errors. If similar errors have occurred over the years, they could have a significant impact on benefit computations. Furthermore, since many of the veterans who may be impacted by these recalculations are among the Agency's older beneficiaries, SSA management will need to ensure sufficient resources are made available to expedite this work.

Follow-Up Review of Employers with the Most Suspended Wage Items

In September 1999, we issued an audit report that identified the 100 employers with the most suspended wage items from TYs 1993 through 1996. We concluded that a relatively small number of employers account for a disproportionate share of the items and dollars in the ESF. The ESF contains wage items reported under name and SSN combinations that do not match SSA's records. In our initial report, we made four recommendations.

In our report, we reviewed the reporting accuracy of the top 100 employers identified in the original report for our follow-up period, TYs 1997 to 2000. This report noted that of the original 100 employers, 40 were still in the top 100 listing for the follow-up period and the remaining 60 were not. In comparing the reporting accuracy of the 60 employers not on the follow-up list, we found that 14 employers had increased their reporting accuracy, 19 reported decreased accuracy, and 27 employers did not have sufficient wage items in TY 2000 to determine whether the reporting accuracy was better or worse.

Our review also determined that SSA has taken steps to address two of our earlier recommendations through its efforts to assist employers and hold them accountable for their wage reporting. However, we believe SSA still needs to do more in establishing preventative controls to detect wage reporting errors and irregularities. Therefore, our report recommended that SSA establish preventative controls to detect these errors and irregularities, including using information from a recently established management information system, the Earnings Data Warehouse. SSA agreed.

Management Advisory Report: Security Features on the Social Security Card

We shared with SSA our concern that the "VOID" security feature imprinted on original Social Security cards may cause confusion in the employer community and may not be fully understood by Agency employees tasked with assisting these employers. Based on conversations with officials at



a large employer, we found that valid Social Security cards were being mistaken for invalid cards because the "VOID" language could be seen on the surface of original cards. Though this language should appear only on photocopies, a close inspection by some employers detected this wording on original cards. As a result, the employer turned away a number of job applicants, and the corporate office discouraged any further hiring of individuals with such cards until SSA confirmed their validity.

We brought this to SSA's attention and offered our concerns. SSA agreed that continued use of the VOID pattern on the Social Security card is no longer a useful security feature and has arranged to remove it from the next printing of the card. The Agency also agreed that field employees should be familiar with the security features of the card and will update the appropriate Agency operations manual sections and provide training addressing changes to the security features when the card is printed.

The following are examples of our successful SSN misuse investigations during this reporting period:

Investigation: SSN Fraud Leads to String of Crimes, Jail Sentence

A woman indicted in 3 Alabama counties for theft, welfare fraud, forgery, possession of a forged instrument, identity theft, and perjury received one of the first State convictions under the new *Alabama Consumer Identity Protection Act*. Our Atlanta Field Division investigators established that she stole identification documents from victims, obtained Social Security cards and State identification, and then obtained welfare benefits under the false identities. We provided testimony on the fraudulent issuance of replacement Social Security cards for a woman whose identity the suspect stole. She was sentenced to 10 years in prison and ordered to pay restitution of \$7,954 in welfare benefits that she derived from her scheme.

Investigation: Joint Inquiry Blocks Million-Dollar Art Fraud

Our Seattle Field Division, the Seattle Police Department and the London Metropolitan Police investigated an international art and antiques fraud involving the purchase and attempted purchase of over a million dollars worth of art and antiques from Europe. Our investigators determined that a man who had reported being a victim of identity theft to cover his fraudulent activity used a stolen SSN to open up bank accounts in the United States. He traveled to Europe and made purchases with insufficiently-funded checks to European antique dealers, after negotiating in person and over the Internet. After being arrested by our agents and Seattle Police officers, he pleaded guilty to two counts of SSN Misuse and two counts of wire fraud. He was sentenced to 41 months in prison and ordered to pay \$146,248 in restitution.



Investigation: SSN Fraud Ring Leads to Murder Arrest

Our Chicago Field Division took part in a 3-day inter-agency undercover operation that resulted in the arrest of 12 suspects dealing in fraudulently obtained Social Security cards, State driver's licenses, and U.S. passports. Our investigators determined that the group's male leader and 11 women took part in an elaborate document-counterfeiting scheme to get valid SSNs for non-existent children. The names belonged to undocumented Nigerian citizens who paid up to \$5,000 each for valid documents. The leader, a career criminal with an extensive criminal history, was released under house arrest for his cooperation in the undercover operation. He was later arrested trying to flee to Poland for murdering an SSI recipient in an attempt to fake his own death. Two other bodies were found buried. The leader died in custody from medical complications. Others in the group were sentenced to up to 2 years in prison or given immunity from prosecution for their cooperation in the undercover sting.

Investigation: Search Produces Social Security Cards

Our Chicago Field Division investigated a man who attempted to obtain a U.S. passport under an assumed name. Our investigators found that his criminal history dated back to 1987 and included forgery, credit card misuse, counterfeiting and receipt of stolen property. He was previously ordered deported from the United States but granted asylum to comply with the United Nations restrictions regarding torture. A subsequent interview and further investigation found that the man was using the name of a Social Security beneficiary for whom he worked as a caretaker. A search of the suspect's residence produced two computers, blank birth certificates with signatures and seals, Social Security cards and dozens of credit cards in various names. He had also applied for school and personal loans in the victim's name. He was sentenced to 6½ years in prison, ordered to pay restitution of \$7,784 to SSA, and after serving his sentence he will be turned over to DHS for review of his asylum status.

Most SSA
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Investigative Challenge: Employee SSN Fraud

It only takes a few corrupt employees to compromise the integrity of the Social Security system and undermine the public's confidence in SSA's programs. Although the vast majority of SSA's over 60,000 employees are trustworthy, dedicated civil servants, OIG remains vigilant. As the illicit demand for SSNs increases the profitability of taking part in schemes to provide genuine Social Security identification illegally to fraudulent applicants, our investigators and auditors have found that increasing numbers of SSA employees have succumbed to this temptation. The



detection of employees committing SSN fraud is an investigative priority, although it comprises very few allegations and cases.

Examples of our successful investigations in this area during this reporting period include the following:

Investigation: Employee Loses \$1 Million, Home, Freedom

Our Boston Field Division, along with ICE, the U.S. Postal Inspection Service, and the State Police, investigated a \$4.3 million document ring that provided Social Security cards, driver's licenses and learner's permits from the Massachusetts Registry of Motor Vehicles to illegal aliens. Our investigators determined that an SSA employee facilitated the issuance of over 1,700 fraudulent Social Security cards for approximately \$1,000 each. The SSA employee would process and approve fraudulent applications, and the cards were mailed to Texas, Massachusetts, and elsewhere. The SSA employee lost his job, was sentenced to 71 months in prison, and was ordered to forfeit \$1 million and his residence in Lake Dallas, Texas. Three co-defendants were also sentenced to as much as 63 months in prison, and another was given probation and home confinement. The remaining defendant is currently a fugitive.



