

Office of the
Inspector General

Social Security Administration

Semiannual Report
to the Congress
October 1, 1997
Through
March 31, 1998



Mission/Vision Statement

Mission

We improve the Social Security Administration's programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.

Vision

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.

Letter to the Commissioner and the Congress

I am pleased to present the Office of the Inspector General's Semiannual Report to the Commissioner and the Congress. The Inspector General Act of 1978, as amended, requires that this report be transmitted to the Congress within 60 days of the end of the reporting period. This report chronicles this Office's accomplishments for the period October 1, 1997 through March 31, 1998.

In FY 1998, the OIG funding level was increased to \$48.4 million (an approximate 30-percent increase over FY 1997 funding levels). This additional funding has enabled the Office of the Inspector General to increase its staff by 50. In addition to financing our daily operational needs, we have used our increased funding to open new offices, purchase investigative and automated data processing equipment, and provide contractor services to cover specific audit needs.

For the first 6 months of FY 1998, our investigations and audits resulted in a total value of about \$306.8 million, which is over six times the amount of our annual appropriation.

During this reporting period, our Offices of Audit and Investigations as well as our Counsel to the Inspector General worked in cooperation with the Agency to meet its goal of "Zero Tolerance for Fraud."

The OIG will continue to work with Commissioner Apfel and the Congress to achieve our mutual goals.

David C. Williams

David C. Williams
Inspector General

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Acronyms

The following acronyms are used in this report.

CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
CFO	Chief Financial Officer
DDS	Disability Determination Service
DI	Disability Insurance
FFMIA	Federal Financial Management Improvement Act
FMFIA	Federal Manager's Financial Integrity Act
HHS	Department of Health and Human Services
IG	Inspector General
INS	Immigration and Naturalization Service
IPA	Intergovernmental Personnel Act
OASDI	Old-Age, Survivors and Disability Insurance Program
OCIG	Office of the Counsel to the Inspector General
OGC	Office of the General Counsel
OIG	Office of the Inspector General
OIO	Office of International Operations
OMB	Office of Management and Budget
POA	Program for Objectives Achievement
SED	Strategic Enforcement Division
SSA	Social Security Administration
SSI	Supplemental Security Income Program
SSN	Social Security Number
STOP	Southwest Tactical Operation Plan

Reporting Requirements

The Inspector General Act of 1978, as amended, specifies reporting requirements for semiannual reports. The requirements are listed below and indexed to their appropriate pages in this Report.

Reporting Requirement	Page
Section 4(a)(2): Review of Legislation and Regulations	5 and 6
Section 5(a)(1): Significant Problems, Abuses, and Deficiencies	5-30
Section 5(a)(2): Recommendations With Respect to Significant Problems, Abuses and Deficiencies	5-30
Section 5(a)(3): Recommendations Described in Previous Semiannual Reports on Which Corrective Actions Have Not Been Completed	None
Section 5(a)(4): Matters Referred to Prosecutive Authorities	Throughout
Sections 5(a)(5) And 6(b)(2): Summary of Instance Where Information Was Refused	2
Section 5(a)(6): List of Audit Reports	34
Section 5(a)(7): Summary of Particularly Significant Reports	Throughout
Section 5(a)(8): Statistical Table Showing the Total Number of Audit Reports and Total Dollar Value of Questioned Costs	32
Section 5(a)(9): Statistical Table Showing the Total Number of Audit Reports and the Total Dollar Value of Recommendations That Funds be Put to Better Use	33
Section 5(a)(10): Audit Recommendations More Than 6 Months Old for Which No Management Decision Has Been Made	None
Section 5(a)(11): Significant Management Decisions That Were Revised During the Reporting Period	None
Section 5(a)(12): Significant Management Decisions With Which the OIG Disagreed	None

SIGNIFICANT ISSUES

Zero Tolerance for Fraud

Some Union Representatives Refuse to Cooperate With Audit/Evaluation

SSA Fraud Hotline Receives Overwhelming Response

OIG Completes Strategic Plan

OIG Goes Online

Counsel Reviews Complaints About Possible Violation of Section 1140

Counsel Reviews Legislation

Journal of Public Inquiry

Zero Tolerance for Fraud

The Social Security Administration's (SSA) Strategic Plan contains five broad strategic goals with many key initiatives. One of SSA's goals is to "make SSA program management the best in business with zero tolerance for fraud and abuse."

Inspector General Continues to Co-Chair National Anti-Fraud Committee

The Inspector General (IG) and the Acting Deputy Commissioner for Finance, Assessment and Management co-chair the National Anti-Fraud Committee. This Committee, which is comprised of SSA's Senior Executive Staff, defines anti-fraud issues and seeks progressive methods of fighting fraud. SSA's "Zero Tolerance for Fraud" campaign has become a major focus for the Committee.

Office of the Inspector General (OIG) Special Agents-in-Charge co-chair Regional Anti-Fraud Committees in their respective field division locations. These Regional Committees bring together OIG's investigative experience and SSA personnel's program and operational knowledge in a concerted effort to identify and prevent fraud in SSA programs. These Committees focus on such key issues as the fraud referral process and necessary training to detect fraud (for example, identifying counterfeit documents). These Committees' successes have resulted in the development of the new Allegation Management Division, which accepts the fraud referrals from SSA offices to the OIG. The Committees also foster improved communications between SSA and OIG

components and encourage suggestions to further their mutual goals.

Use of Resources

To assist in our support of SSA's efforts to achieve "Zero Tolerance for Fraud," we have been given authority to hire 50 additional employees. We further support SSA's "Zero Tolerance for Fraud" campaign by forming task forces to identify areas that are potentially vulnerable to widespread fraud and abuse. These task forces operate in joint efforts with SSA as well as other Federal, State, and local law enforcement agencies to effectively respond to criminal activities that target the Social Security system and undermine the public's confidence in SSA's programs.

We are developing a mobile, state of the art work environment for our investigators and auditors. To that end, we have committed funds to procure laptop computers and other related automated data processing equipment, electronic surveillance equipment, and VHF radios for tactical communications. We also provide the necessary training to exploit the latest automated data processing technology.

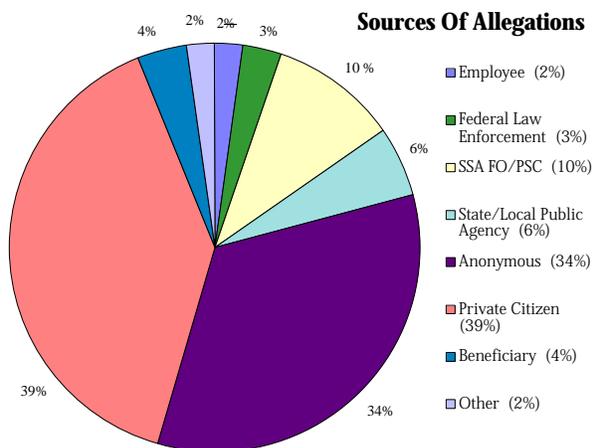
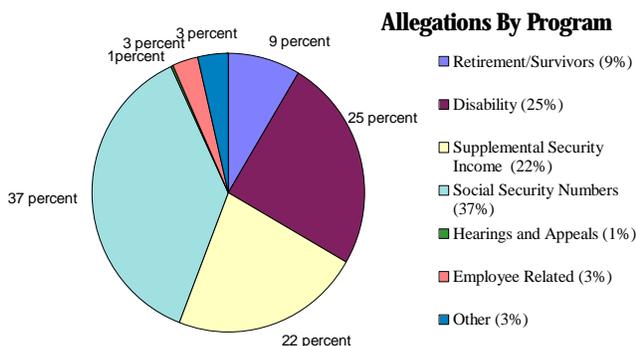
Finally, our public affairs office continues to forge strong relationships with SSA's Press Office as well as with the Regional Public Affairs Offices to publicize our joint efforts in attacking fraud, waste, and abuse in SSA's programs. Already established channels of communication have become more effective because of the refined processes of the National Anti-Fraud and Regional Anti-Fraud Committees. As a result, Congress responded to the OIG's commitment to achieve "Zero Tolerance for Fraud" by providing OIG increased funding.

Some Union Representatives Refuse to Cooperate With Audit/Evaluation

While conducting an audit/evaluation of union activities at SSA, we experienced delays in obtaining necessary information. Specifically, the American Federation of Government Employees advised SSA employees not to cooperate with our audit/evaluation. In accordance with the IG Act of 1978, as amended, the IG reported the circumstances to the Acting Commissioner of Social Security. At the Acting Commissioner's request, SSA executives met with officials from the American Federation of Government Employees, and we ultimately received a sufficient level of cooperation to conduct our audit/evaluation. However, 38 SSA employees who were union representatives refused to cooperate with the audit/evaluation.

Overwhelming Response to the SSA Fraud Hotline

SSA's Fraud Hotline, which opened in November 1996, has received a tremendous number of calls, letters, and facsimiles alleging fraud against SSA programs. By March 31, 1998, the SSA Fraud Hotline had received 180,000 allegations. To accommodate the overwhelming response to the SSA Fraud Hotline, SSA (1) plans to increase the resources devoted to the SSA Fraud Hotline fivefold and (2) is evaluating the current operation to improve its service to SSA employees and the public. The following charts provide a breakdown of the types and sources of the allegations received.



Strategic Planning

Development of the SSA and OIG Strategic Plans

In 1997, we developed our own Strategic Plan following the constructs of the Government Performance and Results Act and Office of Management and Budget (OMB) guidance. We actively participated in the development of SSA's Strategic Plan.

For the OIG's and SSA's Plans, extensive effort was expended to establish strategic goals and related performance objectives by such activities as

- evaluating the best practices of other OIGs, Agencies, and, where appropriate, private industry;
- benchmarking performance indicators and resource usage against other OIGs and Agencies; and
- consulting with stakeholders, including the Congress, OMB, internal Agency officials, and the public.

Our Strategic Plan contains 3 performance goals and 12 performance indicators to measure progress toward attaining these goals.

Monitoring Performance Goals in Progress

Our initial Strategic Plan was affected by the availability of data to measure performance indicators associated with desired performance goals. We are designing new, or improving existing, data bases to capture relevant data that will facilitate improved performance goals and indicators.

To establish responsibility and focus for attaining the SSA performance goals, SSA has developed a Program for Objectives Achievement (POA). Under the POA, an SSA executive is responsible for every strategic performance objective with the OIG co-sponsoring SSA's objective of deterring, identifying, and resolving fraud. The OIG also actively participates in SSA's POA planning committee to assist SSA executives in evaluating priorities for competing resources.

