

A MESSAGE FROM THE INSPECTOR GENERAL

Across the Federal Government, offices of inspectors general act in the best interests of the agencies they oversee and the citizens those organizations serve, keeping a focus on transparency and accountability. The Social Security Administration (SSA) Office of the Inspector General (OIG), too, is committed to opening the lines of communication to all of our stakeholders, to share our mission and message.

With this in mind, I am pleased to present our *Semiannual Report to Congress*, covering the period April 1, 2012, through September 30, 2012. This report includes our most significant audit, investigative, and legal accomplishments, as we continue to work with SSA to address critical management issues such as improving customer service, reducing improper payments, and investing in information technology.



With that focus on transparency and accountability, during this reporting period, we celebrated the first anniversary of the launch of our redesigned website, which we believe leads the way in a new era of Federal Government information sharing with the American people. We also built on this significant achievement by establishing an active social media presence to interact more fully with you. We now share the results of our investigative and audit work via Facebook, Twitter, and YouTube, as well as through an interactive blog, which allows citizens to engage directly with us.

My office has risen to the challenge of keeping pace with technological change, while remaining committed to meeting our statutory mission of preventing Social Security fraud, and improving the Agency's programs and operations to protect them for future generations. In the past six months, our investigators continued to focus on high-priority allegations of disability fraud and Social Security number misuse that led to improper benefit payments; as well as employee misconduct and representative payee fraud. And, our auditors responded swiftly to a congressional call to evaluate SSA's direct deposit policies and procedures, and to identify systemic vulnerabilities.

In everything we do, we emphasize the importance of stewardship of SSA funds and excellent service to the citizens who depend on the Agency for support. I assure you that we will continue to communicate and work with SSA and the Congress, to ensure that the Agency can fulfill its obligation to all Americans, now and into the future.

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

Patrick P. O'Carroll, Jr.
Inspector General



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EXECUTIVE SUMMARY

This report presents the significant accomplishments of SSA's OIG from April 1, 2012 - September 30, 2012. The report is organized according to three major goals set forth in the ***OIG Strategic Plan: Fiscal Years (FY) 2011-2015, second edition:***

- have a positive **impact** on SSA's programs;
- provide **valuable** products and services; and,
- enhance the work experience of our **people**.

Impact

We work to have a positive impact on SSA programs and operations by enhancing their integrity, efficiency, and effectiveness. During this reporting period, we received 71,867 allegations from SSA employees, the Congress, the public, law enforcement agencies, and other sources. Our agents closed 4,029 criminal investigations, resulting in 269 arrests, 637 indictments and informations, 706 criminal convictions (including pretrial diversions) and 118 civil judgments/civil monetary penalty (CMP) assessments.

Highlighted investigations in this section relate to Social Security number (SSN) misuse, employee misconduct, and threats against SSA employees. OIG agents also continued to work with law enforcement agencies to arrest subjects identified through the Fugitive Felon Enforcement Program.

Our auditors also had a significant impact during this reporting period, issuing 56 reports and making recommendations on a wide variety of challenges facing the Agency. Our

audit work over the past six months included reviews of Individual representative payees who have misused benefits and direct deposit changes initiated by the SSA's national 800-number staff

Value

Our organization strives to provide valuable products and services in a timely manner to the Congress, SSA, and other key decision-makers, while sustaining a positive return for each dollar invested in OIG activities. During this reporting period, our auditors identified more than \$135 million in questioned costs and more than \$2.6 billion in Federal funds that could be put to better use. Highlighted audits examine representative payees misusing benefits and the significance of administrative finality in SSA's programs.

In the second half of FY2012, we are reporting over \$248 million in monetary accomplishments, including over \$50 million in SSA recoveries, restitution, fines, settlements, and judgments; and over \$197 million in projected savings from investigations resulting in the suspension or termination of benefits. In addition, we participated in multi-agency investigations that resulted in over \$30 million in savings, restitution, and recoveries for other agencies.

Our Cooperative Disability Investigations (CDI) Program continues to be one of our most successful initiatives, contributing to the integrity of SSA's disability programs. The efforts of our CDI Units during this reporting period resulted in more than \$166 million in projected SSA program savings, and over \$119 million in projected savings to other programs.

During this reporting period, our attorneys initiated 138 CMP actions (Section 1129 cases)

that involved false statements, representations, or omissions made in connection with obtaining or retaining benefits or payments under Titles II and XVI (Supplemental Security Income) of the *Social Security Act* (the Act). Included in our investigative accomplishments on the previous page is over \$5.4 million in penalties and assessments that our attorneys imposed through our CMP program.

Our attorneys also pursued actions (Section 1140 cases) to protect the public from fraudulent schemes that make use of the SSA's well-deserved reputation. During this reporting period, the OIG attained voluntary compliance in 11 cases and deterred future violations through aggressive enforcement and outreach efforts.

People

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

During this reporting period, we increased efforts to gather and listen to feedback from our stakeholders. We created a survey to measure OIG's responsiveness to constituent-based congressional inquiries; about 71 percent of responders said OIG's response adequately addressed the constituent's concerns. The re-designed OIG public website launched about a year ago, and we sought input from site visitors

with a similar public survey; more than 93 percent of responders said they found the site's information useful.

We have also created a survey to help us ensure that this Semiannual Report to Congress is providing the information



you need in a user-friendly format. Please let us know what you think by taking our brief survey located at: <http://oig.ssa.gov/survey>.



INTRODUCTION TO OUR ORGANIZATION

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

Immediate Office of the Inspector General

The Immediate Office of the Inspector General (IO) assists the Inspector General with the full range of his responsibilities. IO staff also ensures coordination with congressional committees, SSA, the Social Security Advisory Board, and the Council of Inspectors General on Integrity and Efficiency (CIGIE). IO also includes the Office of Quality Assurance and Professional Responsibility (OQAPR), which reviews each OIG component offices to ensure compliance with Federal laws and regulations, Agency policies, and relevant professional standards; and conducts investigations into allegations of misconduct by OIG employees.

Office of Audit

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

Office of the Counsel to the Inspector General

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

Office of External Relations

The Office of External Relations (OER) disseminates information about the OIG's work to Congress, the media, and the public. OER prepares presentations for OIG executives, coordinates the OIG presence at government and public events, publishes informational materials, prepares *the Semiannual Report to Congress*, and represents the OIG in the news media. OER also maintains the OIG presence on the Internet, and supports OIG components with respect to external communications.

Office of Investigations

The Office of Investigations (OI) conducts investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, and third parties, as well as by SSA employees. This office serves as the OIG's liaison to the Department of Justice (DOJ) on all investigative matters. OI also conducts joint investigations with other law enforcement agencies, and it shares responsibility with the Department of Homeland Security's (DHS) Federal Protective Service (FPS) for investigating threats or violence against SSA employees, and facilities.

Office of Technology and Resource Management

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



IMPACT

The first OIG Strategic Plan goal is to have a positive impact on SSA's program. We are committed to enhancing SSA's effectiveness and efficiency through our investigative, audit, and legal activities. During this reporting period, we completed numerous audits, investigations, and legal initiatives that had a significant impact on preventing fraud, waste, and abuse and enhancing the integrity of SSA's programs. The summaries presented below are examples of our work over the past six months.

Audit Impact Initiatives

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

American Recovery and Reinvestment Act of 2009

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

- \$500 million for the replacement of SSA's National Computer Center (NCC);

- \$500 million for processing disability and retirement workloads, and information technology acquisitions and research in support of these workloads; and,
- \$90 million to process a one-time economic recovery payment (ERP) of \$250 to millions of qualified individuals receiving Social Security benefits and/or Supplemental Security Income (SSI).

Congress provided our office \$2 million to evaluate SSA programs, projects and activities funded by the Recovery Act. These are two of the reports we issued on using Recovery Act funds:

1) Contingency Plans to Maintain Operations if Delays Occur in the Construction of the Social Security Administration's New Data Center (Limited Distribution)

In 2011, SSA and the General Services Administration (GSA) decided to locate the Agency's new National Support Center (NSC) in Urbana, Maryland.

The replacement of the NCC with the NSC is SSA's most critical information technology challenge over the next five years. The NCC was constructed in 1979, and the building in which it is housed is nearing the end of its useful physical life. The chance of a potentially crippling outage at the NCC increases as time passes.

According to GSA, the timeline for completing the build-out of the NSC set a September 2014 date for building completion, and a January 2015 date for the commissioning of the building. SSA estimates that data migration could take an additional 18 months.

We contracted with Strategic e-Business Solutions (SeBS) to assist with a review of contingency plans should delays occur during construction. SeBS determined the Agency's planning documents provided an extensive range of coverage and conveyed the information needed to plan for emergencies that could affect the NCC.

Because there are many risks involved if this project were to fall behind schedule, it is critical that GSA and SSA identify and develop plans for foreseeable construction delays, including excavation challenges and weather-related delays; and negotiate contracts with suppliers and builders to ensure materials are delivered and the work is completed on time.

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

2) American Recovery and Reinvestment Act of 2009 Funds Used for Health Information Technology Contracts

In recent years, promptly processing disability claims has become increasingly difficult for SSA staff because of increased volume, outdated policies and procedures, and limited resources.

To address these challenges, SSA is using Recovery Act funds to work with medical providers so the Agency can collect medical evidence in a standardized electronic data format through Health Information Technology (HIT). With this effort, SSA hopes to have a more efficient and effective medical evidence-gathering process to improve the timeliness and quality of disability decisions.

We reported that SSA awarded 15 HIT contracts with Recovery Act funds, and the Agency properly accounted for Recovery Act funds during the contract process. In addition, we reviewed SSA documentation, which indicated the contractors did successfully request and receive medical information through HIT.

Direct Deposit Changes Initiated by the Social Security Administration's National 800-Number Staff (Limited Distribution)

In October 2011, our office began tracking allegations indicating that individuals—other than Social Security beneficiaries or their representative payees—had initiated unauthorized changes to direct deposit information and redirected beneficiary payments to other accounts. While investigating this scheme on several fronts, we also initiated several reviews of SSA's controls over the processing of beneficiary direct deposit information.

As reports of attempts to make unauthorized changes to beneficiary accounts surfaced, SSA in November 2011 revised its policy for verifying the identities of individuals who request direct deposit changes over the phone. The Agency also reminded staff how to process such requests over the phone, especially if notations in SSA systems indicated a beneficiary's information was previously changed fraudulently.

Despite this, our review of the Agency's controls over direct deposit changes by phone found that they were not fully effective. Accurately verifying an individual's identity over the phone presents more challenges to SSA staff than face-to-face verification in a field office; thus, the risk of fraudulent changes is higher.

SSA needs sufficient authentication controls in place to prevent the processing of unauthorized changes to a beneficiary's direct deposit records. Confirming a beneficiary's personal information does not guarantee the caller is the beneficiary; however, SSA has beneficiary-specific

information in its systems it could request for additional verification purposes.

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Title II Deceased Beneficiaries Who Do Not Have Death Information on the Numident

SSA receives death information from Federal, State, and local agencies as well as entities such as funeral homes, hospitals, etc. The Agency matches these reports against its own electronic payment records to identify and prevent improper payments to deceased beneficiaries. SSA records this death information on the Numident, the Agency's master database of SSN holders. The Agency uses death information from the Numident for a number of purposes, including to:

1. create the Death Master File (DMF), a data extract that public and private entities use to verify death and prevent fraud;
2. determine whether wages are erroneous; and
3. assist DHS with determining the eligibility of newly hired employees to work in the United States.

To identify and prevent improper payments to deceased beneficiaries, SSA also matches death reports from Federal, State, and local agencies against its electronic payment records. However, SSA needs to improve its controls to ensure it accurately records beneficiaries' death information. In this review, we determined that SSA did not record death information on the Numident for about 1.2 million deceased beneficiaries.

Generally, the deaths were not on the Numident because the beneficiaries' information on SSA's payment records or death report did not match the beneficiaries' information on the Numident. We also found that SSA staff incorrectly deleted death information from the Numident. In response, SSA said it would analyze its death



processing system and develop a method for identifying deceased beneficiaries who have death information on the Master Beneficiary Record but not on the Numident.

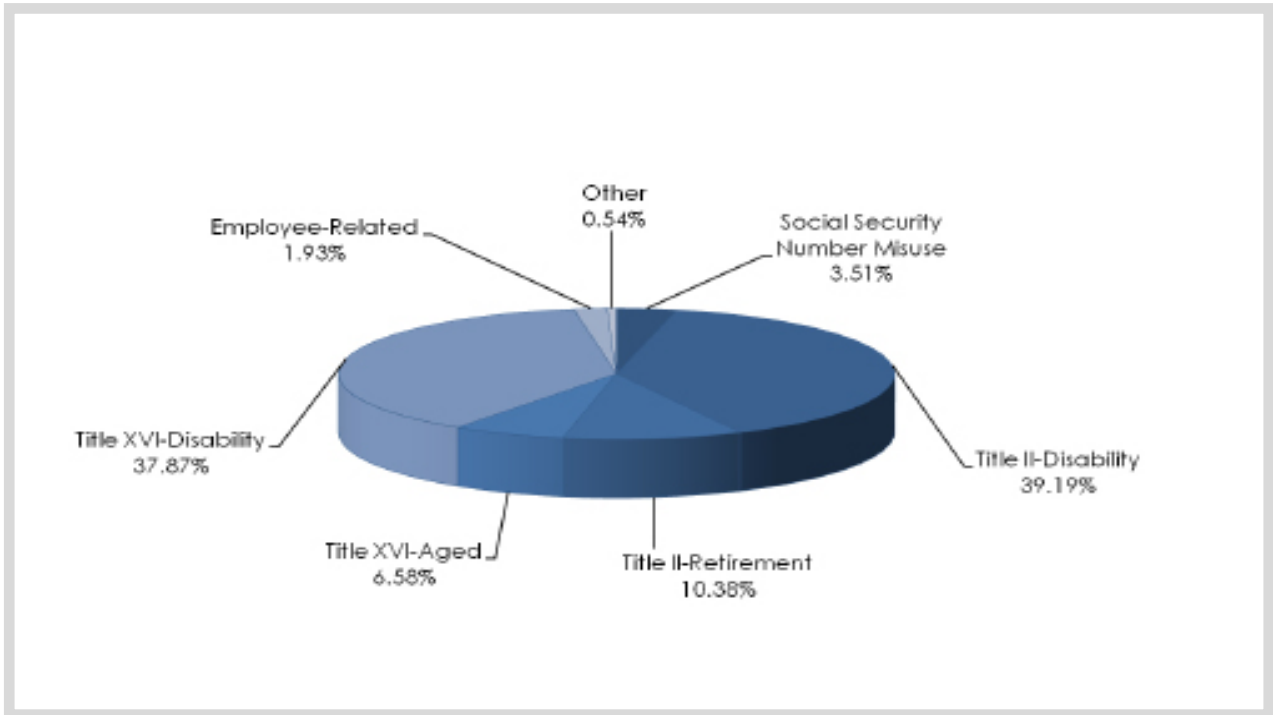


Investigative Impact Initiatives

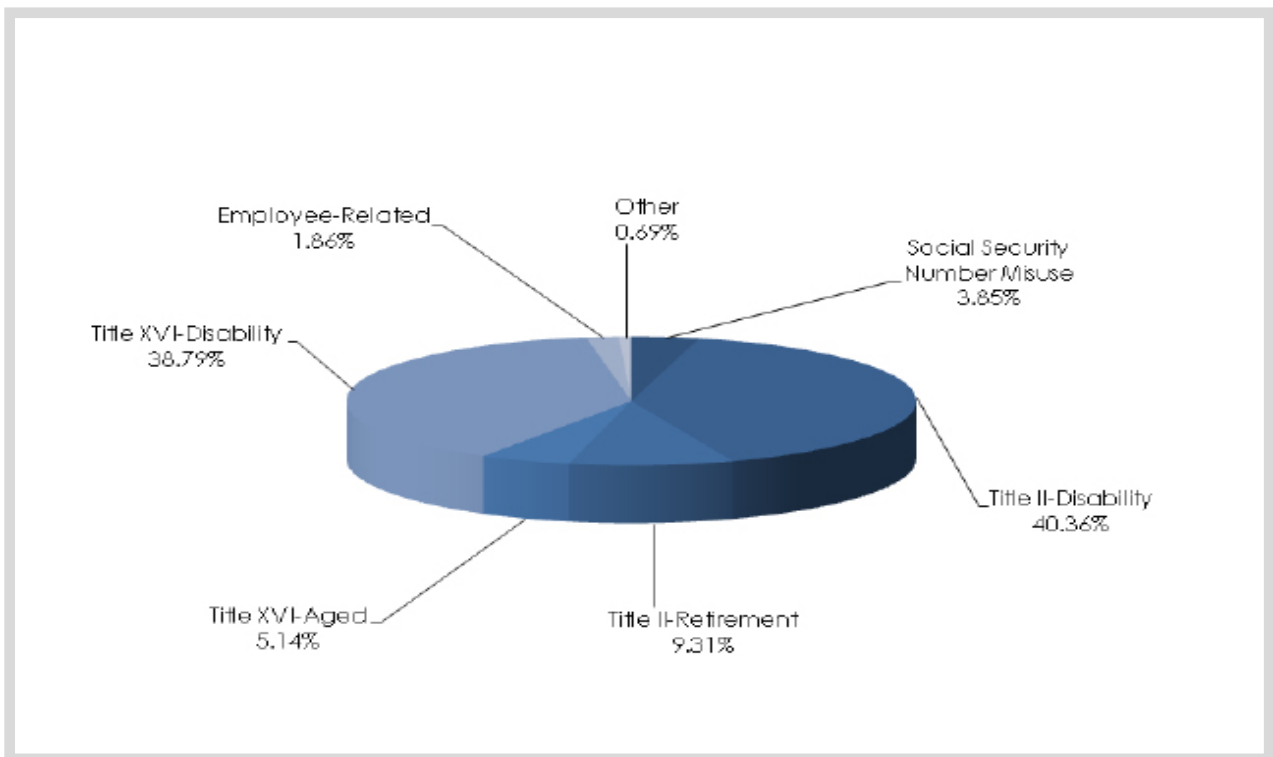
Our Office of Investigations examines and investigates allegations of fraud, waste, abuse, and mismanagement in SSA programs and operations. These allegations may involve issues such as benefit fraud, SSN misuse, violations by SSA employees, or fraud related to grants and contracts. Our investigations often result in criminal or civil prosecutions or the imposition of CMPs against offenders. These investigative efforts improve SSA program integrity by recovering funds and deterring those contemplating fraud against SSA in the future. Our work in the areas of program fraud, enumeration fraud, SSN misuse, and other Social Security-related fraud ensures the integrity of SSA programs.