Investigation: SSA Employee Sentenced With SSN Fraud Ring

An SSA employee was found in a suspicious car with its driver, 10 completed Social Security card applications, and 24 SSA receipts for accepted applications during an arrest at SSA's Greenbelt, MD office. Our Philadelphia Field Division determined that the employee accepted \$200 each for entering information applications into the Agency's computer database to generate receipts indicating that the applicant's SSN would be sent within two weeks. During the course of the scheme, the employee received 30-40 applications and was paid approximately \$8,000. He was sentenced to a year in prison. The ringleader was given a 2-year sentence and the driver received 6 months.



Issue 4: Critical Infrastructure Protection and Systems Security

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

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

Dramatic,
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systems were
compromised.

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

Addressing these vulnerabilities will require flexible, evolutionary approaches that span the public and private sectors and protect both domestic and international security. The President issued Homeland Security Presidential Directive 7 (HSPD-7) on December 17, 2003 as part of the effort to address the current security climate. It establishes a national policy for Federal departments and agencies to identify and prioritize the Nation's critical infrastructure and its key resources and how to protect them from terrorist attacks. This directive replaces Presidential Decision Directive (PDD) 63, which had been the basis for national policy on protecting the nation's critical infrastructure. The information SSA needs to conduct its mission is one of its most valuable assets and a key resource in the nation's critical infrastructure. The Agency is depending on technology to meet the challenges of increasing workloads with fewer resources. A physically and technologically secure SSA information infrastructure is a fundamental requirement.



Growth in computer interconnectivity brings a heightened risk of disrupting or sabotaging critical operations, reading or copying sensitive data, and tampering with critical processes. Those intent on disrupting or sabotaging critical operations have more tools at hand than ever.

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

SSA addresses critical information infrastructure and systems security in a variety of ways. It created a Critical Infrastructure Protection work group that continually works toward compliance with HSPD-7. SSA has several other components throughout the organization that handle systems security including the centrally established Office of Information Technology Security Policy within the Office of the Chief Information Officer. SSA also routinely releases security advisories to its employees and has hired outside contractors to provide expertise in this area.

We are working actively with SSA on the Agency's Continuity of Operations (COOP) Plan and its Critical Infrastructure Protection (CIP) Workgroup. We have reviewed the security of SSA's Headquarters Complex and investigated threats to SSA employees and facilities. Enactment of the *Social Security Protection Act of 2004* into law during this reporting period will provide our office significant new authority to protect SSA employees, and we are reviewing our resources to meet the anticipated increases in workload these provisions mandate.

Our audit and investigative work on critical infrastructure and systems security issues in this reporting period included the following.

Audit Report: Project Matrix Step Two: Analysis of SSA's Headquarters Complex and the Office of Central Operations

Our objective was to complete a Step Two functional analysis of SSA's Project Matrix, as developed by the Critical Infrastructure Assurance Office, to measure the Agency's compliance with PDD 63 for SSA's Headquarters Complex (main campus), and SSA's Office of Central Operations (OCO), including OCO's Office of Disability Operations, Office of Earnings Operations, and Office of International Operations. This review was performed to determine dependencies and interdependencies of SSA's Headquarters Complex and OCO with other Federal and private organizations, and possible points of failure.





We noted that SSA's main campus and OCO facilities have no dependencies that rise to the level of 'critical' as defined by Project Matrix Step Two criteria. However, the Agency's COOP Plan is essential to the performance of these two assets should a catastrophic event occur. Therefore, SSA needs to continually update, revise, and adequately test its COOP to ensure its performance.

This report contained no recommendations. SSA noted that we are an active member of its CIP Workgroup, and that during Workgroup discussions, CIP Workgroup comments and suggestions were incorporated into our report. The Agency indicated it will continue to update, revise, and adequately test the COOP plan to ensure its performance.

Investigation: Beneficiary Threatens SSA Doctor

Our Chicago Field Division investigated an e-mail message threatening to kill one of SSA's doctors if the doctor did not sign a form. Our investigators determined that the message came from a man who was receiving disability benefits for personality disorders. His mother was serving as his representative payee, but he wanted to be his own payee. He was sentenced to 2 years' probation, ordered to pay a \$3,000 fine and required to receive mental health treatment.





Issue 5: Budget and Performance Integration

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

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

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

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

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

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

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

To meet
its mission,
SSA needs
sound
performance
and financial
data.



Financial Reviews

The Chief Financial Officers' Act requires OIG or an independent external auditor, as determined by the Inspector General, to audit SSA's financial statement in accordance with GAO's Government Auditing Standards. In addition to this requirement, we also conduct other financial-related audits of SSA's operations and review the single audits conducted by State auditors and public accounting firms.

Audit Report: Audit of the FY 2003 and 2002 Financial Statements of SSA and the Results of OIG's Review Thereof

PricewaterhouseCoopers (PwC) performed SSA's FY 2003 Financial Statement audit. SSA met the Government goal to produce audited statements by November 15, 2003. On November 7, PwC issued an unqualified opinion on SSA's FY 2003 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, 2003 and 2002..."

However, PwC's audit report identified a reportable condition in SSA's internal controls—that SSA needs to further strengthen controls to protect its information. SSA generally agreed with this finding and PwC's related recommendation.

Disability Determination Administrative Cost Audits

Disability determinations under SSA's DI and SSI programs are performed by DDSs according to Federal regulations. The DI program provides benefits to wage earners and their families in the event the wage earner becomes disabled. The SSI program is a nationally uniform program providing income to financially needy individuals who are aged, blind and/or disabled. In accordance with 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 2003, SSA allocated over \$1.6 billion to fund State DDS operations.

During this reporting period, we performed DDS administrative cost audits for the States of Colorado, Georgia, New Mexico, and Texas. The objectives of these audits were to evaluate internal controls over the accounting and reporting of administrative costs, to determine whether costs claimed were allowable, and funds were properly drawn. We also performed a separate audit of indirect costs claimed by the West Virginia DDS.



Our findings and recommendations relate to the following:

- Unallowable indirect costs.
- Ineffective cash management practices.
- Overstated disbursements and unliquidated obligations.
- Excessive consultative examination payments.
- Internal control weaknesses involving accounting for and reporting of administrative costs.

In total we reported \$11 million in questioned costs and \$2 million in funds put to better use. Most of our recommendations were for the DDSs to comply with Federal regulations, as well as SSA policies and procedures.





