

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

**October 1, 2010 - March 31, 2011**



# Social Security Administration Office of the Inspector General

## **Mission Statement**

By conducting independent and objective audits, evaluations, and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste, and abuse. We provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public.

## **Vision and Values**

We strive for continual improvement in SSA's programs, operations, and management by proactively seeking new ways to prevent and deter fraud, waste, and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



## A MESSAGE FROM THE INSPECTOR GENERAL

The Social Security Administration (SSA) has a 75-year history of serving the American people. The SSA Office of the Inspector General (OIG) exists to protect and improve the Agency's programs, strengthening them so that SSA can provide timely and accurate benefits to the Americans who rely on them. I am proud of this office's unwavering dedication to inspiring confidence in the integrity and security of SSA's programs, as we strive to guard them against fraud, waste, and abuse.



I am pleased, then, to present this *Semiannual Report to Congress*, covering the period October 1, 2010 through March 31, 2011. This report includes OIG's significant audit, investigative, and legal accomplishments during the first half of Fiscal Year 2011.

During this reporting period, we maintained a focus on persistent management challenges like improvements to customer service, as well as on high-priority investigations, such as those targeting disability applicants who exaggerate or lie about their ability to work or their resources, to receive benefits fraudulently.

- We conducted oversight of SSA activities funded by the *American Recovery and Reinvestment Act of 2009*, including an evaluation of the Agency's plan to build a replacement for its National Computer Center.
- We closed more than 3,300 criminal investigations, with extensive work in the areas of SSA program fraud and enumeration fraud.
- We launched a new action plan to combat increasing violations of Section 1140 of the *Social Security Act*, which prohibits the use of SSA words and symbols in advertisements and communications that the Agency has not endorsed.
- We continued our work assessing the Agency's plan to reduce improper payments under Executive Order 13520 and the *Improper Payments Elimination and Recovery Act* (IPERA). Additionally, my office served as a liaison between the Inspector General community and the Office of Management and Budget, to help carry out the Executive Order and IPERA.

In everything we do, this office aims to improve SSA and its operations so that the Agency maintains its excellent record of service. I assure you that my office will continue to work with SSA and the Congress to help the Agency fulfill its duty to the millions of Americans who turn to it for help.

Patrick P. O'Carroll, Jr.  
Inspector General





# SOCIAL SECURITY ADMINISTRATION OFFICE OF THE INSPECTOR GENERAL



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## EXECUTIVE SUMMARY

This report presents the significant accomplishments of SSA's Office of the Inspector General (OIG) from October 1, 2010 through March 31, 2011. The report is organized according to three major goals—impact, value, and people—set forth in the *OIG Strategic Plan: Fiscal Years (FY) 2011–2015*, first edition.

### 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 more than 49,000 allegations from SSA employees, the Congress, the public, law enforcement agencies, and other sources. Our agents closed more than 3,300 criminal investigations, resulting in 488 indictments and informations, 262 arrests, 698 criminal convictions (including pretrial diversions), and 36 civil judgments/civil monetary penalty (CMP) assessments. During this reporting period, our agents also secured one indictment and one conviction for fraudulent activity related to Hurricanes Katrina and Rita; and they continued to work with law enforcement agencies to arrest subjects identified through the Fugitive Felon Program. Highlighted investigations in this section relate to Social Security number (SSN) misuse, employee misconduct, and threats against SSA employees.

Our auditors also had a significant impact during this reporting period, issuing 60 reports and making recommendations on a wide variety of challenges facing the Agency. Our audit work over the past six months included reviews of SSA's initiatives connected to the *American Recovery and Reinvestment Act of 2009 (Recovery Act)*, SSA's efforts to protect personally identifiable information (PII) available in the Death Master File (DMF), and customer waiting times in SSA field offices.

### 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 tax dollar invested in OIG activities. During this reporting period, our auditors identified more than \$152.3 million in questioned costs and about \$27.6 million in Federal funds that could be put to better use. Highlighted audits examine the recovery of Title II (Federal Old-Age, Survivors, and Disability Insurance benefits) payments issued after beneficiaries' deaths, and the implementation of Phase I of the Martinez settlement agreement.

In the first half of FY 2011, we are reporting over \$187 million in investigative accomplishments, including over \$36 million in SSA recoveries, restitution, fines, settlements, and judgments; and over \$150 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 \$27 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 \$128 million in projected SSA program savings, and over \$82 million in savings to other programs.

During this reporting period, our attorneys initiated 72 CMP cases (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 above is nearly \$700,000 in penalties and assessments that our attorneys imposed through our CMP program.



## People

The collective efforts of our employees continue to be the driving force behind this organization's success in achieving 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 and share best practices.

In addition, the OIG Organizational Health Committee annually assesses employee satisfaction levels and addresses employee concerns. SSA and the Office of Personnel Management use a baseline of 65 percent of employees responding positively (e.g., strongly agree or agree) to measure the statistical strength of an organization. Using that definition of statistical strength, 12 of the 13 questions on the OIG survey had scores above 65 percent, demonstrating that the health of the OIG 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 70 percent rate reported for SSA employees.





## INTRODUCTION TO OUR ORGANIZATION

SSA OIG is comprised of 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) provides the Inspector General with staff assistance on the full range of his responsibilities. IO staff provides liaison with all agencies sharing common interests with the OIG and ensures coordination with congressional committees, SSA, the Social Security Advisory Board, and the Council of Inspectors General on Integrity and Efficiency. IO includes the Office of Quality Assurance and Professional Responsibility (OQAPR), which performs two critical functions. First, it conducts exhaustive reviews of each of the OIG's component offices to ensure compliance with Federal laws and regulations, Agency policies, and relevant professional standards. Second, OQAPR conducts thorough and timely investigations into allegations of misconduct by OIG employees.

### Office of Audit

The Office of Audit (OA) conducts and supervises 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, and other projects 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) develops the OIG's media and public information policies, directs OIG's external and public affairs programs, and handles congressional, media, and public requests for information. OER is responsible for preparing OIG publications and presentations to internal and external organizations, and coordinating the OIG's presence at SSA and other Federal events. In addition, OER prepares the OIG Semiannual Report to Congress, congressional testimony, and coordinates with SSA's Offices of Communications and Legislation and Congressional Affairs.





## Office of Investigations

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

## Office of 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 a national human resources program, and develops and maintains 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 (AMFED) and Electronic Crimes Division.





## IMPACT

**The first goal of the OIG Strategic Plan is Impact.** We are committed to enhancing SSA's effectiveness and efficiency through our investigative, audit, and legal activities. We strive to have maximum impact on SSA's programs and operations to ensure their continued integrity and reliability. During this reporting period, we completed numerous audits, investigations, and legal initiatives covering major SSA program and management areas, which had a significant impact on the detection and prevention of fraud, waste, and abuse. The summaries presented below are indicative of our work over the past six months.

### Audit Impact Initiatives

OA 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 programs and activities most vulnerable to waste, fraud, and abuse.

#### *American Recovery and Reinvestment Act of 2009*

On February 17, 2009, the President signed into law the *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. During this semiannual period, we issued two reports related to SSA's use of *Recovery Act* funds.

#### 1) SSA's New Data Center Site Alternatives

We initiated this review to evaluate the appropriateness of the short list of potential sites selected by the General Services Administration (GSA)/SSA team for the new data center. Our contractor found that in general, the SSA Site Selection Team had developed a highly sophisticated set of selection criteria to evaluate general geographic areas and prospective individual properties. The Agency's decision criterion sought to avoid both natural and man-made risks that could be hazardous to the data center's operation. In addition, the decision factors defined major site and data center construction criteria that would ultimately have a significant impact on the site property to be selected.

However, there were questions concerning the process that SSA Site Selection Team employed to cull the site properties down to a short list. For example, a traditional site selection team would normally incorporate best practices consisting of three significant considerations during the site selection process: (1) projected number of stages to narrow sites to a short list, (2) site data collection/validation techniques, and (3) roles and application of team expertise. However, at the time of our review, the GSA/SSA team was unable to provide documentation on how these considerations steered its decisions to eliminate potential sites.

Our contractor recommended that SSA work with GSA to (1) ensure the final site selection report included all information necessary for any reader to understand the process; (2) assess the impact of the Environmental Assessment on the site procurement schedule; (3) address every aspect of the electrical utility infrastructure; (4) explain why the team re-categorized mandatory requirements as secondary requirements; and (5) reassess its level of detail concerning the overall definition of the process that will be used to assess site criteria and compare site properties.



## 2) Economic Recovery Payments - Catch-Up Payments

In this review, we determined that SSA properly certified 99.8 percent of the catch-up ERPs to beneficiaries who were eligible to receive payment under the *Recovery Act*. In addition, we did not identify any beneficiaries who were eligible for an ERP but were not certified to receive payment. However, we estimated that 989 beneficiaries received improper payments totaling \$247,250. Specifically, we estimated that:

- 449 beneficiaries received 2 ERPs because they did not have an SSN or had 2 different SSNs, resulting in \$112,250 in improper payments.
- 468 beneficiaries filed for nonreceipt and subsequently negotiated both the original and replacement ERPs, resulting in \$117,000 in improper payments.
- 72 beneficiaries were concurrently entitled to Social Security benefits and SSI, and erroneously received 2 ERPs, resulting in \$18,000 in improper payments.

This occurred, in part, because SSA's automated systems did not always identify whether ERPs had previously been issued to beneficiaries without an SSN or under another SSN or payment record. Should another ERP be enacted into law, we recommended SSA establish additional controls to prevent or detect the issuance of duplicate ERPs to beneficiaries without SSNs. In addition, we recommended SSA take appropriate action to recover the duplicate ERPs identified by our audit.



## Impact of Alien Nonpayment Provisions on Field Offices Along the Mexican Border

The objective of our audit was to assess the impact of the alien nonpayment provisions (ANP) on SSA field offices along the Mexican border.

Under *the Act*, benefits generally are not payable to noncitizens who have been outside the United States more than six months. This provision attempts to avoid paying benefits to dependents and survivors residing in another country who have little or no connection to the United States, and who were not dependent on the numberholder while he or she was working.

We recognize current law requires that ANP beneficiaries routinely visit the United States to maintain their benefits. However, this practice has a significant impact on some field offices along the Mexican border. We visited four offices that are among the most visited by beneficiaries seeking to establish presence in the United States. We found that three of the offices each provided services to a monthly average of 1,000 ANP beneficiaries. Providing services to such a large volume of beneficiaries increases workload; adds to wait times; and can result in office space issues. Requiring routine visits to the United States also places a burden on beneficiaries.

We recommended that SSA (1) continue to explore ways the Agency can use biometric technology to verify ANP beneficiaries' routine visits to the United States; (2) continue to work with the Department of Homeland Security (DHS) to verify the identities of ANP beneficiaries at the border; and (3) consider placing field office personnel at the border to verify the identities of ANP beneficiaries if the Agency is unable to establish agreements with DHS.

SSA agreed with recommendations 1 and 2, but did not agree with recommendation 3, as it did not want to place SSA employees in situations that could compromise their safety.

## Follow-up: Personally Identifiable Information Made Available to the Public Via the Death Master File

Our objective was to determine the status of corrective actions taken by SSA to address recommendations in our June 2008 report, *Personally Identifiable Information Made Available to the General Public Via the Death Master File*.

We found that SSA implemented procedures to report erroneous death entry-related PII breaches to the United States Computer Emergency Readiness Team each week. SSA also obtained a contractor to provide ongoing reviews of DMF exposure related to 26,930 individuals whose PII SSA inadvertently exposed from July 2006 through January 2009. The contractor evaluated available data for anomalous patterns that could identify organized misuse. SSA stated that, to date, the contractor has identified no organized misuse.

However, SSA did not implement a risk-based approach for distributing DMF information, attempt to limit the amount of information included on the DMF version sold to the public, or explore alternatives to inclusion of individuals' full SSN. SSA continued to publish the DMF knowing that its contents included the PII of living numberholders. From May 2007 through April 2010, SSA's publication of the DMF resulted in the breach of PII for as many as 36,657 additional living individuals erroneously listed as deceased on the DMF. SSA made these individuals' SSNs; first, middle, and last names; date of birth; and State and ZIP codes of last known residences available to users of the DMF, before learning they were not actually deceased. As such, we believe SSA should take additional precautions to limit the number of reporting errors and the amount of personal information published in the DMF—particularly the version sold to the public. We made two recommendations for corrective action. The Agency disagreed with both recommendations, stating that delaying the release of the DMF updates would greatly reduce its utility for fighting identity theft and fraud.



## Customer Waiting Times in SSA's Field Offices

The purpose of our audit was to determine whether SSA (1) had adequate procedures to monitor the length of time visitors waited for service at its field offices; and, when applicable, (2) took actions to shorten long wait times.

SSA has experienced a steady increase in the number of visitors to its approximately 1,300 field offices—from 41.9 million visits in FY 2006 to 45.1 million visits in FY 2009.

SSA closely monitored field office wait times at the national, regional, and field office levels. Additionally, the Agency had initiatives to reduce customer wait times. While we believe SSA is focused on providing timely service to its customers, the Agency faces many challenges in maintaining and improving this level of service.