Investigative Results			
	10/1/11-3/31/12	4/1/12-9/30/12	FY 2012 Total
Allegations Received	63,368	71,867	135,235
Cases Opened	3,969	4,101	8,070
Cases Closed	3,804	4,029	7,833
Arrests	283	269	552
Indictments/ Informations	521	637	1,158
Criminal Convictions	703	706	1,409
Civil/CMPs	108	118	226

Cases Opened by Program Category
April 1, 2012 - September 30, 2012



Cases Closed by Program Category
April 1, 2012 - September 30, 2012





Allegations Received by Source			
	10/1/11 – 3/31/12	4/1/12 – 9/30/12	FY 2012
SSA Employees	25,081	34,927	60,008
Private Citizens	17,996	18,510	36,506
Anonymous	13,569	13,826	27,395
Law Enforcement	1,735	1,325	3,060
Beneficiaries	1,221	1,486	2,707
Public Agencies	3,751	1,779	5,530
Other	15	14	29
TOTAL	63,368	71,867	135,235

Allegations Received by Category			
	10/1/11 – 3/31/12	4/1/12 – 9/30/12	FY 2012
Disability Insurance	24,908	27,251	52,159
SSI Disability	14,560	15,350	29,910
SSN Misuse	6,451	7,009	13,460
Old-Age and Survivors Insurance	11,673	15,564	27,237
Other	3,412	3,431	6,843
Employee-Related	1,301	1,371	2,672
SSI Aged	1,063	1,891	2,954
TOTAL	63,368	71,867	135,235

Disability Program Fraud

Maryland Woman Conceals Marriage and Income to Receive SSI

Acting on information provided by the Annapolis, Maryland SSA office and the U.S. Attorney's Office, our Baltimore office investigated a woman who had received SSI since 2003 for a back disorder, claiming that she was not married and had no resources. We determined that not only was the woman married and operating a business, but she had multiple aliases and a long criminal history. At the same time, the FBI was investigating her for defaulting on mortgages obtained using stolen identities; obtaining a business loan by falsely reporting assets and income of \$12 million; and defrauding Medicare by billing for services never provided by her business. The total fraud loss from this case, which we investigated under the auspices of the Maryland Mortgage Fraud Task Force, was \$2.6 million.

In June 2012, after the woman pled guilty to bank fraud, a U.S. District Court judge sentenced her to 5 years in prison and 5 years' probation, with restitution to various Federal agencies and financial institutions to be determined.

Florida Man Uses Two Identities to Receive SSI

Based on a referral from the Lakeland, Florida SSA office, our Clearwater, Florida office investigated a man fraudulently receiving SSI under two identities. The SSA office suspected fraud based on further development after an OIG audit identified two men receiving SSI while living at the same address. Our investigation revealed

that, in fact, they were the same person. We determined that the man had applied for SSNs with two different names, and had been receiving SSI under one SSN for 20 years and under the other SSN for 15 years. He listed the same address on both SSA records, but kept two different bank accounts for the direct deposit payments.

In July 2012, after the man pled guilty to theft of Government funds, a U.S. District Court judge sentenced him to 1 year in prison and 3 years' probation; and ordered him to pay restitution of \$102,279 to SSA.

Representative Payee Fraud

Business Owners Steal \$1.4 Million from 750 Clients

Based on a referral from the Tucson, Arizona SSA office, our Phoenix office investigated the three owners of an Arizona organizational payee. Between 1994 and 2008, we determined that the business misused the SSA benefits of over 750 clients. The owners conspired to charge their clients excessive fees, steal clients' monthly payments rather than manage them, and make false entries in financial records to disguise the diverted money. Overnight, the business closed its doors without any warning to its low-income, disabled clients, many of whom had nobody else to help manage their finances.

In May 2012, after the three pled guilty to mail fraud and Social Security fraud, a U.S. District Court judge sentenced them to 110, 70, and 30 months in prison respectively; and ordered them to pay restitution of \$1,435,093 to SSA.

CEO of Organizational Payee Defrauds Beneficiaries

Acting on a referral from the Greenfield, Wisconsin SSA office, our Milwaukee office investigated the Chief Executive Officer (CEO) of an organizational representative payee. During a routine review of the company's records, SSA discovered accounting irregularities; and a company employee suggested that the CEO was personally responsible for those irregularities. We determined that from December 2008 until September 2010, the CEO had misdirected clients' SSA benefits from their bank accounts into the company's general operating account in

order to keep the company solvent. The payee's board of directors fired the CEO and dissolved the business. In May 2012, after the CEO pled guilty to theft of Government funds, a U.S. District Court judge sentenced her to 3 years' probation, and ordered her to pay restitution of \$105,867 to SSA.

Woman Conceals Loss of Custody to Continue Receiving Benefits

Acting on an anonymous tip, our Washington, D.C. office investigated a woman who was the representative payee for her daughter. In March 2004, Washington, D.C. social workers removed the daughter from the mother's custody and placed her in foster care. However, the woman did not report this to SSA, and continued to receive Title II survivors' benefits on the child's behalf. In June 2008, the girl's foster mother adopted her, and discovered that the biological mother had been receiving her daughter's benefits and using the funds for her own needs.

In August 2012, after the woman pled guilty to Social Security fraud, a U.S. District Court judge sentenced her to 8 months in prison and 3 years' probation; and ordered her to pay restitution of \$54,750 to SSA.

SSA Fraud

Florida Man Receives Deceased Mother's Benefits for 15 Years

Acting on a referral from the Brevard County, Florida Sheriff's Office, our Jacksonville office investigated a Florida man who concealed his mother's death from SSA. In 1992, an unidentified woman's body was found in Brevard County, Florida; however, the woman was not identified until late 2010, through a forensic exam. We determined that between January 1993 and June 2008, the woman's son

continued to receive and spend his mother's monthly SSA benefits.

In June 2012, after the man pled guilty to theft of Government property, a U.S. District Court judge sentenced him to 4 years in prison and 3 years' probation; and ordered him to pay restitution of \$158,992 to SSA.

Man Fakes His Own Death to Create SSA Benefit Entitlement

Acting on a tip received via the OIG Fraud Hotline, our Santa Ana, California office investigated a California man who faked his own death. The man and his wife conspired to create a false Mexican death certificate for the man so his family could collect Social Security survivors' benefits and Teamsters Union pension benefits. From 2004 through August 2011, the man's family fraudulently received \$256,510 from SSA and \$156,490 from the Teamsters Union.

In May 2012, after the man and his wife pled guilty to grand theft, a State Superior Court judge sentenced them both to 2 years in prison and 2 years' probation; and ordered them to make full restitution to SSA and the Teamsters Union pension fund.

Arizona Man Receives Deceased Mother's SSA Benefits

Acting on a tip reported via the OIG Fraud Hotline, our Phoenix, Arizona office investigated a man who concealed his mother's death. Our investigation confirmed that the man's mother died and was cremated in February 2000, but he continued to receive and spend his mother's monthly Social Security benefits and failed to report her death to SSA. He was arrested in 2009, but he failed to appear for his next court date and was arrested again in 2010.

In May 2012, after the man pled guilty to theft of Government funds, a U.S. District

Court judge sentenced him to 20 months in prison and 3 years' probation. He was also ordered to pay restitution of \$98,862 to SSA.

Man with Power of Attorney Conceals Beneficiary's Death for 11 Years

Based on a referral from SSA's Southeastern Program Service Center, our Greensboro, North Carolina office investigated a man who concealed the death of an SSA beneficiary so he could continue to receive her benefits. The Durham, North Carolina SSA office identified a woman who died



in 1999, but her benefits continued to be direct deposited into a bank account with a joint owner. Our investigation determined

that the beneficiary had no children, so she gave a longtime family friend power of attorney and added him to her bank account to manage her funds. After her death, the man continued to access and spend her SSA benefits from July 1999 through December 2010.

In June 2012, after the man pled guilty to theft of Government property, a U.S. District Court judge sentenced him to 10 months in prison and 3 years' probation. He was also ordered to pay restitution of \$82,373 to SSA.

Employee Cases

SSA Intern Conspires to Steal Identities for Fraudulent Tax Returns

Working with the U.S. Secret Service and the North Miami, Florida Police Department, our Fort Lauderdale office investigated an unpaid SSA student intern for stealing SSA documents containing the information of SSA claimants. The intern then sold these documents to another man, who used the claimants' information to file fraudulent Federal income tax returns and claim refunds to which he wasn't entitled. The refunds were sent to the student's residence or other addresses his conspirator controlled.

In June 2012, after the student pled guilty to conspiracy to defraud the Government with respect to claims, a U.S. District Court judge sentenced him to 1 year in prison and 3 years' probation; and ordered him to pay restitution of \$82,708 to the U.S. Treasury. He was also barred from the SSA office. His conspirator pled guilty to multiple charges, including conspiracy to defraud the United States by obtaining and aiding to obtain the payment of false and

fraudulent claims, and aggravated identity theft. A U.S. District Court judge sentenced him to 57 months in prison and 3 years' probation; and ordered him to pay restitution of \$82,708 to the U.S. Treasury.

Former SSA Claims Representative Convicted of Wire Fraud and Theft

Based on information provided by the Whittier, California SSA office, our Los Angeles office investigated an SSA claims representative who, under the guise of collecting SSA overpayments, solicited payments from SSA beneficiaries and deposited the funds into her personal bank accounts.

In August 2012, after she pled guilty to wire fraud and theft by a government employee, a U.S. District Court judge, sentenced her to 6 months in prison, 3 years' supervised release, and ordered her to pay restitution of \$31,829 to the victims and a special assessment fee of \$200. The employee resigned from SSA following her arrest.

Threats and Assaults Against SSA Employees

Employee safety is of paramount concern to SSA and the OIG. Social Security employees must be vigilant as the number of Americans who depend on government services increases during times of economic challenge.

The Inspector General's OI shares the responsibility for investigating reports of threats of force or use of force against Agency employees with DHS FPS which has jurisdiction over physical property owned

or leased by the Federal Government, and with local law enforcement if the activity occurs off federally owned or leased property.

During the reporting period, the OIG received over 800 allegations nationwide related to employee safety issues, of which over 200 involved assault or harassment and over 500 were associated with threats against SSA employees or buildings. OI opened over 30 cases and closed over 60 cases nationwide related to employee safety.

The following case summaries highlight significant investigations we conducted during this reporting period in which SSA employees were threatened by members of the public.

Employee Safety

Georgia Man Threatens SSA Employee Over Pending Claim

Our Atlanta, Georgia office investigated a man who left a threatening message for an Augusta, Georgia SSA employee related to the processing time of his pending SSI disability claim. He then spoke with another SSA employee via telephone and again made threatening comments about the processing time of his claim, threatening to harm the office's Protective Security Officer if SSA didn't approve his claim quickly.

In April 2012, after the individual pled guilty to making harassing telephone calls, a Superior Court judge sentenced the man to 1 year in prison.

Seattle Area Man Assaults Guard

Based on a referral from the North Seattle, Washington SSA office, our Seattle office investigated a man who assaulted a security guard. In March 2012, the man entered the SSA office wearing a backpack and a fanny pack, and refused to allow the security guard to inspect the items. A struggle ensued when the guard tried to detain the man. The man assaulted the guard, kicking him in the head, placing him in a chokehold, and kneeling him in his head and back. Two SSA employees were able to pull the man off of the guard, and the man was subdued and handcuffed. Local police and EMS responded to the scene, and the man continued to threaten the guard verbally.

In May 2012, after the individual pled guilty to assaulting a Federal employee, a U.S. District Court judge sentenced him to 60 days in prison.

Man Injures Guard and Damages SSA Office

Based on a threat report received from the Gloversville, New York SSA office, our Albany office investigated an SSI disability recipient who assaulted a contract guard and caused property damage to the SSA office. On April 2, 2012, during his disability interview in the Gloversville office, the man became loud and was escorted from the building by a security guard. While leaving the office, the man broke an exterior window and an interior door, and injured the guard.

In June 2012, after the man pled guilty to assault and criminal mischief, a New York Court judge sentenced him to time served (4 months). In August 2012, the judge also ordered the man to pay a civil judgment of \$1,100 to SSA for the damage to the office.

Fugitive Felon Enforcement Program

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

Our data-sharing efforts with law enforcement agencies contributed to the arrest of 204 subjects during the reporting period, and more than 95,500 arrests since the program's inception in 1996. The following are some examples of fugitive felon activities during the past six months:

- OIG agents and members of the Boston Police Department and Deputy U.S. Marshals operating under the U.S. Marshals Service (USMS) Boston Regional Sex Offender Apprehension Project arrested an SSA beneficiary on four warrants. The 1st warrant was Failure to Register as a Sex Offender, dated June 2012. The 2nd warrant was Failure to Register as a Sex Offender, dated July 2012 (Homeless 2nd offense). The 3rd warrant was Violation of Probation, dated August 2010 for violating a high misdemeanor Abuse Prevention Order; and the 4th warrant was another Violation of Probation dated April 2011 for Threatening to Commit a Crime.
- OIG agents and members of the Dallas Police Department and the USMS arrested an SSA beneficiary on two residential burglary warrants dated March 2012 and June 2012 with a bail of \$50,000 each. The beneficiary was associated with the South Central Los Angeles Bloods Gang.
- OIG agents and members of the New York/New Jersey Regional Fugitive Task Force arrested an SSA beneficiary on a warrant dated July 2012 for Violation of Probation on a charge of Grand Larceny.
- OIG agents and members of the U.S. Marshals Service Pacific Northwest Violent Offender Task Force in Coeur D'Alene, Idaho arrested an SSA beneficiary on a California Department of Corrections warrant dated February 2012 for a Violation of Parole for a charge of Rape. The SSA beneficiary was located through the beneficiary's social media activity on the internet.

Legal Impact Initiatives

Section 1140 Enforcement

Section 1140 of the Act protects the public by prohibiting the misuse of SSA words and symbols in misleading advertisements, solicitations, or other communications. It also prohibits the reproduction and sale of SSA forms without authorization from SSA.

Misleading communications running afoul of Section 1140 take many forms, such as deceptive paper-based mailers, misleading attorney advertising, and more recently and at an alarming rate, misleading Internet solicitations, including the Internet-based sale of otherwise free Social Security forms. Internet scammers, in the pursuit of financial gain and/or the accumulation of personally identifiable information (PII), utilize misleading domain names, develop misleading websites, and place deceptive advertisements with search engines to create a false sense that they are somehow associated with SSA.

OCIG, using authority delegated by the Commissioner and the Inspector General, aggressively enforces Section 1140. The statute provides for up to \$5,000 in CMPs for each violation of the Act, and \$25,000 for a broadcast or telecast. Penalties collected for violations of Section 1140 are deposited into SSA's Old Age and Survivors Trust Fund.

Missouri Company Agrees to Pay CMP to Settle Alleged Violation

Hermeris, Inc. doing business as SimpleFilings.com of Kansas City, Missouri, agreed to pay a civil monetary penalty of \$82,000 to settle the OIG's claim that the company violated Section 1140. SimpleFilings.com used the domain names gov-tax.net/ssn-card and simplefilings.gov-tax.net/ssn-card to direct users to its SimpleFilings.com website, a self-described "Social Security card application preparation service."

The OIG received complaints from consumers, who asserted that these domain names conveyed the false impression that SimpleFilings.com had some connection with SSA.

Without admitting that it violated Section 1140, SimpleFilings.com agreed to pay a civil monetary penalty and discontinue use of the offending domain names; and voluntarily made changes to its website to clarify its services.

Illinois Company Agrees to Pay CMP to Settle Alleged Violation of the Act

Juice Advertising, LLC, doing business as Social-Security-Expert.com, of Chicago, Illinois agreed to pay a civil monetary penalty after the OIG asserted that Social-Security-Expert.com placed search engine advertisements for its website with the Microsoft Corporation (via its Bing and Yahoo! search engines) using the phrases "Ssa.gov" and "Socialsecurity.gov" (actual domain names used by the Social Security Administration) in order to direct customer traffic to its site.

Without admitting that it violated Section 1140, Juice Advertising, in addition to agreeing to pay a civil monetary penalty,

agreed to comply fully with Section 1140 of the Act and permanently cease and desist from using the phrases “Ssa.gov” and “Socialsecurity.gov” in any future advertisements.

Section 1140 Outreach Program

In response to the alarming increase in Internet-based fraud schemes, OCIG launched a Section 1140 Outreach Program at the beginning of FY 2012. OCIG has successfully collaborated with major search engine companies, domain registrar companies, and financial institutions that would-be scammers need in order to conduct their Internet-based schemes. These efforts have educated these companies about Section 1140 and assisted OIG in gaining valuable insight into key technical aspects of how these scams operate. These companies are now working with the OIG to establish mechanisms to quickly and efficiently identify and halt fraud schemes, and are implementing proactive mechanisms with the goal of preventing fraud schemes from occurring.

Based on our outreach efforts, Google and Microsoft (which powers both Bing and Yahoo! search engines) modified their AdWords Terms and Conditions and Ad Content and Style Guidelines policies, respectively, to protect its users from advertisements, websites, and businesses that create the false impression of a connection with a governmental agency. We convinced these and other entities that working with us would not only protect the public and Social Security's reputation, but the company's own reputation as well.

With our help, the credit card company created a filtering system to identify websites that may violate Section 1140 and accept its credit card as a form of payment. The company now refers all websites that it identifies through this filtering system to the OIG for review.