OIG Announces the Establishment of Its Webpage

The OIG's Information Technology Team, with the assistance of individuals from various OIG components, developed an OIG Webpage and led the effort to place it on the Internet. This Webpage was developed to give Internet users an informative snapshot of the OIG by focusing on the OIG's accomplishments and future endeavors. This Webpage

- informs individuals on how to report an allegation of fraud;
- informs individuals of the measures to take when they believe their Social Security number (SSN) has been misused;
- provides electronic copies of OIG reports, testimony, and reviews; and
- provides links to other Webpages including the SSA homepage and IGMET.

We are working to further enhance the Webpage to ensure that it continues to meet the needs of the SSA and OIG communities as well as the public.

Our Webpage address is
“<http://www.ssa.gov/oig/>”.

OIG Pursues Civil Remedies

Section 1140

Under section 1140 of the Social Security Act, civil monetary penalties may be imposed against entities that use SSA's program words, letters, symbols, or emblems in advertisements or certain other communications in a manner that conveys, or that reasonably could be interpreted or construed as conveying, the false impression that the advertisement or other communication was approved, authorized, or endorsed by SSA. The Commissioner has delegated authority to implement the civil monetary penalty program under section 1140 to the IG. During this reporting period, the Office of Counsel to the Inspector General (OCIG) reviewed 312 complaints involving 57 entities (including 43 new entities). OCIG closed complaints against 35 entities because there was no violation of section 1140; 4 complaints were closed because the entities fully complied with a cease and desist letter. OCIG is reviewing the remaining 18 entities. OCIG is also carrying forward complaints against 39 entities from the previous reporting period. These cases are also under active review.

Section 1129

Under section 1129 of the Social Security Act, and as authorized by the Attorney General pursuant to agreed procedures, civil monetary penalties may be imposed against individuals who make certain material false statements or omissions (after October 1, 1994) in order to receive benefits under the Social Security Act. The Commissioner has delegated authority to implement the civil monetary penalty program under section 1129 to the IG. During this reporting period, OCIG reviewed seven new cases referred from the Office of Investigations for action under section 1129. OCIG closed one with a finding of no violation and is actively reviewing the remaining six cases. We are also carrying forward four complaints against other individuals from the previous reporting period. These cases are also under review.

OCIG Reviews Legislative Proposals and Issues Regulatory Comments

The Inspector General Act of 1978, as amended, authorizes the IG to review existing and proposed legislation and regulations relating to the programs and operations of the relevant agency. During this reporting period, OCIG reviewed various SSA legislative proposals. In the course of its review, OCIG sought to ensure that the potential for fraud and abuse in SSA programs was adequately addressed. OCIG also provided comments on legislative options proposed by SSA to address specific areas of concern regarding the Supplemental Security Income program.

OCIG contributed to the FY 1998 legislative package presented to OMB during the past year, including proposals to expand civil monetary penalty authority under section 1129 of the Act to cover SSN fraud. It also increased penalties available under sections 208, 1632, and 1129 of the Act to include periods of noneligibility for Social Security and SSI benefits for a period of 1-10 years. OCIG also reviewed 12 proposed or final regulations before they were published in the Federal Register.

During this reporting period, OCIG also issued a Regulatory Commentary urging the expansion of section 202(a) of the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996*, Public Law 104-193 (commonly known as the Welfare Reform Act). Under section 202(a), an individual is ineligible to receive title XVI benefits for any month during which he or she is fleeing to avoid prosecution (or custody or confinement after conviction) for a crime that is a felony (or, in New Jersey, a high

misdemeanor) or violating a condition of probation or parole under Federal or State law. Our Regulatory Commentary recommended expanding section 202(a) to also apply to individuals who receive benefits under title II of the Act as well as title XVI.

Inspector General Continues to Serve as Editor of the Journal of Public Inquiry

The IG is an active member of the President's Council on Integrity and Efficiency. As a member, the IG works with other IGs to improve the economy, efficiency, and effectiveness of Federal operations and programs. In this capacity, the IG serves as the editor of the *Journal of Public Inquiry*. This publication, which is issued semiannually, focuses on issues and topics of interest not only to the IG community but to senior management officials Government-wide. This medium gives members of the community the opportunity to publish articles of experiences and lessons learned, which may assist other members in effectively carrying out their mission.

OFFICE OF AUDIT

The Office of Audit conducts comprehensive financial and performance audits of SSA's programs and operations and makes recommendations to ensure that program objectives are achieved effectively and efficiently. The Office of Audit also conducts short-term management and program evaluations that are focused on issues of concern to SSA, the Congress, and the public. Evaluations identify and recommend ways of preventing program fraud and minimizing inefficiency. The Office of Audit is organized into issue area teams that provide centers of expertise in each of SSA's program areas.

During this reporting period, our audit work also included beginning a review of the Agency's controls over remittances. Our preliminary assessment identified significant weaknesses that warranted management's immediate attention. On December 24, 1997, we issued an early alert to the Commissioner advising him of conditions regarding the vulnerability of remittances to theft and fraud. As a result of our alert, SSA convened a review team, which includes members from OIG and SSA components to evaluate and improve the Agency's remittance process.

During this reporting period, the Office of Audit issued 24 reports covering such topics as financial reviews, SSI, payment accuracy, and internal controls. The results of the most significant reviews are discussed in this section.

Financial Audits

Supplemental Security Income— A High-Risk Program

Payment Accuracy

Internal Control Procedures

FINANCIAL AUDITS

The Chief Financial Officers (CFO) Act of 1990 (Public Law 101-576) requires that IGs or an independent external auditor, as determined by the IG, audit the Agency's financial statements in accordance with *Government Auditing Standards*.

The OIG also conducts audits of States that receive Federal funds for administration of SSA programs. States are tasked with making the initial and continuing disability determinations for eligibility for the Disability Insurance (DI) and SSI programs. These audits are conducted to ensure that Federal funds are spent according to statute, regulations, and SSA's other written guidelines and that internal controls are in place, as required by OMB Circulars and Bulletins.

FY 1997 Financial Statement Audit

Federal agencies are required to comply with the Federal Managers' Financial Integrity Act (FMFIA) of 1982, the Federal Financial Management Improvement Act (FFMIA) of 1996 and pertinent OMB Bulletins and Circulars. Under a contract monitored by OIG, Price Waterhouse, an independent certified public accounting firm, audited SSA's FY 1997 financial statements.

Price Waterhouse issued an unqualified opinion stating that the principal financial statements were fairly stated in all material respects, and that management fairly stated that SSA's systems of accounting and internal controls are in compliance with OMB Bulletin 93-06. However, Price Waterhouse did identify significant deficiencies in SSA's general controls environment that undermine the overall integrity of data processed through SSA's automated systems. Specifically, SSA needs to

- improve controls to protect its information,
- improve and fully test its plan for maintaining continuity of operations,
- improve its software application development and change control policies and procedures, and
- improve controls over insufficient separation of duties and limit broad systems access.

In addition, Price Waterhouse determined that quality control activities need to be improved. Other audits conducted by OIG staff members recommended the same or similar improvements to program systems. SSA plans to implement corrective action and determine whether the identified deficiencies should be reported as material weaknesses under FMFIA, as recommended by Price Waterhouse. To date, SSA has not agreed that these are material weaknesses.

Single State Audit of the Commonwealth of Pennsylvania

The Office of Audit reviewed and identified SSA-related findings reported by the Commonwealth of Pennsylvania's Department of the Auditor General and Ernst and Young, LLP, in their audit of the Pennsylvania Bureau of Disability Determination (BDD). For the \$50,699,000 provided by SSA to the BDD, the Auditor General and Ernst and Young did not identify any questioned costs; however, they found four areas that need improvement, two of which were identified as material weaknesses.

Two findings, while not classified as material weaknesses, were noted in previous audits and indicate internal control weaknesses. These two findings were inaccurate time and attendance reporting to SSA and noncompliance with requirements of labeling SSA-procured computer hardware. They recommended that the Bureau pursue resolution of these weaknesses.

As to the first material weakness, they recommended that the Commonwealth comply with management directives by entering into properly prepared and approved written agreements where cumulative payments exceed the \$300 threshold. They tested 32 payments and found that, for 5 consultative examinations, there was no prepared, written

contract, as required by the Commonwealth's management directives. The Commonwealth did not agree with the finding or the recommendation citing that it had been resolved after a previous audit by the Department of Health and Human Services' (HHS)/OIG. The Auditor General and Ernst and Young did not think the issue had been resolved. Accordingly, the finding and recommendations remain as stated.

Their review of the computer system found the second material weakness. The weakness exists in logical access controls, physical access controls, environmental controls and contingency planning. The Bureau of Disability Determination believed the controls in place were adequate and had been upgraded by implementing recommendations from a previous HHS/OIG audit. The Auditor General and Ernst and Young stated that the procedures and changes referred to by the Bureau were not in place or implemented before June 30, 1996 and therefore remain a material weakness. Our Office of Audit apprised SSA's management and Audit and Program Support Staff of the concerns and recommendations made by the Auditor General and Ernst and Young.

Audit of Tennessee’s Disability Determination Services Administrative Costs for Fiscal Years 1993 Through 1995

As part of our mission, we audit State Disability Determination Services’ (DDS) financial statements. During this audit, we found that the Tennessee State DDS claimed \$79,911,653 in administrative costs for disability determinations as of June 30, 1996 for the years ended September 30, 1993 through 1995. We found that obligations reported to SSA should be reduced by \$2,012,196 to adjust for overstated disbursements and unliquidated obligations, and we recommended that this amount be refunded to SSA with applicable interest. We also made three recommendations that were meant to improve the DDS’ internal controls. In addition, we recommended that SSA review the various components of the Cost Allocation Plan to ensure that services are planned and will be rendered to the DDS for all categories of indirect costs and that more oversight is needed over the controls of computer equipment. Overall, the Tennessee DDS did not concur with our findings or recommendations.

Incentive Payments Claimed by the Colorado Department of Human Services for Its Disability Determination Services

This review, which was requested by the Associate Commissioner for Disability, determined the amount and allowability of incentive payments claimed by the Colorado Department of Human Services for the DDS under State pay-for-performance legislation. The State had identified savings to the DDS program (for consultative examinations) that were attributed to team implementation of performance-based initiatives. Because of this, in December 1995, the State DDS submitted a team-based, pay-for-performance proposal to its parent agency, the State HHS for its employees. The State HHS submitted the proposal to SSA for approval. SSA did not approve the request; instead, it directed the State DDS to deobligate the funds while SSA’s Office of the General Counsel (OGC) researched the appropriateness of the proposal. SSA’s OGC declared the payments to be unallowable under OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, and SSA notified the DDS of the opinion. However, the DDS, under the advice of the Colorado Attorney General, had paid \$234,895 to 125 employees.