Issue 6: Service Delivery

We must ensure the quality of SSA's services to the public.

One of SSA's goals is to deliver high-quality "citizen-centered" service. This goal encompasses traditional and electronic services to applicants for benefits, beneficiaries and the general public. It includes services to and from States, other agencies, third parties, employers, and other organizations including financial institutions and medical providers. This goal also affords SSA opportunities to advance its levels of service. Given the complexity of Agency programs, the billions of dollars in payments at stake, and the millions of citizens who rely on SSA, we must ensure that quality, timely, and appropriate services are consistently provided to the public-at-large. This area includes basic operational services, and the greatest challenges are in the areas of E-Government, the representative payee process, and human capital.

E-Government Challenges

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

Within the next 5 years, the Agency expects to provide cost-effective E-Government services to citizens, businesses and other government agencies that will give them the ability to easily and securely transact most of their business with SSA electronically. The Agency listed in its FY 2003 Performance and Accountability Report 16 strategies and activities it believes will improve service through technology, address the GAO's major management challenge to "better position SSA for future service delivery challenges, including information technology," and address the PMA and OIG identified challenge with respect to "Electronic Government/Service Delivery."

Representative Payee Challenges

A specific challenge in this area is maintaining the integrity of the representative payee process. When SSA determines a beneficiary cannot manage his/her benefits, SSA selects a representative payee, who must use the payments for the beneficiary's benefit. There are about 5.3 million representative payees who manage benefit payments for 6.7 million



beneficiaries. While representative payees provide a valuable service for beneficiaries, SSA must provide appropriate safeguards to ensure they meet their responsibilities to the beneficiaries they serve.

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

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

Human Capital Challenges

Many agencies, including SSA, share the challenge to address human capital shortfalls. The critical loss of institutional skills and knowledge, combined with greatly increased workloads at a time when the baby-boom generation will require its services, must be addressed by succession planning, strong recruitment efforts, and the effective use of technology.

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

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

The Agency reports its Human Capital and Future Workforce Transition Plans will continue to serve as the planning and monitoring instruments in the administration of actions to address this critical vulnerability. As of December 31, 2003, SSA continued to score "green" in "Progress In Implementing President's Management Agenda" on the Executive Branch Management Scorecard.

Our audit work on service delivery issues in this reporting period included the following.



Audit Report: Operations of the Office of Hearings and Appeals Megasite

Hearing Offices send folders with unfavorable decisions to the Megasite in Springfield, Virginia. The Megasite serves as OAO's off-site active claims folder storage facility.

Our objective for the review was to evaluate OHA's Megasite operations, including its case folder inventory system. We tested the Megasite's physical and computerized inventories and found they were not accurate. We concluded the accuracy and completeness of the physical inventories conducted needed improvement and a physical records management program needs to be developed to provide timely and accurate data on the number of folders and their physical location.

Prior to our audit, OHA purchased computer technology and equipment to scan folders using an automated bar coding system. Some of the manual processes we audited have been replaced by the new automation. We plan to review the new system.

To address the weaknesses at the Megasite, we recommended it:

- Ensure that all folders on the packing lists are sent to the branches.
- Ensure that the new information technology provides timely and accurate tracking of folders in the Megasite.
- Enhance accountability for records management by collecting information on the number of lost folders, remands due to lost folders and cost to replicate missing documents.
- Prepare written procedures for conducting physical inventory counts and for resolving inventory discrepancies.
- Retain inventory work sheets for follow-up and quality control purposes.

We also recommended that the Megasite develop formal reports detailing the results of the 100 percent inventories and the random inventories showing:

- How and when physical inventories are conducted.
- Who conducted them.
- The start and completion dates.
- The count of folders inventoried.
- Any discrepancies noted—and assign responsibility to review the reports and verify their accuracy.



SSA agreed with our recommendations, and is taking action.

Congressional Response Report: Review of File Assembly Contracts at OHA

The objectives of our review were to determine whether OHA file assembly contractors followed the terms of the contracts and had controls in place to safeguard sensitive information contained in case files. We also determined whether OHA provided adequate oversight of file assembly contractor activities.

Within SSA, OHA is responsible for conducting hearings and issuing decisions as part of determining whether a person may receive disability-related benefits. When a claimant requests a hearing, it is held before an administrative law judge (ALJ). The ALJ conducts the hearing and issues a written decision. Cases involving disability under the DI and SSI programs account for 90 percent of OHA's work. OHA's organizational structure includes 10 regional offices and 139 hearing offices.



Some OHA offices use contractors to prepare case files for review by ALJs. The contractors organize medical documents chronologically, arrange documents in appropriate sections of the case files, number documents, identify and retain duplicate documents, and ensure all pertinent documents are appropriately labeled. As of October 31, 2003, OHA had 74 file assembly contracts valued at approximately \$1.3 million.

During 2003, problems with OHA oversight of file assembly contracts in an OHA regional office resulted in several media stories and a subsequent OIG review. As a follow-up to that report and to determine whether similar problems existed in other OHA offices, Congressman E. Clay Shaw, Jr., Chairman of the House Subcommittee on Social Security, requested we review additional file assembly contracts. To fulfill this request, we selected one file assembly contract in each of SSA's 10 regions.

Our review found that:

- One contractor was removing documents from the case files and placing them in a recycle bin to be shredded, which was not in accordance with the terms of the contract.
- OHA did not provide case file assembly training instructions to contractors consistent with the terms of the contracts regarding the removal of documents from case files.
- Some OHA offices did not have controls in place to safeguard case files because contractors were allowed inappropriate and unsupervised access to case files.



We made no recommendations in our report to the Chairman, but plan to make recommendations in another report to the Agency.

Audit Report: Suitability of Individuals Acting as Representative Payees

Our objective was to determine whether SSA had adequate controls to identify and prevent individuals who have representative payees from serving as representative payees for other beneficiaries.

We have previously reported that beneficiaries who had representative payees themselves were serving as representative payees, despite SSA policy prohibiting this practice. In response to our report, the Agency changed the Representative Payee System (RPS) to generate an alert during the representative payee application process and an adjudicative edit during the selection process when an applicant is a beneficiary with a representative payee or the applicant is trying to become a representative payee for a beneficiary serving as a representative payee. These changes were designed to prevent the completion of such a representative payee appointment. Additionally, SSA initiated a review of over 4,600 potential instances of beneficiaries with representative payees who were also serving as representative payees. This work was performed in two phases—in September 2001 and June 2002.



Our review revealed that the Agency did not identify all unsuitable representative payee applications. Additionally, while SSA attempted to identify and correct all cases of beneficiaries with representative payees who serve as payees, we found that the Agency's initiative did not identify all such cases. Based on our review of 200 sample cases, it was estimated that approximately 1,730 individuals had representative payees and were representative payees for other beneficiaries at the same time. We concluded that if these representative payees are not changed, they will manage \$7.6 million in OASDI or SSI payments over the next 12 months.