This proactive approach has allowed us to take immediate action to shut down two North Carolina-based websites operating in violation of Section 1140, socialsecuritycardservice.com (pictured on following page) and social-security-card-now.com, in just a few short weeks after receiving notification. The websites' operator, Intelligent Web Marketing, Inc. (“IWM”) of Albemarle, North Carolina, without admitting that it violated Section 1140, immediately agreed to cease its violative operations and pay a civil monetary penalty to settle the OIG's claim that the company violated Section 1140.

Since the initiation of our Outreach Program in FY 2012, the OIG has successfully shut down 23 Internet-based fraud schemes. You can learn more about our Section 1140 Outreach Program in the forthcoming Fall/Winter 2011/2012 edition of the Journal of Public Inquiry, in an article titled An Ounce of Outreach is Worth a Pound of Enforcement. The new edition of the Journal will be available at this website: www.ignet.gov/randp/jpi1.html.



SECTION 1140			
	10/1/11 – 3/31/12	4/1/12 – 9/30/12	FY 2012
Cases Reviewed	30	16	46
Cases Closed - No Violation of Section 1140	14	5	19
Cases Successfully Resolved (Voluntary Compliance and Settlement Agreement)	16	11	27
Penalties Imposed	\$50,000	\$88,500	\$138,500

VALUE

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

Value Attained Through Audits

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

During this reporting period, our auditors issued 56 reports, identifying over \$135 million in questioned costs and over \$2.6 billion in Federal funds that could be put to better use. Some of our most notable audits are summarized below.

Using Medicare Claim Data to Identify Deceased Beneficiaries

There are many opportunities for SSA to use data matches to improve the efficiency and integrity of its operations and its delivery of benefits to the American public. In this report, we showed that SSA could use enhanced Medicare claim data to identify deceased beneficiaries in less time and with fewer resources.

We obtained an extract of people age 90 or older, enrolled in Medicare, and in current SSA payment status. We then identified a population of Social Security beneficiaries who did not use Medicare from 2007 to 2009; from this group, we randomly selected and attempted to contact 125 beneficiaries to find out if they were alive and entitled to benefits.

Based on our findings, we estimated that SSA overpaid 890 deceased beneficiaries about \$99 million. Further, we estimate that over the next year, SSA will pay about \$9 million in additional overpayments to these deceased beneficiaries.

SSA said it would:

1. work with Centers for Medicare & Medicaid Services to establish a data-use agreement to identify aged beneficiaries who are not using Medicare;
2. expand the use of electronic death exchange information with foreign governments who are willing to share such information; and,
3. work with the banking industry, as allowed under the law, to find inactive bank accounts or deceased beneficiaries, thus avoiding overpayments.

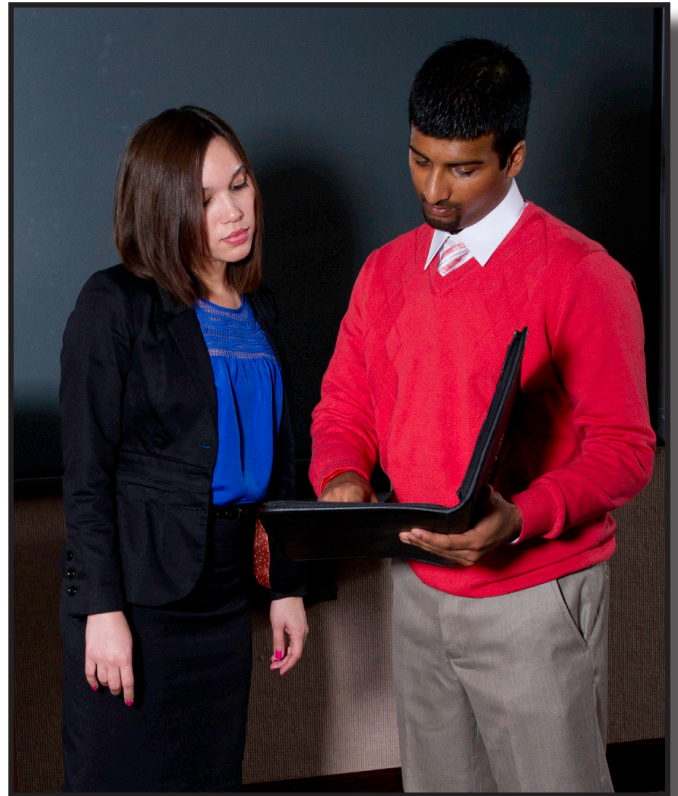
Disabled Individuals with Mental Impairments in Need of a Representative Payee

If SSA learns that beneficiaries might have a mental or physical impairment that prevents them from managing their benefits, the Agency must perform a capability determination and, if necessary, assign a representative payee.

Our report identified about 6.5 million beneficiaries who received Disability Insurance (DI) or SSI because of a mental impairment; of which, about 3.5 million did not have a representative payee.

Based on the results of interviews with a sample population of beneficiaries with mental impairments, we estimated that more than 208,000 such beneficiaries received more than \$200 million in monthly benefits and might be incapable of managing these funds. Without a representative payee to oversee these funds, the benefits are at risk of inappropriate use.

SSA said it would consider options to make mentally impaired beneficiaries, their family members, and the public aware that a representative payee might be needed if situations change and an individual becomes incapable of managing his/her benefits.



Significance of Administrative Finality in SSA's Programs

Administrative finality is the principle that SSA's initial Old-Aged and Survivors Disability Insurance (OASDI) and SSI eligibility determination and payment amounts become final and binding on both parties, unless they are timely appealed or later revised for certain reasons within certain time periods.

Consequently, if conditions to reopen a determination do not exist or time limits have expired, SSA generally will not revise the benefits and will continue to make the overpayment or underpayment throughout the beneficiary's or recipient's lifetime. SSA also does not pursue recovery or any resulting overpayments.

For example, we identified a beneficiary who received a full retirement benefit under her own SSN, and another full benefit under her deceased spouse's SSN, which resulted in an \$870 monthly overpayment. The overpayments started in 1982 and caused a total overpayment of about \$215,000. Because of SSA's administrative finality rules, the Agency will not reopen this case, and this overpayment will increase throughout the beneficiary's lifetime.

Our report recommended that SSA evaluate its administrative finality policies and regulations, and consider revising the rules to allow for the collection of more debt. SSA agreed with this recommendation.

Beneficiaries Who Had Not Cashed Their Social Security Checks Within 1 Year

People who receive Social Security benefit checks may cash them up to one year after the check's issue date; after one year, the checks are non-negotiable.

If the Department of the Treasury's records indicate a beneficiary did not cash a check, the Treasury returns the funds to SSA. SSA sends a letter to the beneficiary to ask if he/she received and cashed the check. SSA reviews the records of the beneficiaries who respond to the letter, and if appropriate, reissues the check. If beneficiaries do not respond to the letter or indicate a cashed payment, no action is required.

Our report said SSA should ensure it takes appropriate action to reissue payments to eligible beneficiaries who had not cashed their Social Security checks. Based on our random sample of 250 beneficiaries, 202 (or 81 percent) were eligible for payment.

This occurred because:

1. SSA did not take corrective actions when beneficiaries or representative payees responded to SSA's letters;
2. Representative payees might not have met their responsibilities to beneficiaries in their care;
3. Beneficiaries might not have been capable of managing their benefits when SSA issued the checks;
4. SSA did not send required letters to inform beneficiaries they had not cashed a check; or,
5. SSA policy differences for uncashed benefit checks may have led to different results between Social Security beneficiaries and SSI recipients.

Individual Representative Payees Who Misuse Benefits

For any number of mental or physical reasons, some people cannot manage their finances. For such Federal beneficiaries, Congress allows payments to go to a representative payee, who manages funds for the beneficiary.

When an individual representative payee serves 15 or more beneficiaries and misuses the benefits, SSA repays benefits in all cases, according to the *Social Security Protection Act of 2004*. But, if misuse occurs and the individual representative payee serves 14 or fewer beneficiaries, SSA repays benefits only if the Agency negligently failed to investigate or monitor the payee.

Our report found that SSA did not always take appropriate actions concerning individual representative payees who served 14 or fewer beneficiaries and who misused benefits.

Specifically, the Agency did not always:

- obtain restitution from payees when it could use benefit adjustment to do so;
- pay beneficiaries when Agency negligence was determined;
- document negligence decisions;
- refer instances of misuse to the OIG; or
- make restitution to beneficiaries when misused funds were collected from payees.

SSA has taken actions intended to improve its oversight and management of these payees. The Agency in recent years released versions of its Electronic Representative Payee Misuse System and revised its policies. However, SSA needs to take additional actions to improve its oversight and management of individual representative payees to detect and prevent misuse.

SSI Recipients Who Did Not Report Their Marriage to SSA

Many factors, including marital status, affect the amount of a recipient's SSI payment. Specifically, when someone receives SSI, SSA considers his or her spouse's income available to meet the person's needs, and such income might reduce the person's payment amount.

Generally, SSA relies on SSI recipients to self-report any changes in their marital status or living arrangements. In this audit, we sought to identify and quantify improper payments made to SSI recipients who were married to OASDI beneficiaries, but did not report their marriage to SSA.

Based on a sample population, we estimated that SSA overpaid about 900 SSI recipients about \$8.2 million because the recipients did not report their marriages to the Agency.

For example, a South Carolina couple began receiving SSI payments in December 2004, and a year later, the wife reported to SSA that she and her husband no longer lived together—when they still did. In August 2011, the woman admitted that she lied about the separation because she was concerned that her husband's income and resources would affect her SSI payments. With this information, SSA assessed a \$15,000 overpayment on the woman's record and referred the case to OI for investigation.

Our review showed that SSA could identify about \$8.2 million in overpayments. If the Agency stopped these improper payments to SSI recipients who do not report marriage or living arrangements, SSA could save an estimated \$3.4 million over the next year.



Value Attained Through Investigations

During this reporting period, the efforts of our investigators yielded significant results arising from the successful prosecution of cases that we developed. Our investigators achieved over \$248 million in monetary accomplishments, with over \$50 million in SSA recoveries, restitution, fines, settlements, and judgments; and \$197 million in projected savings from investigations resulting in the suspension or termination of benefits. The following table represents the efforts of OI personnel nationwide to recover SSA funds paid in fraudulent benefits or through other illegal actions.

SSA FUNDS REPORTED			
	10/1/11 – 3/31/12	4/1/12 – 9/30/12	FY 2012
Recoveries	\$26,325,718	\$27,029,145	\$53,354,863
Fines	\$2,039,761	\$2,634,677	\$4,674,438
Settlements/ Judgments	\$1,573,756	\$869,270	\$2,443,026
Restitution	\$22,835,877	\$20,297,509	\$43,133,386
Estimated Savings	\$200,659,741	\$197,835,473	\$398,495,214
TOTAL	\$253,434,853	\$248,666,074	\$502,100,927



The following case summaries are representative of the more than 4,000 investigations we closed during this reporting period. They illustrate the many instances where our investigative efforts have resulted in a significant return on investment.

Deceased Payee

California Man Conceals Mother's Death from SSA for over 20 Years

Agents in our Los Angeles office investigated a 74-year-old man who had concealed the death of his mother for 23 years. From June 1987 through July 2009, the man accessed SSA benefits deposited into a joint checking account belonging to him and his deceased mother. This investigation was initiated after SSA attempted to do a home visit and discovered the beneficiary was dead.

In July 2012, after the man pled guilty to theft of public money and making a false statement, a U.S. District Court judge sentenced him to 5 years' probation and ordered him to pay restitution of \$228,198 to SSA.

Daughter Fraudulently Obtains Over \$212,000 in SSA Benefits

Acting on a referral from our Office of Audit, our Los Angeles office investigated the daughter of a deceased Title II retirement beneficiary, who failed to report her mother's death and received the deceased's benefits for 21 years. The woman, who advised our agents that the death information was given to SSA, continued to receive her deceased mother's SSA benefits by direct deposit.

In July 2011, after she pled no contest to grand theft, a Superior Court of California judge sentenced her to 36 months' probation, and ordered her to pay restitution of \$212,413 to SSA.

Polish Death Certificates Prove Daughter's SSA Fraud

As a result of the SSA Centenarian Project, a program designed to ensure that SSA benefits are paid to eligible, living individuals, our Hartford, Connecticut office investigated a woman who continued to receive and use Title II retirement benefits of her deceased parents. The woman's mother and father resided in Poland and died in 2000 and 2006, respectively. Our agents confirmed the dates of death after obtaining Polish death certificates.

In June 2012, after the woman pled guilty to theft of Government property, a U.S. District Court judge sentenced her to 6 months of electronically monitored home confinement, 5 years of probation, and 200 hours of community service. Additionally, the judge ordered her to pay restitution of \$186,608 to SSA.

Grandson Defrauds SSA for 17 Years

As a result of the SSA Centenarian Project, our El Paso, Texas office investigated a New Mexico man who used the Title II survivors' benefits intended for his grandmother. The man's grandmother died in October 1993.

In May 2012, after the man pled guilty to theft of Government funds and property, a U.S. District Court judge sentenced him to 8 months in prison followed by 3 years of supervised release. In addition, the judge ordered the man to pay restitution of \$174,124 to SSA.

SSN Misuse

Man Concealed Work from SSA Using Second Identity - Ordered to Pay Over \$240,000 in Restitution

Based on information provided by the Pennsylvania State Police, our Philadelphia office investigated a Title II disability beneficiary for concealing his work activity. The man, identified by facial recognition software, possessed two Pennsylvania driver's licenses in two different names. From October 1995 to July 2010, the man used the second identity to conceal his employment from SSA.

In April 2012, after the man pled guilty to theft of Government funds, a U.S. District Court judge sentenced him to 18 months in prison and 5 years' probation; and ordered him to pay restitution of \$241,119 to SSA.

North Carolina Man Uses Others' SSNs to Conceal Employment

In response to a referral from the Whiteville, North Carolina SSA office, our Greensboro office investigated a DI beneficiary who concealed his employment from SSA. From March 2007 through October 2011, the man received disability benefits under his own SSN, while working as a truck driver under the SSNs of his wife, and later, his brother-in-law. His employer and his family members knowingly allowed him to work under their SSNs to conceal his earnings and continue to receive monthly benefits from SSA.

In August 2012, after the man pled guilty to theft of Government funds and aggravated identity theft, a U.S. District Court judge sentenced him to 29 months in prison and 3 months' probation. He was also ordered to pay restitution of \$97,345 to SSA.

Boston Woman Harbored a Notorious Mobster - One of the FBI's 10 Most Wanted Criminals

Based on an FBI request for assistance, our Boston office investigated a woman for committing identity fraud and identity theft while harboring a fugitive, a notorious South Boston mobster listed on the FBI's 10 Most Wanted List. For approximately 16 years, the woman conspired with the mobster to elude capture. The investigation revealed that the woman fraudulently created and used alias identities for herself and the mobster while evading authorities.

On June 12, 2012, after the woman pled guilty to conspiracy to harbor a fugitive, identity fraud, and conspiracy to commit identity fraud, a U.S. District Court judge sentenced her to 96 months in prison and 3 years' supervised release; and ordered her to pay a \$150,000 fine.

The U.S. Attorney's Office did not charge the mobster with identity theft or SSN misuse crimes, as he was facing trial for 19 murders, racketeering charges, and various weapons charges.

Woman Fakes Pregnancy in Child Adoption Scheme

Based on a referral from the Overland Park, Kansas Police Department, our Kansas City, Missouri office investigated a woman involved in a child adoption scheme. Between 2009 and 2011, the woman defrauded numerous prospective adoptive parents by posing as a pregnant woman who was willing to allow the adoption of her unborn child. The woman asked the prospective parents for rent money, medical expense money, and gifts. At the direction of the Department of Social Services, the prospective parent requested the woman's SSN; however, to conceal her identity, the woman provided her son's SSN.

On May 3, 2012, after the woman pled guilty to aggravated identity theft, a U.S. District Court judge sentenced her to 7 years and 3 months in prison and 3 years' supervised release; and ordered her to pay restitution of \$107,697 to the victims of the adoption scam.



Cooperative Disability Investigations Program

The CDI program continues to be one of our most successful joint initiatives, contributing to the integrity of SSA's State disability programs. CDI is a joint effort of the OIG, SSA, State Disability Determination Services (DDS), and State/local law enforcement personnel. Established in 1998 with units in just five states, the CDI program now has 25 units in 22 states. The units work to obtain sufficient evidence to identify and resolve issues of fraud and abuse related to initial and continuing disability claims.

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

CDI Cases

Bull Rider Fakes Disability

The Oklahoma City CDI Unit investigated a 42-year-old man who was receiving disability benefits for the loss of use of his right arm, neurological damage, back surgeries, and depression. A private citizen alleged that the man judged rodeos, rode bulls, hunted deer, acted as a guide on hunting and fishing trips, partnered on raising bucking bulls, and operated bullfighting and bull riding schools.

Our CDI Unit's investigation uncovered social media sites and a national deer-hunting website concerning information about the man. The deer-hunting website indicated that the man was the owner/operator, and creator of the website; in addition, he was a professional hunter, bull rider, rodeo judge,

and among the top deer hunters in the world. His social media page revealed that he was a deer-hunting contestant. The contest later aired on a nationally known cable channel.

SSA ceased the Title II disability benefits.

Man Uses Multiple Identities to Fake His Medical Condition

The Seattle, Washington CDI Unit investigated a 57-year-old man receiving SSI disability benefits for mental retardation, and his wife who was his representative payee. The investigation found evidence that the man had a driver's license, that he owned and operated several businesses buying and selling vehicles, and that he entered into multiple real estate transactions.

For over 30 years, the couple used multiple false identities to fake the man's medical condition. The woman certified to SSA that the man only performed basic activities, that he needed fulltime assistance, and that he generally spent his days watching TV.

After the man and his wife both pled guilty to conspiracy to defraud the United States, a U.S. District Court judge sentenced them to 27 months and 37 months in prison, respectively, 3 years' supervised release, and ordered them to pay restitution of \$338,128 to SSA.