Our audit recommended that the DDS refund to SSA the amount of the incentive payments since SSA did not authorize the payments as required under law. Also, the payments did not comply with OMB Circular A-87 and were not allocated uniformly among Federal and non-federal activities. The State of Colorado did not agree with our recommendation stating there was a lack of published standards in this area.

SUPPLEMENTAL SECURITY INCOME—A HIGH-RISK PROGRAM

The General Accounting Office has declared the SSI program high-risk. Congress enacted the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996* (commonly known as the Welfare Reform Act), which requires that SSA conduct continuing disability reviews (CDR) for large segments of the recipient population. This Act also authorized appropriations for CDRs and redeterminations for FYs 1997 and 1998. Also, via several legislative mandates, SSA is to report annually on the progress it is making in reducing the number of fraudulent SSI claims through the CDR process. We have included summaries of five reviews that feature our work in the SSI area.

Special Joint Vulnerability Review of the Supplemental Security Income Program

This review was initiated after the Georgia State DDS notified SSA that it was concerned that certain members (four generations) of a family of SSI recipients may have been coached to malingering during initial consultative examinations and CDRs. As a result, SSA personnel, OIG's Offices of Investigations and Audit, and State DDS staff members formed a team to evaluate the alleged irregularities. The objective of the review was to identify the vulnerabilities disclosed by the team in the disability determination process that subject the entire SSI Disability Program to abuse.

The Office of Audit analyzed 66 cases from the suspect CDRs, which resulted in the cessation of SSI benefits. The 66 recipients received \$1.06 million in SSI disability benefits through June 1995, including over \$431,000 in benefits to 24 malingerers.

The CDRs performed revealed two primary areas of vulnerability in the SSI disability review process—consultative examinations and malingering. Closer attention should be paid to a DDS' strong reliance on a single provider of consultative examinations. One psychologist performed the initial consultative examinations on 38 of the family members and 13 of the malingerers.

The team made 3 groups of recommendations, suggestions, and observations (25 in all) to improve the efficiency and effectiveness of the SSI program. Three recommendations provided by the team members addressed the need for educational coordinator positions, updated training for all DDS personnel, and modification of the SSI display to alert subsequent users of potential fraud/abuse. The OIG's Office of Audit's recommendations focused on the need for additional CDRs for the remainder of the 500 members of the Georgia family and emphasized the need to identify any potential patterns of abuse. The Office of Investigations' team members provided 14 recommendations ranging from the interview process to procedures that restrict dissemination of Office of Investigations case referrals. SSA agreed to consider implementing 24 of the 25 recommendations. Since SSA is required by law to first consider using the treating physician to conduct the consultative examination, SSA did not agree with our recommendation that DDSs avoid using as

consultative examinations the same professionals who are shown not to be independent because they treated, and/or continue to treat, claimants for their medical/emotional conditions. It did not agree to avoid using the same professionals for consultative examinations who are also the treating physicians of the claimants.

Since we completed our analysis, SSA has identified and ceased paying benefits to 90 members of the Georgia family. The Office of the Chief Actuary estimates the savings to the SSI program range from \$1.7 million to \$2.5 million.

Southwest Tactical Operation Plan

To further the Office of Investigations' Residency Verification work, the Office of Audit performed four reviews in this reporting period based on information accumulated by SSA and OIG staff while conducting the pilot Southwest Tactical Operation Plan (STOP). We conducted this pilot project to determine whether SSI recipients in the El Paso, Texas, area were receiving SSI benefits based on fraudulent residency statements.

These reviews processed information provided by the initial STOP study and projected the findings to the planning of other residency verification projects nationwide. We believe this will enable SSA and OIG staff members to conduct a smoother operation in the next survey.

Our first report, *Southwest Tactical Operations Plan—Lessons Learned*, was issued on December 30, 1997. Our objective was to suggest strategies for future residency verification operations. Information for this report was based on input from, and interviews with, individuals who worked on the initial STOP project. The review identified six strategic areas that would make the process more efficient and effective, but, most importantly, found that more time up-front is necessary to plan and coordinate the Project's activities. **This report contains information that is sensitive and confidential and therefore it is not available for general distribution.**

Our second review, *Southwest Tactical Operations Plan: Impact on Field Office Operations*, was performed to provide information on how STOP affected the operations of the SSA field office in El Paso, Texas. Also, we analyzed field office staff's concerns regarding the need for stronger measures to deter residency fraud.

We issued a third report on January 20, 1998, entitled *Southwest Tactical Operations Plan: Demographic Characteristics of Sample Recipients*. This report identified certain characteristics in the El Paso study that could signal residency fraud in other areas. SSA's data recorded during the initial STOP operation used in combination with other sources of information, provide a valuable tool for identifying potential nonresidents. We identified recipient "groups" who warrant different levels of review not only during a residency study but at the time of initial application. We recommended, and SSA agreed to consider, SSI claimants characteristics (for example, type of address) in developing procedural guidance to assist Field Offices in identifying SSI claimants with questionable residency status.

Our fourth report in this area, *Southwest Tactical Operations Plan: Investigative Results*, is an overview of similar characteristics shared by recipients whose benefits were suspended because of the STOP investigation. We identified 10 common characteristics and determined that more than half of the suspended recipients exhibited 4 or more of these characteristics. These characteristics may be helpful locally in determining whether recipients are residents and profiling those who should receive face-to-face redeterminations to establish and/or verify residency. In response to our recommendations, SSA agreed to develop guidance, and, where cost-effective, track suspect recipients, and conduct face-to-face redeterminations with those recipients whose characteristics suggest that they might be nonresidents or prone to periods of absence from the United States.

We estimate that, as a result of this comprehensive review, SSA can recover in overpayments and save through cessation of payments \$2,932,516 projected over a 5-year period. We will continue to analyze the information obtained from STOP to develop more strategies in combating SSI residency fraud and SSI fraud in general. Our next review will focus on determining whether and how quickly suspended recipients are able to reestablish residency to again be eligible for SSI benefits.

Aliens Receiving Supplemental Security Income Payments

This review was performed at the request of the Congress, which was concerned about aliens who become eligible for SSI benefits based on fraudulent documentation. Our objective was to identify the universe of illegal aliens who are receiving SSI benefits and determine whether such payments were provided based on fraudulent documentation.

In our sample of 375 cases, we determined that 4 individuals presented fake or forged documents. If projected to the total universe of alien cases, we estimated that over \$15 million in SSI payments were disbursed to individuals who did not have legal status.

In 6 of the 375 cases, the alien beneficiaries' sponsors were not verified by the Immigration and Naturalization Service (INS), and the sponsors' income was not considered when the SSI payment was calculated. We estimate another \$15 million of SSI overpayments if these errors are projected to the entire universe.

Our recommendations included techniques to strengthen the controls over identification and verification procedures to confirm aliens' status and thus their eligibility for SSI benefits. SSA agreed with our recommendations and agreed to take appropriate action. **This report contains information that is sensitive and confidential and is not available for general distribution.**

Review of the Social Security Administration's Fiscal Year 1996 Annual Report on Continuing Disability Reviews

Since 1994, based on legislation affecting the disability population, Congress has required that SSA report annually on the status of the number and the cost of CDRs. CDRs are performed to determine whether a disabled beneficiary is still qualified to receive payments. We performed this review to determine whether SSA had met all of the reporting requirements.

We found that the FY 1996 report did not disclose the amount SSA spent during the year to perform the CDRs as specifically required by the Contract With America Advancement Act. SSA also failed to separate the statistics on benefit cessation and continuing eligibility data. Rather, the information was provided in aggregate form, combining DI and SSI program statistics.

We recommended that SSA include the specific information required by law in future CDR annual reports and differentiate between the information for the DI and SSI reviews. We also recommended that SSA consider providing Congress with additional information that may be useful in measuring the results of the CDRs although the data are not required by legislation.

SSA agreed that specific information related to the annual cost of conducting the CDRs should be included when reporting annually to Congress. The data were inadvertently omitted from the 1996 CDR report but detailed cost information was subsequently sent to Congress. In future reports, SSA will provide data on the status of CDR cessations and will include other additional information that would be useful to Congress.

PAYMENT ACCURACY

One method of measuring performance of SSA's programs is through payment accuracy. The slightest error in payment accuracy can represent enormous costs to SSA and the American people. We have issued a number of reports concerning incorrect payments since SSA became an independent Agency. These reports have led to the correction of overpayments and underpayments involving more than \$537 million to over 400,000 beneficiaries. This section highlights two reviews that provide insight into the importance of payment accuracy.

Benchmarking Payment Accuracy Performance Measures

We conducted this evaluation in response to the Government Performance and Results Act and Executive Order 12862, which requires benchmarking customer service standards against the best in business. Our objective was to benchmark private business and Government measurement of payment accuracy and compare these practices with SSA's process for determining payment accuracy. SSA conducts annual payment accuracy reviews of the Old-Age, Survivors and Disability Insurance (OASDI) and SSI programs.

We found that SSA's payment accuracy review process is similar to the 31 organizations (22 Federal agencies and 9 private establishments) we interviewed. However, we did make four recommendations that could help SSA measure payment accuracy more efficiently and effectively.

1. If SSA reported case payment accuracy rates, it would indicate how SSA is faring in its goal to provide world-class service.
2. SSA should report both underpayments and overpayments, not a combination of both. By differentiating between the two, SSA could calculate the total amount that was paid incorrectly.
3. We recommended that SSA eliminate life-cycle accuracy rates as a performance measure. This information is useful in indicating which reasons for errors have the greatest effect over time, but it is not a reliable performance measure of current payment accuracy.
4. SSA's large sample size may not be necessary. In relation to other organizations interviewed, SSA uses significantly more staff hours to measure payment accuracy because of its sample size.

SSA did not agree with our first three recommendations stating that the addition of either a case payment accuracy rate or differentiating between underpayments and overpayments would misrepresent the extent of errors in the payment accuracy process. SSA is decreasing its sample sizes and will continue to do so as long as statistical precision is not compromised.

Payment of Benefits to Individuals Who Do Not Have Their Own Social Security Number

Before legislation was enacted, SSA paid benefits to a significant number of auxiliary and survivor beneficiaries who did not have an SSN. This practice had a significant effect on SSA's ability to monitor payment accuracy and to detect and recover overpayments. In November 1988, Congress passed the *Technical and Miscellaneous Revenue Act of 1988* (Public Law 100-647), which required that after June 1, 1989, all beneficiaries furnish proof of an SSN or evidence of application for an SSN.