To SSA's credit, wait times improved during our audit period. During the first 14 months of our 21-month audit period, 7.5 percent of visitors waited more than 1 hour for service. In comparison, during the last 14 months of the audit period, the percentage of customers who waited more than 1 hour decreased to 6.1 percent.

We recommended that SSA ensure regional offices establish performance goals. We also recommended that SSA routinely evaluate the effectiveness of ongoing initiatives and, when necessary, take actions to ensure their success on a national level and develop a mechanism for regional and field offices to share best practices.

SSA agreed with two of our recommendations, but did not agree to establish regional performance goals for customer wait times at field offices. SSA stated that it was not reasonable to establish a "one size fits all" performance goal—even at the regional level. We continue to believe establishing performance goals would provide clear and consistent guidance to field office employees, and help identify offices that may need additional resources or other forms of assistance.



## Field Office Workload Related to Nonconfirmation Responses from the Employment Verification Program

Our objective was to evaluate (1) SSA's field office workload associated with nonconfirmation responses generated from the Employment Verification (E-Verify) program; and (2) the Agency's reimbursement process for E-Verify.

E-Verify is a joint initiative between SSA and DHS that assists employers in verifying the employment eligibility of newly hired employees. The Employment Verification SSA Tentative Nonconfirmation Automated Response (EV-STAR) is a web-based system created by DHS for SSA staff to electronically communicate the status of an E-Verify case to DHS and the employer.

SSA's methodology for determining its FY 2008 E-Verify workload and the related reimbursement costs could be improved because the current methodology captured workloads that did not relate to E-Verify. We found SSA received about \$159,000 for 4,125 visits and calls by individuals who were not responding to an SSA tentative nonconfirmation (TNC) response; and received about \$462,000 for 15,283 contacts where the purpose of the visits or calls could not be determined. Additionally, for FYs 2005 and 2006, SSA did not pursue reimbursement for about \$246,000 in system costs associated with processing about 2.7 million E-Verify queries. Lastly, we found that SSA field office staff had used EV-STAR to process only 14 percent of the E-Verify cases where individuals visited field offices.

We recommended SSA: (1) add E-Verify topic codes to its tracking systems so management information can be generated to accurately track workloads associated with E-Verify; (2) continue to work with DHS to develop a process or system that alerts field office staff to use EV-STAR; (3) send reminders to field office staff to use EV-STAR when processing SSA TNC cases; and (4) evaluate field office staff training needs for EV-STAR and provide training as appropriate.

SSA disagreed with recommendation 1; however, the Agency provided an alternate approach using an E-Verify alert that meets the intent of our recommendation. Therefore, we encourage SSA to move forward with implementing this new process.



## Investigative Impact Initiatives

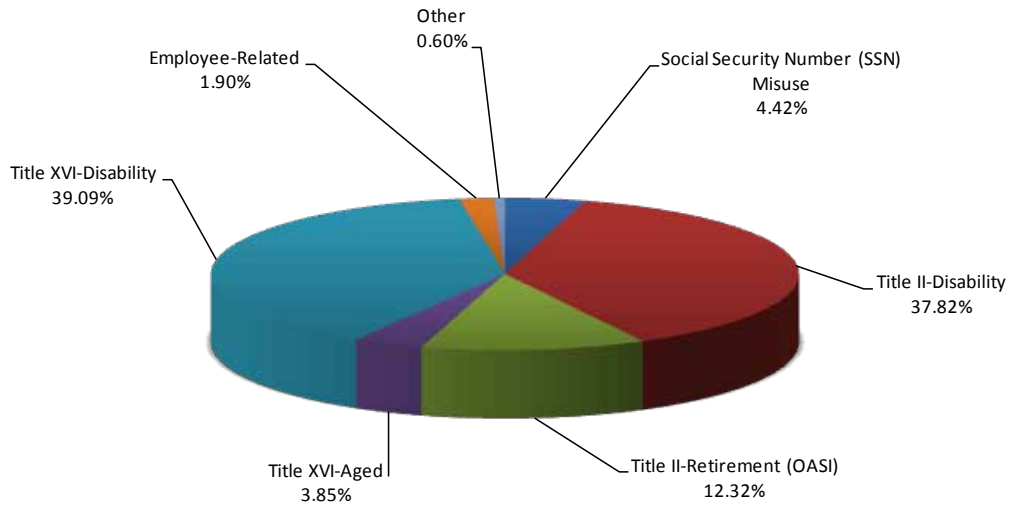
OI examines and investigates allegations of fraud, waste, abuse, and mismanagement in SSA programs and operations. These allegations may involve benefit fraud, SSN misuse, violations by SSA employees, or fraud related to grants and contracts. Our investigations often result in criminal or civil prosecutions or the imposition of CMPs against offenders. These investigative efforts improve SSA program integrity by deterring those contemplating fraud against SSA in the future. Our work in the areas of program fraud, enumeration fraud, SSN misuse, and employee misconduct ensures the reliability of SSA programs and their future operations.

| Investigative Results    |                   |
|--------------------------|-------------------|
|                          | 10/1/10 - 3/31/11 |
| Allegations Received     | 49,323            |
| Cases Opened             | 3,482             |
| Cases Closed             | 3,358             |
| Arrests                  | 262               |
| Indictments/Informations | 488               |
| Criminal Convictions     | 698               |
| Civil/CMPs               | 36                |

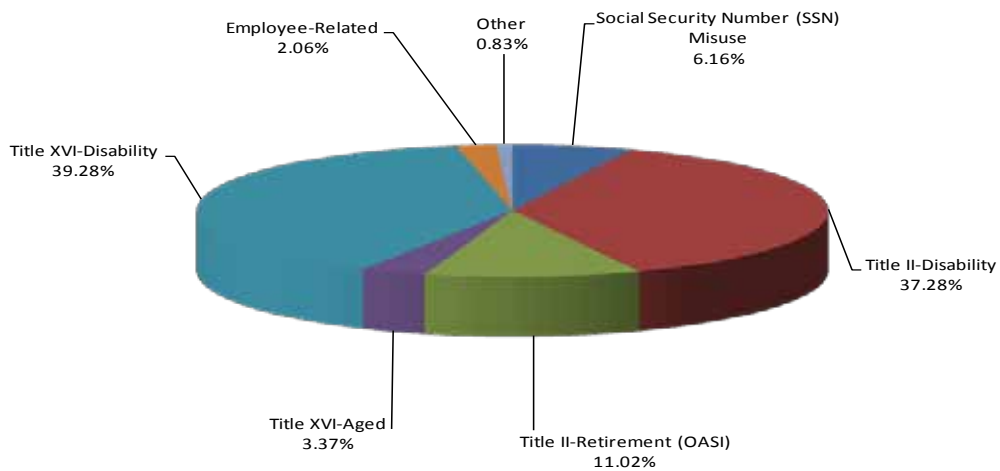




Cases Opened by Program Category  
October 1, 2010 - March 31, 2011



Cases Closed by Program Category  
October 1, 2010 - March 31, 2011







| Allegations Received by Source |                   |
|--------------------------------|-------------------|
|                                | 10/1/10 - 3/31/11 |
| SSA Employees                  | 16,855            |
| Private Citizens               | 15,825            |
| Anonymous                      | 13,246            |
| Law Enforcement <sup>1</sup>   | 1,741             |
| Beneficiaries                  | 1,117             |
| Public Agencies                | 526               |
| Other                          | 13                |
| <b>TOTAL</b>                   | <b>49,323</b>     |

| Allegations Received by Category <sup>2</sup> |                   |
|---|-------------------|
|   | 10/1/10 - 3/31/11 |
| Disability Insurance                          | 21,472            |
| SSI Disability                                | 12,571            |
| SSN Misuse                                    | 6,898             |
| Old-Age and Survivors Insurance               | 3,803             |
| Other   | 2,815             |
| Employee-Related                              | 1,182             |
| SSI Aged                                      | 582               |
| <b>TOTAL</b>                                  | <b>49,323</b>     |

<sup>1</sup> Effective FY 2011, OIG has excluded allegations related to the Fugitive Enforcement Program from our allegation count.

<sup>2</sup> See footnote 1.



### SSA Fraud: Michigan Man Uses Second Identity to Defraud SSA

Acting on information provided by an orthodontist's office, our Detroit office investigated an 84-year-old Michigan resident and Title II retirement beneficiary. The orthodontist's office reported that the man provided identifiers for his second identity when receiving treatment. Our investigation revealed that the man used his true name to apply for Title II disability and retirement benefits, while working under a false identity. He was overpaid \$194,146, a combined total from overpayments under both identities.

The man pled guilty to theft of government funds. In November 2010, a U.S. District Court judge sentenced the man to one day of incarceration, and ordered restitution of \$194,146 to SSA. Agents in our Detroit office seized cash and assets of approximately \$173,800, which the man signed over as part of the restitution order.

### SSA Fraud: Passport Fraud Leads to Uncovering \$115,000 in SSA Fraud

In a joint investigation conducted with Immigration and Customs Enforcement (ICE) and the Department of State, agents in our Philadelphia office investigated a man who used a fraudulent identity to receive Title II and Title XVI disability benefits totaling over \$115,000.

The man pled guilty to passport fraud, aggravated identity theft, and conversion of government funds. In February 2011, a U.S. District Court judge sentenced the man to 36 months' incarceration and three years' probation, and ordered restitution of \$115,751 to SSA.

### SSN Misuse: Family of Five Fraudulently Receives Survivors' Benefits

A liquor license application resulted in an investigation conducted by our Greensboro, North Carolina office. The license applicant used two SSNs, one of which contained death information. The investigation revealed that the man's five family members fraudulently received Title II survivor's benefits based on the SSN containing the death information. The fraudulent entitlement to the survivors' benefits, which started in 2001, resulted in an incorrect payment to the family of over \$98,000.

In December 2010, after the man pled guilty to theft of money from the United States, a U.S. District Court judge sentenced him to 12 months of incarceration, and three years' probation and ordered restitution of \$98,355 to SSA.

### SSN Misuse: Discovery of Passport Fraud Leads to \$163,000 in Restitution to SSA

Acting on a request for assistance from the Department of State, our San Diego office investigated a Mexican national, without legal status in the United States, for using a false identity to obtain Federal and State benefits. According to the State Department, two individuals had applied for U.S. passports using the same birth record, but two unique Social Security numbers. Our investigation revealed that the Mexican national had assumed the identity of a U.S. citizen and received Title II disability and retirement benefits, as well as Title XVI aged benefits, totaling \$163,948.

In November 2010, after the man pled guilty to theft of government funds, false statement in application for a U.S. passport, and criminal forfeiture, a U.S. District Court judge sentenced him to eight months' imprisonment and three years of probation, and ordered restitution of \$207,548 (\$163,948 to SSA, \$32,000 to Medicare, and \$11,600 to the California Department of Healthcare Services).



### SSN Misuse: Illinois Woman Uses Second Identity to Defraud SSA of over \$91,000

Using multiple identities, an Illinois woman collected Title II retirement benefits under one SSN, while collecting Title II widow's benefits under another SSN. The investigation, conducted by our Chicago office, revealed her scheme to receive over \$91,000 in benefits for which she was not eligible.

The woman pled guilty to wire fraud. In February 2011, a U.S. District Court judge sentenced her to three years' probation and ordered restitution of \$91,173 to SSA.

### SSN Misuse: Voter's Registration Leads to Fraud Investigation

Based on information provided by the Oregon Department of Justice, our Salem office investigated a man alleged to have used deceased family members' information to vote. Our investigation revealed that the man, a Title II retirement beneficiary, assumed his brother's identity and acquired a voter's registration card, Oregon Driver's License, and replacement SSN card; and he applied for Title XVI aged benefits, Medicare, and Food Stamps. He fraudulently received more than \$87,700 in SSI payments from SSA and more than \$51,300 in benefits from the State of Oregon using his deceased brother's identity.

The man pled guilty to theft of government funds and false information to obtain a Social Security card. In November 2010, a U.S. District Court judge sentenced him to 12 months' incarceration and three years' supervised release, and ordered restitution of \$87,734 to SSA and \$51,327 to the Oregon Department of Human Services. After the indictment, he also pled guilty to the voter registration charges.

### SSN Misuse: Stepmother Uses Multiple SSNs to Receive Federal and State Benefits

Agents in our Seattle office investigated a woman who fraudulently received SSI payments and public assistance from several states, using the identity of her deceased stepdaughter, who was a Canadian resident.

The woman collected SSI as well as state benefits under her true identity and used her stepdaughter's identity to collect SSI and public assistance from North Dakota, Alaska, and California.

The woman pled guilty to aggravated identity theft and theft of government funds. A U.S. District Court judge sentenced her to four years' incarceration and three years' supervised release, and ordered restitution of \$79,496 to SSA and \$15,814 to the Washington State Department of Social Services.

### Employee Fraud: Former SSA Employee Convicted of Accepting Bribes

Based on a referral from SSA's Center for Security and Integrity, New York Region, our Iselin, New Jersey office investigated an SSA contact representative for accepting bribes in connection with her official duties.

The SSA employee used the SSA mainframe computer database to access records of another SSA employee, as well as the accounts of her friends and family.

Our agents received information from the United States Postal Inspection Service regarding an identity theft suspect in possession of three SSA records printouts. The investigation revealed that the employee had shared the three records with a third party. In addition, the employee verified personal identification information for the third party in exchange for cash, groceries, medical supplies, and a car. The third party used the SSA information to open bank accounts and credit cards, at various financial institutions. Charges filed against the third party include conspiracy and misuse of an SSN.