Woman Conceals Ownership of Restaurant

Acting on information provided to the Lexington, Kentucky SSA office by an anonymous complainant, our Lexington CDI Unit investigated a 47-year-old woman receiving SSI disability benefits due to a stroke and heart attack. The complainant

alleged that the woman concealed her work activity, business ownership, and true living arrangements in order to receive benefits. A magazine article, in which the woman was interviewed regarding her ownership and operation of a restaurant, accompanied the allegation.

After observing the woman at her restaurant, where she was seen waiting on patrons, an investigator asked the woman about the restaurant. The woman stated the restaurant had been in operation for 40 years, and she and her husband have owned the restaurant for the past 8 years. Additional investigation revealed the woman concealed property, vehicles, her husband's presence in the household, and business ownership when she applied for SSI benefits. She also failed to report a medical malpractice settlement for \$356,483.

The Lexington SSA office determined the woman was never eligible for benefits due to excess resources and ceased her SSI benefits.

On August 16, 2012, after the woman pled guilty to SSI fraud, embezzling SSA funds and false statement to receive Medicaid benefits, a U.S. District Court judge sentenced her to 6 months' imprisonment and 3 years' supervised release. In addition, the judge ordered her to pay restitution of \$40,486 to SSA and \$85,149 to the Kentucky State Treasury Medicaid Program.

Denver Man Conceals Involvement in Band

The Denver CDI Unit investigated a 42-year-old man who applied for SSA and SSI disability benefits due to paranoia, post-traumatic stress disorder, severe depression resulting from a traumatic brain injury, social anxiety disorder, acute anxiety, anger, blindness in the right eye (artificial/prosthesis), emotional instability and immaturity, acute teeth grinding, sleep disorder, and back problems. The DDS referred this case because of suspected malingering, inconsistent statements, and lack of medical evidence.

The investigation revealed the man had several social media accounts. One account referenced his membership in several different bands, and contained an interview by a web blogger. During the interview, the man mentioned his initial start in music, the accident where he lost his eye, his activities in the music world, and supplied links to his bands and personal sites.

During an interview with CDI investigators, the man said that his music was very popular in Europe and explained that he was associated with an online radio station, had over one million listeners, and that he was a part of four different bands that produce their music from their home studios.

The Denver DDS denied the man's application for SSA and SSI disability benefits.

Man Represents Himself as Catatonic - Works at Liquor Store

The Phoenix CDI Unit investigated a 47-year-old man who applied for SSA and SSI disability benefits due to depression, post-traumatic stress disorder, and neck and knee injuries. The North Phoenix, Arizona SSA office referred this case due to the man's behavior during his disability interview.

The man presented himself as catatonic during his disability interview. A community advocate, who was present to translate for the man, stated that due to his condition, the man would not be able to answer any questions. At the interview, attempts to elicit even a date of birth from the man were unsuccessful. During the interview, the SSA representative left for a short period, but another SSA employee observed the man talking and interacting with his wife and the community advocate with no difficulty. The man returned to his previous state of staring and not participating in the interview upon the SSA representative's return.

While conducting surveillance, a CDI Unit investigator observed the man driving his vehicle to a liquor store. Later, the man was seen tending to customers at the store.

The Arizona DDS denied the man's application for SSA and SSI disability benefits.



The following table highlights the successes of the CDI program, which yielded more than \$166 million in SSA program savings during this reporting period:

Cooperative Disability Investigations Program Results April 1, 2012 through September 30, 2012				
State	Allegations Received	Confirmed Fraud Cases	SSA Savings¹	Non-SSA Savings²
Arizona	144	65	5,579,839	4,135,725
California ³	544	195	14,118,649	13,955,436
Colorado	111	83	7,480,375	4,685,730
Florida	127	72	6,108,885	3,994,245
Georgia	167	84	6,761,015	4,309,419
Illinois	120	52	3,832,570	2,377,118
Kentucky	105	52	3,821,249	2,504,504
Louisiana	136	83	7,066,502	4,570,965
Massachusetts	142	86	7,829,704	6,346,021
Mississippi	46	8	540,755	313,854
Missouri ⁴	270	152	12,436,326	8,538,457
New Jersey	89	14	1,261,750	751,423
New York	67	36	3,199,700	2,800,590
Ohio	377	157	12,597,204	9,877,092
Oklahoma	132	58	4,931,868	2,379,540
Oregon	163	133	11,657,007	8,381,118
South Carolina	192	141	11,591,898	7,600,005
Tennessee	80	70	6,308,750	4,106,900
Texas ⁵	311	179	15,099,872	10,700,976
Utah	187	76	6,492,608	3,902,498
Virginia	135	77	6,800,937	5,452,868
Washington	159	151	10,485,397	7,361,821
Total (10/1/11 – 3/31/12)	3,528	2,075	173,564,470	115,584,044
Total (4/1/12 – 9/30/12)	3,804	2,024	166,002,860	119,046,305
FY 2012	7,332	4,099	339,567,330	234,630,349

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

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

³ California has two units, one in Los Angeles, and the other in Oakland.

⁴ Missouri has two units, one in Kansas City and the other in St. Louis.

⁵ Texas has two units, one in Dallas, and the other in Houston.

Value Attained Through Legal Initiatives

Section 1129 Enforcement

OCIG's CMP program targeting violations of Section 1129 of the Act maximizes available resources and creates a positive return on investment. Section 1129 authorizes a CMP against those who make false statements or representations in connection with obtaining or retaining benefits or payments under Titles II, VIII, or XVI of the Act. In addition, CMPs may be imposed to penalize representative payees for wrongful conversion of payments, or to penalize individuals who knowingly withhold a material fact from SSA. After consultation with the DOJ, we are authorized to impose penalties of up to \$5,000 for each false statement, representation, conversion, or omission. A person may also be subject to an assessment, in lieu of damages, of up to twice the amount of any resulting overpayment. The following table and cases highlight the value achieved through our Section 1129 efforts for this reporting period:

SECTION 1129			
	10/1/11 – 3/31/12	4/1/12 – 9/30/12	FY 2012
Cases Received	1003	999	2,002
Cases Initiated	104	138	242
Cases Closed	941	820	1761
Penalties and Assessments Imposed	\$4,615,334	\$5,485,895	\$10,101,229
Number of Hearings Requested	18	15	33
Cases Successfully Resolved (settled case, favorable judgment, or penalty imposed)	96	92	188

Man Forged Signature On Deceased Aunt's Social Security Check

A deceased beneficiary's nephew, who resided with his aunt at the time of her death, continued to receive and use her Social Security retirement benefits after her death. Each month, he negotiated his aunt's Social Security check by forging her signature. By cashing her checks for three years, he falsely represented that his aunt was alive and entitled to those benefits. OCIG imposed a \$50,000 penalty and an assessment of \$36,055, for a total recovery of \$86,055.

New Hampshire Engineer Concealed Work Activity

A New Hampshire engineer applied for Title II DI benefits and failed to report that he returned to work only three days after receiving the award notice from SSA. Although the subject had numerous opportunities to report his return to work, he withheld this information for more than three years. OCIG imposed a \$15,000 penalty and an assessment of \$105,751, for a total recovery of \$120,751.

Oregon Woman Conceals Marriage to Continue Receipt of Title II Benefits

In order to continue receiving Retirement Insurance Benefits (RIB) based on her first marriage, an Oregon woman concealed her second marriage from SSA. Due to her failure to report this marriage, SSA paid the woman RIB until November 2011, when an OIG investigation uncovered her new marriage. OCIG negotiated a settlement in which the woman paid a \$45,113 penalty.

Oregon Mother Fails to Report Husband's Income

An Oregon woman applied for and began receiving SSI for her minor child in 2005. In 2006, her husband began working for various construction companies, making in excess of \$100,000 per year. Due to her failure to report this information, the woman improperly received \$38,477 on behalf of her son. OCIG negotiated a settlement in which the woman agreed to pay a \$15,000 penalty and an assessment of \$38,477, for a total recovery of \$53,477.

Virginia Man Fails to Report His Return to Work as a Tree Removal Surveyor

A Virginia DI beneficiary failed to report his return to work as a surveyor for a tree removal company. As a result, he and his three children received over \$94,000 in payments to which they were not entitled. OCIG negotiated a settlement whereby the man agreed to pay a \$10,000 penalty, an assessment of \$96,000, for a total recovery of \$106,000.

Seattle Man Failed to Report Owning and Operating Several Businesses

A Seattle man concealed the fact that he owned and operated several businesses, including a gravel-hauling business. As a result, he and his son improperly received more than \$35,000 in DI benefits. OCIG negotiated a settlement in which the man agreed to pay a \$60,000 CMP. He made an initial payment of \$35,288.

California Woman Fails to Report Marriage While Receiving SSI

A California woman failed to report her marriage, and denied being married when SSA asked directly. As a result, she improperly received over \$75,000 in SSI benefits. The woman's husband and daughter confirmed the marriage and living arrangements. A \$124,646 CMP was imposed by default after the woman failed to request a hearing.

Ohio Man Received \$90 Thousand in DI Benefits While Working at a Pizzeria

An Ohio man failed to report his work activity to SSA while he was receiving DIB. OIG's investigation revealed that the man worked at a pizza restaurant between 10/2008 and 03/2011, resulting in an overpayment of \$93,731. A penalty of \$30,000 and an assessment of \$93,731, for a total recovery of \$123,731, was imposed by default after the subject failed to request a hearing.

Texas Postal Worker Fails to Report his Return to Work

A Texas man worked for the U.S. Postal Service until February 2006, at which time he applied for and began to receive DI benefits. However, he failed to report his return to work at the U.S. Postal Service later in 2006. As a result, he and his family improperly received more than \$91,000 in payments. OCIG imposed a \$40,000 penalty and an assessment of \$91,214, for a total recovery of \$131,214.



PEOPLE

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

Budget

For FY 2012, our annual appropriation is \$102.2 million, which supports an estimated end-of-year staffing level of 570. The salaries and benefits of employees account for 87 percent of overall spending. The remaining 13 percent is used for necessary expenses such as travel, training, communications, reimbursable work authorizations, and general procurements, as well as to provide for basic infrastructure needs such as rent and interagency service agreements. The FY 2012 budget supports our efforts to meet and exceed the expectations set forth in the *OIG Strategic Plan for Fiscal Years 2011 – 2015*. The goals and accomplishments measured in the Strategic Plan are also published in the Annual Congressional Budget Justification.

Human Resource Planning and Management

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

Our human resource specialists and recruiters participate in national and virtual career fairs in our ongoing effort to attract the best and brightest talent to OIG. Ongoing evaluation and updating of our recruitment displays and brochures continue to enhance our outreach efforts. These events enable us to actively recruit underrepresented groups in the labor market, enabling us to maintain a truly diverse workforce. OIG hired ten employees during the second half of FY 2012. Of these 10, six individuals (60 percent of new hires) were from minority groups.

Once we identify the best candidates, we utilize a structured interview process to equitably assess candidates' skills and qualifications. This process has been instrumental in predicting the future success of new employees.

OIG recently announced a series of internal professional developmental assignment opportunities that supplement OIG's formal Leadership Development Program. The OIG Professional Development Series offers competitive headquarters and field assignments of 120 days or longer and provides qualified employees with the opportunity to acquire new skills and talents.

Our succession planning and knowledge-transfer strategies focus on creating a culture to ensure smart recruitment, tailored internal training, effective leadership transition efforts, and reciprocal developmental programs. In addition to participating with agency developmental programs, OIG continues to expand current developmental programs to utilize knowledge transfer practices, bridge knowledge gaps, and drive innovation for organizational performance improvement.

Finally, the OIG Organizational Health Committee annually assesses employee satisfaction levels and addresses employee concerns. SSA and the Office of Personnel Management (OPM) use a baseline of 65 percent of employees responding positively (e.g., strongly agree or agree) to measure the statistical strength of an organization. In the FY 2012 survey, 12 of 13 questions scored above 65 percent demonstrating that the health of our organization is strong. Question 12 of this survey asks, "Considering everything, how satisfied are you with your job?" Eighty-two percent of our employees indicated that they are either satisfied or very satisfied with their job, which is significantly higher than the 65 percent OPM baseline.

Information Technology

During this reporting period, OIG Information Technology (IT) specialists continued working to update and improve the OIG systems environment. This includes migration to a new infrastructure platform to provide redundancy and failover for OIG applications and data including our National Investigative Case Management System as well as an upgrade of our Business Process Management software, which provides workflows and approval chains for automated OIG business processes. We also continued the effort to implement

business intelligence software to provide enhanced management information to OIG Executives and managers. Once these upgrades have been completed, we will continue to automate our existing business processes in an effort to decrease costs and increase efficiency.

During this reporting period, we continued to expand our telework program, tripling the number of participants with plans for additional expansion by the end of the year. We also made improvements to our telework infrastructure for increased capacity and improved performance. The technologies we implemented allow for a productive remote workforce without sacrificing the security of sensitive information. These steps align the OIG with the goals and requirements of the *Telework Enhancement Act of 2010*.

Finally, our IT staff analyzes industry trends to find new technologies that may enhance our business processes. During this reporting period, we have continued to expand the use of virtual technologies and have begun to pilot virtual desktop infrastructure for both internal and remote use, to reduce hardware and deployment costs, and enhance data security. We have also utilized virtualization to decrease the number of physical servers in use, which has reduced power consumption and increased system uptime. OIG IT specialists continue to meet the challenge of providing a variety of IT support services for more than 70 OIG offices throughout the country.



Outreach Efforts

We are always seeking new ways to reach out to the wider Federal community as well as to public citizens. In a variety of venues, we share our mission of promoting integrity and excellence in Social Security programs and operations. These occasions are important opportunities to exchange information and forge partnerships. They also give us the chance to educate and inspire public confidence in Federal programs. The following activities took place during the second half of FY 2012:

- On June 22, 2012, the Audit Director, Audit Manager, Special Agent in Charge, and the Special Agent from the CDI unit gave a presentation to SSA's Office of Quality Performance employees in Boston, MA. The presentation covered the OIG's role in identifying and preventing fraud, waste, and abuse in SSA's programs.
- A program analyst in the Boston Office of Audit co-managed an effort to collect food donations for a Massachusetts town's social service center's food pantry. For example, 3 hours' effort at a local super market one day per week for 9 weeks resulted in an average of 2.7 items of food collected for every minute spent asking for donations.
- In August, the Deputy Assistant Inspector General for Audit, spoke at an improper payments panel sponsored by Computer Weekly.
- In April 2012, the Oklahoma City CDI Unit gave a presentation to Oklahoma State Representatives Jason Murphey and Jason Nelson and his staff. Mr. Murphey's visit was for informational purposes concerning the function of the Oklahoma DDS and the CDI unit. Mr. Nelson expressed an interest in starting an investigative unit within the Oklahoma Department of Human Resources to combat fraud in that State agency
- In September 2012, an agent from our Los Angeles Field Division attended the quarterly meeting of the Los Angeles (LA) County Residential Protocols Taskforce. This taskforce meets to discuss representative payee misuse, elder abuse, and other related welfare fraud issues. Members include the LA County Fire Department, LA County Department of Public Social Services, Adult Protective Services, California Department of Health Care Services, and the LA County District Attorney.
- In April 2012, an agent from our Chicago Field Division, in conjunction with the U.S. Attorney's Office for the Western District of Michigan, the National White Collar Crime Center, and the Wyoming (Michigan) Police Department, instructed the Identifying and Seizing Electronic Evidence training course held in Wyoming, Michigan.
- In May 2012, the Denver CDI Unit Team Leader conducted a CDI unit training session at the Denver SSA Regional Office for the Office of Quality Performance. In attendance were 15 SSA employees along with two new DDS examiners.
- In April 2012, the Kansas City, Missouri CDI unit gave a presentation to about 40 health care professionals at Swope Health Services in Kansas City, Missouri. The presentation included information about the CDI program, how to report suspected fraud cases to CDI, the medical release signed by all Title II and SSI disability claimants, and common disability scams.

- In June 2012, agents from our Washington, D.C. and Baltimore offices participated in the Law Enforcement Torch Run for the Special Olympics.
- In April 2012, a Resident Agent-in-Charge in our Atlanta Field Division traveled to Biloxi, Mississippi to speak at the 2012 Spring Prosecutors Conference for Mississippi prosecutors.

The post generated widespread media coverage, as entities like the Associated Press, CNN, and the Huffington Post all reported on the concerns surrounding the ammunition procurement and the OIG's prompt public response to the concerns through a public blog. The post totaled more than 17,500 views and about 230 reader comments in only a few weeks.

Other social media outreach activities during this reporting period included:

Social Media Outreach

During this reporting period, we launched the "Beyond the Numbers" blog on the OIG website (<http://oig.ssa.gov/newsroom/blog>), to relay our mission and message and to connect with the public, the Congress, and the media.

We produced and published several well-read posts on topics such as the work of our Special Agents, identity theft, and penalties for Social Security fraud. Our most-read and most-shared post, though, was a response to concerns over our procurement of ammunition for our Special Agents' duty weapons.

The post, published August 16, explained that OIG's Special Agents are responsible for investigating violations of the laws that govern SSA's programs. These investigators have full law enforcement authority, they use traditional investigative techniques, and they are armed when on official duty.

We further explained our Special Agents use the ammunition during mandatory firearms qualifications and other training sessions, to ensure agent and public safety. Our Special Agents need to be armed and trained properly; at times, they respond to threats against Social Security offices, employees, and customers.

- We launched the OIG Facebook (www.facebook.com/oigssa) and Twitter (@TheSSAOIG) accounts, which we have regularly updated with OIG happenings and activities, audit reports, investigation summaries, newsreleases, and other reviews.
- We launched the OIG YouTube channel (www.youtube.com/TheSSAOIG), where we have uploaded a collection of OIG-related videos, including a new, OIG-produced public service announcement, "Protecting Personal Information."

Improving Two-Way Communication

During this reporting period, we created a series of surveys to elicit feedback from our stakeholders in an effort to improve our products and services. First, we surveyed congressional member offices that sent us constituent-based inquiries during FY 2012. We work to provide a thorough response to such requests within 21 days. Throughout the year, we responded to 58 such inquiries, and we solicited feedback from 30 member offices.