During this reporting period, we conducted this audit to review SSA's policies and procedures for recording and verifying SSNs used by auxiliary and survivor beneficiaries before approving title II payments. Although SSA had implemented procedures to comply with the provisions of the Act, SSA was still making payments to claimants with unknown or unverified SSNs (29,705 beneficiaries during March and April 1997) at the time of our audit. In our judgmentally selected sample, we determined that SSA had made erroneous payments. These overpayments and incorrect payments were not prevented or detected because the SSNs were not in the Master Beneficiary Record and therefore could not be matched to annual earnings statements or State death data. We recommended that SSA resolve all outstanding, missing, and unverified SSNs in a timely manner. If there is any indication of fraud, the case should be referred to the Office of Investigations. SSA agreed to this and has already implemented system enhancements geared to reconcile the discrepancy between claims data and other data bases.

We also found that employees have access to system overrides that were put in place to ensure that all information fields were completed accurately. We determined that existing controls need to be improved. We specifically recommended that a manager needed to approve any system override edits since the program was designed to preclude the award of benefits to claimants with an unverified SSN. SSA disagreed with this recommendation stating that unverified SSNs were usually due to minor discrepancies such as hyphenated names or no middle initial.

INTERNAL CONTROLS

FMFIA and OMB Circular A-123, *Management Accountability and Control*, provide guidance and contain requirements concerning the integrity of the internal control environment at Federal agencies. SSA's computerized systems hold data that are used in the administration of both title II and title XVI programs. If internal controls are not properly managed, these data can be compromised and used to commit fraud against the programs, which would reduce the Trust Fund balances. In this reporting period, we performed audits that focused on internal controls. Price Waterhouse, in its Financial Statement Audit, found deficiencies in SSA's internal control procedures and recommended that some be declared material weaknesses under FMFIA.

Internal Controls Over Critical Payments at the Pittsburgh District Office

Fraud committed by an employee resulted in our review of certain payment processes at the Pittsburgh District Office. Our objective was to assess the adequacy of selected internal controls over the critical/one-time payments and ensure that the standards set forth by FMFIA and OMB Circular A-123 are met.

Although SSA has established written policies and procedures for the process, their effectiveness is solely dependent on whether they are implemented. The Pittsburgh District Office did not require that staff members implement existing policies and procedures relative to the critical payment system, which allowed an employee to take advantage of the weaknesses and misappropriate \$24,849.

Our first recommendation was for SSA to instruct field office managers to follow SSA policies and procedures pertaining to the issuance and approval of the critical payment system. Seven other recommendations provided for the reinstatement of certain controls as well as the development of new internal controls. SSA agreed with most of our recommendations. **This report is classified sensitive and confidential and is not available for distribution.**

Follow-up Review of the Internal Controls Over the Modernized Enumeration System

In April 1993, HHS/OIG issued the report *Audit of the System of Internal Controls for the Modernized Enumeration System*, which contained five recommendations that were designed to improve controls over the Modernized Enumeration System. This follow-up review evaluated SSA's progress in implementing these five recommendations.

Three of the five recommendations concerning system upgrades were completed on August 25, 1997, when SSA implemented the largest software release in its history. This included an edit that cross-referenced death data. In March 1993, SSA revised the System Operation Manual to refer field office users to the Program Operations Manual Systems for resolution of potentially inaccurate death data. In response to our recommendation concerning INS certification of work eligibility, SSA increased field office employees' on-line access to INS' Systemic Alien Verification for Entitlements program. SSA is negotiating with INS and the Department of State to coordinate enumeration efforts as part of the immigration process.

OFFICE OF INVESTIGATIONS

The Office of Investigations conducts and coordinates investigative activities related to fraud, waste, abuse, and mismanagement in SSA's programs and operations. The Office of Investigations frequently conducts joint investigations with other Federal, State, and local law enforcement agencies.

We have developed a national strategy to address what we believe are the most pressing investigative priorities: employee corruption, unscrupulous welfare and disability service providers, SSA program fraud, and enumeration fraud.

During this reporting period, the Office of Investigations assisted SSA in its commitment to achieve "Zero Tolerance for Fraud." The Office of Investigations' Strategic Enforcement Division (SED) identifies and targets SSA processes and operations that are vulnerable to widespread fraud and abuse.

Zero Tolerance for Fraud

Enumeration Fraud

Earnings Fraud

Representative Payee Fraud

Initial Claims Fraud

Post-Entitlement Fraud

Investigative Statistics

Allegations Received	11,019
Cases Opened	2,446
Cases Closed	2,134
Convictions*	1,194
Funds Reported	\$39,490,911

*Includes 605 deportations and 7 fugitives

ZERO TOLERANCE FOR FRAUD

As discussed on page 1 of this report, SSA has adopted a campaign of “Zero Tolerance for Fraud.” To create a strong defense, enhance public confidence, and strike back against fraud, the Office of Investigations identifies fraud and develops operations to define and resolve the potential exploitation. The Office of Investigations has established five Operations to address specific areas that are vulnerable to fraud.

- Border Vigil (residency issues)
- Water Witch (career criminals and fugitives)
- Contender (disability fraud)
- Clean Slate (employee involvement)
- Octopus (SSN abuse)

OPERATION BORDER VIGIL

Residency is an issue that affects SSA programs in various ways and to varying degrees. There are 372,000 individuals who receive \$2 billion in OASDI payments annually and who are living in foreign countries. SSA disburses monthly benefits to almost every country in the world. As a result, it is difficult to determine when eligibility changes occur or whether fraud is being perpetrated.

There are 785,000 aliens and an unknown number of U.S. citizens who are receiving an SSI check every month and who, through birth, have ties to foreign countries. Additionally, there are individuals who enter the United States to meet residency requirements to receive SSI payments and then move back to their native countries. We established the projects discussed below to identify suspect claims at selected foreign sites and U.S. locations for OASDI and SSI programs suspect claims.

International Integrity Projects

In 1997, the Office of Investigations and SSA’s Office of International Operations (OIO) continued their cooperative effort to identify and address fraud and abuse that is being perpetrated by persons in foreign countries. We used the results of previous surveys to determine whether new projects should be started. During FY 1998, we intend to test revised procedures in validation surveys scheduled for Panama, Canada, and Poland.

In FY 1997, the Office of Investigations and OIO conducted two surveys. The first survey was conducted in the Republic of Yemen

from March through May 1997. The objective of this survey was to verify the existence, identity, and continuing eligibility of the 1,789 beneficiaries living there, of whom 1,432 were in pay status and receiving \$5.2 million per year. The preliminary results of the first survey indicate that, as of January 1998,

- 24 recipients had not responded and benefits had been suspended since June 1997, which resulted in a \$53,744 savings;
- 26 beneficiaries' deaths were reported to have occurred around the time of the survey;
- 2 minor beneficiaries had married, which resulted in termination of their payments; and
- 7 dependents were determined to be ineligible because of the 5-year requirement, which identified a \$35,313 overpayment. There is a requirement that certain dependents are ineligible for payments if they do not reside in the United States for at least 5 years as a dependent of the wage earner.

The final results of this survey are not yet available since all beneficiaries are afforded due process, and those who have not been located are pending a final determination.

The second survey was conducted in Costa Rica from August through September 1997. There are 2,561 beneficiaries in Costa Rica who receive \$15.1 million in benefits annually. Of these, 537 beneficiaries (22 percent) were interviewed at their respective residences. Results from this survey are also pending final determination and reporting by SSA/OIO.

Several other issues are being coordinated through this cooperative effort to maximize a positive effect on areas of mutual concern and responsibility. The preceding as well as the following additional examples show that there are natural and productive areas where the SSA/OIG and SSA/OIO can collectively identify, deter, and/or resolve abuses targeting SSA's programs.

Quarterly fraud reports are now requested from the Federal Benefits Officers to define the extent of fraud and abuse that is occurring outside of the United States. During the first 5 months of FY 1998, the Mexico City and Guadalajara regions reported 106 instances of fraud totaling over \$3.7 million.

- The Guadalajara Federal Benefits Officer has forwarded allegations of individuals residing outside the United States who are receiving SSI payments.
- A review of disability beneficiaries by the Federal Benefits Officer in Rome identified beneficiaries in an Eastern European country who had been treated in the United States by the same physician and represented by the same attorney who are alleged to be facilitating fraudulent claims.

Canadian Border Mail Drops

We initiated Operation Can-Am, which is an effort to identify Canadian and U.S. residents who are living in Canada and receiving SSA-administered benefits illegally. The investigation is focusing on selected U.S. Postal and commercial "mail drop" sites in the Niagara Falls, New York, metropolitan area. All of these "mail drop" sites are located near the four Canadian-American border crossings.

The investigation is focusing on several potential violator profiles.

- U.S. citizens who are residing in Canada and receiving SSI benefits using U.S. “mail drop” addresses to conceal their residency.
- U.S. citizens who are residing in Canada, legally receiving New York State Workers’ Compensation benefits and concealing this income when applying for title II disability benefits.
- U.S./non U.S. citizens living in Canada who are using financial institutions in the United States to have illegal SSA-administered benefits direct deposited into U.S. bank accounts.
- U.S. citizens who are residing in Canada and receiving title II disability benefits using U.S. “mail drop” addresses to avoid Canadian tax obligations.

The successful completion of this investigation will not be realized until all suspects have been identified and decisions are made regarding prosecution or continued eligibility.

We are planning the following additional SSI residency projects this year.

- **SSI recipients residing in Puerto Rico.** Although Puerto Rico is a Commonwealth of the United States, its residents are not eligible for SSI. We will attempt to identify SSI recipients that obtained benefits while in the United States and subsequently moved back to Puerto Rico.

SSI recipients residing in Poland. In conjunction with an OASDI validation survey in Poland, we will attempt to identify any individuals who are receiving SSI benefit payments in Poland after they were deemed eligible in the United States.

OPERATION WATER WITCH

This national Operation was originally designed to complement SSA’s ongoing prisoner matching operation, which identified beneficiaries who are, or should be, in prison. This concept will be expanded to include all persons that are institutionalized, and it has most recently been expanded to include the provisions of Public Law 104-193, which was enacted on August 22, 1996. Section 202(a) of this Public Law amends title XVI of the Social Security Act to make a person ineligible to receive SSI benefits during any month in which the recipient is

- fleeing to avoid prosecution for a crime that is a felony (or in New Jersey, a high misdemeanor) under the laws of the place from which the person is fleeing;
- fleeing to avoid custody or confinement after conviction for a crime that is a felony (or in New Jersey, a high misdemeanor) under the laws of the place from which the person is fleeing; and
- violating a condition of probation or parole imposed under Federal or State law.