The SSA employee pled guilty to accepting bribes in connection with official duties. In October 2010, a U.S. District Court judge sentenced the SSA employee to four months' incarceration, four months' home confinement, and two years' supervised probation. Judicial proceedings continue against the third party.

The SSA employee retired from SSA in September 2008.

### Employee Fraud: Former SSA Employee Convicted of Stealing Beneficiary Funds

Based on a referral from SSA's Center for Security and Integrity, Philadelphia Region, our Baltimore office conducted an investigation of an SSA teleservice center representative who accessed and modified the SSA database without authorization.

Our investigation found evidence that the employee changed the direct deposit account information of two separate beneficiaries to her own. The first beneficiary's payment was suspended prior to the deposit of the funds, due to the death of the claimant. The second beneficiary's payment was electronically deposited to the employee's bank account.

The SSA employee resigned in May 2009, after being notified of the allegation.

In November 2010, she pled guilty to theft over \$500 and was sentenced to two years' incarceration (suspended) and two years' supervised probation, and ordered to pay restitution of \$1,827 to SSA.

### Employee Fraud: Former SSA Employee Convicted of Identity Theft and Tax Fraud

Based on a referral by a tax preparation company, our Little Rock office investigated an SSA employee who worked part-time as a tax return preparer from 2005 through 2009. From January 2007 through June 2008, the employee accessed SSA systems to retrieve SSNs, and fraudulently used those SSNs as part of a tax fraud scheme.

The employee pled guilty to aiding and assisting in the preparation of false tax returns, aggravated identity theft, and misuse of an SSN. In November 2010, a U.S. District Court judge sentenced the SSA employee to 42 months of incarceration and three years of supervised probation, and ordered restitution of \$85,507 to the IRS.

The SSA employee resigned in September 2009, after being notified of the allegation.



## Threats and Assaults Against SSA Employees

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

The OIG shares responsibility for investigating reports of threats of force or use of force against Agency employees with the DHS's Federal Protective Service (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, we received 619 allegations nationwide related to employee safety issues, of which 150 involved assault or harassment, and 469 were associated with threats against SSA employees or buildings. We opened 34 cases and closed 10 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.

### Man Makes Bomb Threat Against SSA Office

Acting on a referral from the Miami (Little River), Florida SSA office, our Ft. Lauderdale office investigated a man who made a bomb threat. When the man came to the office to check on the status of his SSI application, an SSA employee confronted the man regarding a smell emanating from his backpack. The man stated that he had a bomb, and that he was going to "blow the building up," and then fled the office. Following the incident, our agents, along with the FPS and the Federal Bureau of Investigation, arrested the man without incident.

In November 2010, after a jury found the man guilty of false information and hoaxes, a U.S. District Court judge sentenced him to 27 months' incarceration and 24 months' supervised release.

### Man Authors Sixteen Threatening Letters to SSA Employee

Our Baton Rouge office investigated a man who composed 16 threatening letters, five of which contained sexually graphic threats of bodily injury and death, to a New Iberia, Louisiana SSA employee. Our investigation determined that the man attempted to disguise his handwriting, and implicated two unwitting SSI recipients with whom he had a grudge, as the authors of the letters. The man composed an "apology" letter to SSA that appeared to be from one of the SSI recipients; however, a forensic laboratory confirmed the man we identified was the true author.

The man pled guilty to mailing threatening communications. In December 2010, a U.S. District Court judge sentenced the man to five years' incarceration and three years' supervised release.



## SSA Benefit Applicant Threatens to Kill SSA Employee

Our Las Vegas office investigated a woman who threatened to kill an SSA employee, if her previously denied benefit application was not approved. After the denial of her benefits, the woman submitted a written request for an appeals hearing, via the U.S. mail, that contained the threat directed against an SSA employee.

The woman pled guilty to mailing threatening communications. In February 2011, a U.S. District Court judge sentenced the woman to 6 months' home confinement with electronic monitoring and five years' probation.



## Fugitive Enforcement Program

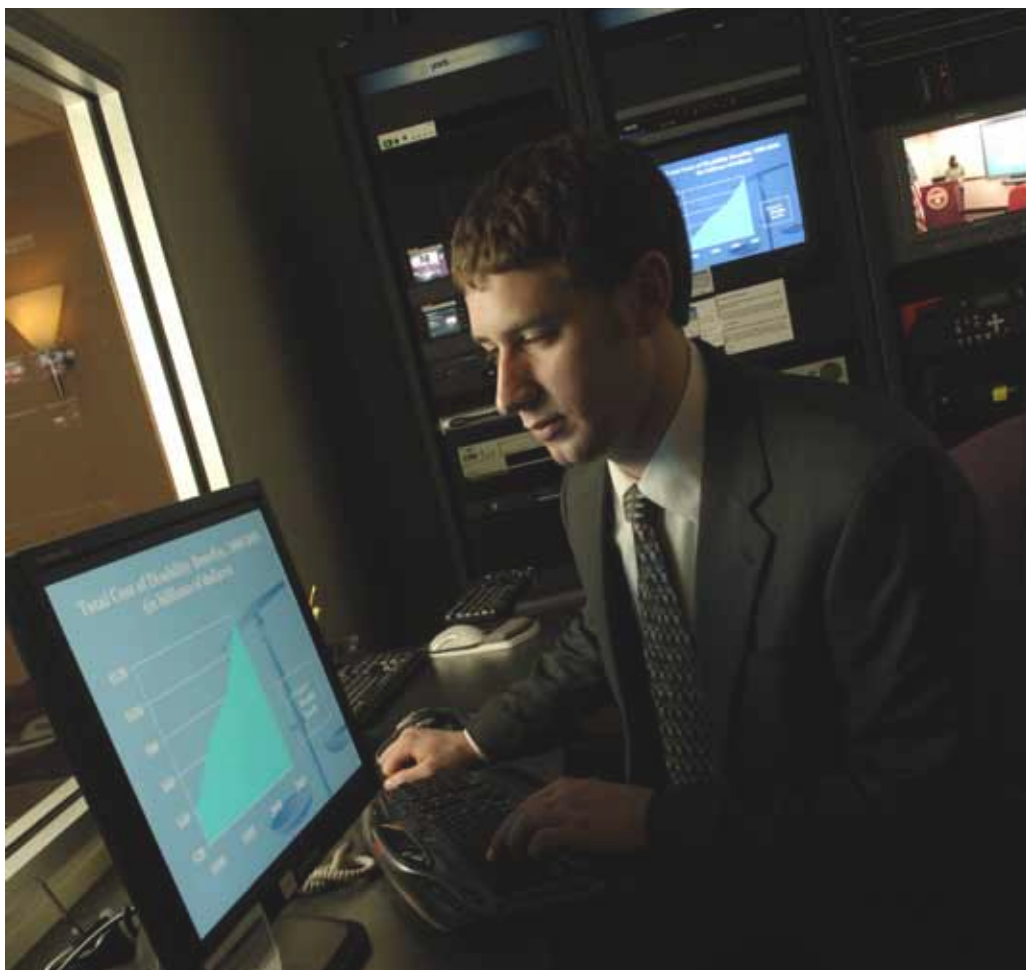
The OIG's Fugitive Enforcement Program identifies individuals reported to have outstanding felony arrest warrants and outstanding warrants for parole and probation violations. SSA shares its location information for wanted felons with local law enforcement agencies to assist in their apprehension efforts.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

Our data-sharing efforts with law enforcement agencies contributed to the arrest of 1,109 subjects during the reporting period, and more than 95,000 arrests since the program's inception in 1996. The following are some examples of fugitive enforcement activities during the past six months:

- OIG agents and members of the Texas Attorney General's Office, Fugitive Squad and the Little River County, Arkansas Sheriff's Department in Ashtown, Arkansas arrested an SSA beneficiary who was a convicted sex offender wanted on a warrant dated June 2010 for violating the conditions of his parole.
- OIG agents and members of U.S. Marshals Service, Southeast Regional Fugitive Task Force in Atlanta, Georgia arrested an SSA beneficiary wanted on an outstanding warrant dated May 27, 2010. The subject was arrested for Robbery. The warrant was issued by the New York City Police Department.
- OIG agents and members of the Los Angeles Police Department, U.S. Marshals Fugitive Task Force in Los Angeles, California arrested an SSA beneficiary wanted on an outstanding warrant dated September 8, 2010. The subject was arrested for Assault with a Firearm and Criminal Threats. The warrant was issued by the Los Angeles Police Department.
- OIG agents and members of the U.S. Marshals Service, Capital Area Regional Fugitive Task Force in Richmond, Virginia arrested an SSA beneficiary on an outstanding warrant dated May 10, 2010. The subject was arrested for Prescriptions Obtained by Fraud and Forgery. The warrant was issued by the Richmond Police Department.



In an effort to improve efficiency, the OIG has implemented new scanning software that uploads the fugitive enforcement information received from law enforcement about the disposition of the felony warrant. The scanning software uses both Optical Character Recognition and Intelligent Character Recognition to capture both computer-generated and handwritten data on the fugitive enforcement form. The software scans and translates the pertinent data, which is indexed into a text file and uploaded to the OIG database. The software also creates an electronic copy of the fugitive enforcement form, which eliminates the need to file a hard copy. This new automated process has allowed the OIG to significantly increase the hourly rate at which it processes the fugitive enforcement forms.





## Legal Impact Initiatives

### Section 1140 Enforcement

Section 1140 of *the Act* is a consumer protection tool against misleading advertising. Section 1140 prohibits, in part, the use of SSA words and symbols in advertisements, solicitations, or other communications in a manner that conveys the false impression that such item is approved, endorsed, or authorized by SSA, or that such person has some connection with, or authorization from, SSA.

Communications running afoul of Section 1140 take many forms, such as deceptive paper-based mailers, misleading attorney advertising, and misleading Internet solicitations, as well as the Internet-based sale of Social Security forms. OCIG, using the authority delegated by the Commissioner and the Inspector General, aggressively enforces Section 1140. The statute provides for up to \$5,000 in civil monetary penalties for each separate violation of *the Act*. *The Act* also provides that a CMP of up to \$25,000 may be imposed for each time a violative broadcast or telecast is viewed.

With the proliferation of social media and the Internet, there has been an increase in allegations of Section 1140 violations involving the operation of websites. In particular, there is a disturbing upward trend of allegations concerning websites designed to appear as either the official SSA website or to have an affiliation with SSA for the purpose of charging a fee for an otherwise free SSA Application for a Social Security card ("Form SS-5"). SSA provides the Form SS-5 at no cost on its website, as well as at SSA field offices and other SSA-approved locations throughout the nation. In addition to design schemes, website owners and operators often enter into advertising agreements with web-hosting entities and Internet search engines to ensure that Internet searches for terms related to obtaining a new or replacement Social Security card will result in potential customers being directed to the imitation SSA website instead of SSA's official website.

In response to the increase in Section 1140 allegations, OCIG has recently launched an aggressive offensive in the form of a new action plan. The plan is designed to further proactive case development, to allow for more efficient and effective handling of a larger volume of Section 1140 cases, and to deter future fraudulent activity by not only enforcement, but also through educational outreach, especially targeted to the Internet industry. We are committed to enforcing Section 1140 and expanding public awareness of these deceptive practices.





## 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 the intended value, these products and services must effectively meet the needs of all whom 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 are focused 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 60 reports, identifying over \$152.3 million in questioned costs and about \$27.6 million in Federal funds that could be put to better use. Some of our most notable audits are summarized below.

#### Federal Employees Receiving Both Federal Employees' Compensation Act and Disability Insurance Payments

Our objective was to determine the extent to which improper payments resulted when Federal employees received both Social Security disability payments and Federal Employees' Compensation Act (FECA) payments.

FECA provides workers' compensation (WC) benefits to Federal employees injured while performing their duties. *The Act* states, when a Disability Insurance (DI) beneficiary under age 65 also receives public disability benefits, SSA may reduce the DI benefit. For SSI payments made under *the Act*, an individual whose income exceeds a certain amount in a particular month is not eligible for SSI in that month.

Our review found that SSA made improper payments to DI and SSI recipients whose FECA compensation was not recorded or accounted for in the calculation of their benefits. Based on our findings, we projected approximately \$43 million in estimated overpayments 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 to about 80 SSI recipients whose FECA compensation was not initially accounted for in the calculation of their payments.

We recommended that SSA develop a computer matching agreement with the Department of Labor (DOL) 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.

SSA agreed with our recommendation and is currently drafting a computer matching agreement for this purpose. SSA also informed us it has determined that the legal authority to perform this computer match is included in Sections 224(h)(1) and 1636(f) of *the Act*, which requires Federal agencies to furnish SSA with information necessary to verify eligibility for the DI and SSI programs.



## Accuracy of Fiscal Year 2009 Title II Disability Insurance Benefit Payments Involving Workers' Compensation Offsets

Our objective was to determine whether SSA accurately offset Title II benefits for FY 2009 DI claims that involved State WC benefits.