We confirmed that the Agency has instituted new system enhancements to prevent future beneficiaries with representative payees from becoming representative payees. While we observed within the training module of the RPS that new controls were in place, we identified two cases where beneficiaries with representative payees became representative payees after the date of the system enhancement.

We recommended that the Agency:

- Review the selection criteria used to identify cases of beneficiaries who have representative payees and are representative payees for other beneficiaries to determine why all such cases were not identified in the two phases of its previous initiatives.



- Identify and correct all current cases of beneficiaries with representative payees who serve as representative payees.
- Conduct periodic reviews to identify and correct any instances where beneficiaries who have representative payees are representative payees for other beneficiaries and determine whether any additional actions are required to prevent future cases from being processed.

SSA agreed with all of our recommendations and has already taken action to implement our first two recommendations. For the third recommendation, SSA plans to conduct the next periodic review in August 2004.

Evaluation: Conserved Funds for Deceased Beneficiaries with Non-Related Representative Payees

Our objective was to assess the effectiveness of SSA's oversight of non-related representative payees' disposition of conserved funds for deceased beneficiaries.

SSA provides benefits to the most vulnerable members of society—the young, the elderly, and the disabled. Congress granted SSA the authority to appoint representative payees for those beneficiaries judged incapable of managing OASDI and SSI benefit payments. Organizational or individual representative payees receive and manage these payments for the beneficiary's needs.

When a beneficiary dies, SSA informs the representative payee that any conserved funds belong to the deceased beneficiary's estate and should be forwarded to the legal representative for disposition under State law. If there is no legal representative, the representative payee should contact the State probate court in the State in which the beneficiary resides.

SSA has oversight policy for disposition of living beneficiaries' conserved funds by representative payees. However, SSA's oversight of the disposition of deceased beneficiaries' conserved funds needs improvement. SSA staff advised us that under current policy the Agency has no responsibility to determine the disposition of conserved funds for deceased beneficiaries. SSA did not determine whether non-related representative payees complied with SSA's instructions to forward conserved funds to the legal representatives for deceased beneficiaries' estates for disposition under State law. For FY 2002, non-related representative payees reported \$4.6 million in conserved funds for deceased beneficiaries to the Agency. SSA does not determine whether these funds were disposed of appropriately.

We recommended and SSA agreed to:



- Modify its site review procedures to include reviews of deceased beneficiaries' conserved funds held by non-related representative payees.
- Remind non-related representative payees during site reviews of the policy for proper disposition of conserved funds for deceased beneficiaries.

We also recommended SSA develop specific policy to define the oversight responsibilities of non-related representative payees' disposition of conserved funds after the death of a beneficiary. The Agency disagreed with this recommendation, commenting, "Under the Social Security Act, SSA does not have an oversight responsibility after the death of a beneficiary, and therefore, our authority is limited." However, the Agency said it would "modify instructions to require our reviewers, when conducting onsite reviews, to remind representative payees of the requirement to turn over conserved funds, and to ask representative payees if they have turned over conserved funds, to a deceased beneficiary's estate." SSA's actions are responsive to the intent of our recommendation.

Audit Report: San Francisco Department of Human Services - An Organizational Representative Payee for SSA

Our objectives were to determine whether the San Francisco Department of Human Services (SFDHS):

- Had effective safeguards over the receipt and disbursement of Social Security benefits.
- Used and accounted for Social Security benefits in accordance with SSA policies and procedures.

Generally, SFDHS:

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

However, SFDHS did not always report Foster Care Program payments, notify SSA of changes in custody, identify excess resources, cancel unnegotiated checks, conserve excess funds, maintain individual accounts, and properly title the bank account for its beneficiaries. In addition, SSA did not update the RPS to accurately reflect the beneficiaries in SFDHS' care.

During our audit, SFDHS refunded \$143,520 in overpayments to SSA. We recommended that SSA direct SFDHS to:



- Refund \$15,364 in additional overpayments and \$12,733 in beneficiary funds.
- Establish \$8,214 in conserved funds.
- Amend the title of its bank account for child beneficiaries.
- Develop procedures to ensure the Social Security benefits are properly accounted for.

In addition, we recommended that SSA update the RPS to include all beneficiaries for whom SFDHS was selected as representative payee. SSA and SFDHS agreed with our recommendations.

The following are examples of our successful investigations involving service delivery during this reporting period:

Investigation: Missing Girl's Ex-Guardian Gets 8-Year Term

Our Richmond Field Division helped the Henrico County [Virginia] Police Department investigate the case of a missing girl—an AIDS patient who is 10 if still alive—left in the care of her guardian/representative payee in August 2000. The representative payee cashed the child's monthly checks for nearly 2½ years after the girl was no longer in her care and refused to cooperate in nationwide efforts to find the girl. Our investigators found that the guardian concealed that the child—whose whereabouts remain unknown—was not in her custody after July 2000.

The investigation revealed that the representative payee used the SSA funds to build an addition to her residence and for other personal expenses. The guardian also made false statements to SSA regarding the use of the SSA benefits. As a result, she received \$16,041 to which she was not entitled. A Federal judge found her crimes egregious enough to impose a sentence of 8 years in prison, much longer than prescribed in Federal guidelines, commenting, "While masquerading as a good Samaritan, you were using a victim to perpetrate a fraud on society." The woman has already paid back the \$16,041 in Social Security payments, and was also ordered to repay 12 members of a church who donated a total of \$440 to help the girl, and to pay the Department of Housing and Urban Development \$550 she received on her behalf. Our office, the FBI, and local authorities continue to investigate the child's disappearance.

Investigation: Representative Payee Collects for Fictitious Children

Agents of our Atlanta Field Division and the St. Petersburg Police Department arrested a Florida woman who had been a Federal fugitive for over a year. Our investigators determined that she stole the identity



of a former acquaintance and obtained a North Carolina identification card in that name. Then she “created” 2 children by providing false birth certificates to SSA to receive SSNs for them. Next the subject altered court marriage and divorce documents to falsely claim to have been married to a known deceased man she said was the children’s father. She applied for and received SSA survivors benefits on behalf of the fictitious children as their representative payee. We found that the woman had previously perpetrated the same scheme, collecting SSA survivors benefits for herself and another fictitious child. The investigation revealed 5 false identities she used to obtain valid SSNs to open bank accounts and private mailboxes for the SSA funds. She was sentenced to 27 months of incarceration and ordered to pay SSA restitution of \$79,627. The sentence also requires her to participate in a Federal Bureau of Prisons drug rehabilitation program.