Under section 202(b), SSA must furnish, upon written request, the current address, SSN, and photograph (if applicable) of an SSI recipient to any Federal, State, or local law enforcement officer, if the SSI recipient is a fugitive felon, parolee, or probation violator.

The Office of Investigations worked closely with SSA's operations and policy components to develop guidance for their regional and field office managers for appropriate administrative action for "fugitive felons." SSA's guidelines were released in February 1998.

The Office of Investigations initiated five local projects under the auspices of Operation Water Witch. The local projects, which were conducted in New York City, Detroit, Philadelphia, San Francisco, and Boston, were substantially curtailed during the development of SSA's administrative policies and procedures. Now that SSA's policies have been released, the local projects have been reactivated.

SSA and the Office of Investigations' representatives have been working with components of the Department of Justice's National Crime Information Center to establish guidelines for a match between the National Crime Information Center's Wanted Person File and selected SSA records since November 1997. This project holds great potential for identifying individuals who are subject to the provisions of Public Law 104-193.

We initiated projects in cooperation with various law enforcement agencies to identify fleeing felons and determine whether they are receiving benefit payments. Three of these investigations are discussed below.

The **California Fugitive Investigation** identified 162 fugitives from justice in Northern California who were receiving SSI payments. A coordinated effort by the SSA Regional Office and the OIG is underway to suspend payments and investigate any potential criminal violations.

- The **Michigan Absconder Investigation** targeted fugitives and probation/parole violators who illegally collected Social Security benefits. Thus far, the investigation has resulted in the location of, and discontinuance of payments to, 39 violators and a savings of \$1,033,000 over a 2-year period.
- The **Boston Fugitive Program** has resulted in the identification of, and referral to SSA for suspension of SSI payments for, 32 fugitives from justice. Estimated savings is \$1,015,000.

OPERATION CONTENDER

This Operation has the potential to achieve several objectives. It will detect fraudulent disability claims and prevent the initiation of payments to ineligible persons. It will also identify these individuals and the lawyers, doctors, Representative Payees, interpreters and other third-party facilitators who support and promote fraud within the disability programs. A project within the State DDSs is a good start in this area.

The DDS project was initiated in 1997 to develop a process for detecting and investigating disability program fraud. The thrust of the Cooperative Disability Investigations (CDI) project is to identify patterns of fraud at the application stage. Third-party facilitators are of particular interest. Five DDS offices were selected for this project: Oakland, California; Chicago, Illinois; Atlanta, Georgia; Baton Rouge, Louisiana; and New York, New York. The New York and Atlanta sites became operational in February and March 1998, respectively. The remaining sites are expected to be operational in April 1998. The following example from our Atlanta DDS office is the type of initial claims fraud that is expected to be identified and prevented through the CDI project.

An applicant claimed she suffered from schizophrenia and depression and was forced to totally depend on two individuals to provide her daily personal care. She also claimed she never left the house, had no social contacts, did not drive an automobile, and had not worked since 1991. The two individuals denied providing any care to the applicant. In addition, we found that the applicant did drive and, in fact, was difficult to contact because she was seldom home; and she was self-employed as a dog breeder. The claim was denied.

OPERATION CLEAN SLATE

This Operation was initiated to identify and prosecute employees who fraudulently manipulate the SSA electronic records systems to commit program fraud and other crimes.

One project under this Operation involved New York credit card investigations. This project identified several credit card conspiracies that resulted in the arrest of 17 SSA employees and 3 SSA contract guards. Financial institutions lost an estimated \$30 million. Overall, there have been 45 convictions of employees and 281 employee investigations opened.

A committee, which was comprised of security executives from major bank card and credit card companies, was established to advise the OIG on fraudulent trends within their industry. Arrangements for the manual comparison of SSA employee query information with stolen credit card reports has been successful in identifying employee collusion.

Some of the more significant work conducted under this Operation includes the following.

- We have implemented an agreement with VISA International that provides information from all member financial institutions on fraudulently activated credit cards to detect SSN misuse and possible employee collusion. We will also conduct a pilot test in Detroit working with department store credit card companies. Preliminary efforts have identified SSA employees that have provided information that aided in the fraudulent activation of credit cards.

- An SSA employee was charged with embezzling \$92,525 from SSA by initiating payments from the Trust Fund under the SSNs of two deceased individuals. The former employee had the payments direct deposited into two accounts that he opened in the names of the deceased persons, and withdrew the money for his own personal benefit. The terms of the employee's plea agreement were that the employee resign from SSA and not seek reemployment at SSA. In addition, the former employee was sentenced to 10 months in prison, ordered to make full restitution of \$92,525, and ordered to pay a special assessment of \$100. After the incarceration, the former employee is to be under supervised release for 3 years, contingent on the former employee's effort to repay any remaining balance of the \$92,525. Finally, the former employee is to assist the Government in recovering any of the embezzled funds that are still available, be gainfully employed, and enter into psychological counseling.

- An SSA employee was charged with accessing the SSA computer system to obtain information on SSNs that were given to him by an accomplice in another State. The employee was paid between \$20 and \$30 for each number he provided. The information was then passed on to others who used it to activate stolen credit cards. The theft allegedly attributed to the employee's activities totaled at least \$307,000. The employee resigned from SSA in February 1997 after receiving a proposed termination letter in January 1997. In November 1997, the employee pleaded guilty to one count of *Conspiracy to Commit Credit Card Fraud* in violation of 18 U.S.C. § 029(b)(2).

OPERATION OCTOPUS

This operation is intended to identify and prosecute individuals who fraudulently obtain SSNs or use the SSNs of others for fraudulent purposes. Projects initiated to address this issue include the Eastern European Illegal Alien Investigations.

This project was initiated when ongoing cases identified a pattern of Eastern European illegal aliens using common identification documents to obtain SSN cards as a precursor to a host of fraudulent activity. This project has resulted in the arrest of 24 individuals for SSN fraud in 7 States. Other projects will be implemented to target the fraudulent use of SSNs for various criminal activities. In addition, one SSA employee has been convicted for fraudulently providing these aliens with SSNs. The employee was terminated, received 2 years' supervised probation, fined \$3,000, and ordered to perform 102 hours of community service.

OTHER INITIATIVES

SED continues to develop investigative and technical initiatives that support the OIG's mission to combat fraud, waste and abuse in the Social Security programs.

Electronic Crimes

During this reporting period, SED continued its initiative to ensure OIG's readiness to combat "electronic" crimes and to analyze electronic media, consistent with forensic standards, for evidence. The Electronic Crimes Team has been supplemented by two senior Special Agents who are assigned to the Dallas and Los Angeles Field Divisions. Both Special Agents have demonstrated computer forensic skills and experience. The Electronic Crimes Team has conducted computer forensic examinations on seized computer systems, which have resulted in the development of critical evidence that in the past would have gone unnoticed.

SED fully participates in the investigation of SSA network intrusions. During this reporting period, OIG Special Agents met with representatives of the National Computer Center to ensure an appropriate law enforcement response to attacks on SSA systems. Additionally, SED Special Agents have developed important relationships with other OIG organizations to define OIG's new role in combating intrusions. SED sponsored an unclassified briefing by the National Security Agency entitled *Threats to United States Information Systems*. Through the briefing, attendees were provided information that increased their awareness of the criminal elements seeking unauthorized access to SSA and other Federal computer systems.

Polygraph Capabilities

SED has sponsored the development of the Polygraph Program for the Office of Investigations. Through the proper use of polygraph examinations, many criminal investigations can be resolved, which will result in a savings of staff-hours, equipment, and money. SED developed detailed guidelines to assist supervisors in determining when a polygraph examination is appropriate and thereafter how to request the examination. Agreements for assistance have been negotiated with the U.S. Secret Service; the Department of Defense's OIG; and the Defense Security Service, Department of Defense Polygraph Institute, to support the Polygraph Program.

ENUMERATION FRAUD

The expanded use of SSNs as identifiers has given rise to the practice of counterfeiting SSN cards, obtaining SSN cards based on false information, and misusing SSNs to obtain benefits and services from Federal programs, credit card companies, retailers, and other businesses. During this reporting period, nearly 82 percent of our criminal convictions involved SSN fraud.

Scheme to Defraud States' Unemployment Insurance Programs

The Office of Investigations initiated an investigation based on a request for assistance from the U.S. Department of Labor's OIG. The investigation disclosed that an employer had devised a scheme to defraud the Unemployment Insurance programs in Connecticut, Pennsylvania, Delaware, New Jersey, and Maryland. The employer established nonexistent companies outside of the States where he would normally file for benefits and established addresses for the companies and claimants using Mail Receiving Agencies and Post Office Boxes. The employer filed 42 Unemployment Insurance claims using 15 false names and SSNs from 1991 to 1997.

In December 1997, the employer pleaded guilty to one count of 18 U.S.C. § 1341, *Mail Fraud*. As part of the plea agreement, the employer agreed to make restitution totaling \$372,113 to all of the victims of his conduct including the States of Connecticut, Pennsylvania, New Jersey, and New York as well as the District of Columbia.

Couple Arrested for Selling False Identification Documents

The Office of Investigations conducted a joint investigation with the Thomasville, North Carolina, Police Department after that entity received information that a man was producing and selling counterfeit SSN cards, Resident Alien cards, and Mexican Driver's Licenses from his business. As a result of the joint investigation, the man and his wife were found guilty of producing and selling the counterfeit identification documents. The husband was sentenced to 36 months in prison, 1 year supervised release, and a \$100 special assessment fee. Upon his release, the man will be remanded to INS for deportation proceedings. The wife was sentenced to 6 months' home confinement with electronic monitoring, 2 years' probation, and a \$300 special assessment fee.

Three Arrested for Selling False Identification Documents to Illegal Aliens

This investigation involved fraud and related criminal activity in connection with the production and sale of counterfeit SSN cards and Resident Alien cards to undocumented aliens. We conducted this investigation with the Department of Justice, INS, Boston, Massachusetts. We obtained a search warrant and seized two typewriters, a laminating machine, plastic laminate, a paper cutter, and about 650 counterfeit blank and completed SSN cards and Resident Alien cards. The defendants were sentenced to a combined 20 months and 1 day in prison, 10 months' home detention, and 6 years' supervised release. They were also ordered to pay a \$1,200 special assessment.

EARNINGS FRAUD

Social Security benefits are based on an individual's earnings as reported to SSA. SSA establishes and maintains a record of an individual's earnings for use in determining an individual's entitlement to benefits and for calculating benefit payment amounts.