Since November 2006, when we examined a similar population of WC offset cases, SSA's error rate decreased from 17 percent to about 12 percent. Unfortunately, some payment errors continued to exist, in part because SSA personnel misinterpreted or incorrectly applied the amount of WC data to the offset calculation. Specifically, 29 (11.6 percent) of the 250 DI claims we reviewed had payment errors. Of the 29 error cases, 15 had underpayments totaling \$60,663, and 14 had overpayments totaling \$57,674.

From our population of DI claims in which a WC offset began, changed, or ended between October 1, 2008 and June 30, 2009, we estimate that approximately 1,000 DI claims had underpayment errors totaling about \$4 million, and approximately 933 DI claims, had overpayment errors totaling about \$3.8 million. These payment errors related to the WC offset calculation. Additionally, 9 of the 29 claims had payment errors that would have continued after June 2010. As such, we estimate that for the 12 months following our audit period, approximately 600 claims had payment errors totaling about \$2.1 million.

For 51 (20 percent) of the 250 claims, we did not locate independent proof of the WC benefits in SSA's records retention systems, as required. Therefore, we could not determine whether SSA offset these payments correctly.

We recommended that SSA implement a cost-effective, risk-based approach to identify error-prone WC offset cases and require independent review before the offset decision is effectuated. SSA agreed with our recommendation.

## Recovery of Title II Payments Issued After Beneficiaries' Deaths

Our objective was to determine whether SSA took appropriate actions to recover payments issued after beneficiaries' deaths.

Generally, any payments made after a beneficiary's death are not subject to SSA's normal overpayment recovery procedures. Instead, the recovery of these payments is the responsibility of the Department of the Treasury (Treasury). The Treasury recovers these payments from financial institutions through a process called reclamation. SSA must coordinate the recovery efforts with the Treasury as well as make attempts to recover outstanding payments that are outside the Treasury's jurisdiction.

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.

We recommended that SSA (1) take corrective action for the 68 errors identified by our audit; (2) determine whether it should review the population of 6,486 deceased beneficiaries with payments after death; (3) remind employees to take appropriate actions to (a) initiate reclamation requests timely, (b) resolve periodic alerts, (c) recover payments after death from liable financial institutions/individuals, and (d) identify underpayments; and (4) revise, where needed, the frequency of periodic alerts. SSA agreed with all of our recommendations.



## Implementation of Phase I of the Martinez Settlement Agreement

Our objective was to assess SSA's implementation of Phase I of the Martinez settlement agreement.

The Martinez class action lawsuit challenged SSA's fugitive felon policy of basing payment suspensions solely on the existence of an outstanding felony arrest warrant, rather than developing information to ensure that the individual was "fleeing." As a result, the parties reached a settlement in September 2009 in which SSA changed its policy to suspend OASDI benefits and deny SSI payments only if the outstanding felony warrant for the individual was issued for escape or flight to avoid prosecution, confinement, etc.

SSA is fulfilling the terms of the settlement agreement in four phases.

Despite the complexities of Martinez cases, SSA provided appropriate settlement relief to about 91 percent of the Phase I class members. Specifically, based on our sample, we estimate SSA provided settlement relief totaling approximately \$321.6 million in Phase I of the Martinez Settlement implementation. SSA appropriately provided relief to about 27,524 (91 percent) OASDI class members. However, approximately:

- 1,864 (6 percent) received about \$14.3 million more settlement relief than was due; and,
- 768 (3 percent) did not receive about \$828,600 in settlement relief that was due.

Overall, about 2,632 individuals did not receive the accurate amount of settlement relief due them. The net result was that SSA provided about \$13.5 million more in settlement relief than was due.

We recommended SSA (1) review and update its policies and procedures, where necessary, to ensure settlement relief is properly paid; and (2) correct the cases in the population that were incorrectly paid settlement relief. SSA agreed with the recommendations.



## 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 \$187 million in monetary accomplishments, with over \$36 million in SSA recoveries, restitution, fines, and settlements/judgments; and over \$150 million in projected savings from investigations resulting in the suspension or termination of benefits.

The following table represents the efforts of our personnel nationwide to recover SSA funds paid in fraudulent benefits or through other illegal actions.

| SSA Funds Reported    |                      |
|-----------------------|----------------------|
|                       | 10/1/10 - 3/31/11    |
| Recoveries            | \$19,737,838         |
| Fines                 | \$396,187            |
| Settlements/Judgments | \$684,151            |
| Restitution           | \$15,444,370         |
| Estimated Savings     | \$150,962,739        |
| <b>TOTAL</b>          | <b>\$187,225,285</b> |

The following case summaries are indicative of the more than 3,300 investigations that we closed during this reporting period. The cases we have highlighted illustrate the many instances where our investigative efforts have resulted in a significant return on investment.

### Disability Program Fraud: Man Uses his Son's Identity to Conceal Work from SSA

Based upon a project conducted by our Strategic Research and Analysis Division to identify Title II disability beneficiaries concealing their work activity, our Atlanta office investigated a man who used his son's SSN to work as an engineer for a broadcasting company. Our investigation confirmed that the man, a Title II disability beneficiary, concealed his work and earnings from SSA by using his son's SSN.

The man pled guilty to wire fraud. In January 2011, a U.S. District Court judge sentenced the man to six months' home confinement and three years' probation, and ordered restitution of \$123,103 to SSA.

### Disability Program Fraud: Man Falsifies Documents to Obtain Disability Benefits

Our Batavia, New York office conducted a joint investigation with the Department of Veterans Affairs (VA), OIG, of a man who provided falsified documents to SSA and VA in support of his application for Title II disability benefits, as well as additional VA benefits. The investigation determined that the man produced fictitious letters in the names of several health care providers, in order to obtain SSA disability benefits from December 2005 through December 2008.

The man pled guilty to Social Security fraud and false statements. In October 2010, a U.S. District Court judge sentenced the man to five years' probation, and ordered restitution of \$56,513 to SSA.



### Disability Program Fraud: Disabled Married Couple, Along with Man's Ex-Wife, Conspire to Obtain Federal and State Benefits

Our Seattle CDI Unit investigated three Washington State residents who conspired to receive Federal and State benefits. Two of the subjects, a married couple both receiving Title II disability benefits, conspired to conceal their three active businesses from SSA. The man and his wife operated an auto repair business out of their residence, as well as an inflatable toy and carnival company and a household goods shipping company. The man also conspired with his ex-wife to obtain benefits from the state of Washington to pay for the full-time care of his current wife.

In November 2010, after the man pled guilty to Social Security fraud and conspiracy to commit theft, a U.S. District Court judge sentenced him to 14 months' incarceration, four months' electronic home monitoring, and three years' supervised release; and ordered restitution of \$67,350 to SSA and \$129,791 to the state of Washington.

In January 2011, after his ex-wife pled guilty to the same charges, a U.S. District Court judge sentenced her to 60 days' incarceration, followed by six months' electronic home monitoring and three years' supervised release, and ordered restitution of \$26,224 to SSA and \$108,686 to the state of Washington.

In February 2011, after his ex-wife pled guilty to theft of government funds, a U.S. District Court judge sentenced her to 30 days' incarceration, followed by four months' electronic home monitoring and three years' supervised release, and ordered restitution of \$45,914 to the state of Washington.

### Disability Program Fraud: Man Obtains Deceased Mother's SSA Benefits for over 10 Years

Our Chicago office investigated a man who concealed his mother's death in 2000 from SSA, in order to receive her Title II widow's benefits. Our investigation revealed that the man forged his mother's signature and set up a bank account, to which he caused her widow's benefits to be directly deposited, in order to steal the benefits for himself. Additionally, the man caused SSA to pay out monthly Medicare premiums.

The man pled guilty to theft of government funds. In February 2011, a U.S. District Court judge sentenced the man to 18 months' incarceration and three years' supervised release, and ordered restitution of \$207,995 to SSA.

### Disability Program Fraud: Man Assumes Identity and SSN of a Deceased Individual to Obtain U.S. Documents and Disability Benefits

Acting on a referral from the U. S. Department of State Diplomatic Security Service, our El Paso office investigated a man who assumed the identity and SSN of a deceased individual, resulting in the fraudulent receipt of a U.S. passport and Texas identification card. The investigation confirmed the man obtained Title II disability benefits by using the deceased's identity. He also received Title II child auxiliary benefits for his two children.

The man pled guilty to theft of public money and aggravated identity theft. In October 2010, a U.S. District Court judge sentenced the man to 24 months' incarceration and three years' supervised release, and ordered restitution of \$142,462 to SSA.



### Disability Program Fraud: Man Assumes Identity for U.S. Citizenship and SSA Benefits

Our Philadelphia office investigated a Dominican man who used the identity of a Puerto Rican man to obtain U.S. citizenship and a U.S. passport. The investigation disclosed that once the man assumed this identity, he fraudulently applied for and received Title II and Title XVI disability benefits.

The man pled guilty to passport fraud, conversion of government funds and aggravated identity theft. In February 2011, a U.S. District Court judge sentenced the man to 36 months' incarceration and three years' supervised release, and ordered restitution of \$115,751 to SSA.

### Disability Program Fraud: Man Conceals Ownership of Timber Business

Acting on information provided by the New York State Environmental Conservation Police, our Albany office investigated a man who concealed his ownership and operation of a timber business in order to continue his SSI payments. The investigation revealed the man defrauded landowners out of more than \$70,000. The man also concealed his subsequent incarceration, enabling him to continue receiving SSI.

The man pled guilty to theft of government funds. In November 2010, a U.S. District Court judge sentenced the man to 18 months' incarceration, and ordered restitution of \$18,609 to SSA.

### Disability Program Fraud: Woman Conceals Living Arrangement to Receive Benefits

Acting on a referral from the Savannah, Georgia SSA office, our Jacksonville, Florida office investigated a woman who concealed her true living arrangement from SSA in order to receive SSI. The investigation determined that from August 2004 through July 2009, the woman lived with her husband on a permanent basis in Georgia; however, she did not report this information to SSA. As a result of our investigation, SSA determined the woman was not eligible for SSI, due to her husband's receipt of SSA benefits.

In December 2010, after the woman pled guilty to false statements, a U.S. District Court judge sentenced her to three years' probation with six months' electronic monitoring, and ordered restitution of \$36,842 to SSA.

### Representative Payee Fraud: Executive Director Pleads Guilty to Theft of Public Money

Our Cleveland office investigated the executive director of an organizational representative payee (ORP), who embezzled monies from a collective account maintained for multiple beneficiaries. This investigation was the result of a triennial audit of the ORP, which determined that the man charged additional fees and withdrew personal credit card payments from the collective account. Our investigation determined that from January 2007 through October 2009, the man embezzled \$129,698 from the account.

The man pled guilty to theft of public money. In November 2010, the man was sentenced to 21 months' incarceration and three years' supervised probation. He was also assessed a fine of \$800, and ordered to pay restitution of \$129,698 to SSA.



### Representative Payee Fraud: Las Vegas Mother Steals Child's Benefits

Our Las Vegas, Nevada office investigated a woman who served as representative payee for her son's SSI. The investigation determined that the woman concealed the true living arrangement of her son in order to receive his benefits. From May 2005 through September 2009, the woman fraudulently received her son's SSI payments, while he resided with his grandparents in Texas.

The woman pled guilty to theft. In December 2010, a U.S. District Court judge sentenced the woman to a period of 14 to 40 months' incarceration (suspended) and five years' probation, and ordered restitution of \$23,255 to SSA.

### Representative Payee Fraud: SSI Recipient Goes to Prison for Stealing Her Son's Benefits

Acting on a referral from the Roanoke, Virginia SSA office, our Richmond office investigated an SSI recipient who also served as representative payee for her son's SSI. The woman failed to report the true living arrangements of her son. From February 2000 through August 2009, the woman fraudulently received benefits on behalf of her son to which she was not entitled.

The woman pled guilty to theft of government monies and false statements related to health care matters. In November 2010, a U.S. District Court judge sentenced the woman to 24 months' incarceration, and three years' supervised release, and ordered restitution of \$20,229 to SSA and \$168,551 to the Virginia Department of Medical Assistance Services.

### Deceased Payee Project: Tennessee Man Steals Money from His Deceased Mother's Bank Account

Our Nashville office conducted this investigation as part of the national Deceased Payee Project (BIC-D), which identifies widows and widowers of Title II beneficiaries whose benefits continued to be paid after their death. The investigation revealed that a man's mother died on February 12, 2004, and he continued to receive her Title II widow's benefits after her death. SSA terminated the benefits and determined that the son received \$69,796 of his mother's benefits to which he was not entitled.

In December 2010, after the man pled guilty to theft of government funds, a U.S. District Court judge sentenced him to one year of probation. Prior to sentencing, he made full restitution of \$69,796 to SSA.

### Deceased Payee Project: Cleveland Man Guilty of Theft of Government Funds

Our Cleveland office conducted this investigation as part of the BIC-D Project. The investigation revealed that the man did not report his uncle's death in June 2005, and from June 2005 through October 2008, withdrew \$39,081 of his deceased uncle's Title II widower's benefits.

The man pled guilty to theft of government funds. In December 2010, a U.S. District Court judge sentenced him to five years' probation, and ordered restitution of \$39,081 to SSA.



### Deceased Payee Project: Arizona Man Accessed Funds Paid to His Deceased Mother

Our Phoenix office conducted this investigation as part of the BIC-D Project. The investigation revealed that a man failed to notify SSA that his mother died on January 6, 2004. From January 2004 through December 2007, the deceased's son accessed funds in the joint checking account for his own personal use.