Investigation: Father’s Fraud Nets 2-Year Sentence

Our Chicago Field Division investigated a man who was his son’s representative payee. Our investigators learned that the man received \$4,183 in SSI overpayments as a result of repeatedly filing for non-receipt of his son’s monthly SSI benefit checks. He was incarcerated for 2 years, ordered to pay full restitution to SSA, and replaced as his son’s representative payee.

Investigation: Payee Collects for Absent SSI Recipient

Our Chicago Field Division determined that a representative payee failed to report that she continued to receive SSI payments on behalf of an SSI recipient who had been removed from her care and custody. The representative payee continued to receive SSI payments on his behalf that were not due, as well as legitimate SSI benefits that she misused over a 2-year period. This concealment resulted in the recipient being overpaid. She was given a 4-year suspended sentence and ordered to pay full restitution of \$10,904 to SSA.

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.



Appendices



Appendix A

Resolving Audit Recommendations

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

Reports with Questioned Costs for the Reporting Period October 1, 2003 through March 31, 2004			
	Number	Value Questioned	Value Unsupported
A. For which no management decision had been made by the commencement of the reporting period.	7	\$39,525,243	\$705,388
B. Which were issued during the reporting period.	9 ^a	\$10,786,353	\$2,734,665
Subtotal (A + B)	16	\$50,311,596	\$3,440,053
Less:			
C. For which a management decision was made during the reporting period.	10 ^b	\$43,612,859	\$74,115
i. Dollar value of disallowed costs.	6	\$37,409,656	\$74,115
ii. Dollar value of costs not disallowed.	4	\$6,203,203	0
D. For which no management decision had been made by the end of the reporting period.	8	\$6,698,737	\$3,365,938

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

b. Administrative Costs Claimed by the Colorado Disability Determination Services (DDS) (A-15-03-13044, 12/11/03) contained dollars that were disallowed and dollars not disallowed. Additionally, a management decision was made for only a portion of the questioned costs contained in the report.



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, 2003 through March 31, 2004		
	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	5	\$139,633,828
B. Which were issued during the reporting period.	5 ^a	\$117,934,820
Subtotal (A + B)	10	\$257,568,648
Less:		
C. For which a management decision was made during the reporting period.		
i. Dollar value of recommendations that were agreed to by management.		
(a) Based on proposed management action.	6	\$9,498,039
(b) Based on proposed legislative action.	0	0
ii. Dollar value of costs not agreed to by management.	3	\$139,460,748
Subtotal (i + ii)	9 ^b	\$148,958,787
D. For which no management decision had been made by the end of the reporting period.	2	\$108,609,861

- a. See Reports with Funds Put to Better Use in Appendix B of this report.
- b. SSA agrees with a portion of the monies recommended in the report, Administrative Costs Claimed by the New Mexico DDS (A-06-03-13016, 10/2/03).



Appendix B

Reports Issued

Reports with Non-Monetary Findings October 1, 2003 through March 31, 2004		
CIN	Report	Issue Date
A-77-04-00001	Management Advisory Report: Single Audit of the State of Maryland for the Fiscal Year Ended June 30, 2002	10/23/03
A-77-04-00002	Management Advisory Report: Single Audit of the State of Illinois for the Fiscal Year Ended June 30, 2002	10/23/03
A-03-04-24049	Congressional Response Report: Title II Beneficiaries with Military Earnings	10/27/03
A-03-03-13026	Follow-Up Review of Employers with the Most Suspended Wage Items	10/30/03
A-02-04-14034	Inspector General Statement on the Social Security Administration's Major Management Challenges	11/6/03
A-15-03-13068	Oversight of the Fiscal Year 2003 Financial Statement Audit	11/10/03
A-13-03-23091	Congressional Response Report: Operations at the Social Security Administration's Milwaukee, Wisconsin, Office of Hearings and Appeals	11/14/03
A-77-04-00003	Management Advisory Report: Single Audit of the State of California for the Fiscal Year Ended June 30, 2002	11/19/03
A-77-04-00004	Management Advisory Report: Single Audit of the State of Colorado for the Fiscal Year Ended June 30, 2002	12/2/03
A-03-02-22076	Utility of Older Reinstated Wages from the Earnings Suspense File	12/17/03
A-05-03-23056	Management Advisory Report: The Social Security Administration's Procedures for Enumerating Foreign Students	12/17/03
A-13-04-14055	Management Advisory Report: Fiscal Year 2003 Quick Response Activities Summary Report	12/17/03
A-15-03-23043	Performance Audit of the Social Security Administration's Main Complex Guard Contract	12/17/03
A-08-04-24079	Management Advisory Report: Security Features on the Social Security Card	12/18/03
A-13-04-24045	Congressional Response Report: Chicago Regional Office of Hearings and Appeals Claimant Medical Files	1/5/04
A-12-02-12015	Appeals Council Process Improvement Action Plan	1/21/04
A-77-04-00005	Management Advisory Report: Single Audit of the State of New York for the Fiscal Year Ended March 31, 2002	1/21/04
A-15-03-23025	Internal Control Review over the Processing of Social Security Number Cards (Limited Distribution)	1/29/04
A-04-04-24004	Management Advisory Report: Current Practices in Electronic Records Authentication	2/3/04



Reports with Non-Monetary Findings October 1, 2003 through March 31, 2004		
CIN	Report	Issue Date
A-12-03-13039	Operations of the Office of Hearings and Appeals Megasite	2/3/04
A-14-03-23076	Controls over the Social Security Administration's Processing Center Action Control System	2/3/04
A-77-04-00006	Management Advisory Report: Single Audit of the State of New Hampshire for the Fiscal Year Ended June 30, 2002	2/4/04
A-77-04-00007	Management Advisory Report: Single Audit of the State of Georgia for the Fiscal Year Ended June 30, 2002	2/25/04
A-07-04-24076	Congressional Response Report: Review of File Assembly Contracts at Office of Hearings and Appeals	3/3/04
A-06-03-13075	The Social Security Administration's Regional Office Procedures for Addressing Employee-Related Allegations in Region VI	3/8/04
A-08-03-13084	Cabinet for Families and Children, Department for Community Based Services, Division of Protection and Permanency - An Organizational Representative Payee for the Social Security Administration	3/10/04
A-14-04-14057	Evaluation of the Accelerated eDib System - Fifth Assessment	3/10/04
A-07-03-23086	The Social Security Administration's Oversight of Indirect Costs Claimed by Disability Determination Services	3/16/04
A-13-03-23085	Conserved Funds for Deceased Beneficiaries with Non-Related Representative Payees	3/18/04
A-77-04-00008	Management Advisory Report: Single Audit of the State of Rhode Island for the Fiscal Year Ended June 30, 2002	3/18/04
A-77-04-00010	Management Advisory Report: Single Audit of the State of Maine for the Fiscal Year Ended June 30, 2002	3/24/04
A-13-02-12039	Interim Assistance Reimbursement to Los Angeles County, California, Under the Supplemental Security Income Program	3/25/04
A-14-04-24006	Project Matrix Step Two: Analysis of the Social Security Administration's Headquarters Complex and the Office of Central Operations	3/25/04
A-77-04-00011	Management Advisory Report: Single Audit of the State of West Virginia for the Fiscal Year Ended June 30, 2002	3/25/04
A-13-04-24081	Congressional Response Report: Allegations of Mismanagement at the Falls Church, Virginia Office of Hearings and Appeals	3/26/04
A-13-04-24083	Congressional Response Report: The Social Security Administration's Relocation of the District Office in Jackson, Tennessee	3/26/04
A-77-04-00012	Management Advisory Report: Single Audit of the State of West Virginia for the Fiscal Year Ended June 30, 2001	3/26/04