According to the survey responses:

- 71 percent said OIG's response adequately addressed the constituent's concerns.
- 88 percent approved of the quality of the response.
- 92 percent approved of the timeliness of the response.

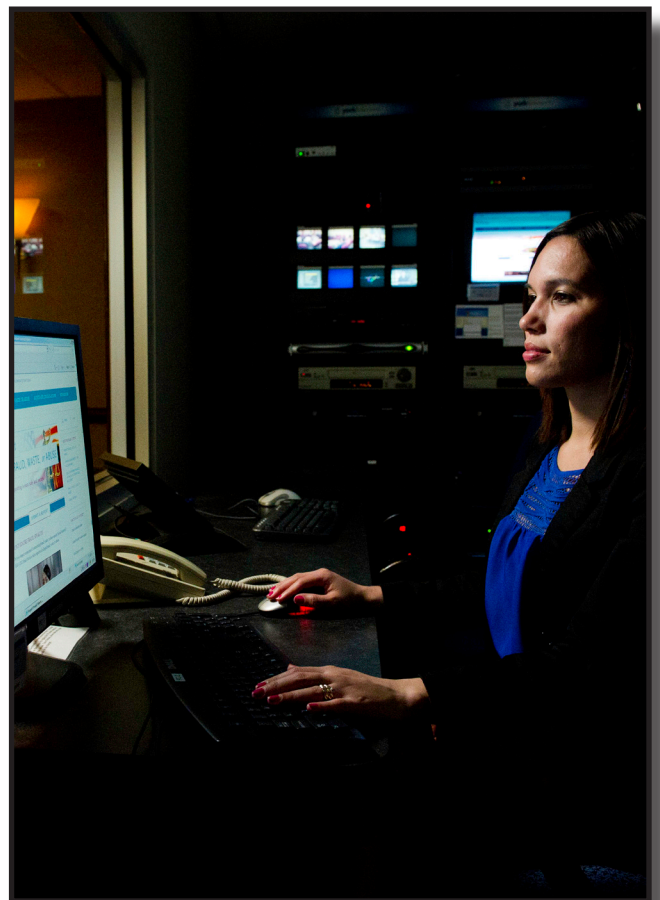
We also created a feedback survey to gauge the overall response to our redesigned Internet site. We solicited responses from site visitors and from subscribers to OIG e-mail updates.

According to the responses:

- 86 percent said they were able to locate the information they were searching for.
- 72 percent said it was very easy or extremely easy to find what they were searching for.
- Over 93 percent said they found the site information useful.

Finally, we have created a survey to help us ensure that this *Semiannual Report to Congress* is providing the information you need in a user-friendly format. Please let us know what you think by taking our brief survey located at:

<http://oig.ssa.gov/survey>



A Special Thank You

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

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



REPORTING REQUIREMENTS
AND
APPENDICES

REPORTING REQUIREMENTS

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

Section	Requirement	Page(s)
Section 4(a)(2)	Review of legislation and regulations	Appendix I
Section 5(a)(1)	Significant problems, abuses, and deficiencies	6-36
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	6-9 22-25
Section 5(a)(3)	Recommendations described in previous Semiannual Reports on which corrective actions are incomplete	Appendix F&G
Section 5(a)(4)	Matters referred to prospective authorities and the prosecutions and convictions that have resulted	13-18 27-36
Section 5(a)(5) & Section 6(b)(2)	Summary of instances where information was refused	N/A
Section 5(a)(6)	List of audits	Appendix B
Section 5(a)(7)	Summary of particularly significant reports	6-9 22-25
Section 5(a)(8)	Table showing the total number of audit reports and total dollar value of questioned costs	Appendix B
Section 5(a)(9)	Table showing the total number of audit reports and total dollar value of funds put to better use	Appendix B
Section 5(a)(10)	Audit recommendations more than 6 months old for which no management decision has been made	Appendix B
Section 5(a)(11)	Significant management decisions that were revised during the reporting period	N/A
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees	Appendix D

APPENDIX A: RESOLVING AUDIT RECOMMENDATIONS

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

Reports with Questioned Costs for the Reporting Period April 1, 2012 - September 30, 2012			
	Number	Value Questioned	Value Unsupported
A. For which no management decision had been made by the commencement of the reporting period.	20 ^a	\$785,372,997 ^b	\$64,177
B. Which were issued during the reporting period.	14 ^{c,d}	\$133,087,369	\$2,072,679
Subtotal (A + B)	34	\$918,458,366	\$2,136,856
Less:			
C. For which a management decision was made during the reporting period.	17	\$841,452,169	\$2,066,245
i. Dollar value of disallowed costs.	13	\$832,321,276	\$2,066,245
ii. Dollar value of costs not disallowed.	4	\$9,130,893	\$0
D. For which no management decision had been made by the end of the reporting period.	18 ^c	\$77,006,197	\$70,611

^a Amount updated to reflect report omitted from prior submission.

^b Amount updated to reflect omitted report value and current value of cases worked.

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

^d Total number of reports do not agree because one report has two monetary recommendations; one recommendation is reflected in section Cii and one recommendation is reflected in section D.

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

Reports with Recommendations that Funds Be Put to Better Use Reporting Period April 1, 2012 - September 30, 2012		
	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	7	\$2,275,271,154 ^a
B. Which were issued during the reporting period.	12 ^{b,c}	\$2,685,050,083
Subtotal (A + B)	19	\$4,960,321,237
Less:		
C. For which a management decision was made during the reporting period.		
i. Dollar value of recommendations that were agreed to by management.	9	\$1,500,945,388
(a) Based on proposed management action.	9	\$1,500,945,388
(b) Based on proposed legislative action.	0	\$0
ii. Dollar value of costs not agreed to by management.	3	\$137,431,757
Subtotal (i + ii)	12	\$1,638,377,145
D. For which no management decision had been made by the end of the reporting period.	8 ^b	\$3,321,944,092

^a Amount updated to reflect current value of cases worked.

^b See Reports with Funds Put to Better Use in Appendix B of this report.

^c Total number of reports do not agree because one report has three monetary recommendations; one recommendation is reflected in section Ci and two recommendations are combined and reflected in section D.

APPENDIX B: REPORTS ISSUED

Reports with Non-Monetary Findings October 1, 2011 – September 30, 2012		
Audit Number	Report	Issue Date
A-07-11-11140	Ahtna Engineering Services, LLC, Contract Number SS00-07-60063	10/4/2011
A-15-11-21129	MAXIMUS' Incurred Cost Proposals for Fiscal Years 2004 and 2005 (Limited Distribution)	10/11/2011
A-01-11-11117	Health Information Technology Provided by Beth Israel Deaconess Medical Center and MedVirginia	10/13/2011
A-12-11-11126	Training of New Administrative Law Judges at the Office of Disability Adjudication and Review	10/13/2011
A-15-11-11157	Recovery Act Exchange Contract with Lovelace Clinic Foundation - Contract SS00-10-60030	10/13/2011
A-14-11-11115	The Social Security Administration's eAuthentication Process	10/14/2011
A-03-11-21162	Controls for the Annual Wage Reporting Process (Limited Distribution)	10/18/2011
A-14-10-11004	The Social Security Administration's Agency-wide Support Services Contract with Lockheed Martin	10/28/2011
A-14-11-11112	The Social Security Administration's Electronic Services	10/28/2011
A-15-11-01117	Congressional Response Report: The Social Security Administration's Limitation on Administrative Expenses Appropriation's Transfer Authority	10/31/2011
A-02-12-11231	Fiscal Year 2011 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges	11/4/2011
A-12-11-21190	Follow-up: Physical Security at the Office of Disability Adjudication and Review's Headquarters Building (Limited Distribution)	11/4/2011
A-15-11-11177	Fiscal Year 2011 Financial Statement Audit Oversight	11/7/2011
A-14-11-01134	Fiscal Year 2011 Evaluation of the Social Security Administration's Compliance with the Federal Information Security Management Act of 2002	11/14/2011
A-08-10-10141	Follow-up: The Social Security Administration's Program for Issuing Replacement Social Security Cards to Prisoners	11/23/2011
A-08-11-11181	Collection, Use, and Disclosure of Social Security Numbers in States' Newborn Screening Programs	11/28/2011
A-09-11-21165	Controls over Social Security Internet Benefit Applications (Limited Distribution)	12/7/2011
A-15-10-20151	The Social Security Administration Cost Allocation Process	12/7/2011
A-04-11-11105	Controls for Issuing Social Security Number Printouts	12/13/2011

**Reports with Non-Monetary Findings
October 1, 2011 – September 30, 2012**

Audit Number	Report	Issue Date
A-15-11-21180	State Disability Determination Services' Employee and Contractor Suitability Program	12/21/2011
A-77-12-00001	Management Advisory Report: Single Audit of the Commonwealth of Massachusetts for the Fiscal Year Ended June 30, 2010	12/21/2011
A-15-11-01140	The Social Security Administration's Reporting of High-dollar Overpayments Under Executive Order 13520 in Fiscal Year 2011	12/30/2011
A-77-12-00003	Management Advisory Report: Single Audit of the State of Indiana for the Fiscal Year Ended June 30, 2010	1/27/2012
A-15-11-11183	Performance Indicator Audit: Customer Service	2/7/2012
A-15-11-11176	Internal Control Review over the Processing of Social Security Number Cards at the Second Support Center (Limited Distribution)	2/9/2012
A-12-11-01138	Congressional Response Report: Oversight of Administrative Law Judge Workload Trends	2/14/2012
A-01-12-21243	Summary of Inspector General Reports Related to Executive Order 13520 on Improper Payments	2/16/2012
A-02-10-20102	The Social Security Administration's Implementation of the Open Government Directive	2/17/2012
A-15-11-11197	Performance Indicator Audit: Improper Payments	3/1/2012
A-77-12-00006	Management Advisory Report: Single Audit of the State of Wisconsin for the Fiscal Year Ended June 30, 2010	3/6/2012
A-05-12-21254	Congressional Response Report: Oversight of the Year-end Hearings Process	3/7/2012
A-03-11-11111	Use of the E-Verify Program by the Social Security Administration's Contractors	3/8/2012
A-06-10-20174	Dacotah Foundation, an Organizational Representative Payee for the Social Security Administration	3/9/2012
A-01-11-21169	Training at Offices that Make Disability Determinations	3/14/2012
A-15-12-11244	The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Act of 2010 in the Fiscal Year 2011 Performance and Accountability Report	3/14/2012
A-77-12-00005	Management Advisory Report: Single Audit of the State of California for the Fiscal Year Ended June 30, 2010	3/15/2012
A-07-12-21234	Congressional Response Report: The Social Security Administration's Review of Administrative Law Judges' Decisions	3/19/2012
A-03-10-11053	Collection of Back-up Withholding Taxes from Vendors	4/3/2012

**Reports with Non-Monetary Findings
October 1, 2011 – September 30, 2012**

Audit Number	Report	Issue Date
A-12-11-11147	The Role of National Hearing Centers in Reducing the Hearings Backlog	4/3/2012
A-15-12-11214	Contractors' Reporting of Jobs Created or Retained Using American Recovery and Reinvestment Act Dollars in Fiscal Year 2011	4/3/2012
A-77-12-00007	Management Advisory Report: Single Audit of the State of Tennessee for the Fiscal Year Ended June 30, 2010	4/3/2012
A-06-11-11159	Administrative Costs Claimed by the North Dakota Disability Determination Services	4/9/2012
A-01-11-11119	Resolving Issues Identified During the Social Security Administration's Quality Reviews of Disability Determinations	4/26/2012
A-06-11-11155	Risks Posed by Digital Photocopiers Used in Social Security Administration Offices	5/17/2012
A-14-11-11132	The Social Security Administration's Software Modernization and Use of Common Business Oriented Language	5/17/2012
A-12-11-11124	Availability and Use of Vocational Experts	5/30/2012
A-14-11-11106	Contractor Security of the Social Security Administration's Homeland Security Presidential Directive 12 Credentials	6/1/2012
A-05-10-20180	Restricted Countries: Controls over Internet Claim Applications and Payments to Beneficiaries	6/5/2012
A-04-11-11146	Representative Payees' Ability to Monitor the Individual Needs of a Large Volume of Beneficiaries	6/12/2012
A-14-12-11237	Contingency Plans to Maintain Operations if Delays Occur in the Construction of the Social Security Administration's New Data Center (Limited Distribution)	6/12/2012
A-05-12-21287	Congressional Response Report: Current and Expanded Use of Video Hearings	6/18/2012
A-15-10-20152	The Social Security Administration Cost Allocation Methodology	6/18/2012
A-07-11-01137	Northview Village, Inc., An Organizational Representative Payee for the Social Security Administration	6/21/2012
A-09-11-21171	Title II Deceased Beneficiaries Who Do Not Have Death Information on the Numident	7/9/2012
A-02-12-21272	Direct Deposit Changes Initiated by the Social Security Administration's National 800-Number Staff (Limited Distribution)	7/10/2012
A-02-10-10127	Controls over Old-Age, Survivors and Disability Insurance Replacement Checks for Beneficiaries Who Double Negotiated Benefit Checks	7/18/2012
A-77-12-00008	Management Advisory Report: Single Audit of the State of New York for the Fiscal Year Ended March 31, 2010	7/18/2012

**Reports with Non-Monetary Findings
October 1, 2011 – September 30, 2012**

Audit Number	Report	Issue Date
A-15-11-11175	The Social Security Administration's Selection Process for Quick Disability Determinations	7/19/2012
A-15-11-11199	American Recovery and Reinvestment Act of 2009 Funds Used for Health Information Technology Contracts	7/19/2012
A-08-11-21107	Significance of Administrative Finality in the Social Security Administration's Programs	7/26/2012
A-14-11-01133	The Social Security Administration's PC Mall Gov, Incorporated, Contract	7/31/2012
A-77-12-00009	Management Advisory Report: Single Audit of the State of Illinois for the Fiscal Year Ended June 30, 2010	7/31/2012
A-14-12-11222	The Social Security Administration's Implementation of the Future Systems Technology Advisory Panel Recommendations	8/20/2012
A-08-12-21293	Office of Disability Adjudication and Review's Process for Scheduling Hearings When Cases are in "Ready to Schedule" Status	8/21/2012
A-03-12-11207	Administrative Costs Claimed by the Virginia Disability Determination Services	8/27/2012
A-13-12-11249	CESSI, Division of Axiom Resource Management Incorporated, Indirect Cost Rate Proposals for Fiscal Years 2009 and 2010 (Limited Distribution)	9/5/2012
A-77-12-00011	Management Advisory Report: Single Audit of the State of Alabama for the Fiscal Year Ended September 30, 2010	9/7/2012
A-77-12-00012	Management Advisory Report: Single Audit of the Commonwealth of Puerto Rico Department of the Family for the Fiscal Year Ended June 30, 2010	9/11/2012
A-06-11-01139	Administrative Payments Vendor File	9/14/2012
A-08-12-11294	Administrative Costs Claimed by the Mississippi Disability Determination Services	9/14/2012
A-14-12-11227	The Physical Security of the Social Security Administration's Contractor Owned and Operated Off-site Storage Facility	9/14/2012
A-14-12-11226	Cloud Computing at the Social Security Administration	9/24/2012
A-15-12-12141	The Social Security Administration's Plan to Reduce Improper Payments Under Executive Order 13520, as Reported in March 2012	9/27/2012

Reports with Questioned Costs
October 1, 2011 – September 30, 2012

Audit Number	Issue Date	Report	Dollar Amount
A-04-10-10119	10/11/2011	Accuracy of Title II Survivors Benefit Transactions Greater Than \$30,000 Processed Through the Manual Adjustment, Credit and Award Process System	\$1,861,481
A-01-11-11109	10/12/2011	Administrative Costs Claimed by the Maine Disability Determination Services	\$5,857
A-15-11-11113	10/13/2011	The Social Security Administration's Recovery Act-funded Contract with International Business Machines, Inc., Blanket Purchase Agreement SS00-08-40004, Call Order 51	\$9,184
A-01-10-11008	10/14/2011	Follow-up: Individuals Receiving Benefits Inappropriately Under Multiple Social Security Numbers at the Same Address	\$2,492,332
A-13-10-10143	11/9/2011	Old-Age, Survivors and Disability Insurance Benefits Affected by State or Local Government Pensions	\$710,119,660
A-09-11-11130	11/21/2011	Old-Age, Survivors and Disability Insurance Benefits Withheld Pending Supplemental Security Income Windfall Offset	\$283,410,290
A-77-12-00002	12/21/2011	Management Advisory Report: Single Audit of State of New Jersey for the Fiscal Year Ended June 30, 2010	\$1,470
A-01-11-11145	1/13/2012	Follow-up: Individuals Receiving Benefits Under Multiple Social Security Numbers at Different Addresses	\$4,119,906*
A-77-12-00004	2/16/2012	Management Advisory Report: Single Audit of the State of Arizona for the Fiscal Year Ended June 30, 2010	\$191,709
A-06-10-21066	2/22/2012	Supplemental Security Income Recipients Receiving Social Security-administered Payments in Excess of Federal Limits	\$5,475,209
A-13-11-11149	3/2/2012	The District of Columbia's Child and Family Services Agency, an Organizational Representative Payee for the Social Security Administration	\$274,806
A-01-11-21168	3/13/2012	Concurrent Beneficiaries Released from Incarceration Whose Title II Benefits Have Not Been Reinstated	\$14,402,813
A-06-11-21189	3/14/2012	South Dakota CARES, Inc., an Organizational Representative Payee for the Social Security Administration (Limited Distribution)	\$8,739
A-13-11-11173	3/19/2012	Benefit Payments Managed by Representative Payees of Children in the Florida State Foster Care Program	\$300,074
A-09-10-21071	3/21/2012	Spousal Beneficiaries Who Reported They Were Entitled to a Government Pension	\$12,632,710
A-07-11-11184	4/3/2012	Administrative Costs Claimed by the Iowa Disability Determination Services	\$85,556
A-09-11-11128	4/6/2012	Annual Earnings Test Underpayments Payable to Beneficiaries	\$15,018,132

Reports with Questioned Costs
October 1, 2011 – September 30, 2012

Audit Number	Issue Date	Report	Dollar Amount
A-01-10-11020	4/16/2012	Supplemental Security Income Recipients Who Did Not Report Their Marriage to the Social Security Administration	\$8,189,509
A-02-11-11135	5/21/2012	New York State Disability Determination Program Indirect Costs	\$161,923
A-13-11-11127	5/31/2012	The Social Security Administration's Triennial Site Reviews of Volume Organizational Representative Payees	\$18,130
A-13-10-10146	6/12/2012	Disabled Individuals Potentially Eligible as Auxiliary Child Beneficiaries	\$9,582,380
A-13-11-21105	6/18/2012	Benefit Payments Managed by Representative Payees of Children in Foster Care in the Social Security Administration's Chicago Region	\$953,736
A-06-11-01132	6/21/2012	Puerto Rico Disability Determination Program	\$2,066,245
A-15-10-21063	7/19/2012	The Accuracy of the Garnishment of Title II Benefits by the Social Security Administration's Court Ordered Garnishment System	\$50,210
A-08-09-19105	8/2/2012	Using Medicare Claim Data to Identify Deceased Beneficiaries	\$98,992,800
A-02-11-11161	8/6/2012	The Gold Crest Care Center - An Organizational Representative Payee for the Social Security Administration	\$8,976
A-77-12-00010	9/7/2012	Management Advisory Report: Single Audit of the Commonwealth of Pennsylvania for the Fiscal Year Ended June 30, 2010	\$6,434
A-13-10-11098	9/14/2012	The Social Security Administration's Foreign Enforcement Questionnaires	\$7,189
A-01-11-01122	9/27/2012	Congressional Response Report: Supplemental Security Income Recipients with Automated Teller Machine Withdrawals Outside the United States	\$18,828
Total			\$1,170,466,288

*Amount updated to reflect current value of cases worked.