The man pled guilty to theft. In January 2011, a Commissioner for the Superior Court of Arizona sentenced him to 10 months' imprisonment and three years' probation, and ordered restitution of \$35,749 to SSA.

### Deceased Payee Project: Son Misappropriates Mother's SSA Benefits After Her Death

Our Cleveland office conducted this investigation as part of the BIC-D Project. The investigation revealed that SSA paid benefits to a deceased beneficiary after her death on October 25, 2005. From October 2005 through July 2008, the deceased's son converted the SSA funds for his own use.

The man pled guilty to embezzlement of public money. In February 2011, a U.S. District Court judge sentenced him to three years' probation, and ordered restitution of \$35,267 to SSA.

### Deceased Payee Project: New Jersey Woman Withdraws Deceased Mother's Widow's Benefits

Our Iselin, New Jersey office initiated this investigation based on information provided as part of the BIC-D Project. The referral alleged a Title II widow's beneficiary died in September of 2004; however, SSA sent benefits via direct deposit after her death. The investigation disclosed that the deceased's daughter withdrew the benefits for her own personal gain.

The daughter pled guilty to theft of government funds. In October 2010, a U.S. District Court judge sentenced her to one year of probation, and ordered restitution of \$27,084 to SSA.





## Cooperative Disability Investigations Program

Our CDI Program continues to be one of our most successful initiatives, contributing to the integrity of SSA's disability programs. CDI is a joint effort of the OIG, SSA, Disability Determination Services (DDS) and State and local law enforcement personnel. Established in 1998 with units in just five states, our CDI program now has 22 Units in 19 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.

### Former New York Police Officer Fakes Shoulder Injury

The New York CDI Unit investigated a 49-year-old former New York City police officer who applied for Title II disability benefits based on a shoulder injury and anxiety. The man reported that he had trouble with his daily personal hygiene regimen, as well as other daily activities, and claimed that he experienced panic attacks while climbing stairs and driving a vehicle. The New York DDS referred this case due to inconsistencies in the claimant's reporting and the lack of available medical evidence.

During the investigation, CDI Unit personnel observed the man traveling alone, driving a minivan, shopping at various locations while pushing a cart, and placing his purchases into the rear cargo area of his vehicle. As a result, the man's application for Title II benefits was denied.

### South Carolina Carpenter Feigns Illiteracy

The Columbia, South Carolina CDI Unit investigated a 41-year-old man who applied for Title II and Title XVI disability benefits based on mental retardation, illiteracy, and depression. The man obtained the lowest possible score on all IQ subtests. The man reported that he retired from the U.S. Navy in 2006. This case was referred by the South Carolina DDS due to suspected malingering.

Our investigators discovered that the applicant attended a technical school and received a certificate of carpentry. In addition, the investigation revealed that the man has a current driver's license and a work history with earnings that would make him ineligible for SSI. The South Carolina DDS denied the man's application for Title II and Title XVI benefits.



### Virginia Man Embellishes Intellectual and Memory Problems

Our Richmond CDI Unit investigated a 27-year-old man who applied for SSI based on brain surgery, fractures of the arm and leg, and cognitive disorders. The Richmond DDS referred this case after the applicant exhibited signs of poor cooperation during a consultative exam.

During the consultative exam, the doctor concluded that the applicant had exaggerated his intellectual and memory problems, that there were inconsistent reports of symptoms and the man showed a lack of motivation.

Agents also interviewed the applicant's probation officer, who stated that he meets with the applicant and his sister every three months. During those meetings, the man was observed walking, standing, and sitting without the use of any assistive devices and without any difficulty. He was able to interact socially in an appropriate manner and did not display any unusual behaviors or mannerisms. The man comprehended and responded to questions with no difficulty, and his probation officer did not observe any depression or cognitive impairment.

Furthermore, the man revealed that he cared for his sister's three children during the day, while she worked. The Richmond DDS denied the man's application for SSI.

### Oregon Man Operates Facility Despite Claimed Disability

The Salem CDI Unit investigated a 62-year-old man who applied for Title II disability benefits based on Hepatitis C, chronic fatigue, back problems, and depression. The man previously applied for benefits and received a denial based on his work activity. On this application, the man reported that he was not working. The Oregon DDS referred this case due to information that the applicant was not credible.

During an interview, the applicant described how he remodeled a home and turned it into a facility for recovering drug addicts. He explained that the residents compensate him for housing and counseling services, and that the recovery house is approaching its occupancy capacity. The Oregon DDS denied the man's application for Title II benefits.

### Ohio Author Exaggerates Disabilities

The Cleveland CDI Unit investigated a 40-year-old man who applied for Title II and Title XVI disability benefits based on a learning disability. The applicant exhibited difficulty comprehending questions during his initial interview with SSA. He reported that he stopped working in 2008; his wife assisted him with personal grooming and hygiene; and that someone must accompany him outside his residence. The Ohio DDS referred this case due to conflicts in the medical evidence.

During a consultative examination, the applicant behaved in a childish fashion, spinning around in his chair and whistling, while his wife spoke on his behalf.

The CDI investigation revealed that the man works for a moving company. Furthermore, the man is pursuing the publication of short stories he has written. The Ohio DDS denied the man's application for concurrent disability benefits.



## Tennessee Man Exhibits Varied Behaviors at Medical Appointments

Our Nashville, Tennessee CDI Unit investigated a 47-year-old man who applied for SSI based on complications from previous accidents and blackouts. The man and his sister alleged that he is extremely limited in his daily activities due to his impairments, and that he is capable of doing little more than sleeping all day. The Tennessee DDS referred this case due to suspected malingering.

During a psychological consultative examination, the man presented himself as severely impaired. He laughed and smiled at inappropriate times, and refused to leave after becoming agitated and repeating phrases. At a physical exam two weeks earlier, the man did not exhibit the same level of mental difficulties. That examiner reported no abnormal behaviors or mannerisms, and advised the man's cognitive function and intelligence were appropriate for his educational level.

In an interview, the man stated that he has almost completed the courses necessary to receive his college degree, and that his injuries stem from a car accident that occurred at age 14. The applicant's sister stated that he was not seeing a doctor for his mental problems. During the interview, the man appeared to move normally, did not display any unusual mannerisms, limitations, or discomfort, appeared calm and cooperative, maintained good eye contact, and articulated his responses clearly.

The Tennessee DDS denied the man's application for SSI.





The following table highlights the successes of the CDI program, which yielded more than \$128 million in projected SSA program savings during this reporting period.

| Cooperative Disability Investigations Program Results |                      |                       |                          |                              |
|---|----------------------|-----------------------|--------------------------|------------------------------|
| October 1, 2010 - March 31, 2011                      |                      |                       |                          |                              |
| State   | Allegations Received | Confirmed Fraud Cases | SSA Savings <sup>1</sup> | Non-SSA Savings <sup>2</sup> |
| Arizona   | 163                  | 99                    | 8,607,571                | 4,567,080                    |
| Arkansas  | 54                   | 25                    | 2,121,782                | 1,152,375                    |
| California <sup>3</sup>                               | 384                  | 118                   | 7,621,913                | 6,527,740                    |
| Colorado  | 101                  | 59                    | 5,267,303                | 3,020,232                    |
| Florida   | 87                   | 29                    | 2,430,157                | 1,401,616                    |
| Georgia   | 167                  | 136                   | 11,916,150               | 6,579,785                    |
| Illinois  | 86                   | 52                    | 3,845,308                | 2,274,122                    |
| Louisiana   | 101                  | 48                    | 4,196,476                | 2,692,294                    |
| Massachusetts   | 86                   | 53                    | 4,628,259                | 3,278,917                    |
| Missouri <sup>4</sup>                                 | 155                  | 65                    | 5,222,183                | 3,377,503                    |
| New Jersey  | 121                  | 69                    | 4,736,825                | 3,046,725                    |
| New York  | 72                   | 52                    | 4,562,356                | 3,452,614                    |
| Ohio  | 295                  | 138                   | 10,975,454               | 7,744,838                    |
| Oregon  | 159                  | 108                   | 9,361,268                | 6,189,994                    |
| South Carolina  | 89                   | 77                    | 4,419,531                | 2,787,870                    |
| Tennessee   | 83                   | 39                    | 3,484,510                | 1,598,928                    |
| Texas <sup>5</sup>                                    | 335                  | 236                   | 20,512,981               | 12,963,288                   |
| Virginia  | 118                  | 77                    | 6,939,625                | 4,763,092                    |
| Washington  | 112                  | 104                   | 7,571,951                | 4,904,575                    |
| TOTAL (10/1/10-3/31/11)                               | 2,768                | 1,584                 | \$128,421,603            | \$82,323,588                 |

<sup>1</sup> 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 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.

<sup>2</sup> 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.

<sup>3</sup> California has two units, one in Los Angeles and the other in Oakland.

<sup>4</sup> Missouri has two units, one in Kansas City and the other in St. Louis. The Kansas City unit was established on September 30, 2010.

<sup>5</sup> Texas has two units, one in Dallas, and the other in Houston.



## Value Attained Through Legal Initiatives

OCIG's efforts to administer the portion of the CMP program that deals with violators of Section 1129 of *the Act*, maximize resources available to us and create a positive return on investment. Section 1129 of *the Act* allows for the imposition of 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 used to penalize representative payees for wrongful conversion of payments, and to penalize individuals who knowingly withhold a material fact from SSA. After consultation with the DOJ, OCIG is 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. During this reporting period, we reallocated resources from our Section 1129 program to expand our efforts against Section 1140 perpetrators who have increasingly utilized the Internet to commit fraud against the public.

The following table and cases highlight the value achieved through our Section 1129 efforts for this reporting period.

| Civil Monetary Penalty Activity Under Section 1129 |                   |
|--|-------------------|
|  | 10/1/10 - 3/31/11 |
| Cases Received                                     | 907               |
| Cases Initiated                                    | 72                |
| Cases Closed                                       | 751               |
| Penalties and Assessments Imposed                  | \$697,913         |
| Number of Hearings Requested                       | 4                 |



### Texas Antique Dealer Agrees to \$32,000 Settlement for Concealing Work Activity

Under the SSI program, SSA pays monthly benefits to individuals with limited income and resources who are disabled, blind, or age 65 or older.

A Texas man receiving SSI payments for numerous alleged physical and mental impairments actually owned and operated a thriving antique business. When initially confronted by OIG special agents with evidence of his work activity, the man insisted that the antique business belonged solely to his parents, and claimed that he did not work there – apart from occasionally dusting some of the furniture.

However, the special agents discovered that the man performed all of the activities necessary to set up and operate the business. He not only worked in the store full-time each day, but he bought and sold all the antiques for the store, picked up and delivered all the furniture he bought and sold, including heavy bedroom and dining sets, and decided upon all the prices for the merchandise he sold. He applied for a Texas business license, filed taxes for the business, and applied for a loan for the business. On his 2006 tax return, he reported that he drove his truck over 25,000 miles for the business.

In a settlement agreement with OCIG, he agreed to repay the overpayment of \$14,536 plus a CMP of \$17,464 for a total recovery of \$32,000 for his numerous false statements to SSA regarding his work activity.

### Louisiana Woman Concealed Marriage to Continue Receiving Disabled Adult Child Benefits

A disabled adult child may receive Title II disability benefits until he or she marries. A Louisiana woman began receiving Title II disability benefits as a disabled adult child in 1993. Although the woman agreed to promptly notify SSA if she married, in 1994 she married and failed to inform SSA. Because of her failure to inform SSA of her marriage, she improperly received over \$47,000 in benefits. As a result, OCIG assessed the woman a penalty of \$36,500 and an assessment of \$41,944 for a total of \$78,444.

### Louisiana Girl Falsified School Certification to Continue Receiving Child's Benefits

An individual may receive Title II benefits as a child of a deceased beneficiary until the child turns 18, unless he or she is still in high school or pursuing a General Educational Development (GED) degree, in which case they may be extended for up to 14 months.

A Louisiana girl began receiving Title II benefits under this program in 1998. In November 2008, she signed an SSA form falsely certifying that she was still in school pursuing a GED and expected to graduate in May 2010. In fact, she had dropped out of the GED program in May 2008. The fraud was discovered after she applied for food stamps and a state employee contacted the local SSA office to verify her assertion in her food stamp application that she was not receiving any Social Security benefits. After SSA discovered she had signed a form certifying to SSA that she was still in school, but had informed the state agency that she had dropped out in the 10th grade, SSA referred the case to OIG for further investigation. Because of her false statement, she improperly received \$13,104 in SSA benefits. OCIG negotiated a settlement agreement by which the girl, now working as a waitress at a truck stop, will pay back to SSA a penalty and assessment of \$20,000.



### Arizona Welder Assessed \$64,947 for Failing to Report Work and Income While Receiving Disability Benefits

SSA approved the application of an Arizona welder to receive disability benefits in 2001 for various injuries following an accident. In 2003, he returned to work for over a year without advising SSA, which continued to pay him benefits.

SSA is currently collecting an overpayment for that period in which he was working. In 2004, he was again unable to work. However, while continuing to receive benefits, he returned to work as an ironworker and field supervisor in 2007, and worked through October 2008. His failure to report to SSA his return to work caused him to receive almost \$49,000 in benefits to which he was not entitled.