New York Man Collects Workers' Compensation While Working

A former Postal Service employee had been collecting Workers' Compensation benefits since 1965 under one SSN and had been employed as a Private Investigator since 1976 under a different SSN. To date, the subject has collected about \$250,000 in Workers' Compensation benefits. The subject was able to obtain two SSNs because he applied for both before SSA implemented its automated data base. Both SSNs have since been cross-referenced in the SSA data base.

As a result of our investigation, the subject was convicted for violating 18 U.S.C. §641, *Theft of Government Property* and 1001, *False Statement*, as well as 42 U.S.C. §408(a)(7)(A), *Furnishing False Information to SSA*.

California Woman Creates Alias to Collect Disability Benefits

An investigation disclosed that a California resident applied for, and received, an SSN and a California Driver's License under an alias and then gained employment as a laboratory assistant while collecting disability benefits under her real name. On November 17, 1997, the individual pleaded guilty to one count of 42 U.S.C. §408(a)(3), *False Statements to Obtain Benefits* and one count of 42 U.S.C. §408(a)(4), *Concealing and Failing to Disclose*.

Former Postal Employee Improperly Receives Disability Benefits

A former Postal Service employee and professed clergyman improperly collected \$66,086 in disability payments from August 1989 through March 1996 and defrauded a local insurance carrier by filing fraudulent Workers' Compensation claims and collecting \$23,603 in Workers' Compensation benefits. In filing for the Workers' Compensation benefits, the individual mailed 14 separate medical reports to his physician from September 1993 through November 1994.

The subject pleaded guilty to all 25 counts in the indictment and was sentenced to 27 months in prison and 3 years' supervised release. The subject was also ordered to pay \$89,690 in restitution and a special assessment of \$1,250.

Arkansas Man Collects Disability Benefits While Working Under His Wife's Social Security Number

The former wife of an Arkansas man reported that, from 1988 to 1990, her ex-husband had been collecting disability benefits under his own SSN while working under her SSN. We contacted the man's employers and were told that he had been working full-time. The subject had been overpaid \$65,230 in SSA benefits. The man was sentenced to 4 months in prison and 3 years' supervised release of which 4 months will be served in home detention with electronic monitoring, and the man will pay a \$100 fine and restitution of \$63,230. To date, the man has repaid SSA \$2,000.

REPRESENTATIVE PAYEE FRAUD

If SSA beneficiaries cannot manage their own finances, Congress has authorized SSA to pay their benefits to individuals or organizations, known as Representative Payees.

Approximately 6.6 million beneficiaries have Representative Payees, which may include, but are not limited to, parents, spouses, legal guardians, friends, and institutions.

Aunt Illegally Received Nephew's SSI Benefits While He Was Incarcerated

A woman who was the Representative Payee for her nephew failed to notify SSA that her nephew had been incarcerated. Instead, she continued receiving and cashing his SSI checks for her personal use. During that time, the aunt received over \$58,535 in SSI benefits. In October 1997, the aunt pleaded guilty in the Federal District Court in Omaha, Nebraska. The aunt was sentenced to 6 months' home confinement with an electronic monitor and was ordered to pay restitution totaling \$58,535. She also received 5 years' supervised probation. In addition, she was sentenced to 150 hours of community service, which will be credited as a fine at the rate of \$5.60 per hour, for a total of \$740.

Parents Misuse Children's SSI Benefits

The Michigan State Police referred a case to the Office of Investigations alleging that the parents of minor children had misused three of their children's SSI benefits, which totaled \$42,639. The father was the children's Representative Payee. Specifically, the parents conspired to defraud SSA by having their children lie to SSA's medical consultant about their medical condition. Our investigation disclosed that the three children

lived in the basement of their home, the door to which was usually locked. In addition, the parents physically abused the children and forced the children to steal for them. On November 19, 1997, the father was sentenced to 15 to 30 years' incarceration.

Sister Received Representative Payee Benefits for Her Brother for 3 Years After His Death

In January 1991, a Georgia woman filed a Representative Payee application on behalf of her brother. She received benefits totaling \$10,839 from June 1991 through April 1994. In April 1994, SSA received a computer-generated death alert showing that the brother had died. SSA obtained a death certificate stating that the brother had died in April 1991. The sister was not entitled to receive any benefits for her brother. As a result of our investigation, the sister was ordered to make restitution to SSA in the amount of \$10,839 and pay a special assessment of \$25.

Woman Receives Improper Benefits

After the death of her ex-husband, a Missouri woman filed fraudulent applications for mother and child benefits. However, she failed to disclose that her child had not been in her custody for 2 years before she filed the applications. The child was in foster care in another State while the mother received Representative Payee and Mother's Benefits for 52 months. Over those 52 months, the woman received \$44,820 in benefits to which she was not entitled. As a result of our investigation, the woman pleaded guilty in Federal Court and was sentenced to 6 months' incarceration and 48 months' probation. She was also ordered to pay \$4,200 in restitution and a \$50 special assessment.

INITIAL CLAIMS FRAUD

16 Individuals Receive About \$1,000,000 in Improper Benefits

A joint investigation by the OIG, the New York City Bureau of Fraud Investigations, the New York City Housing Department's OIG, and the Postal Inspection Service found that 16 individuals who claimed 1 of 2 New York City Housing apartments as their address were receiving SSI/Food Stamps/or Aid to Families With Dependent Children benefits. These individuals had received about \$1,000,000 in total assistance from June 1990 through December 1997. Further investigation found that five of the individuals in question had died long before their SSI benefits had been applied for, and seven individuals had Food Stamp picture identification cards that all contained a picture of the same person. In November 1997, that person, who really lived in Florida, was arrested and charged with a violation of 18 U.S.C. §641, *Theft of Government Funds*. The subject pleaded guilty to this charge.

Woman Receives Improper Funds for Nonexistent Caregiver

A joint investigation conducted by SSA/OIG and California MediCal Investigators identified a California resident as having defrauded SSA, Sonoma County, and the State out of \$62,209. The total loss to SSA was \$28,728. The subject stated that she was unable to care for herself and had hired a caregiver, which made her eligible for In Home Support Service benefits from Sonoma County Welfare. The subject was also receiving SSI benefits. However, the subject had not hired a caregiver. The subject received and cashed checks that were intended for the nonexistent caregiver. The subject was charged with grand theft, perjury, forgery, MediCal fraud,

and welfare fraud. The subject was sentenced to 3 years in prison, and her benefits were terminated.

Joint Task Force Results in the Arrest of 21 Individuals

Our Seattle suboffice participated in a task force with a local Sheriff's Office and the State of Washington Department of Social and Health Services. This joint task force investigated a group of individuals who created multiple false identities to defraud State and Federal benefit programs including SSA, insurance companies, and financial institutions. Our involvement in the task force was critical to the identification of the individuals, which subsequently revealed the conspiracy and the crimes the individuals had committed. Search warrants of 18 residences resulted in the seizure of

- 5 Rolls Royces;
- 2 Corvettes;
- 1 Mercedes Benz;
- 2 Recreational Vehicles;
- 3 mink coats and 3 Rolex watches;
- numerous weapons; and
- \$116,000 in cash.

POST-ENTITLEMENT FRAUD

Once individuals become eligible for Social Security or SSI benefits, any changes in circumstances (for example, events that affect the amount or continuation of payments, change of address, etc.) must be reflected in SSA's records. The post-entitlement process encompasses actions that SSA takes after claims have been processed as initial awards. This process contributes to timely and accurate payment of benefits.

Woman Forges Another's Retirement Checks for 31 years

Our OIG suboffice in Cincinnati, Ohio, was informed that SSA retirement benefits were still being paid to a man's SSN although the man had been deceased since 1966. A joint investigation with the U.S. Secret Service found that an Ohio woman had forged the retirement checks for 31 years and used the funds for her own benefit. The woman had fraudulently endorsed \$161,000 in Treasury checks. As part of her plea agreement, the subject agreed to make restitution to SSA in the amount of \$161,000.

Fugitive Felon Continues to Receive Benefits

The Office of Investigations' field division in Boston received a request for assistance from the Massachusetts Bureau of Special Investigations in the investigation of a fugitive felon. The Bureau's records indicated that the subject, who was wanted on an outstanding arrest warrant, was receiving SSI benefits. A review of SSA records in Boston confirmed that the subject was receiving SSI benefits. The subject was subsequently arrested, and an SSA Social Insurance Program Specialist informed the Boston field division that the subject's benefits would be suspended. As a result of our investigative work, a savings of approximately \$18,878 will be realized.

Brother and Sister Provide False Statements to Continue Disability Payments

In June 1988, an Iowa man began receiving benefits for his wife, four dependents and himself. In 1990, the man and his sister told SSA that the man was a helper in a bar, when, in fact, the man was the bar manager with almost exclusive control of the bar's finances. The brother continued receiving benefits until September 1995. At that time, benefits totaled \$106,644.

As a result of our investigation, the brother was sentenced to 16 months in prison and 3 years' supervised release. He was also ordered to pay \$3,000 in restitution and a \$400 special assessment. The sister was sentenced to 2 years' probation with 4 months' home confinement. She was also ordered to pay \$9,000 in restitution and a \$50 special assessment.

RESOLVING OFFICE OF THE INSPECTOR GENERAL RECOMMENDATIONS

REPORTS WITH QUESTIONED COSTS

The following chart summarizes SSA's responses to the OIG's 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 the Supplemental Appropriations and Rescission Act of 1980 (Public Law 96-304) and the IG Act of 1978, as amended.

	Number	Value Questioned	Value Unsupported
A. For which no management decision had been made by the commencement of the reporting period.	2 ¹	\$398,011	\$0
B. Which were issued during the reporting period.	2 ²	\$702,880	\$0
Subtotal (A+B)	4	\$1,100,891	\$0
Less:			
C. For which a management decision was made during the reporting period:	2	\$475,859	\$0
(i) dollar value of disallowed costs.	2	\$475,859	\$0
(ii) dollar value of costs not disallowed.	0	\$0	\$0
D. For which no management decision had been made by the end of the reporting period.	2	\$625,032	\$0

¹ Audit of the Costs Claimed by the New Jersey Department of Labor for its Division of Disability Determinations (A-02-95-00002 - 6/20/97); State of Arkansas' Disability Determination for the Social Security Administration (A-07-97-52005 - 9/29/97)

² See list of Audit Reports Issued—Questioned Costs on page 36 of this Report.

REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

The following chart summarizes reports which include recommendations that funds be put to better use through cost avoidances, budget savings, etc.