**Reports with Funds Put to Better Use
October 1, 2011– September 30, 2012**

Audit Number	Issue Date	Report	Dollar Amount
A-15-11-11113	10/13/2011	The Social Security Administration's Recovery Act-funded Contract with International Business Machines, Inc., Blanket Purchase Agreement SS00-08-40004, Call Order 51	\$28,958
A-01-10-11008	10/14/2011	Follow-up: Individuals Receiving Benefits Inappropriately Under Multiple Social Security Numbers at the Same Address	\$528,655
A-13-10-10143	11/9/2011	Old-Age, Survivors and Disability Insurance Benefits Affected by State or Local Government Pensions	\$1,435,538,580
A-01-11-11145	1/13/2012	Follow-up: Individuals Receiving Benefits Under Multiple Social Security Numbers at Different Addresses	\$487,146*
A-09-10-11065	2/13/2012	Beneficiaries in Suspended Payment Status Pending the Selection of a Representative Payee	\$30,570,852
A-01-10-20120	2/21/2012	Unnecessary Medical Determinations for Supplemental Security Income Disability Claims	\$3,753,490
A-06-10-21066	2/22/2012	Supplemental Security Income Recipients Receiving Social Security-administered Payments in Excess of Federal Limits	\$2,194,103
A-13-11-11173	3/19/2012	Benefit Payments Managed by Representative Payees of Children in the Florida State Foster Care Program	\$330,230
A-09-11-11128	4/6/2012	Annual Earnings Test Underpayments Payable to Beneficiaries	\$3,754,533
A-01-10-11020	4/16/2012	Supplemental Security Income Recipients Who Did Not Report Their Marriage to the Social Security Administration	\$3,406,962
A-09-11-11163	4/25/2012	Administrative Costs Claimed by the Oregon Disability Determination Services	\$5,308,754
A-13-10-10182	5/4/2012	Individual Representative Payees Who Misuse Benefits	\$2,173,209
A-04-11-01115	5/14/2012	Administrative Costs Claimed by the North Carolina Disability Determination Services	\$1,299,755
A-02-11-11135	5/21/2012	New York State Disability Determination Program Indirect Costs	\$120,683
A-13-11-21105	6/18/2012	Benefit Payments Managed by Representative Payees of Children in Foster Care in the Social Security Administration's Chicago Region	\$1,072,984

**Reports with Funds Put to Better Use
October 1, 2011– September 30, 2012**

Audit Number	Issue Date	Report	Dollar Amount
A-09-10-20133	7/19/2012	Beneficiaries Who Had Not Cashed their Social Security Checks Within 1 Year	\$133,694,565
A-15-10-21063	7/19/2012	The Accuracy of the Garnishment of Title II Benefits by the Social Security Administration's Court Ordered Garnishment System	\$34,684,125
A-08-09-19105	8/2/2012	Using Medicare Claim Data to Identify Deceased Beneficiaries	\$9,141,120
A-06-09-29149	8/7/2012	Management Advisory Report: Supplemental Security Income Payments to Multi-recipient Households	\$62,563,749
A-07-11-11110	9/27/2012	Disabled Individuals with Mental Impairments in Need of a Representative Payee	\$2,427,829,644
Total			\$4,158,482,097

*Amount updated to reflect current value of cases worked.

APPENDIX C: REPORTING REQUIREMENTS UNDER THE OMNIBUS CONSOLIDATED APPROPRIATIONS ACT OF FY 1997 TO MEET THE REQUIREMENTS OF THE OMNIBUS CONSOLIDATED APPROPRIATIONS ACT OF 1997, P.L. 104-208, WE ARE PROVIDING REQUISITE DATA FOR THE SECOND HALF OF FY 2012 FROM THE OFFICES OF INVESTIGATIONS AND AUDIT IN THIS REPORT.

OFFICE OF INVESTIGATIONS

We are reporting over \$50 million in SSA funds as a result of our investigative activities in this reporting period (4/1/12-9/30/12). These funds are broken down in the table below.

Investigative Activities					
	1st Quarter 10/1/11 – 12/31/11	2nd Quarter 1/1/12 – 3/31/12	3rd Quarter 4/1/12 – 6/30/12	4th Quarter 7/1/12 – 9/30/12	Total
Court Ordered Restitution	\$7,905,505	\$14,930,372	\$11,200,476	\$9,097,033	\$43,133,386
Recoveries	\$13,019,445	\$13,306,273	\$13,388,804	\$13,640,341	\$53,354,863
Fines	\$945,438	\$1,094,323	\$1,459,815	\$1,174,862	\$4,674,438
Settlements/ Judgments	\$484,000	\$1,089,756	\$430,156	\$439,114	\$2,443,026
TOTAL	\$22,354,388	\$30,420,724	\$26,479,251	\$24,351,350	\$103,605,713

OFFICE OF AUDIT

SSA management informed us that the Agency has completed implementing recommendations from 12 audit reports during this time period valued at over \$2 billion.

MANAGEMENT ADVISORY REPORT: SUPPLEMENTAL SECURITY INCOME PAYMENTS TO MULTI-RECIPIENT HOUSEHOLDS (A-06-09-29149, 8/7/2012)

We recommended that SSA consider the viability of a legislative proposal to extend payment limits currently in effect only for married couples to other multi-recipient households. The implemented value of this recommendation is \$62,563,749.

ADMINISTRATIVE COSTS CLAIMED BY THE NORTH CAROLINA DISABILITY DETERMINATION SERVICES (A-04-11-01115, 5/14/2012)

We recommended that SSA determine how many new hires it expects to fund at the North Carolina Disability Determination Services (NC-DDS) over the next several years. If the expected number of new hires will not increase to a level justifying the additional office space, SSA should evaluate options to modify the lease and mitigate the continuing costs of this excess space. The implemented value of this recommendation is \$249,000.

We recommended that SSA instruct the NC-DDS to de-obligate \$1,043,063 of unliquidated obligations for occupancy costs from its Fiscal Year 2009 operating fund account. The implemented value of this recommendation is \$1,043,063.

ADMINISTRATIVE COSTS CLAIMED BY THE OREGON DISABILITY DETERMINATION SERVICES (A-09-11-11163, 4/25/2012)

We recommended that SSA work with the Oregon Disability Determination Services to ensure the payments for medical costs do not exceed the maximum amount allowed under Federal regulations. The implemented value of this recommendation is \$5,308,754.

BENEFIT PAYMENTS MANAGED BY REPRESENTATIVE PAYEES OF CHILDREN IN THE FLORIDA STATE FOSTER CARE PROGRAM (A-13-11-11173, 3/19/2012)

We recommended that SSA modify the existing State Verification Exchange System data exchange agreement to include verifying whether a child is receiving Social Security benefits. The implemented value of this recommendation is \$330,230.

SUPPLEMENTAL SECURITY INCOME RECIPIENTS RECEIVING SOCIAL SECURITY-ADMINISTERED PAYMENTS IN EXCESS OF FEDERAL LIMITS (A-06-10-21066, 2/22/2012)

We recommended that SSA determine whether it can implement cost-effective system enhancements that address the payment computation errors. The implemented value of this recommendation is \$2,194,103.

BENEFICIARIES IN SUSPENDED PAYMENT STATUS PENDING THE SELECTION OF A REPRESENTATIVE PAYEE (A-09-10-11065, 2/13/2012)

We recommended that SSA select representative payees as quickly as possible for child beneficiaries under age 15. The implemented value of this recommendation is \$8,123,375.

We recommended that SSA remind employees to evaluate whether child beneficiaries ages 15 through 17 are capable of managing their benefits. The implemented value of this recommendation is \$4,304,439.

OLD-AGE, SURVIVORS AND DISABILITY INSURANCE BENEFITS AFFECTED BY STATE OR LOCAL GOVERNMENT PENSIONS (A-13-10-10143, 11/9/2011)

We recommended that SSA continue actions to determine whether Windfall Elimination Provision or Government Pension Offset provisions apply for the remaining beneficiaries identified during our review. The implemented value of this recommendation is \$1,435,538,580.

SUPPLEMENTAL SECURITY INCOME RECIPIENTS WITH UNREPORTED REAL PROPERTY (A-02-09-29025, 6/1/2011)

We recommended that SSA assess the cost/benefits of expanded LexisNexis use in determining the accuracy of recipients' allegations of resources through a pilot study requiring the use of LexisNexis when initial Supplemental Security Income (SSI) applications are processed and SSI redeterminations are completed. The implemented value of this recommendation is \$356,428,515.

MINOR CHILDREN RECEIVING BENEFITS WITHOUT A REPRESENTATIVE PAYEE (A-13-10-10104, 5/4/2011)

We recommended that SSA remind employees to follow policies and procedures when issuing direct payments to children under age 18. Specifically, (1) appoint representative payees for all children under age 15 and (2) document capability determinations for children ages 15 through 17 who are deemed capable of receiving direct payment. The implemented value of this recommendation is \$66,220,388.

FIELD OFFICE PROCEDURES FOR CHARGING AND COLLECTING FEES (A-04-09-19041, 8/28/2009)

We recommended that SSA, for non-standardized fees, determine whether the full cost of processing information requests is being recovered (for example, are remittance costs and an accurate overhead rate being applied) and update the fee calculation as needed. The implemented value of this recommendation is \$205,148.

FUGITIVE FELONS SERVING AS REPRESENTATIVE PAYEES (A-01-08-18021, 3/31/2009)

We recommended that SSA review its current computer matching process to ensure that, in the future, the Agency generates and resolves alerts for all representative payees with outstanding felony warrants. The implemented value of this recommendation is \$19,358,640.

SUPPLEMENTAL SECURITY INCOME RECIPIENTS WITH EXCESS INCOME AND/OR RESOURCES (A-01-08-18022, 7/23/2008)

We recommended that SSA obtain electronic bank statement information, in the most cost-effective manner, to include bank account summary and transaction-level data, so that additional income and resources may be identified and investigated for possible violations. The implemented value of this recommendation is \$169,162,807.

APPENDIX D: SIGNIFICANT MANAGEMENT DECISIONS WITH WHICH THE INSPECTOR GENERAL DISAGREES

SUPPLEMENTAL SECURITY INCOME RECIPIENTS WHO DID NOT REPORT THEIR MARRIAGE TO THE SOCIAL SECURITY ADMINISTRATION (A-01-10-11020, 4/16/2012)

Results of Review: Based on our sample, we estimate that about 900 SSI recipients were overpaid approximately \$8.2 million because they did not report their marriages to SSA. By stopping these improper payments, the Agency could save an estimated \$3.4 million over the next 12 months.

For example, a South Carolina couple began receiving SSI payments in December 2004. In December 2005, the wife reported that she and her husband were no longer living together—even though they still were. In August 2011, she admitted to SSA that she lied about the separation because she was concerned her husband's income/resources would stop her SSI payments. As a result, SSA assessed a \$15,115 overpayment on her record and referred the case to our Office of Investigations for possible fraud.

Recommendation: Review the remaining 3,016 cases from our audit population that will most likely result in overpayments because of unreported marriages.

Agency Response: SSA disagreed with the recommendation. SSA stated while it will continue to work with OIG as the OIG conducts further analysis to reduce the number of cases in the audit population that are likely to result in an overpayment, the Agency does not have the resources to review over 3,200 cases identified in the OIG review. Diverting resources to complete these reviews would jeopardize the Agency's ability to process claims, provide adequate service to the public, and perform other critical program integrity workloads.

OIG Response: Our review showed that SSA could identify about \$8.2 million in overpayments and that by stopping these improper payments, the Agency could save an estimated \$3.4 million over the next 12 months. We further estimated that it would cost SSA about \$511,000 to review the remaining cases, which is substantially less than the overpayments and savings they could identify.

DIRECT DEPOSIT CHANGES INITIATED BY THE SOCIAL SECURITY ADMINISTRATION'S NATIONAL 800-NUMBER STAFF (Limited Distribution) (A-02-12-21272, 7/10/2012)

Results of Review: The controls over direct deposit routing number changes initiated by SSA's national 800-number staff were not fully effective. Recent investigations by our Office of Investigations and the interviews we completed with 33 beneficiaries for this audit confirmed that there were unauthorized changes to records, and SSA's control environment did not prevent them. SSA primarily relies on its staff to verify the identity of callers before changing a beneficiary's direct deposit information. Instructions for how to process requests to change direct deposit information were not always current or complete.

Recommendation: Determine whether it can develop cost-effective controls to prevent seemingly fraudulent requests to change a beneficiary's direct deposit information from processing without further investigation. The controls should leverage information in a beneficiary's electronic record or records of previous transactions to identify potentially fraudulent transactions, such as records with previous fraudulent changes or a telephone number making repeated calls attempting to change multiple beneficiaries' records.

Agency Response: SSA disagreed with the recommendation stating the Agency does not believe there is a feasible way of anticipating future fraudulent activity absent additional information and that the Agency has already taken steps to implement new processes to flag possible bank fraud cases.

OIG Response: While the steps SSA outlined appear to be good initial steps, we continue to believe SSA should enhance the process used to identify individuals who call 800-number staff to request a change to a beneficiary's direct deposit information. The system needs to do a better

job of verifying that the individual making the request to change direct deposit information is who he/she claims to be. SSA may accomplish this by requiring that beneficiaries create their own security questions or codes that SSA staff or systems could verify before processing a request to change a beneficiary's record.

Recommendation: Enhance communications to beneficiaries when a caller requests and SSA processes an address and direct deposit change at the same time.

Agency Response: SSA disagreed with the recommendation stating the Agency would need to evaluate the recommendation further before deciding whether the step we recommended will help eliminate fraud related to direct deposit changes initiated via the telephone.

OIG Response: SSA's current processes for notifying beneficiaries when address and direct deposit changes are made at the same time are inconsistent, depending on whether the changes are initiated online or through its 800-number. We believe implementing our recommendation will allow an individual to know someone made an unauthorized change to his/her account and gives the beneficiary the opportunity to correct the account before SSA payments are misdirected to the wrong bank account.

THE SOCIAL SECURITY ADMINISTRATION COST ALLOCATION METHODOLOGY (A-15-10-20152, 6/18/2012)

Results of Review: We contracted with Grant Thornton LLP to conduct four Cost Analysis System (CAS) reviews. For this fourth review, Grant Thornton identified the following findings that need to be addressed.

- The cost allocation methodology could be improved in allocating administrative costs between the Social Security and Medicare Trust Funds.
- The basis for allocating shared workload costs to Trust Funds did not reflect a cause-and-effect relationship between resources and outputs.
- Critical work measurement data were unreliable.
- To determine final Trust Fund charges, SSA needed to perform additional spreadsheet calculation outside the official cost allocation system, CAS.
- Substantial manual intervention was required for data collection and validation.

Grant Thornton was not able to conclude whether the methodology for allocating administrative costs between trust funds was equitable and accurate because of the underlying data concerns and the non-compliance issues related to Statement of Federal Financial Accounting Standards No. 4.

Recommendation: Implement an annual process for reviewing the method of allocating costs to ensure the current allocation is effective, accurate, and efficient in light of current year changes.

Agency Response: SSA disagreed stating it already conducts an annual review and modifies CAS to make necessary changes.

Grant Thornton Response: Management provided no evidence to support its assertion that a formal process to review the cost allocation methodology exists.

Recommendation: Assign non-personnel costs to appropriate workloads or program activities or where direct tracing is not possible or feasible, assign based on cause-and-effect.

Agency Response: SSA disagreed stating it already assigns non-personnel costs using cause-and-effect principles. When cause-and-effect principles are not practical, costs are allocated on a reasonable and consistent basis.

Grant Thornton Response: No evidence was provided to demonstrate that evaluation has been completed by management to determine the practicality of determining cause and effect relationships.

Recommendation: Discontinue the use of benefit outlays as the means of allocating shared costs to program activities. Instead, SSA should review existing data sets to identify cost assignment methods that manifest suitable causal relationships between the work SSA performs and the programs that are charged for that work.

Agency Response: SSA disagreed with the recommendation noting that the *Social Security Act* prevents the Agency from changing its cost accounting methodology without consent from the Department of Health and Human Services. SSA asked Kathleen Sebelius, Secretary of HHS, for her opinion about the recommendation. On March 1, 2012, Secretary Sebelius replied that "[a]t this time, we do not believe changes to the cost allocation methodology are necessary."