Reports with Questioned Costs October 1, 2003 through March 31, 2004			
CIN	Issue Date	Report	Dollar Amount
A-06-03-13016	10/2/03	Administrative Costs Claimed by the New Mexico Disability Determination Services	\$33,495
A-09-03-13011	11/19/03	San Francisco Department of Human Services – An Organizational Representative Payee for the Social Security Administration	\$179,831
A-01-03-33020	11/26/03	Impact on the Social Security Administration’s Programs When Auxiliary Beneficiaries Have Incorrect Social Security Numbers	\$1,172,288
A-07-03-23072	12/4/03	Indirect Costs Claimed by the West Virginia Disability Determination Services	\$101,815
A-15-03-13044	12/11/03	Administrative Costs Claimed by the Colorado Disability Determination Services	\$2,683,614
A-15-01-11021	2/6/04	Administrative Costs Claimed by the Georgia Disability Adjudication Services	\$4,227,701
A-02-03-23080	2/18/04	Social Security Funds Held in Dormant Bank Accounts	\$1,145,893
A-77-04-00009	3/5/04	Management Advisory Report: Consulting and Professional Service Costs Claimed by Kansas Advocacy and Protective Services Incorporated	\$5,188
A-15-02-12051	3/11/04	Administrative Costs Claimed by the Texas Disability Determination Services	\$3,971,193
Total:			\$13,521,018

Reports with Funds Put to Better Use October 1, 2003 through March 31, 2004			
CIN	Issue Date	Report	Dollar Amount
A-06-03-13016	10/2/03	Administrative Costs Claimed by the New Mexico Disability Determination Services	\$1,660,004
A-02-03-13032	10/6/03	Suitability of Individuals Acting as Representative Payees	\$7,630,392
A-15-01-11021	2/6/04	Administrative Costs Claimed by the Georgia Disability Adjudication Services	\$209,861
A-07-04-20426	2/18/04	Inventory Review at the National Records Center	\$34,563
A-14-03-23005	3/3/04	Social Security Administration Controls over the Taxation and Suspension of Payments to Foreign Beneficiaries	\$108,400,000
Total:			\$117,934,820



Appendix C

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

To meet the requirements of the Omnibus Consolidated Appropriations Act for 1997, P.L. 104-208, we are providing requisite data for the first half of fiscal year (FY) 2004 from the Offices of Investigations and Audit in this report.

Office of Investigations

We are reporting \$33,023,602 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	\$5,730,230	\$6,345,622	\$12,075,852
Scheduled Recoveries	\$9,652,904	\$10,391,820	\$20,044,724
Fines	\$175,754	\$139,763	\$315,517
Settlements/Judgments	\$510,668	\$76,841	\$587,509
TOTALS	\$16,069,556	\$16,954,046	\$33,023,602

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 \$84 million.

SSA's Processing of Internal Revenue Service (IRS) Overstated Wage Referrals (A-03-02-22068, 3/18/03)

We recommended that SSA begin processing IRS referrals, starting with the referrals that are most likely to:

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

The implemented recommendation is valued at over \$41 million.

**Administrative Costs Claimed by the New Mexico Disability Determination Services (NM DDS) (A-06-03-13016, 10/2/03)**

We recommended that SSA use standardized consultative examination (CE) fee schedules that consider the limits set by Federal regulations and monitor the adequacy of CE fees as required by the Program Operations Manual System. The State paid CEs in excess of Medicare rates for a projected \$467,035 for FY 2000 and \$245,781 for FY 2001. The implemented recommendation is valued at \$712,816.

We also recommended that SSA review unliquidated obligations at least once a month to cancel those no longer valid. The reviews should be conducted until all unliquidated obligations are resolved and the grant is closed. The NM DDS carried unliquidated obligations totaling \$234,545, \$135,933, and \$175,446 for FYs 1999, 2000, and 2001 respectively that were not needed for program operations. The implemented recommendation is valued at \$545,924.

Finally, we recommended that SSA reduce the Automated Standard Application for Payments funding authority by \$94,386 for FY 1999, \$138,282 for FY 2000, and \$168,596 for FY 2001. The implemented recommendation is valued at \$401,264.

Administrative Costs Claimed by the Illinois Bureau of Disability Determination Services (A-05-02-22019, 8/18/03)

We recommended that SSA improve its oversight of consultative examination fees and limit future payments to the highest rate allowable by Federal or other State agencies in Illinois. The implemented recommendation is valued at over \$1.2 million.

Administrative Costs Claimed by the Hawaii Disability Determination Services (HI DDS) (A-09-03-13012, 9/4/03)

We recommended that SSA ensure HI DDS improves the methods used to record unliquidated obligations for medical costs so that future estimates more accurately reflect the amounts needed for valid expenditures. The implemented recommendation is valued at \$218,069.

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

We recommend that SSA pursue legislation prohibiting payment of OASDI benefits to fugitives similar to the provisions pertaining to Supplemental Security Income (SSI) payments under P. L. 104-193. The implemented recommendation is valued at over \$39 million.



Appendix D

Collections From Investigations and Audits

The Omnibus Consolidated Appropriations Act for 1997 (P.L. 104-208) requires us to report additional information concerning actual cumulative collections and offsets achieved as a result of Office of the Inspector General (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	366	\$12,075,852	\$536,483 ^a
TOTALS	1,533	\$52,498,709	\$5,365,125

a. Reflects collection for October 1, 2003-December 31, 2003.