	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	1	\$20,400,000 ³
B. Which were issued during the reporting period.	3 ⁴	\$266,576,727 ⁵
Subtotal (A + B)	4	\$286,976,727
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	1	\$262,100,000
(b) based on proposed legislative action	0	\$0
Subtotal (a+b)	1	\$262,100,000
(ii) dollar value of costs that were not agreed to by management	1	\$1,544,211
Subtotal (i+ii)	2	\$263,644,211
D. For which no management decision had been made by the end of the reporting period.	2	\$23,332,516

³ *Effectiveness of the Social Security Administration's Procedures to Process Prisoner Information, Suspend Payments and Collect Overpayments* (A-01-96-61083 - 6/24/97).

⁴ See list of reports issued—Funds Put to Better Use on page 36 of this Report.

⁵ This dollar amount has been modified because of developments that occurred after the issuance of OIG's reports entitled *Effectiveness in Obtaining Records to Identify Prisoners*—(A-01-94-02004 - 5/10/96) and *Effectiveness of the Social Security Administration's Procedures to Process Prisoner Information, Suspend Payments and Collect Overpayments*—(A-01-96-61083 - 6/24/97). SSA's Chief Actuary estimated a cost avoidance of about \$3.4 billion over 7 years, with \$520 million to be realized in Calendar Year 1998.

Reports Issued From October 1, 1997 Through March 31, 1998

The Office of Audit conducts comprehensive audits and evaluations of SSA's programs and operations and makes recommendations to ensure that program objectives are achieved effectively and efficiently. The following charts provide listings of all reports issued from October 1, 1997 to March 31, 1998.

Reports With Non-Monetary Findings

Date Issued	Title	Report Number
October 1, 1997	Aliens Receiving Supplemental Security Income Payments	A-13-95-00614
October 6, 1997	Review of the Social Security Administration's Office of Acquisition and Grants Contract Preaward and Contract Close-Out Reviews	A-13-96-00609
October 31, 1997	Benchmarking Payment Accuracy Performance Measures	A-02-97-10201
November 10, 1997	Usefulness of the Social Security Administration's Region VII Quality Assurance Process to State Disability Agencies	A-07-97-61003
November 19, 1997	Internal Controls Over Critical Payments at the Pittsburgh District Office	A-05-96-12001
November 21, 1997	FY 1997 Financial Statement Audit	A-13-97-51012
December 4, 1997	Review of the Social Security Administration's Monitoring of Selected Facilities Management Projects	A-13-97-02005
December 16, 1997	Special Joint Vulnerability Review of the Supplemental Security Income Program	A-04-95-06020
December 29, 1997	Review of Selected Controls Over the Social Security Administration Initiated Personal Earnings and Benefit Estimate Statement	A-03-96-31004
December 30, 1997	Southwest Tactical Operations Plan: Lessons Learned	A-06-97-22010
January 8, 1998	Single Audit of Nevada	A-07-98-52003
January 8, 1998	Southwest Tactical Operations Plan: Impact on Field Office Operations	A-06-97-22009

Reports With Non-Monetary Findings (cont'd.)

Date Issued	Title	Report Number
January 20, 1998	National Aeronautics and Space Administration's Office of Inspector General Peer Review	A-13-97-81021
February 12, 1998	Supplemental Security Income Plans for Achieving Self-Support Prepared by For-Profit Organizations	A-07-96-61016
March 5, 1998	Follow-up Review of the Internal Controls Over the Modernized Enumeration System	A-04-96-44001
March 13, 1998	Payment of Benefits to Individuals Who Do Not Have Their Own Social Security Number	A-04-96-42000
March 16, 1998	Single Audit of Oklahoma	A-07-98-52008
March 17, 1998	Single Audit of Pennsylvania	A-07-98-52004
March 18, 1998	Review of the Social Security Administration's Fiscal Year 1996 Annual Report on Continuing Disability Reviews	A-01-97-91007
March 27, 1998	The Social Security Administration's 1996 Overtime Settlement Claims under the Fair Labor Standards Act	A-13-97-92016

REPORTS WITH QUESTIONED DOLLARS

Date Issued	Title	Report Number	Dollar Amount
January 20, 1998	Incentive Payments Claimed by the Colorado Department of Human Services for its Disability Determination Services	A-07-97-52004	\$234,895
March 24, 1998	Audit of Tennessee's Disability Determination Services Administrative Costs for Fiscal Years 1993 Through 1995	A-04-96-54001	467,985
Total			\$702,880

REPORTS WITH FUNDS PUT TO BETTER USE

Date Issued	Title	Report Number	Dollar Amount
December 16, 1997	Special Joint Vulnerability Review of the Supplemental Security Income Program	A-04-95-06020	\$2,100,000
March 24, 1998	Audit of Tennessee's Disability Determination Services Administrative Costs for Fiscal Years 1993 Through 1995	A-04-96-54001	1,544,211
March 31, 1998	Southwest Tactical Operations Plan: Investigative Results	A-06-97-22008	2,932,516 (over 5 years)
Total			\$6,576,727

To meet the requirements of the Omnibus Consolidated Appropriations Act, 1997 (Public Law 104-208), we are providing in this report, requisite data for the first and second quarters of Fiscal Year 1998 from both the Office of Investigations and the Office of Audit.

We are reporting a total of \$7,992,911 of SSA funds as a result of our Office of Investigations activities these past two quarters, broken down as follows.

Types of Funds	Quarter 1	Quarter 2	Total
Court-ordered Restitutions	\$1,582,365	\$1,873,052	\$3,455,417
Scheduled Recoveries	974,632	3,502,080	4,476,712
Fines	7,475	8,225	15,700
Settlements/ Judgments	24,000	21,082	45,082
Totals	2,588,472	5,404,439	\$7,992,911

SSA management has informed the Office of Audit that it has completed implementing recommendations from two audit reports⁶ during this reporting period valued at \$1,934,716. Specifically, OIG had recommended that SSA request that the Railroad Retirement Board calculate and return to the Agency its share of incorrect payments issued to beneficiaries totaling \$391,716. SSA implemented this recommendation in February 1998 and is expected to recoup this amount from the Railroad Retirement Board.

In addition, in our review of Intergovernmental Personnel Act (IPA) assignments, we recommended and SSA agreed to implement the requirement that liability for nonsalary expenses be developed when an IPA assignee fails to complete his/her commitment. In our review, we examined the IPA's for four individuals. All four had failed to fulfill their commitment to the agreement and SSA lost \$1,543,000. Since management is now going to implement the recommendations, we can estimate that SSA can save at least \$1,543,000 on the next four assignments under the IPA for Senior Executive Service assignees.

⁶ *Procedures for Collecting Social Security Administration/Railroad Retirement Board Combined Benefit Payments Issued after Death* (A-05-95-00017) issued on March 13, 1997 and *Review of Intergovernmental Personnel Act Assignments of Senior Staff* (A-13-96-02001) issued on September 30, 1997.

APPENDIXES

APPENDIX A

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

Review of Entitlement Determination Procedures for Unlocated Title II Disability Beneficiaries, A-06-95-00076, 7/29/97

SSA should examine the entitlement status of all disability beneficiaries who are in suspended pay status because they cannot be located and should terminate cases where (a) a reasonable time period lapses (e.g., 90 days from the date of suspension) to locate the beneficiary and (b) due process has been provided (e.g., notification letter to last known address). We projected that, from the date of suspension until September 30, 1995, SSA improperly paid \$1.4 million in benefit payments to related individuals. SSA disagreed with our interpretation of section 223(f) of the Social Security Disability Benefits Reform Act of 1994. That Act established the basis for SSA to terminate disability benefits for beneficiaries SSA cannot locate when their cases are being reviewed to determine whether the impairments have ceased, no longer exist, or are no longer disabling. SSA's Office of Program and Integrity Reviews (OPIR) conducted a study of the records of unlocatable disability beneficiaries who covered the period of April 1996 through March 1997. Because the scope of the study was limited, OPIR worked with a second sample to capture additional data. OPIR staff are now focusing on beneficiaries who have been suspended for more than 3 months and are reviewing factors other than payment status. They expect to complete their work by the end of April 1998.

Overpayments Incurred by Representative Payees, A-02-96-61202, 6/23/97

SSA should take action to transfer from the Special Payment Amount field to the Beneficiary Overpayment/Underpayment Data field \$3.8 million in overpayments identified by this study; prevent overpaid organizational payees from serving as payees for other beneficiaries until recovery has been made; and propose legislation that would hold the overpaid Representative Payees primarily liable for repayment of overpayment. The overpayment control record would be established under the SSN of the Representative Payee. SSA indicated that it is reviewing the sample of cases represented in the report before it decides to proceed with the recommendations.

Canada's Experience in Charging a User Fee for Social Insurance Numbers, A-06-97-62003, 5/22/97

We found that if SSA adopted Canada's policy of charging a fee for replacement SSN cards, it could increase recoveries by approximately \$142 million annually. SSA did not agree with several of the conclusions presented in this report. Included in that disagreement is the level of the cost avoidance. Although SSA does not agree with all of our findings, it considered them in its final report to Congress which was issued in September 1997. The final decision on OIG's recommendation is pending with the Commissioner of Social Security.

Potential for Contracting With Medical Provider Networks to Purchase Consultative Examinations, A-07-95-00828, 5/14/97

SSA should direct State DDSs to negotiate contracts with medical provider networks for volume discounts on consultative exams to the maximum extent possible. The Agency could have expected to realize savings in FY 1995 ranging from \$11.3 million to \$33.9 million if the contractual discounts offered for four States disclosed in this report are representative of the savings that is achievable in all States. SSA agrees that greater use of negotiated contracts with medical provider networks to obtain volume discounts on consultative examinations may reduce consultative examinations costs and improve the quality and timeliness of consultative examinations. In 1991, SSA issued instructions directing its regional offices to determine the feasibility of using competitive contracts to purchase consultative examinations. *During the first quarter of 1998, the Office of Disability sent out DDS letters to the State DDSs, which included a list of the medical providers reflected in the OIG report. In the letter, the Office of Disability suggested that DDSs consider contacting the listed providers in their efforts to determine the feasibility and costs effectiveness of using contacts with medical provider networks for purchasing consultative examinations. The Office of Disability is not, however, prepared at this time to direct States to negotiate contracts as recommended until it conducts further analysis of costs and benefits and has completed discussions with DDSs over related issues, such as impact on quality and long-term relations with the medical community. The Office of Disability expects to complete this effort by June 1998.

* SSA has notified the Office of Audit that the DDS letter will be sent out during the second quarter of 1998.