Grant Thornton Response: We realize that in the past, this method may have been appropriate. However, in light of changes to Federal accounting standards as well improvements in information technologies, the use of benefit outlays as the means of allocating shared costs to program activities is inappropriate.

Recommendation: Use actual operating expenses to determine the distribution and allocation of costs to outputs and program activities.

Agency Response: SSA disagreed with the recommendation stating it already uses certain operating expenses as part of its overall cost allocation process.

Grant Thornton Response: We believe that updates to the methodology will provide a more accurate allocation of costs between programs as well as reduce the amount of time and resources SSA incurs to allocate those costs.

APPENDIX E: COLLECTIONS FROM INVESTIGATIONS AND AUDITS

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

OFFICE OF INVESTIGATIONS

Total Restitution Reported by DOJ as Collected for SSA			
FY	Total Number of Individuals Assigned Court Ordered Restitution	Court Ordered Restitution for This Period	Total Restitution Collected by DOJ
2010	447	\$20,670,938	See Footnote ¹
2011	550	\$26,408,142	See Footnote ¹
2012	580	\$35,388,290	See Footnote ¹
TOTAL	1,577	\$82,467,370	See Footnote ¹

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

Recovery Actions Based on OI Investigations		
FY	Total Number of Recovery Actions Initiated	Amount for Recovery
2010	1,128	\$36,431,093
2011	1,310	\$45,989,019
2012	1,382	\$53,354,863
TOTAL	3,820	\$135,774,975

OFFICE OF AUDIT

The following chart summarizes SSA's responses to our recommendations for the recovery or redirection of questioned and unsupported costs. This information is prepared in coordination with SSA's management officials and was current as of September 30, 2012.

SSA's Responses to OIG's Recommendations						
Recovery or Redirection of Questioned and Unsupported Costs¹						
FY	Reports with Questioned Costs	Questioned/Unsupported Costs	Management Concurrence	Amount Collected or to be Recovered	Amount Written-Off/Adjustments	Balance ²
2010	21	\$1,416,191,419	\$1,415,034,260	\$1,355,091,671	\$23,464,572	\$37,635,176
2011	28	\$1,587,604,454	\$1,561,809,217	\$46,757,309	\$78,672,083	\$1,462,175,062
2012	29	\$1,170,466,288	\$838,308,020	\$9,862,891	\$291,459,546	\$869,143,851
TOTAL	78	\$4,174,262,161	\$3,815,151,497	\$1,411,711,871	\$393,596,201	\$2,368,954,089

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

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

APPENDIX F: SIGNIFICANT MONETARY RECOMMENDATIONS FROM PRIOR FYS FOR WHICH CORRECTIVE ACTIONS HAVE NOT BEEN COMPLETED

DISABILITY INSURANCE AND SUPPLEMENTAL SECURITY INCOME CLAIMS ALLOWED BUT NOT PAID (A-01-10-10177, 6/20/2011)

Results of Review: Based on SSA's review of the cases we identified and referred to the Agency, SSA staff determined that some claimants were eligible for benefits not paid.

We referred 1,847 cases to the Agency for review. Of these,

- 317 (17 percent) were corrected, and SSA calculated about \$4.8 million in past-due benefits in 296 of these cases;
- 29 (2 percent) did not need corrective action;
- 211 (11 percent) were still being reviewed by SSA as of May 2011; and
- 1,290 (70 percent) appeared to have no activity related to our referrals as of May 2011.

Recommendation: Complete its work on the remaining cases of the 1,847 unpaid claimants we identified and ensure all past due benefits are paid to beneficiaries as appropriate.

Agency Response: SSA agreed with the recommendation.

Valued at: \$8,921,121 in questioned costs.

Corrective Action: SSA expects to complete these cases by January 2013.

TITLE II BENEFICIARIES WHOSE BENEFITS HAVE BEEN SUSPENDED AND WHO HAVE A DATE OF DEATH ON THE NUMIDENT (A-09-10-10117, 4/28/2011)

Results of Review: SSA needs to improve controls to ensure it takes timely and proper actions to resolve death information on the Numident for suspended beneficiaries. We estimate that:

- 4,699 beneficiaries remained in suspended pay status despite the death information on their Numident. Of these, we estimate 2,976 were improperly paid approximately \$23.8 million.
- 2,715 beneficiaries' personally identifiable information was at risk of being released to the public.
- 157 beneficiaries whose benefits were terminated were improperly paid \$342,114.

Recommendation: Identify and take corrective action on the remaining population of 6,277 suspended beneficiaries who had a date of death on the Numident.

Agency Response: SSA agreed with the recommendation.

Valued at: \$22,855,376 in questioned costs.

Corrective Action: SSA is working to review and terminate the identified cases as appropriate.

Recommendation: Take appropriate action to terminate benefits or remove erroneous death information from the Numident for the 180 beneficiaries identified by our audit.

Agency Response: SSA agreed with the recommendation.

Valued at: \$910,282 in questioned costs.

Corrective Action: SSA is working to review and terminate the identified cases as appropriate.

RECOVERY OF TITLE II PAYMENTS ISSUED AFTER BENEFICIARIES' DEATHS (A-09-10-11037, 1/4/2011)

Results of Review: SSA needs to improve its controls and procedures to ensure that appropriate and timely actions are taken to recover payments issued after beneficiaries' deaths. Based on a random sample of 200 beneficiaries, we estimate about:

- \$18.8 million in payments after death was not recovered or properly resolved for approximately 25,940 deceased beneficiaries, and

- \$34.8 million in payments after death that had been recovered or properly resolved needed to be removed as overpayments from SSA's records for approximately 17,520 deceased beneficiaries.

Recommendation: Evaluate the results of its corrective actions for the 68 errors and determine whether the Agency should review the population of 6,486 deceased beneficiaries with payments after death.

Agency Response: SSA agreed with the recommendation.

Valued at: \$18,787,948 in questioned costs.

Corrective Action: Based on the results of the review of the 68 errors, SSA determined that action on the population of 6,486 deceased beneficiaries is not necessary. SSA has a 3-year period to request a debit of an account for payments disbursed after death. If the Agency does not request the debit within 3 years, the request is rejected and not processed. This time has elapsed for many of these cases. It would not be cost effective to review over 6,000 cases when SSA would only be able to recover limited money.

DEDICATED ACCOUNT UNDERPAYMENTS PAYABLE TO CHILDREN (A-09-09-29110, 11/10/2010)

Results of Review: SSA needs to improve controls to ensure it pays dedicated account underpayments to representative payees for the children in their care. Based on a random sample of 275 underpayments, we found SSA did not pay an estimated 7,775 underpayments totaling approximately \$35 million. This included 3 organizational representative payees who did not establish dedicated accounts for \$367,612 in underpayments for 47 children.

Generally, this occurred because SSA did not have adequate controls to ensure that representative payees established dedicated accounts. In addition, SSA staff did not notify representative payees about the existence of underpayments that required the establishment of dedicated accounts, or adequately control the issuance of installment payments.

Recommendation: Identify and take corrective action on the population of SSI recipients who have dedicated account underpayments.

Agency Response: SSA agreed with the recommendation.

Valued at: \$34,229,920 in questioned costs.

Corrective Action: SSA asked its Office of Systems to provide an updated list of SSI recipients who have dedicated accounts pending. SSA will take corrective action on the population of SSI recipients who have dedicated account underpayments pending for longer than 1 year. SSA expects to complete its review of these cases by the end of December 2012.

BENEFITS PAYABLE TO CHILD BENEFICIARIES WHO NO LONGER NEED REPRESENTATIVE PAYEES (A-09-09-29116, 8/20/2010)

Results of Review: SSA needed to improve controls to ensure child beneficiaries who attained age 18 were paid benefits that had been previously withheld pending the selection of a representative payee. Based on a random sample of beneficiaries, we found that SSA did not pay an estimated 13,464 beneficiaries approximately \$31.2 million in withheld benefits.

Generally, these errors occurred because SSA did not generate a systems alert to identify beneficiaries who should have been paid withheld benefits when they attained age 18 or SSA employees did not take corrective actions to pay withheld benefits when processing student awards when a child attained age 18.

Recommendation: Identify and take corrective action on the population of child beneficiaries over age 18 whose benefits were withheld pending the selection of a representative payee.

Agency Response: SSA agreed with the recommendation.

Valued at: \$31,052,839 in questioned costs.

Corrective Action: SSA received permission from the Agency's Office of Privacy and Disclosure on March 19, 2012 to use the W2-1040SE addresses to contact the individuals about possible underpayments. The 1040SE addresses will hopefully provide SSA with a productive way of reaching the individuals, many of whom had their benefits terminated over 10 years ago. SSA's Office of the Chief Actuary completed the match and sent its results to the Office of Public Services and Operations Support in March 2012.

SSA is awaiting guidance from the Agency's Office of Income Security Programs on certain policy questions related to this workload.

RETROACTIVE TITLE II PAYMENTS TO RELEASED PRISONERS (A-06-08-38081, 7/14/2010)

Results of Review: SSA issued improper or questionable retroactive payments to beneficiaries after their release from prison. About half the retroactive payment transactions of \$10,000 or more we reviewed were either improper or issued without any explanation or justification being documented. SSA did not establish sufficient controls to ensure large retroactive payments to released prisoners were valid. Specifically, SSA payment systems allowed SSA personnel to compute and issue large retroactive payments without explanation or justification and without supervisory review. The lack of sufficient controls over these payments increased the potential for fraud, waste, or abuse.

Based on our sample results, we estimate that SSA issued approximately \$10.3 million in retroactive payments to prisoners that were either incorrect or could not be explained based on available documentation.

Recommendation: Establish controls to ensure employees explain and justify large retroactive payments issued to released prisoners.

Agency Response: SSA agreed with the recommendation.

Valued at: \$6,468,914 in questioned costs.

Corrective Action: SSA is in the midst of establishing a Prisoner Update Processing System remark screen establishing that it received proof of the beneficiary's release from incarceration. SSA believes this action will satisfy the recommendation by documenting the rationale for reinstating benefits. SSA will add this new step as an instruction in its Program Operations Manual System.

FOLLOW-UP: THE SOCIAL SECURITY ADMINISTRATION'S CONTROLS OVER SUSPENDING COLLECTION EFFORTS ON TITLE XVI OVERPAYMENTS (A-04-09-19039, 9/2/2009)

Results of Review: We found that SSA took action on three of the recommendations in our prior report. However, funding limitations delayed development of an automated system that would address the two remaining recommendations. SSA's corrective actions resulted in some improvements in the error rates we previously reported. However, we still found similar conditions identified in the prior report.

We also found that SSA did not always (1) document the justification for the decisions to suspend overpayment collection efforts and (2) obtain the required management approval before suspending an overpayment. On occasion, SSA personnel suspended collection efforts when debtors or the debtors' representative payees had reported earnings that may have enabled some repayment. Also, SSA personnel suspended collections of some debts and classified the debtors as unable to locate or out of the country even though we did not find evidence that SSA attempted to contact the debtors or the debtors' representative payees through their current employer. Overall, we estimated for 6,500 cases, totaling \$52.2 million, SSA personnel did not follow policies and procedures when it suspended overpayment collection efforts.

Recommendation: Consider revising the May 2009 policy to require the 2-PIN process (management approval) for suspension decisions controlled by the Recovery and Collection of Overpayment Process.

Valued at: \$22,639,420 in funds put to better use.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA discussed the feasibility of a 2-pin process for suspension decisions controlled by the Recovery and Collection of Overpayments System with the Agency's Office of Systems. Through those discussions, SSA determined that the 2-pin process is feasible but due to Office of Systems resources, the Agency is not sure when this process can be implemented but will continue to follow up with the Office of Systems.

FOLLOW-UP ON DISABLED TITLE II BENEFICIARIES WITH EARNINGS REPORTED ON THE MASTER EARNINGS FILE (A-01-08-28075, 4/15/2009)

Results of Review: Our audit found that the Agency made efforts to reduce overpayments resulting from work activity. However, we found that SSA did not evaluate all earnings, and as a result, overpayments resulted from work activity.

Based on our review, we estimate that approximately \$3.1 billion was overpaid to about 173,000 disabled beneficiaries because of work activity. Although SSA identified about 58 percent of these overpayments, we estimate the remaining 42 percent—approximately \$1.3 billion—went undetected by the Agency to about 49,000 disabled beneficiaries. In addition, we estimate SSA will continue to incorrectly pay about \$382 million over the next 12 months to individuals who are no longer entitled to disability benefits if action is not taken by the Agency.

SSA performed 170,664 work-related continuing disability reviews (CDR) in 2008 at a unit cost of \$397.45. Based on our review, we estimate about \$3.1 billion was overpaid to approximately 173,000 disabled beneficiaries (out of 518,080 in the estimated universe) because of work activity. To perform work-related CDRs for all 518,080 disabled beneficiaries, it would cost SSA about \$206 million (assuming the \$397.45 unit cost remains the same). This results in a potential benefit-cost ratio of \$15 to \$1.

We recognize SSA's efforts to improve the work-related CDR process. In addition, we acknowledge the Agency's limited resources with which to perform this workload. However, we believe SSA may achieve greater savings in the long-term if the Agency could provide the resources to perform work-related CDRs for all disabled beneficiaries with substantial earnings reported on the Master Earnings File.

Recommendation: Develop and implement a plan to allocate more resources to timely perform work-related CDRs—and assess overpayments resulting from work activity—for cases identified by the Agency's earnings enforcement process.

Valued at: \$1,335,815,580 in questioned costs and \$381,563,100 in funds put to better use.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA made the following improvements to the Agency's work-related CDR processes and management information.

- SSA established a dedicated staff, which targets the oldest cases.
- SSA now prioritizes enforcement alerts (for cases with unreported earnings) by the amount of earnings. SSA works the cases with highest earnings first to minimize overpayments.
- SSA improved communications between its field offices and processing centers for priority cases that must be transferred between components.
- SSA established an Agency standard report for work CDR management information and overpayments. It is currently in the final stages of validation.
- SSA is establishing streamlined earnings reporting processes via telephone and Internet.

In addition, as recommended by the Government Accountability Office, SSA is evaluating the feasibility of:

- Periodically matching disability beneficiaries and recipients to Federal payroll data.
- Using the Automated Earnings Reappraisal Operation to identify individuals who have returned to work.

SIGNIFICANT MONETARY RECOMMENDATIONS FROM PRIOR SEMIANNUAL REPORT TO CONGRESS FOR WHICH RECENT CORRECTIVE ACTIONS HAVE BEEN MADE

FEDERAL EMPLOYEES RECEIVING BOTH FEDERAL EMPLOYEES' COMPENSATION ACT AND DISABILITY INSURANCE PAYMENTS (A-15-09-19008, 10/14/2010)

Results of Review: We confirmed with SSA that improper payments resulted when recipients whose *Federal Employees' Compensation Act* (FECA) compensation was not recorded or accounted for in the calculation of their Disability Insurance (DI) benefits. In addition, we estimated improper payments that resulted when SSA did not take into account recipients' FECA compensation in calculating their SSI payments. Based on our findings, we projected approximately \$43 million in estimated overpayments were paid to about 961 DI recipients for whom SSA did not consider FECA compensation in the initial calculation of their benefits. Furthermore, we estimate approximately \$603,140 in overpayments was paid to about 80 SSI recipients whose FECA compensation was not initially accounted for in the calculation of their payments.

Recommendation: Develop a computer matching agreement with Department of Labor to identify possible DI and SSI claimants whose benefits do not reflect the FECA compensation they received. A matching agreement will allow SSA to perform matching activities similar to what we performed in this review and take appropriate action for recipients who have overpayments that result from SSA not taking into account FECA compensation.

Agency Response: SSA agreed with the recommendation.

Valued at: \$43,991,444 in questioned costs.

Corrective Action: SSA agreed to the recommendation in its response dated September 16, 2010; however, at this time, SSA has determined that it is not in the best interests of the Agency to pursue a matching agreement with DOL for the following reasons: Effective January 31, 2006, the Office of Operations established a process for designated Processing Center (PC) employees to access the DOL Agency Query System (AQS) to obtain FECA payment verification. There were 22 original users allowed access, which later expanded to 46 with a few reserve positions available. Since that time, PC employees have been successfully accessing AQS to determine FECA payment amounts on SSA beneficiaries. The 2010 audit report was conducted on 2002 through 2007 data; therefore, the audit did not consider the full impact across all years of the new process of querying DOL's AQS to identify FECA payments. The potential for improper payments generated by the FECA portion of Workers' Compensation (WC) is minimal. We estimate that 83 percent of SSA's WC offset of SSDI is the result of State administered programs. Only 17 percent is related to Federal programs and of that, only 3 percent is Federal WC (FECA). Furthermore, the audit's sample results estimated only 1,198 instances, over an 8 year period where DI beneficiaries or SSI recipients received DI or SSI with no indicator that FECA compensation was recorded or accounted for. We believe that the costs to explore, establish, and conduct a data match with DOL would far outweigh even the potential benefit of doing so given the process changes we have already implemented and the volume of potential offsets not otherwise identified through AQS. Therefore, the Agency will not be pursuing a computer data matching agreement with DOL and will close this audit recommendation.

APPENDIX G: SIGNIFICANT NON-MONETARY RECOMMENDATIONS FROM PRIOR FYs FOR WHICH CORRECTIVE ACTIONS HAVE NOT BEEN COMPLETED

FOLLOW-UP: SURVIVOR BENEFITS PAID IN INSTANCES WHEN THE SOCIAL SECURITY ADMINISTRATION REMOVED THE DEATH ENTRY FROM A PRIMARY WAGE EARNER'S RECORD (A-06-10-20135, 9/1/2011)

Result of Review: SSA has made progress in completing corrective actions to address the recommendations in our September 2006 report. SSA determined that 286 of the 307 wage earners identified during the prior review were actually deceased. SSA confirmed that 14 wage earners were alive and took action to terminate survivor benefit payments. SSA erroneously issued approximately \$579,000 in survivor benefits to family members of these wage earners. SSA could provide no documentation to indicate completion of death verifications for the remaining seven individuals.