After he returned to work a second time without informing SSA, causing SSA to pay him additional benefits for which he was not eligible, OCIG assessed a penalty of \$16,000 for 16 months of material omissions, and an assessment in lieu of damages of \$48,947, for a total of \$64,947.

### Georgia Representative Payee Converts Child's Benefits to Her Own Use

Pursuant to negotiations with OCIG, a Georgia woman agreed to pay a CMP of \$10,000 and an assessment of \$17,982 for a total recovery of \$27,982. The woman, appointed by SSA to be her daughter's representative payee, signed and completed two representative payee reports to SSA in which she falsely stated that her daughter resided with her after she knowingly lost custody of her. She also falsely stated that she used all of her daughter's benefits for her care and support, when in fact, she had converted all of the benefits to her own use.

### Arizona Cake Decorator Conceals Return to Work to Continue Receiving Disability Benefits

An Arizona woman, who had been receiving disability since 2002, returned to work in a bakery in 2004. In 2006, she and her husband opened and incorporated their own cake decorating business. Her failure to inform SSA of her return to work, and her resulting income, caused SSA to pay her over \$33,000 for which she was not eligible. OCIG assessed a penalty of \$39,000 and an assessment of \$33,462, for a total of \$72,462.



### Louisiana Woman Improperly Receives \$39,356 in Supplemental Security Income Payments

Under the SSI program, SSA pays monthly benefits to individuals with limited income and resources who are disabled, blind, or age 65 or older.

In determining an individual's resources, SSA will "deem" a portion of a spouse's income and resources. A Louisiana woman improperly received SSI payments from November 2003 until June 2009, as she failed to report to SSA that during this time she was married and living with her husband. SSA was alerted to her marriage when, in June 2009, she filed for widow's benefits on her now-deceased husband's record.

SSA referred the case to the OIG for further investigation. After negotiations, OCIG and the woman entered into an agreement whereby she agreed to pay a CMP of \$10,000 and an assessment of \$39,356, for a total of \$49,356.

### Illinois Woman Hides Work Activity as a Child Care Provider While Receiving Title II Disability

An Illinois woman failed to notify SSA that she performed work activity as a childcare provider while receiving Title II benefits.

During an interview in June 2009 with an OIG special agent and an SSA employee, she admitted that she operated a day care center out of her home, working 40 hours per week, and she had done so since at least August 2004. Additionally, between 2004 and 2009, she had worked other jobs. She failed to report any of these changes in work activity to SSA.

Due to her failure to report these changes in her work activity, she received at least \$17,540 in DI benefits for which she was not eligible. OCIG assessed a penalty of \$62,000 and an assessment of \$35,081, for a total of \$97,081.

### Musician Penalized for Spending Deceased Father's Benefits for Ten Months

A Los Angeles musician was listed on a joint bank account with his father, an SSA beneficiary. In February 2007, after his father died, the son failed to inform SSA of the death. Additionally, he continued to withdraw and spend money from the joint bank account as SSA deposited the money into it.

Though the son claimed he did not know where the money in the bank account came from, account records clearly showed the money deposited into the account was SSA benefits. In addition, after the father died, SSA sent the father two letters regarding his benefits to his home address, also the son's address.

Because of his failure to advise SSA of his father's death, he improperly received \$9,331. OCIG assessed a CMP of \$10,000 and an assessment in lieu of damages of \$14,331, for a total of \$24,331.





## PEOPLE

**The third goal of the OIG Strategic Plan is People.** The collective effort of our employees continues to be the driving force behind this 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

During the first half of FY 2011, SSA OIG has been operating under a continuing resolution at the FY 2010 funding level of \$102.6 million, which supports an estimated end-of year staffing level of 580. 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 2011 budget supports our efforts to meet and exceed the expectations set forth in the 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 actively seek out and 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 seven employees during the first half of FY 2011. Of these seven, three individuals (42 percent of new hires) were from minority groups. These efforts yielded increases in our minority population of Black males and Black females.

Once we identify the best candidates, we employ a structured interview process to fairly assess their skills and qualifications. This process has been instrumental in predicting the future success of new employees. Additionally, OIG launched its second Leadership Development Program in FY 2009 as an outreach of our succession planning efforts. The 18-month career development program, which is nearing its end, provides participants with leadership skills through various assignments, training and mentoring and ensures that OIG has a well-developed cadre of highly qualified candidates for future leadership positions. Of the four program participants who began the program in January 2010, one has already been promoted to a leadership position. The remaining participants continue to build their leadership competencies through challenging program assignments. 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 is working to expand current developmental programs to utilize knowledge transfer practices, bridge knowledge gaps and drive innovation for organizational performance improvement.



## Information Technology

During this reporting period, OIG IT specialists worked to further automate and streamline administrative and business processes. We implemented a new Property Management System, which incorporates workflows and approval chains to ensure that assets are assigned, tracked and archived in accordance with policy. We also developed a process to streamline the reconciliation of travel, training and procurement transactions in our automated budget system. We will continue to automate our existing business processes in an effort to decrease costs and increase efficiency.

In an effort to expand Telework at SSA OIG, OTRM revised existing Telework Program policy to strengthen definitions of eligibility, expand participation, and promote effectiveness of the program. During this reporting period, OIG expanded its Telework participation by 200 percent, with plans for additional expansion by the end of the year. This expansion was made possible by considerable progress in the area of secure remote connectivity by our Information Technology Division. The virtual private network and virtual desktop technologies implemented allow for a productive remote workforce without sacrificing the security of sensitive information. These steps align OIG with the goals and requirements of the *Telework Enhancements Act of 2010*.

In support of the President's goal to expand electronic services, we maintain an Internet website that is both informative and useful to the public. A fraud reporting form is included on the site, which provides a secure and confidential mechanism for members of the public to report fraud, waste, and abuse within SSA's programs and operations. A workgroup comprised of administrative specialists, attorneys, auditors, and investigative personnel continually monitor the OIG website to ensure that information is accurate and up-to-date and to identify enhanced capabilities and opportunities for improvement to the site.

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 up time. OIG IT Specialists continue to meet the challenge of providing a variety of IT support services for more than 90 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 members of the public. 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 is an example of outreach conducted by OIG officials and personnel:

- In January 2011, an OIG Human Resources employee was named as the new Chairperson for the Headquarters Advisory Council of Employees with Disabilities for 2011. In this capacity, the employee will assume the mantle of leadership and responsibility in planning and directing a comprehensive program of action and advocacy in support of the issues that affect and impact employees with disabilities.

### A Special Thank You

The diligent work, outstanding efforts, and many contributions from 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.



A low-angle photograph of the Statue of Liberty, focusing on the torch and the crown. The torch is held high, with the flame appearing bright yellow. The crown's spikes are visible on the right side. The background is a clear, light blue sky.

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 the Congress.

| Section                             | Requirement   | Page(s)        |
|-------------------------------------|---|----------------|
| Section 4(a)(2)                     | Review of legislation and regulations   | N/A            |
| Section 5(a)(1)                     | Significant problems, abuses, and deficiencies  | 8-41           |
| Section 5(a)(2)                     | Recommendations with respect to significant problems, abuses, and deficiencies                      | 8-12<br>23-25  |
| 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 | 13-20<br>26-33 |
| 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   | 8-12<br>23-25  |
| Section 5(a)(8)                     | Table showing the total number of audit reports and total dollar value of questioned costs          | Appendix A     |
| Section 5(a)(9)                     | Table showing the total number of audit reports and total dollar value of funds put to better use   | Appendix A     |
| Section 5(a)(10)                    | Audit recommendations more than 6 months old for which no management decision has been made         | Appendix A     |
| Section 5(a)(11)                    | Significant management decisions that were revised during the reporting period                      | N/A            |
| Section 5(a)(12)                    | Significant management decisions with which the Inspector General disagrees                         | Appendix D     |
| Section 5(a)(14) (A and B) (15)(16) | Results of Office of Inspector General Peer Reviews   | Appendix H     |



## 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<br>October 1, 2010 – March 31, 2011     |                 |                     |                      |
|--|-----------------|---------------------|----------------------|
|  | Number          | Value<br>Questioned | Value<br>Unsupported |
| A. For which no management decision had been made by the commencement of the reporting period. | 20              | \$135,606,109       | \$71,463,481         |
| B. Which were issued during the reporting period.  | 17 <sup>a</sup> | \$108,240,775       | \$44,104,582         |
| Subtotal (A + B)   | 37              | \$243,846,884       | \$115,568,063        |
| Less:  |                 |                     |                      |
| C. For which a management decision was made during the reporting period.                       | 9               | \$119,300,378       | \$44,584,791         |
| i. Dollar value of disallowed costs.   | 8               | \$111,817,668       | \$44,584,791         |
| ii. Dollar value of costs not disallowed.  | 1               | \$7,482,710         | \$0                  |
| D. For which no management decision had been made by the end of the reporting period.          | 29              | \$124,546,506       | \$70,983,272         |

<sup>a</sup> See Reports with Questioned Costs in Appendix B of this report.



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

| <b>Reports with Recommendations that Funds Be Put to Better Use</b><br><b>Reporting Period October 1, 2010 - March 31, 2011</b> |                |              |
|---|----------------|--------------|
|   | Number         | Dollar Value |
| A. For which no management decision had been made by the commencement of the reporting period.                                  | 4              | \$54,251,930 |
| B. Which were issued during the reporting period.   | 2 <sup>a</sup> | \$27,667,163 |
| Subtotal (A + B)  | 6              | \$81,919,093 |
| Less:   |                |              |
| C. For which a management decision was made during the reporting period.  |                |              |
| i. Dollar value of recommendations that were agreed to by management.   | 1              | \$255,168    |
| (a) Based on proposed management action.  | 1              | 255,168      |
| (b) Based on proposed legislative action.   | 0              | \$0          |
| ii. Dollar value of costs not agreed to by management.  | 1              | \$9,790,704  |
| Subtotal (i + ii)   | 2              | \$10,045,872 |
| D. For which no management decision had been made by the end of the reporting period.   | 4              | \$71,873,221 |

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



## APPENDIX B: REPORTS ISSUED

| Reports with Non-Monetary Findings<br>October 1, 2010 – March 31, 2011 |  |            |
|--|--|------------|
| Audit Number   | Report   | Issue Date |
| A-08-10-20181  | Congressional Response Report: The Social Security Administration's Financial Literacy Research Consortium                       | 10/15/2010 |
| A-77-11-00001  | Management Advisory Report: Single Audit of the State of Montana for the 2-Year Period Ended June 30, 2009                       | 10/21/2010 |
| A-04-10-11034  | Customer Waiting Times in the Social Security Administration's Field Offices   | 10/27/2010 |
| A-14-10-21082  | The Social Security Administration's Approval and Monitoring of the Use of Software  | 10/27/2010 |
| A-14-11-21138  | Congressional Response Report: The Social Security Administration's Disaster Recovery Capabilities (Limited Distribution)        | 11/1/2010  |
| A-03-09-29114  | Monitoring Controls for the Help America Vote Verification Program   | 11/5/2010  |
| A-02-11-11131  | Fiscal Year 2010 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges | 11/8/2010  |
| A-15-10-10113  | Fiscal Year 2010 Financial Statement Audit Oversight   | 11/8/2010  |
| A-03-09-19052  | Field Office Workload Related to Nonconfirmation Responses from the Employment Verification Program                              | 11/9/2010  |
| A-44-10-20101  | Identifying Requirements for the Disability Case Processing System Based on Findings from Prior Audits                           | 11/9/2010  |
| A-77-11-00002  | Management Advisory Report: Single Audit of the State of California for the Fiscal Year Ended June 30, 2009                      | 11/9/2010  |
| A-13-11-21110  | Congressional Response Report: The Social Security Administration's Facilities Management  | 11/10/2010 |
| A-14-10-11003  | The Social Security Administration's Controls for Ensuring the Removal of Sensitive Data from Excessed Computer Equipment        | 11/10/2010 |





| Reports with Non-Monetary Findings<br>October 1, 2010 – March 31, 2011 |   |            |
|--|---|------------|
| A-14-10-20109  | Fiscal Year 2010 Evaluation of the Social Security Administration's Compliance with the Federal Information Security Management Act | 11/10/2010 |
| A-02-09-19068  | Office of Disability Adjudication and Review Decision-Writing Process   | 11/17/2010 |
| A-77-11-00003  | Management Advisory Report: Single Audit of the Government of the District of Columbia for the Fiscal Year Ended September 30, 2009 | 11/24/2010 |
| A-01-10-21024  | Job Information Used in the Social Security Administration's Disability Claims Adjudication Process                                 | 11/30/2010 |
| A-06-10-20123  | Threats Against Social Security Administration Employees or Property  | 11/30/2010 |
| A-15-09-19075  | The Social Security Administration's Informing Beneficiaries of Domestic Electronic Banking Options                                 | 11/30/2010 |
| A-77-11-00005  | Management Advisory Report: Single Audit of the State of Colorado for the Fiscal Year Ended June 30, 2009                           | 12/1/2010  |
| A-06-09-19128  | Accuracy of Diagnosis Codes in the Social Security Administration's Databases   | 12/8/2010  |
| A-07-10-20171  | Office of Disability Adjudication and Review Hearing Request Dismissals   | 12/14/2010 |
| A-77-11-00006  | Management Advisory Report: Single Audit of the State of Illinois for the Fiscal Year Ended June 30, 2009                           | 12/14/2010 |
| A-77-11-00007  | Management Advisory Report: Single Audit of the State of Arizona for the Fiscal Year Ended June 30, 2009                            | 12/20/2010 |
| A-77-11-00008  | Management Advisory Report: Single Audit of the State of Ohio for the Fiscal Year Ended June 30, 2009                               | 12/20/2010 |
| A-15-10-11073  | Performance Indicator Audit: Electronic Service Delivery  | 12/27/2010 |