Funds Received by the Office of Investigations Based on Recovery Actions			
Fiscal Year	Total Number of Recovery Actions Initiated	Amount Scheduled for Recovery	Actual Amount Recovered at the Close of the Investigation
2002	2,202	\$29,434,025	\$8,765,025
2003	2,442	\$31,515,050	\$9,025,423
2004	1,096	\$20,044,724	\$6,612,198
TOTALS	5,740	\$80,993,799	\$24,402,646



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, 2004.

Responses to OIG's Recommendations for the Recovery or Redirection of Questioned and Unsupported Costs						
FY	Number of Reports with Questioned Costs	Questioned/Unsupported Costs	Management Concurrence	Amount Collected or to be Recovered	Amount Written-Off/Adjustments	Balance
2002	13	\$15,551,282	\$7,515,730	\$8,276,020	\$8,041,929	0
2003	18	\$56,602,321	\$52,297,168	\$17,158,531	\$3,057,526	\$36,428,373
2004 ^a	9	\$13,521,018	\$552,200	\$239,251	\$4,248,168	\$9,071,883
TOTALS	40	\$85,674,621	\$60,365,098	\$25,673,802	\$15,347,623	\$45,500,256

a. October 1, 2003 to March 31, 2004



Appendix E

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

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

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

Agency Response: SSA agreed with the recommendation.

Corrective Action: On August 13, 2002, the Agency awarded two Blanket Purchase Agreements (BPA) to facilitate this activity. The first was for software licenses and maintenance for the Open Text Livelink product and related modules. This commercial document management and workflow software product will form the core of SSA's nationwide Assignment and Correspondence Tracking (ACT) application. The second BPA was awarded for the services and support required to design, develop and implement ACT. Orders have been placed against both BPAs and work has begun. The initial rollout of ACT is expected to occur during the fourth quarter of FY 2004.

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

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

Agency Response: SSA agreed with the recommendation.

Corrective Action: The reports will require systems programming. The Office of Operations has submitted an Information Technology (IT) template to the Office of Systems (DCS) to track the volume of missing BOAN alerts by region and field office. On April 9, 2003, the Offices of Operations and Systems met to discuss the planning and analysis for the template that will be used to implement this recommendation. On October 23, 2003, DCS submitted a Project Scope Agreement for Associate Commissioner signoff, which was approved by all components in December 2003.

Effectiveness of the Social Security Administration's Death Termination Process (A-09-02-22023, 9/17/02)

Recommendation: We recommended that SSA modify its automated systems to support Electronic Death Registration (EDR), including the on-line verification of SSN, processing



of verified and unverified State death reports, and termination of benefits upon receipt of verified State death reports.

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

Corrective Action: The Internet Verification "front-end" phase was completed in December 2002. Testing of the front-end SSN verification for electronic death reporting is in progress with both South Dakota and New Hampshire. DCS is working towards production connectivity in early FY 2004. Issues with both States are being worked through. Additionally, SSA is working with Washington, D.C. and Montana to establish production connections for front-end verification in 2004. Planning for New York City and Minnesota is occurring for production access to the front-end SSN verification system in September 2004.

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

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

Agency Response: SSA agreed with the recommendation.

Corrective Action: Two proposals to identify if a death indicator is present on an SSN verification request via EVS were submitted through the IT priority process. DCS is currently developing software to implement the death indicator for verifications for employers. Modifications will be made to the Social Security Number Verification Service (SSNVS) and the batch EVS routine used by employers so that the response includes an indicator when the NUMIDENT contains death information for a verified name/SSN. Systems implemented software changes on January 2, 2004 to process the new SSNVS files. Changes to the batch EVS routine are scheduled for implementation in early 2004.

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

Agency Response: SSA agreed with the recommendation.

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

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

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



Agency Response: SSA agreed with the recommendation.

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

In July 2003, SSA and CMS staff met to discuss the methodology used by SSA to develop an estimate for the period 1966-2002. On October 31, 2003, SSA released letters to Health and Human Services and Treasury identifying the issue and SSA's intent to disclose the debt as a footnote on the FY 2003 financial statements, along with the intention of collecting the debt during FY 2004.

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

Agency Response: SSA agreed with the recommendation.

Corrective Action: Systems changes, put in place January 2003, are identifying current unrecovered premium amounts which are netted against amounts transferred to CMS as current Supplemental Medical Insurance premiums. Further action on this recommendation is expected to be addressed during FY 2004.

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

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

Agency Response: SSA agreed with the recommendation.

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

Recommendation: We recommended that SSA work to establish an agreement with the Office of Child Support Enforcement (OCSE) 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) 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 doing that, including the possibility of issuing revised instructions and reminders on the policy on issuing replacement cards and on updating Numident records. SSA will also explore appropriate mechanisms for helping BCIS monitor employment authorization.

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

Agency Response: SSA believes this recommendation may have merit.

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

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

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

Agency Response: SSA agreed with the recommendation.

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



release 3 is tentatively scheduled to start in the beginning of calendar year 2004. Once the P&A is completed, SSA will be able to provide a projected completion date.

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

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

Agency Response: SSA agreed in principle with the recommendation.

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

On June 17, 2003, an IT template was prepared for the EAB audit provisions. This plan must be approved and submitted for DCS review. SSA developed the complete audit plan at NAPHSIS' request to include a statistically valid sampling method based on the number of birthing hospitals in each State. DCO has shared the concept of this plan with NAPHSIS executives. NAPHSIS advised that SSA should drop the search for additional Federal funds since these were available on a State basis only. DCO recently submitted another IT plan for consideration and no decisions have been made to implement these plans at this time.

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

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

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

For non-EAB cases, DCS staff met and discussed this recommendation and determined it would be possible to modify the automated enumeration screening process to detect variations in



the spelling of applicant names. However, while this would provide greater protection against the assignment of multiple SSNs, there would be undesirable consequences. It would create delays in the processing of multiple birth cases. The envisioned routine would catch some, but not all, of the 93 multiple SSN examples we cited. The findings have been shared with the user community.

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

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

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

Corrective Action: SSA will review the procedures the payee has implemented to ensure compliance with its regulations and to prevent future occurrences of this nature. In addition, a new Death Alert, Control and Update System process is scheduled to be completed in FY 2004 which will identify deceased representative payees in the Representative Payee System.

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

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

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

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

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

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

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

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

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

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

Agency Comments: SSA agreed with the recommendation.

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

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

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

Agency Response: SSA agreed with the recommendation.

Corrective Action: The Claims Folders System of Records (SOR) requires an alteration to the "categories of records" section to include the photographs that will be taken during the pilot projects. The SOR Federal Register notice was published on April 1, 2003 and the 40-day comment period ended May 8, 2003. The handout for pilot participants that explains the pilot, why SSA is collecting this information and what SSA will do with the information, has been completed and was finalized with the dates of the pilots and other last minute details. The pilots involved three regions: Atlanta, Kansas City and New York. The temporary regulation, that makes the taking of photographs during the initial claims process for Title II and Title XVI disability and blindness benefits mandatory, was published on May 1, 2003 with an effective date of May 31, 2003. The Claimant Identification Pilot Projects were implemented June 1, 2003 and will run through November 2003. The results of these 6-month pilot projects will be evaluated and presented to the Commissioner for a decision for expansion.