As part of our follow-up review, we identified an additional 642 wage earners whose family members received survivor benefits even though SSA had deleted the wage earners' death entries from the Death Master File, and SSA's Numident file indicated the wage earners were alive. At the time of our review, SSA paid approximately \$644,000 in monthly survivor benefits to family members of the 642 wage earners. Our review of sampled records indicated that, similar to our 2006 findings, SSA employees who deleted these death entries did not document pertinent facts to support or explain these transactions. The resurrection transactions indicated the wage earners were alive, and survivor benefits were improper. If the wage earners were actually deceased, SSA erroneously deleted their information from the Death Master File.

Recommendation: Perform death verifications for each of the 642 records with survivor benefit payments identified in this review and the 7 pending from our prior review and take appropriate action (for example, terminate benefits and establish overpayments, refer potentially fraudulent cases to OIG, and/or reinstate death entries).

Agency Response: SSA agreed with the recommendation.

Corrective Action: None

AGED BENEFICIARIES WHOSE BENEFITS HAVE BEEN SUSPENDED FOR ADDRESS OR WHEREABOUTS UNKNOWN (A-09-09-29117, 6/17/2011)

Result of Review: SSA had not taken appropriate actions for Title II beneficiaries over age 70 whose benefits were suspended for address, whereabouts unknown, or miscellaneous reasons. We estimate that

- 29,196 beneficiaries whose whereabouts were unknown for longer than 7 years had not been terminated based on a presumption of death;
- 5,981 beneficiaries had been suspended between 2 and 7 years because their whereabouts were unknown; and
- 2,964 foreign beneficiaries were suspended because they did not return the foreign enforcement questionnaire (FEQ), and there was no evidence that SSA conducted the required follow-up actions to determine their whereabouts or whether they were deceased.

Recommendation: Identify and terminate in accordance with the Social Security Administration's presumption of death policy, the entitlement of the estimated 29,196 beneficiaries whose whereabouts were unknown and have been in suspended pay status for 7 or more years.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA will identify and terminate beneficiaries in this category. The Agency's Title II Beneficiaries Suspense Workgroup will study other long-term suspense categories and SSA will act on its findings and recommendations.

Recommendation: Take appropriate action (including termination of benefits) for the estimated 2,964 suspended beneficiaries living outside the United States who did not return the FEQ.

Agency Response: SSA agreed with the recommendation.

Corrective Action: None

SUPPLEMENTAL SECURITY INCOME RECIPIENTS WITH UNREPORTED REAL PROPERTY (A-02-09-29025, 6/1/2011)

Results of Review: SSA's records on real property ownership matched with public property records in LexisNexis for 298 of the 350 recipients we reviewed. SSA determined that 25 recipients did not own what appeared to be unreported properties listed in LexisNexis. For the remaining 27 recipients, SSA determined LexisNexis was accurate and the recipients owned unreported real property. Sixteen of these 27 recipients were improperly paid about \$112,000 when the value of their unreported real property was taken into account. The Agency could not recover approximately half of this because of its rules of administrative finality. Based on our sample results, we estimated that about 541,580 recipients misreported real property ownership, and SSA improperly paid 320,940 of these recipients over \$2.2 billion. Comparing the costs of using LexisNexis to the benefits gained, we concluded that the use of LexisNexis was cost effective and would save about \$350 million annually.

Recommendation: Expand the use of LexisNexis if the pilot study demonstrates it is cost-beneficial to do so.

Agency Response: SSA agreed with the recommendation.

Corrective Action: The Deputy Commissioner for Operations is waiting for further information from the Office of Quality Performance to assess in what capacity SSA will support a pilot of Accurant LexisNexis.

THE SOCIAL SECURITY ADMINISTRATION'S TIME ALLOCATION SYSTEM (A-14-10-20122, 4/18/2011)

Result of Review: We found several events that led to SSA's decision to terminate the Time Allocation System (TAS). Some of these events raised questions about SSA's management of the TAS project, given that the project was terminated without proper analysis to determine which Workload Management System (DOWS or TAS) more accurately accounted for workload time measurements. We believe if SSA had conducted sufficient project planning before initiating the TAS project, most, if not all, of the events identified in this report could have been resolved before expending approximately \$36 million of Agency resources. We have organized our findings based on the Systems Development Life Cycle used by SSA.

- Planning and Analysis Phase
 - Insufficient Planning and Analysis Leading to the Termination of TAS
 - TAS Benefits and Costs Were Not Identified Timely
- Construction Phase
 - Insufficient Testing Due to Storage Constraints
- Post Release Phase
 - No Post Implementation Review (PIR) after a system was in operation for 6 months, or after TAS was terminated, to determine reasons for the project's failure.
- Maintenance Phase
 - Inability to maintain TAS cost-effectively.

Recommendation: Take the necessary steps to validate the accuracy of the current work measurement system or future replacements.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA has reviewed and is working to simplify work-sampling categories for FY 2012. SSA plans to issue training and reminders at the beginning of the FY to ensure procedures outlined for sampling are followed. SSA continues to consider the possibility of employing system options to support its sampling techniques.

Recommendation: Perform a PIR after a system has been in operation for 6 months and for all terminated projects to determine reasons for the project's termination.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA is currently refining its PIR guidance.

IMPACT OF ALIEN NONPAYMENT PROVISIONS ON FIELD OFFICES ALONG THE MEXICAN BORDER (A-08-10-20140, 2/15/11)

Results of Review: While we recognize current law requires that alien nonpayment provision (ANP) beneficiaries routinely visit the United States to maintain their benefits, we believe this practice has a significant impact on some field offices along the Mexican border. For example, we found that over 1,000 ANP beneficiaries visit some field offices monthly to establish presence in the United States. Providing services to such a large volume of beneficiaries increases workload; adds to wait times; and, during high traffic days, results in some office space issues. Furthermore, field office personnel at each office we visited told us the number of ANP beneficiaries is increasing. For these reasons, some field office personnel we interviewed questioned the need for ANP beneficiaries to routinely visit field offices.

Recommendation: Continue to work with the Department of Homeland Security (DHS) to verify the identities of ANP beneficiaries at the border. To ensure consistency, we believe SSA should consider developing model language for field offices to use when establishing agreements with DHS. Once implemented, field office personnel should monitor the identity verification process to ensure that DHS personnel are complying with SSA policies and procedures.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA agreed that its Biometric Identity Proofing Workgroup should continue to work with DHS to explore DHS' biometric technology options to develop pilot projects to help SSA identify the best approaches to servicing ANP beneficiaries. In addition, where SSA has informal partnerships with DHS at the local level, the Agency will develop formal interagency agreements that document both agencies' roles and responsibilities, including any funding requirements. SSA will also establish a process to monitor DHS compliance with the provisions of the interagency agreements.

OFFICE OF DISABILITY ADJUDICATION AND REVIEW HEARING REQUESTS DISMISSALS (A-07-10-20171, 12/14/10)

Results of Review: We found that there were areas where improvements could be made for dismissing hearing requests.

- For untimely hearing requests, our review disclosed cases where dismissals were not (1) appropriate, (2) supported by the Office of Disability Adjudication and Review (ODAR) requests for claimants' explanations for untimely filing, (3) supported by an Administrative Law Judge (ALJ) rationale, or (4) processed timely.
- For abandonment dismissals, we found cases where the dismissals were issued without the necessary attempts to contact claimants documented in the case folders.
- For withdrawal dismissals, we found one case where the claimant's case folder did not contain evidence the claimant or the claimant's representative requested the hearing request be withdrawn.

In addition, our analysis of dismissal rates identified wide variances among ODAR's regions, hearing offices, and ALJs.

Recommendation: Determine whether factors are present that explain variances in dismissal rates among ODAR's regions, hearing offices, and ALJs.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA is looking into such factors as part of a study the Agency initiated about hearing level dispositions, including dismissals, albeit at a national level. In October 2010, the Office of Quality Performance (OQP) initiated a study of ALJ dispositions, including dismissals. The OQP sample size reviewed these dispositions at the national level, as opposed to determining factors at the hearing office or ALJ level. The OQP study was published December 1, 2011. In addition, SSA is collecting structured data regarding each case the Appeals Council (AC) reviews, whether the action taken is a denial of the request for review, a grant review action, or a dismissal. This data, which includes the hearing office that issued the dismissal, the reason for the dismissal, and, where appropriate, the reason for an AC remand of the dismissal, may ultimately include a sample size that SSA could share, and which may be sufficient for a statistically valid future effort, to study the issue of variances noted by OIG's report. As SSA indicated, however, during the course of this audit, and as discussed in the OQP report, many factors may result in variance rates. These factors, outside of the ALJ's control, may include: the number of claims filed; the number of informal remands granted by the State Agency; and, workload transfers between regions. Demographics and economic factors also affect the number and type of claims filed, which ultimately can affect dismissal rates. SSA also stated that ALJs were provided additional training regarding dismissals."

DISABILITY IMPAIRMENTS ON CASES MOST FREQUENTLY DENIED BY DISABILITY DETERMINATION SERVICES AND SUBSEQUENTLY ALLOWED BY ADMINISTRATIVE LAW JUDGES (A-07-09-19083, 8/20/2010)

Results of Review: We identified the four impairments that were most often denied by DDSs in Calendar Years 2004 through 2006, appealed to the hearing level, and subsequently allowed. These impairments were Disorders of Back; Osteoarthritis and Allied Disorders; Diabetes Mellitus; and Disorders of Muscle, Ligament, and Fascia. Our analysis of cases with these four impairments disclosed:

- Claimant age impacted disability determinations.
- Determinations of claimants' ability to work resulted in differences at the DDS and hearing levels.
- Claimant representation was more prevalent in cases allowed at the hearing level than in cases decided at the DDS level.
- Cases were allowed at the hearing level based on a different impairment than that on which the DDS made its determination.
- States had both DDS denial rates and hearing level allowance rates above the national averages.
- ODAR regions, hearing offices, and ALJs had wide variations in allowance rates.

Recommendation: SSA should consider analyzing variances between the hearing offices and administrative law judges with high and low allowance rates for the four impairments we analyzed to determine whether factors are present that support the variances

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA does not track allowance or denial rates based on specific impairments. If the information becomes available, OAO will consult with the Office of the Chief Administrative Law Judge about performing a focused review on the hearing offices, and/or adjudicators with the highest and lowest allowance rates for the impairments identified. The Office of Appellate Operations explored the feasibility of creating a report by the end of FY 2012 and is currently working on further development of such a report. SSA also stated that ALJs were provided additional training regarding the identified impairments.

FOLLOW-UP OF PENDING WORKERS' COMPENSATION (A-08-09-19167, 7/12/2010)

Results of Review: SSA had not taken corrective actions to address recommendations in our September 2005 report. Specifically, SSA had not (1) followed through with steps to reduce its backlog of Title II disability cases having pending Workers' Compensation (WC) claims; (2) developed and implemented an automated process to ensure it systematically and routinely follows up on new pending WC cases; or (3) explored systems enhancements that would detect situations in which WC is not applicable to prevent personnel from retrieving and analyzing cases that no longer require development. As a result, the volume of cases with WC claims pending for 2 or more years increased from 227,615 in January 2005 to 268,825 in November 2009, an 18-percent increase over the past 4 years. In addition, we estimated SSA had overpaid Title II beneficiaries between \$44 and \$58 million because of unreported WC payments since our June 2003 report.

Recommendation: SSA should explore systems enhancements that would detect situations in which WC is not applicable to prevent personnel from retrieving and analyzing cases that no longer require development.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA worked to establish an agreement with a private organization that supports insurance companies with information on WC. The Agency entered into negotiations with the company to develop a proof of concept test project, worked out the agreement, and set up a test run of data. However, just prior to the test run, the company backed out. Other avenues were explored, but businesses are reluctant to outlay resources without some return, and SSA has not been in a position to offer enticing quid pro quo opportunities. SSA also pursued changes to the law that would require organizations to provide this information to SSA, but nothing has been passed.

Given these circumstances, SSA cannot accommodate this recommendation. Without access to State and private WC data, SSA has no way of detecting situations where WC is not applicable. Because of this, the Agency has no way of preventing personnel from retrieving and analyzing cases that no longer require development.

SIGNIFICANT NON-MONETARY RECOMMENDATIONS FROM PRIOR SEMIANNUAL REPORT TO CONGRESS FOR WHICH RECENT CORRECTIVE ACTION HAS BEEN MADE

None to report

APPENDIX H: OFFICE OF THE INSPECTOR GENERAL PEER REVIEWS

Office of Audit

- Our Office of Audit is required to undergo a peer review every three years, in accordance with generally accepted government auditing standards.
- The final System Review Report related to our last peer review, conducted by the Department of Veterans Affairs, was issued in August 2012. We received a rating of pass, which means that the review team concluded that the system of quality control for the audit organization had been suitably designed and complied with to provide us with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The Department of Veterans Affairs OIG identified no deficiencies that affected the nature of the report. Further, there were no findings or recommendations as a result of this peer review.
- During FY 2010, we conducted a peer review of the Department of Energy OIG, Office of Audit Services. We issued our report on March 5, 2010 and made no recommendations as a result of this peer review.
- There are no outstanding recommendations from prior audit peer reviews completed by us or from prior reviews of our organization.

Office of Investigations

- Our Office of Investigations is required to undergo a peer review every three years to ensure general and qualitative standards comply with the requirements of the Quality Standards for Investigations adopted by the CIGIE. The peer review also ascertains whether adequate internal safeguards and management procedures exist to ensure that the law enforcement powers conferred by the 2002 amendments to the Inspector General Act are properly exercised pursuant to Section 6(e) of the Inspector General Act (as amended) and the United States Attorney General Guidelines for Offices of Inspector General with Statutory Law Enforcement Authority.
- During this fiscal year, the Office of Investigations neither underwent nor conducted a peer review.
- There are no outstanding recommendations from prior investigative peer reviews completed by us or from prior reviews of our organization.

APPENDIX I: REVIEW OF LEGISLATION AND REGULATIONS

Section 4(a)(2) of the Inspector General Act of 1978, as amended, requires the SSA OIG to review existing and proposed legislation and regulations relating to SSA's programs and operations; and make recommendations concerning their impact on those programs or on the prevention of fraud and abuse. We accomplish this in several ways. First, many of our audits and other reports evaluate SSA's compliance with existing laws and regulations. When appropriate, we recommend issuing relevant regulations or seeking appropriate legislative authority; and we provide a status of those recommendations in our Semiannual Report to Congress. Finally, we describe in our annual Audit Work Plan planned reviews that will address issues related to laws and regulations.

With regard to proposed legislation and regulations, we provide comments on pending or proposed legislation to SSA's Office of Legislation and Congressional Affairs, which includes those comments in its agency response to OMB. In addition, we participate on an SSA working group that reviews legislative proposals throughout the year. This working group provides feedback on proposals submitted from all SSA components. Finally, the Inspector General is an active member of the CIGIE Legislation Committee. In this role, we provide input to responses prepared by the Committee to congressional staff on the impact of proposed legislation, and we meet with staff as needed to discuss legislative issues.

During this reporting period, we reviewed several legislative proposals to ensure that the proposals adequately addressed the potential for fraud and abuse in SSA's programs and operations. In this session of Congress, H.R. 3475, Keeping IDs Safe Act of 2011 was introduced. This legislation was designed to protect SSA's information related to deceased individuals. On May 8, 2012, the Inspector General testified at a hearing on Identity Theft and Tax Fraud, regarding how our investigations have shown that individuals can use available death data to obtain SSNs to commit fraud. H.R. 3475 is designed to address this concern. We have provided technical input to congressional staff on the proposed language, with suggested modifications as appropriate. Specifically, we suggested language relating to the prosecution of individuals who commit violations of the proposed legislation, along with appropriate criminal and civil penalties.

Throughout the Federal Government, improper payments are a major concern. On July 25, 2012, the Inspector General testified at a hearing on the Use of Technology to Improve the Administration of SSI's Financial Eligibility Requirements. He testified that the prolonged process to secure computer matching agreements with other Federal agencies pursuant to the Computer Matching and Privacy Protection Act (CMPPA) often delays or derails time-sensitive audit and investigative projects. This process hampers our ability to prevent fraud and reduce improper payments. We support a CIGIE legislative proposal to exempt all Federal OIGs from complying with the provisions of the CMPPA for projects relating to fraud, waste, and abuse; and we have met with various congressional staff to provide input on this issue.

GLOSSARY OF ACRONYMS

AC	Appellate Counsel
ALJ	Administrative Law Judge
the Act	<i>Social Security Act</i>
ANP	Alien Nonpayment Provision
AQS	Agency Query System
CDI	Cooperative Disability Investigations
CDR	Continuing Disability Reviews
CEO	Chief Executive Officer
CMP	Civil Monetary Penalty
DMF	Death Master File
DHS	Departments of Homeland Security
d/b/a	doing business as
DI	Disability Insurance
DOJ	Department of Justice
ERP	Economic Recovery Payment
FECA	<i>Federal Employees' Compensation Act</i>
FEQ	Foreign Enforcement Questionnaire
FPS	Federal Protective Service
FY	Fiscal Year
GSA	General Services Administration
HIT	Health Information Technology
IO	Immediate Office
IT	Information Technology
LA	Los Angeles
NCC	National Computer Center
OA	Office of Audit
OAO	Office of Appellate Operations
OASDI	Old-Aged and Survivors Disability Insurance
OCIG	Office of the Counsel to the Inspector General
ODAR	Office of Disability Adjudication and Review
OER	Office of External Relations
OI	Office of Investigations
OIG	Office of the Inspector General
OPM	Office of Personnel Management
OQP	Office of Quality Performance
OTRM	Office of Technology and Resource Management
PC	Processing Center
PII	Personally Identifiable Information

GLOSSARY OF ACRONYMS (CONTINUED)

Recovery Act	<i>American Recovery and Reinvestment Act of 2009</i>
RIB	Retirement Insurance Benefits
SeBS	Strategic e-Business Solution
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
TAS	Time Allocation System
USMS	United States Marshals Service
WC	Workers' Compensation