| Reports with Non-Monetary Findings<br>October 1, 2010 – March 31, 2011 |   |            |
|--|---|------------|
| A-15-10-21142  | The Social Security Administration's Reporting of High-Dollar Overpayments Under Executive Order 13520                        | 12/30/2010 |
| A-01-10-11010  | The Social Security Administration's Electronic Claims Analysis Tool  | 1/5/2011   |
| A-15-10-11074  | Performance Indicator Audit: Disability Process   | 1/24/2011  |
| A-06-10-20144  | Supplemental Security Income Double Check Negotiations  | 1/28/2011  |
| A-14-10-20184  | The Social Security Administration's New Data Center Site Alternatives (Limited Distribution)                                 | 2/10/2011  |
| A-08-10-20140  | Impact of Alien Nonpayment Provisions on Field Offices Along the Mexican Border   | 2/15/2011  |
| A-08-10-20183  | The Social Security Administration's Month of Election Policy for Retirement Benefits   | 2/15/2011  |
| A-15-10-11077  | An Individual Representative Payee for the Social Security Administration in Grand Rapids, Michigan                           | 2/23/2011  |
| A-12-10-20169  | Congressional Response Report: Office of Disability Adjudication and Review's Scheduling Procedures for Hearings              | 2/25/2011  |
| A-15-10-11075  | Performance Indicator Audit: Hearings and Appeals Backlog   | 2/25/2011  |
| A-15-10-11089  | The Social Security Administration's Guard Service Contract for Headquarters, the National Computer Center, and Security West | 2/28/2011  |
| A-05-10-21061  | Consultative Examinations at the Indiana Disability Determination Bureau  | 3/1/2011   |
| A-07-10-20167  | Congressional Response Report: Applicant Experiences with Retirement Insurance Benefit Internet Claim Applications            | 3/7/2011   |
| A-01-11-11116  | The Social Security Administration's Response to State Furloughs Impacting its Disability Programs                            | 3/22/2011  |



| Reports with Non-Monetary Findings<br>October 1, 2010 – March 31, 2011 |  |           |
|--|--|-----------|
| A-06-10-11069  | Annual Representative Payee Accounting Report Non-responders   | 3/28/2011 |
| A-06-10-20173  | Follow-up: Personally Identifiable Information Made Available to the Public Via the Death Master File (Limited Distribution) | 3/31/2011 |



| Reports with Questioned Costs<br>October 1, 2010 – March 31, 2011 |            |   |                 |
|---|------------|---|-----------------|
| Audit Number  | Issue Date | Report  | Dollar Amount   |
| A-15-09-19008   | 10/14/2010 | Federal Employees Receiving Both Federal Employees' Compensation Act and Disability Insurance Payments                | \$43,991,444.00 |
| A-09-09-29110   | 11/10/2010 | Dedicated Account Underpayments Payable to Children   | \$34,976,646.00 |
| A-09-10-11079   | 11/16/2010 | Indirect Costs Claimed by the California Disability Determination Services  | \$8,128,431.00  |
| A-04-10-11026   | 11/24/2010 | Claimant Representative Fees Paid Through the Social Security Administration's One-Time Payment System                | \$7,482,710.00  |
| A-77-11-00004   | 11/24/2010 | Management Advisory Report: Single Audit of the Commonwealth of Massachusetts for the Fiscal Year Ended June 30, 2009 | \$12,772.00     |
| A-02-09-29089   | 12/8/2010  | Social Security Administration Employees' Use of Discounted Airfares  | \$9,187.00      |
| A-14-09-19045   | 12/28/2010 | The Social Security Administration's Voice over Internet Protocol Contract  | \$1,060,000.00  |
| A-09-10-11037   | 1/4/2011   | Recovery of Title II Payments Issued After Beneficiaries' Deaths  | \$18,816,960.00 |
| A-09-10-11099   | 1/10/2011  | Economic Recovery Payments - Catch-Up Payments  | \$153,750.00    |
| A-01-10-20115   | 2/23/2011  | Underpaid Disabled Widows   | \$14,254,260.00 |



| Reports with Questioned Costs<br>October 1, 2010 – March 31, 2011 |           |  |                  |
|---|-----------|--|------------------|
| A-02-10-41084   | 2/23/2011 | The Developmental Disabilities Association of New Jersey, Incorporated - An Organizational Representative Payee for the Social Security Administration | \$60,063.00      |
| A-04-10-11014   | 2/23/2011 | Accuracy of Fiscal Year 2009 Title II Disability Insurance Benefit Payments Involving Workers' Compensation Offsets                                    | \$7,890,278.00   |
| A-77-11-00009   | 2/23/2011 | Management Advisory Report: Interim Audit of the State of California for Fiscal Year 2010  | \$197,000.00     |
| A-01-10-10160   | 2/25/2011 | Implementation of Phase I of the Martinez Settlement Agreement   | \$15,178,263.00  |
| A-15-09-19062   | 3/3/2011  | An Individual Representative Payee for the Social Security Administration in Michigan  | \$96,971.00      |
| A-08-10-11048   | 3/7/2011  | Gateway Representative Payee Program, an Organizational Representative Payee for the Social Security Administration                                    | \$5,275.00       |
| A-13-10-21087   | 3/31/2011 | Emerge, Incorporated, an Organizational Representative Payee for the Social Security Administration  | \$31,347.00      |
| TOTAL   |           |  | \$152,345,357.00 |



Reports with Funds Put to Better Use  
October 1, 2010– March 31, 2011

| Audit Number  | Issue Date | Report  | Dollar Amount   |
|---------------|------------|---|-----------------|
| A-04-10-11014 | 2/23/2011  | Accuracy of Fiscal Year 2009 Title II Disability Insurance Benefit Payments Involving Workers' Compensation Offsets | \$2,075,196.00  |
| A-01-09-19055 | 3/31/2011  | Improperly Titled Bank Accounts for Beneficiaries with Representative Payees  | \$25,591,967.00 |
| TOTAL         |            |   | \$27,667,163.00 |



## 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 first half of FY 2009 from the Offices of Investigations and Audit in this report.

### OFFICE OF INVESTIGATIONS

We are reporting over \$36 million in SSA funds as a result of our investigative activities in this reporting period (10/1/10 – 3/31/11). These funds are broken down in the table below.

| Investigative Activities  |                                   |                                 |                     |
|---------------------------|-----------------------------------|---------------------------------|---------------------|
|                           | 1st Quarter<br>10/1/10 – 12/31/10 | 2nd Quarter<br>1/1/11 – 3/31/11 | Total               |
| Court Ordered Restitution | \$6,624,238                       | \$8,820,132                     | \$15,444,370        |
| Recoveries                | \$8,100,455                       | \$11,637,383                    | \$19,737,838        |
| Fines                     | \$81,517                          | \$314,670                       | \$396,187           |
| Settlements/<br>Judgments | \$315,033                         | \$369,118                       | \$684,151           |
| <b>TOTAL</b>              | <b>\$15,121,243</b>               | <b>\$21,141,303</b>             | <b>\$36,262,546</b> |

### OFFICE OF AUDIT

SSA management has informed us that it has completed implementing recommendations from 15 audit reports during this time period valued at over \$5 billion.

DISABILITY INSURANCE AND SUPPLEMENTAL SECURITY INCOME CLAIMS APPROVED IN 2006 BUT NOT PAID (A-01-10-11009, 7/16/2010)



We recommended that SSA complete its work on the 45 unpaid claimants and 16 widows we identified and ensure all past due benefits are paid to beneficiaries as appropriate. The implemented value of this recommendation is \$255,168.

#### **FOLLOW-UP OF PENDING WORKERS' COMPENSATION (A-08-09-19167, 7/12/10)**

We recommended that SSA develop a plan for addressing its backlog of Title II disability cases having pending WC issues and establish target goals for reducing improper payments resulting from unreported WC payments. The implemented value of this recommendation is \$44,000,910.

#### **PLAN TO ACHIEVE SELF-SUPPORT PROGRAM(A-01-09-19034, 5/18/2010)**

We recommended that SSA reinforce its Plan to Achieve Self-Support (PASS) cadres that PASSes should be for feasible and realistic goals that are expected to increase: a) the recipient's prospect for self-support; and b) the likelihood of savings to SSA's programs. The implemented value of this recommendation is \$17,272,273.

#### **AGED BENEFICIARIES IN NEED OF REPRESENTATIVE PAYEES (A-09-09-29002, 4/5/2010)**

We recommended that SSA take appropriate action (for example, perform a capability determination and select a representative payee, if needed) for the 61 incapable beneficiaries identified by the audit. The implemented value of this recommendation is \$59,757.

#### **FULL MEDICAL CONTINUING DISABILITY REVIEWS (A-07-09-29147, 3/30/2010)**

We recommended that SSA work with the Congress to secure the funds necessary to eliminate the existing full medical continuing disability review (CDR) backlog and to conduct the CDRs that become due each year. To the extent resources are not available to conduct the CDRs that become due each year, report the reasons and the associated impact on Federal benefit payments in its annual report to the Congress. The implemented value of this recommendation is \$1,866,554,418.

#### **ADMINISTRATIVE COSTS CLAIMED BY THE ARIZONA DISABILITY DETERMINATION SERVICES (A-09-09-19020, 3/8/2010)**

We recommended that SSA ensure the Arizona Disability Determination Services improves controls over its estimates of unliquidated obligations. The implemented value of this recommendation is \$1,848,331.

#### **IMPROPER PAYMENTS RESULTING FROM UNRESOLVED DELAYED CLAIMANTS (A-09-08-18006, 9/25/2009)**

We recommended that SSA take corrective action to properly resolve the 28 delayed claims identified by the audit. The implemented value of this recommendation is \$89,229.

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

We recommended that SSA continue to urge staff compliance with existing policy when suspending Title XVI overpayments and hold accountable those employees who do not follow established criteria. The implemented value of this recommendation is \$29,642,820.





#### FOLLOW-UP: CONCURRENT TITLE II AND TITLE XVI BENEFICIARIES RECEIVING REPRESENTATIVE PAYEE AND DIRECT PAYMENTS (A-09-09-19019, 8/20/2009)

We recommended that SSA conduct periodic matches and/or develop systems alerts to identify and correct instances in which concurrent payments are made directly to beneficiaries and representative payees. The implemented value of this recommendation is \$68,343,038.

#### DISABLED BENEFICIARIES HIDING WAGES (A-15-07-17088, 7/16/2009)

We recommended that SSA perform a work continuing disability review on the 300 cases referred to it. The implemented value of this recommendation is \$8,377,620.

#### SUPPLEMENTAL SECURITY INCOME REDETERMINATIONS (A-07-09-29146, 7/14/2009)

We recommended that SSA establish a methodology to identify the number of redeterminations that are needed each year. To the extent the annual number of necessary redeterminations is not completed, identify the lost savings and document the reasons the number of needed redeterminations was not completed. The implemented values of these recommendations are \$3,255,531,018.

#### ESTABLISHMENT OF DEDICATED ACCOUNTS (A-13-08-28122, 5/26/2009)

We recommended that SSA remind staff of policies and procedures for dedicated accounts, including how to properly record the dedicated account on the Supplemental Security Record. The implemented value of this recommendation is \$6,589,840.

#### PAYMENTS TO SPOUSES ELIGIBLE FOR HIGHER RETIREMENT BENEFITS (A-09-08-18007, 12/16/2008)

We recommended that SSA identify and notify beneficiaries receiving spousal benefits of their eligibility to receive higher retirement benefits on their own earnings records at full retirement age and/or age 70. The implemented value of this recommendation is \$208,996,900.

#### TICKET TO WORK AND SELF-SUFFICIENCY PROGRAM COST EFFECTIVENESS (A-02-07-17048, 8/11/2008)

We recommended that SSA work with the Congress to reform or end the Ticket Program if the Agency determines it is not having the desired impact and/or it is not cost-effective. The implemented value of this recommendation is \$138,000,000.

#### THE SOCIAL SECURITY ADMINISTRATION'S ABILITY TO REACH INDIVIDUALS USING THE SOCIAL SECURITY STATEMENT (A-15-07-17095, 1/11/2008)

We recommended that SSA implement an internal control process that would prevent Statements with incomplete domestic addresses from being mailed. The implemented value of this recommendation is \$1,500,000.