Monitoring Representative Payee Performance: Roll-Up Report, A-09-96-64201, 3/28/97

SSA should develop a system to continuously educate payees concerning their responsibilities; conduct more thorough screening of potential Representative Payees; revise its "Preference Lists" for payees to place greater emphasis on custody arrangements; develop a comprehensive automated Representative Payee system; not require annual reports from all Representative Payees; tailor forms to address variations among payees and differences in relationships between payees and beneficiaries; periodically review selected payees; change the focus of the current process from accounting to monitoring and compliance; develop a payee coding scheme that reflects the Agency's need for administering the process; and review previous HHS/OIG and SSA/OIG recommendations related to representative payments to determine if additional benefit could be gained from these recommendations. We estimated that SSA could save \$39.1 million in funds put to better use. SSA agreed to most of the recommendations, except for conducting suitability checks only for those payees intended for selection; exempting from annual accounting and periodically certifying alternative reporting for those payees who complete extensive reporting for an official or external organization; and capturing on the accounting form reporting events that would affect entitlement.

Determination Program for Medical Appointments Broken by Claimants of Disability Insurance and Supplemental Security Income Benefits, A-01-95-02007, 7/24/96

SSA should institute a policy of only paying for services rendered and attempt to implement that policy at all DDS units. Such a policy would allow for payment for review of medical records but not for broken medical appointments. This action would result in \$541,000 in funds put to better use. In June 1996, SSA representatives conferred with representatives from States that no longer pay for broken medical appointments to develop a presentation, which was given at the National Professional Relations Conference in August 1996. The presentation encouraged paying States to adopt a no-pay policy and also shared strategies employed by States that have already converted to a no-pay policy.

The Office of Disability has concluded its survey of the 17 States which, as determined in a 1995 survey, continue to pay for broken consultative examinations appointments. The survey revealed that four of those States have adopted a no-pay policy and two more have made progress toward a no-pay policy by either changing the rate paid or the situation for which they pay. The Office of Disability cannot set a target date for implementing this recommendation because circumstances in each State vary: achieving a no-pay policy will be realized at different times for those States that still pay for broken consultative examinations. Office of Disability will monitor the regions' progress on this issue, another survey is planned for the third quarter of FY 1998. There are also non-monetary recommendations noted in Appendix B.

Identification of Reported Name Changes That Affect Auxiliary Benefits Under Title II of the Social Security Act, A-01-94-02001, 6/14/96

SSA should conduct a one-time match to identify name changes on the Numident record that have not been posted to the Master Beneficiary Record. Eligibility should be redetermined for those beneficiaries whose name changes are found to be caused by marriage or divorce, and recovery of overpayments in the amount of \$4.2 million should be pursued. On September 19, 1997, SSA's Office of Systems Requirements provided the Office of Operations with a list of 100 accounts for each program service center containing name differences between the Mater Beneficiary Record and Numident. The program service centers will analyze the 800 account numbers to determine entitlement and whether any erroneous payments are being made. The Office of Operations, Office of Programs and Policy, and the Office of Systems Requirements will meet to analyze the results of the study. The analysis was scheduled for completion in March 1998.

**SSA Field Office Visitor Workload,
OEI-05-92-00043, 8/22/95**

SSA should (1) eliminate the field office interview workload for noncitizens applying for an original SSN; and (2) expand initiatives to reduce field office workloads, focus on new and innovative ways to accomplish this goal, and establish specific workload reduction goals. OIG estimated that if implemented, SSA could realize savings of approximately \$250 million over 5 years. Concerning the first recommendation, SSA is working with staff from the Department of State to transfer the enumeration of aliens to INS, effectively eliminating the workload from SSA field offices. Plans require a phased-in approach, beginning with a Memorandum of Understanding with the INS and the Department of State. This is still pending because of SSN changes required by the Taxpayer Relief Act of 1997. In addition, a regulation change to waive mandatory in-person interviews for aliens age 18 or older who are applying for SSNs through the INS was initiated in December 1995, and the proposed rule was published in December 1997. In connection with the second recommendation, SSA agrees with the thrust of the report and continues to expand efforts to reduce field office workloads and focus on innovative methods to accomplish that goal. This is something that is an integral part of the SSA General Business Plan. SSA does not, however, agree with the OIG's establishment of the six fixed workload reduction targets. SSA's approach to service has been and should continue to be to provide a mix of service options which is effective and efficient and which meets the customers' needs. A fixed set of goals does not support that view of service. SSA reported that, rather than focusing entirely on innovative ways to keep people out of the office, it is working to improve its processes and eliminate those things that drive visitors to field offices.

**Improvements Are Needed to Prevent
Underpayments for Social Security Beneficiaries
With Earnings Posted After Entitlement,
A-13-94-00509, 5/1/95**

SSA should strengthen internal controls by improving sampling techniques to include random sampling and quality assurance procedures for the Automatic Earnings Reappraisal Operation to identify beneficiaries with post-entitlement earnings who received no benefit increases. Total underpayments are estimated between \$159 million and \$549 million. In addition, SSA should identify and correct underpayments to all current and noncurrent beneficiaries who were due benefit increases for post-entitlement earnings. SSA reported that the Office of Systems implemented changes to ensure that random sampling techniques are used to validate situations where earnings are posted and annual earnings reappraisal operations (AERO) identifies the case as a "no increase" or "no action necessary" case. These changes were implemented in 1995 with the first phase of the 1994 Earnings AERO Operation. The new ongoing post-entitlement earnings review for current beneficiaries is expected to be in place by mid-1998. Modifications were made to the ongoing (production) AERO in 1995 and 1996 to process all cases identified as potentially due an increase. A round-up operation was conducted to identify cases where an increase is potentially due when earnings are posted with no corresponding recomputation. The Office of Systems identified underpayments for 91,500 beneficiaries in the first category, with another 139,000 records identified as "no increase" cases. The balance of records in the first group were turned over to either the Office of Program Integrity and Reviews or the Office of Operations for processing. During the summer of 1997, the processing centers received 77,977 additional accounts for manual processing. The processing centers have completed 67,000 of these accounts and was expected to complete the additional 11,000 by April 1998.

APPENDIX B

Non-Monetary Recommendations From Previous Reports for Which Corrective Actions Have Not Been Completed

Actions Needed to Strengthen Controls to Deter Fraudulent Transactions at Program Service Centers, A-02-95-00003, 9/23/96

We recommended that SSA put in place controls over all prior month accrual payments until the proposed long-term solution is implemented. We also recommended that SSA examine the feasibility of revising the Manual Adjustment, Credit and Award Process to automatically generate a confirmation notice to the beneficiary of significant changes to his/her account, such as a change from check payment to a direct bank deposit or vice versa. SSA agreed to put such a confirmation notice in practice by December 1998.

Review of Asset Transfers for Supplemental Security Income Eligibility, A-09-95-01017, 9/13/96

SSA should develop a legislative proposal to address abuse when individuals transfer assets to become eligible for Supplemental Security Income benefits. SSA developed a proposal and successfully had it incorporated, as a substitute, in the House-passed welfare reform bill (H.R. 4). However, the provision was dropped during conference committee deliberations.

Follow-Up Audit on Payments Under the Disability Determination Program for Medical Appointments Broken by Claimants of Disability Insurance and Supplemental Security Income Benefits, A-01-95-02007, 7/24/96

SSA should institute a policy of paying only for services rendered and attempt to implement that policy at all DDS units. Such a policy would allow for payment for review of medical records, but not for broken medical appointments. In June 1996, SSA representatives conferred with representatives from States that no longer pay for broken medical appointments in order to develop a presentation which was given at the National Professional Relations

Conference in August 1996. The presentation encouraged paying States to adopt a no-pay policy and also shared strategies employed by States that have already converted to a no-pay policy. The Office of Disability has concluded its survey of the 17 States which, as determined in a 1995 survey, continue to pay for broken consultative examination appointments. The survey revealed that four States have adopted a no-pay policy and two have made progress toward a no-pay policy by either changing the rate paid or the situation for which they pay. SSA cannot set a target date for implementing this recommendation because circumstances in each State vary. Achieving a no-pay policy will be realized at different times for those States that still pay for broken consultative examinations. SSA's Office of Disability will monitor the regions' progress on this issue. There are also monetary recommendations that are noted in Appendix A.

Follow-up Report on a Department of Health and Human Services, Office of Inspector General Audit Entitled, Suspended Payments Need to Be Resolved Timely, A-13-93-00421, 7/18/96

SSA should implement policy and procedural changes to ensure adequate control, follow-up, and timely resolution of current and future suspensions, and require SSA field office management to report on all suspense cases that cannot be resolved through the alert process. Also, SSA should implement corrective action to place those cases in a special benefit termination category; require SSA field office employees to search death records when there is either no death information contained in SSA records, beneficiaries cannot be located within 1 year of suspension, and/or employees have direct access to State records; and ensure that field office and program service center employees have adequate evidence that a beneficiary is alive before reinstating benefits.

APPENDIX C

Significant Management Decisions With Which the Inspector General Disagrees

The Social Security Administration's Program for Monitoring the Quality of Telephone Service Provided to the Public, A-13-96-52001, 7/31/97

SSA should take corrective actions to ensure it meets the legal requirements of 18 U.S.C. sections 2510, et seq., and applicable regulations and establish internal controls to ensure telephone monitoring is being used for its intended purpose. SSA disagreed with the OIG on the issue of noncompliance with Federal laws and regulations. SSA advised OIG that the major conclusions reached in the report are not valid. SSA did, however, acknowledge that OIG identified some areas where improvements are possible and agreed to pursue those improvements, and is preparing new regulations governing telephone monitoring.

Audit of the Office of Program and Integrity Reviews' Special Studies, A-13-96-51142, 2/19/97

We recommended that SSA establish the Office of Program and Integrity Reviews as a management control area in SSA's FMFIA Program.

Review of Entitlement Determination Procedures for Unlocated Title II Disability Beneficiaries, A-06-95-00076, 7/29/97

SSA should examine the entitlement status of all disability beneficiaries who are in suspended pay status because they cannot be located and terminate benefits in cases where a reasonable time period lapses (e.g., 90 days from the date of suspension) to locate the beneficiary; and due process has been provided (e.g., notification letter to last known address). SSA did not concur with the recommendations. However, SSA agreed to explore the possibility of initiating continuing disability reviews for unlocated disability beneficiaries whose benefits have been suspended for an extended period. The Office of Program and Integrity Reviews is conducting a study and expects to complete their work by the end of April 1998.

How to Report Fraud

The SSA Fraud Hotline offers a convenient 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 Fraud Hotline

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