These pilots ended on November 30, 2003. SSA is currently analyzing the data and will evaluate the results for the pilot for presentation to the appropriate executives within the Agency. The Agency will determine if this process should be expanded for national implementation. Preliminary results for the evaluation forms indicate that SSA received public reaction for its request that a photograph be taken for disability applications in the pilot locations.



Appendix G

Significant Management Decisions With Which the Inspector General Disagrees

SSA's Oversight of Indirect Costs Claimed by Disability Determination Services (A-07-03-23086, 3/16/04)

Recommendation: We recommended that SSA establish an indirect cost oversight process that ensures adequate technical expertise to evaluate allocation methodologies and to represent SSA's interests during the indirect cost negotiation process.

Agency Response: SSA disagreed since it does not believe it should assume comprehensive audit responsibility for the indirect cost category. SSA stated that establishing an indirect cost oversight process that ensures adequate technical expertise to evaluate allocation methodologies and to represent SSA's interests during the indirect cost negotiation process appears difficult and wasteful of its limited resources given the stewardship currently performed by cognizant Federal agencies on indirect costs. SSA also stated that additional oversight of indirect costs should be performed by the OIG not SSA.

Our Response: We believe that the Agency has a fundamental responsibility to ensure the effectiveness of internal controls over the indirect costs charged to its disability programs by DDSs. We did not recommend, nor would we recommend, that the Agency assume audit responsibility. Office of Management and Budget (OMB) Circular A-123 Management Accountability and Control, states stewardship of Federal resources is the fundamental responsibility of each Federal agency. Agency employees must ensure that government resources are used efficiently and effectively to achieve intended program results. In addition, the General Accounting Office (GAO) Standards for Internal Controls in the Federal Government require federal agencies to establish and maintain internal controls to identify and address areas with the greatest risk of fraud, waste, abuse, and mismanagement.

Management Advisory Report: SSA's Procedures for Enumerating Foreign Students (A-05-03-23056, 12/17/03)

Recommendation: We recommended that SSA evaluate and revise the current system to improve the retention and accessibility of data used in the enumeration process. Specifically, the Modernized Enumeration System (MES) record should provide unique data fields to facilitate computerized access and use of the information accumulated during the enumeration of foreign students.

Agency Response: SSA disagreed. SSA was concerned that the recommendation implied that it would be involved in the collection of data not related to enumerating foreign students, the subsequent sharing of that data, and the responsibilities connected to tracking and monitoring foreign students. There would also be the potential for Privacy Act violations if SSA collected data not related to administering its programs and/or disclose the data, such as earnings information, without the proper legal authority.



Our Response: We believe that adding elements to MES would allow the Agency to capture additional student data that would benefit SSA programs. We agree that Privacy Act concerns need to be addressed and that Agency counsel should be consulted to determine the legality of obtaining additional information from foreign students during SSA's enumeration process. Counsel should also be consulted to determine the legal parameters and limitations that will govern any sharing of information with other Federal Agencies. We believe the addition of these elements will potentially provide information to help DHS carry out its responsibilities. Therefore, we provided a copy of our report to the Inspector General of DHS.



Appendix H

Reporting Requirements

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

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



Appendix I

Glossary

Abbreviation	Definition
ACPI	Appeals Council Process Improvement Action Plan
ACT	Assignment and Correspondence Tracking
ALJ	Administrative Law Judge
BCIS	Bureau of Citizenship and Immigration Services (DHS)
BOAN	Beneficiary's Own Account Number
BPA	Blanket Purchase Agreements
CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
CE	Consultative Examination
CFO Act	Chief Financial Officers Act of 1990
CIP	Critical Infrastructure Protection
CMP	Civil Monetary Penalty
CMS	Center for Medicare and Medicaid Services
COOP	Continuity of Operations
DCFAM	Office of Finance, Assessment and Management
DCS	Office of Systems
DDS	(State) Disability Determination Services
DI	Disability Insurance
DMF	Death Master File
DHS	Department of Homeland Security
DOJ	Department of Justice
EAB	Enumeration at Birth
EDR	Electronic Death Registration
ERT	Enumeration Response Team
ESF	Earnings Suspense File
EVS	Enumeration Verification Service



FBI	Federal Bureau of Investigation
FO	Field Office
FY	Fiscal Year
GAO	General Accounting Office
GPRA	Government Performance and Results Act
HHS	Department of Health and Human Services
HI DDS	Hawaii Disability Determination Services
HSPD	Homeland Security Presidential Directive
ICE	Immigration and Customs Enforcement (DHS)
IG	Inspector General
INS	Immigration and Naturalization Service
IO	Immediate Office of the Inspector General
IRS	Internal Revenue Service
IT	Information Technology
MBR	Master Beneficiary Record
MEF	Master Earnings File
MES	Modernized Enumeration System
NAPHSIS	Nat. Assn. for Public Health Statistics and Information System
NCIC	National Crime Information Center
NM DDS	New Mexico Disability Determination Services
NWALIEN	Non-Work Alien
NYPD	New York City Police Department
OA	Office of Audit
OACT	Office of the Actuary
OAO	Office of Appellate Operations
OASDI	Old-Age, Survivors and Disability Insurance
OCCIG	Office of the Chief Counsel to the Inspector General
OCSE	Office of Child Support Enforcement
ODP	Office of Disclosure Policy
OEO	Office of Executive Operations
OHA	Office of Hearings and Appeals
OI	Office of Investigations
OIG	Office of the Inspector General



OMB	Office of Management and Budget
OQA	Office of Quality Assurance and Performance Assessment
P&A	Planning and Analysis
PDD	Presidential Decision Directive
P.L.	Public Law
PMA	President's Management Agenda
RO	Regional Office
RPR	Representative Payee Reports
RPS	Representative Payee System
SAUSA	Special Assistant United States Attorney
SEVIS	Student and Exchange Visitor Information System
SFDHS	San Francisco Department of Human Services
SOR	Claims Folders System of Records
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSNVS	Social Security Number Verification Service
Title II	Old-Age, Survivors and Disability Insurance
Title XVI	Supplemental Security Income
TY	Tax Year
USAO	United States' Attorney's Offices
USCIS	U.S. Citizenship and Immigration Service
USMS	United States Marshals Service
WC	Workers' Compensation



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
- Fax 410-597-0118
- Internet www.socialsecurity.gov/oig

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