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

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



## 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 |
| 2009   | 603  | \$24,126,913                              | See Footnote <sup>1</sup>          |
| 2010   | 447  | \$20,670,938                              | See Footnote <sup>1</sup>          |
| 2011<br>(10/1/10 - 3/31/11)                            | 290  | \$13,176,655                              | See Footnote <sup>1</sup>          |
| TOTAL  | 1,340  | \$57,974,506                              | See Footnote <sup>1</sup>          |

<sup>1</sup>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 |
| 2009  | 954  | \$23,376,566        |
| 2010  | 1,128                                      | \$36,431,093        |
| 2011<br>(10/1/10-3/31/11)                   | 605  | \$19,737,838        |
| TOTAL                                       | 2,687                                      | \$79,545,497        |



## 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 March 31, 2011.

| SSA's Responses to OIG's Recommendations                    |                               |                              |                        |                                     |                                |                      |
|---|-------------------------------|------------------------------|------------------------|-------------------------------------|--------------------------------|----------------------|
| Recovery or Redirection of Questioned and Unsupported Costs |                               |                              |                        |                                     |                                |                      |
| FY  | Reports with Questioned Costs | Questioned/Unsupported Costs | Management Concurrence | Amount Collected or to be Recovered | Amount Written-Off/Adjustments | Balance <sup>2</sup> |
| 2009  | 28                            | \$3,124,063,484              | \$1,664,149,576        | \$1,466,789,938                     | \$1,451,103,302                | \$206,170,244        |
| 2010  | 21                            | \$1,416,191,419              | \$1,377,368,219        | \$1,354,769,915                     | \$1,157,159                    | \$60,264,345         |
| 2011  | 17                            | \$152,345,357                | \$79,028,090           | \$0                                 | \$7,482,710                    | \$144,862,647        |
| TOTAL   | 66                            | \$4,692,600,260              | \$3,120,545,885        | <u>\$2,821,559,853<sup>1</sup></u>  | \$1,459,743,171                | \$411,297,236        |

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

<sup>2</sup>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

### SUPPLEMENTAL SECURITY INCOME RECIPIENTS ELIGIBLE FOR VETERANS BENEFITS (A-01-09-19031, 1/6/2010)

**Results of Review:** We found that some Supplemental Security Income (SSI) recipients appeared potentially eligible for Department of Veterans Affairs (VA) benefits instead of SSI payments. Based on our review, we estimate SSA paid about \$1.3 billion to approximately 22,000 SSI recipients who appeared to meet the VA requirements for benefits. In addition, we estimate that SSA will continue to pay about \$126 million in SSI payments over the next 12 months to individuals who appeared eligible for VA benefits instead of SSI payments .

For example, in one case, a disabled SSI recipient had military earnings during the Vietnam era. This recipient served in the Army from October 1968 to July 1970 for approximately 640 days—with at least 1 day during wartime—and received an honorable discharge from the military. Therefore, he appeared to meet VA's requirements for benefits and received about \$104,000 in SSI payments from January 1993 to June 2009. According to SSA's systems, there was no indication this individual had applied for VA benefits.

VA benefits are generally of greater monetary value than SSI payments—so it is usually more advantageous for the individuals to receive VA benefits. Specifically, in Fiscal Year 2007, the average monthly VA benefit was \$709, whereas the average monthly SSI payment was \$468. Therefore, if these individuals are in fact eligible for VA benefits, they could receive higher monthly benefit payments.

**Recommendation:** SSA should continue the efforts to work with the VA to ensure individuals who should be receiving VA benefits instead of SSI payments are, in fact, receiving VA benefits.

**Agency Response:** SSA agreed with the recommendation.

**Valued at:** \$1,282,736,960 in questioned costs and \$125,579,060 in funds put to better use.

**Corrective Action:** SSA will continue to work with the VA to identify SSI recipients who may be eligible for VA benefits. In addition, SSA will ensure that those SSI recipients who are eligible for VA benefits take necessary actions to apply and receive VA benefits.

### SUPPLEMENTAL SECURITY INCOME OVERPAYMENTS TO CONCURRENT BENEFICIARIES RESULTING FROM INCORRECT BENEFIT CALCULATIONS (A-06-09-29103, 9/24/2009)

**Results of Review:** In March 2009, we identified 338 concurrent beneficiaries from 1 of 20 payment record segments, who received excessive SSI payments because SSA erroneously



offset their SSI payment using Old-Age, Survivors and Disability Insurance (OASDI) benefit amounts that were not adjusted to reflect recent benefit payment increases. SSA overpaid these beneficiaries \$18,604 per month in Federal SSI payments and another \$2,557 per month in State supplemental benefits as a result of these errors. Most of these errors involved instances where SSA was collecting OASDI overpayments from the beneficiaries. A specific systems input associated with these payments unintentionally froze the OASDI benefit amounts used in the SSI unearned income offset computations. Based on our audit results, we estimate SSA issued overpayments to approximately 6,800 concurrently entitled beneficiaries because SSA erroneously offset their SSI payments using OASDI benefit amounts that were not adjusted to reflect recent benefit payment increases. If these errors are not corrected, we estimate that SSA will issue approximately \$5.1 million in excessive SSI payments to these beneficiaries over the next 12 months.

**Recommendation:** SSA should review the 7,214 cases provided and take appropriate action to correct the errors and prevent future errors.

**Valued at:** \$5,078,640 in funds put to better use.

**Agency Response:** SSA agreed with the recommendation.

**Corrective Action:** SSA received a work year for the resources needed to complete these cases. Corrective action has not been completed on these cases, however SSA believed the cases would be completed by Spring 2011.

#### 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:** SSA should 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 will investigate the feasibility of requiring a 2-PIN process for suspension decisions controlled by Recovery and Collection of Overpayments System. SSA expected to make a decision by the end of September 2010.

#### **FOLLOW-UP: THE SOCIAL SECURITY ADMINISTRATION'S PRISONER INCENTIVE PAYMENT PROGRAM (A-01-09-19029, 8/20/2009)**

**Results of Review:** Our audit found that SSA's procedures do not ensure that incentive payments to institutions that provide inmate information are being made in accordance with the provisions in the Act. Based on our review of 275 sample cases, we estimate about 119,862 incentive payments were issued incorrectly, resulting in approximately \$30.3 million in OASDI and SSI program funds that should not have been paid.

SSA informed us that, in June 2004, it developed a technical amendment that, if enacted, would amend the Act to align with how SSA programmed its systems to pay prisoner incentive payments. However, the Agency never submitted the proposal to the Congress.

**Recommendation:** SSA should implement a system to pay incentive payments according to the Act to facilitate reporting inmate information.

**Valued at:** \$30,281,018 in questioned costs.

**Agency Response:** SSA agreed with the recommendation.

**Corrective Action:** SSA agreed there is a discrepancy between the incentive payment provisions in the statute and the procedures we follow to issue incentive payments. As of January 2011, we are investigating options to address this issue.

#### **PAYMENTS TO INDIVIDUALS WHOSE NUMIDENT RECORD CONTAINS A DEATH ENTRY (A-06-08-18095, 6/26/2009)**

**Results of Review:** Based on our results, we estimate that SSA made approximately \$40.3 million in improper payments to deceased beneficiaries after recording their date of death in SSA's records. Further, we estimate SSA would make approximately \$6.9 million in additional improper payments over the next 12 months if these discrepancies were not corrected.

**Recommendation:** SSA should terminate benefits, recover improper payments, and refer potential instances of fraud to the Office of Investigations for all beneficiaries determined to be deceased during living status verifications.

**Valued at:** \$40,258,680 in questioned costs and \$6,936,540 in funds put to better use.



**Agency Response:** SSA agreed with the recommendation.

**Corrective Action:** SSA will investigate the vital status of these 6,733 beneficiaries to determine which ones are incomplete. The Agency will send a follow-up memo to the Regions to request final resolution of the pending cases.

### 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 CDRs 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 \$15.0 to \$1.0.

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:** SSA should develop and implement a plan to allocate more resources to timely perform work-related continuing disability reviews—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 convened a workgroup in January 2010. Improvements were made as follows:

#### Management Information (MI)

- Thousands of extraneous items were deleted from the work CDR MI data source
- Establishing an Agency report to track work CDRs—currently being validated

#### Strike Plan

- Strike teams were formed to streamline work CDR processing and reduce the pending aged cases





- Quarterly reports are made to track progress

#### Overpayments

- An overpayment report was developed and is now being validated
- Enforcement cases are now prioritized and processed by highest earnings

### CONTROLS OVER MISCELLANEOUS PAYMENTS MADE THROUGH THE SINGLE PAYMENT SYSTEM (A-09-07-17119, 10/25/2007)

**Results of Review:** Our audit disclosed that SSA's controls to prevent or detect improper or duplicate miscellaneous payments were generally effective. However, SSA needed to improve its controls over the retention of supporting documentation for miscellaneous Single Payment System (SPS) payments and the recording of Social Security numbers for SPS payments issued to non-beneficiaries. Based on our review of a random sample of 275 death underpayments from the population of 327,580 non beneficiaries, we found that SSA

- improperly paid an estimated \$7.3 million to 11,912 non-beneficiaries;
- did not retain adequate supporting documentation for an estimated \$98 million in payments made to 50,030 non-beneficiaries;
- did not obtain or record the Social Security numbers (SSN) for 176,029 (53 percent) of the 332,680 death underpayments issued to non-beneficiaries; and
- paid improper duplicate payments of \$27,480 to 3 individuals.

**Recommendation:** SSA should establish an appropriate control to ensure the Form SSA-1724 or other written application for a death underpayment is retained.

**Valued at:** \$98,280,016 in questioned costs.

**Agency Response:** SSA agreed with the recommendation.

**Corrective Action:** SSA responded that they are determining which controls would be feasible.

### IMPROPER PAYMENTS RESULTING FROM THE ANNUAL EARNINGS TEST (A-09-07-17066, 8/31/2007)

**Results of Review:** Our audit disclosed that SSA did not adjust the benefit payments for all beneficiaries who were subject to Annual Earnings Test. Based on a random sample of 250 beneficiaries for Calendar Years 2002 through 2004, we found SSA overpaid \$393,117 to 112 beneficiaries and underpaid \$44,264 to 16 beneficiaries. As a result, we estimate SSA overpaid about \$313 million to 89,300 beneficiaries and underpaid about \$35 million to 12,800 beneficiaries. These payment errors primarily occurred because SSA did not process all records identified by its Earnings Enforcement Operation.

**Recommendation:** SSA should review and process, as appropriate, all Earnings Enforcement Operation selections pending in the Office of Quality Performance since 1996.



**Valued at:** \$348,680,140 in questioned costs.

**Agency Response:** SSA agreed with the recommendation.

**Corrective Action:** SSA processed all selections from 2004 and is committed to addressing all selections from 2005 timely. All selections made prior to 2004 require manual review and processing by Operations staff. SSA thoroughly analyzed and evaluated the issues involved and determined that there is no possibility that these selections can be addressed via an automated solution. Additionally, Operations has indicated that current resources could not be redirected from ongoing claims processing workloads to process these selections.

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

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

**Recommendation:** SSA should continue to urge staff compliance with existing policy when suspending Title XVI overpayments and hold accountable those employees who do not follow established criteria.

**Valued at:** \$29,642,820 in funds put to better use.

**Corrective Action:** Online training is available through the Office of Learning intranet site for Title XVI overpayments. There is a specific section in the training which emphasizes when to suspend overpayment procedures.

### SUPPLEMENTAL SECURITY INCOME REDETERMINATIONS (A-07-09-29146, 7/14/2009)

**Recommendation:** SSA should establish a methodology to identify the number of redeterminations that are needed each year. To the extent the annual number of necessary redeterminations is not completed, identify the lost savings and document the reasons the number of needed redeterminations was not completed.

**Valued at:** \$3,255,531,018 in funds put to better use.

**Corrective Action:** SSA has conducted a statistical analysis of the impact of completing a redetermination of SSI eligibility with detecting overpayments in the SSI program. This analysis found that there would be a positive return on investment for performing redeterminations on virtually the entire SSI recipient population.



The methodology used to determine which SSI recipients to perform a redetermination on each year is based on a predictive model. This predictive model selects the most cost-effective cases to undergo an SSI redetermination. The model, which is continually monitored and re-estimated, has been in place for many years at SSA and has proven to be highly accurate and reliable in identifying likely overpayments. Although SSA's analysis found that completing redeterminations on nearly all segments of the SSI recipient population would be cost effective, the Agency's modeling methodology finds that there is a diminishing rate of return as additional redeterminations are performed.

There are no statutory requirements to complete redeterminations on a given number or percentage of SSI recipients each year. SSA determines the annual number of redeterminations to complete from the perspective of balanced utilization of our monetary and staffing resources. Each year, SSA assures resources are targeted to efficiently complete our various program integrity workloads while also meeting all the Agency's service delivery commitments to the public.



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

There are no significant management decisions from the prior semiannual report for which correction actions have not been completed.

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

SOCIAL SECURITY NUMBER MISUSE FOR WORK AND THE IMPACT ON THE SOCIAL SECURITY ADMINISTRATION'S MASTER EARNINGS FILE (A-03-07-27152, 9/29/2008)

**Recommendation:** SSA should consider the development of a cost-effective method to automatically post subsequent wage items that have the same characteristics of previously disclaimed wage items to the Earnings Suspense File.

**Corrective Action:** Corrective software was released in the production environment December 2010.



## APPENDIX H: OFFICE OF THE INSPECTOR GENERAL

### PEER REVIEWS

#### **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.
- In November 2010, the U.S Postal Service Office of Inspector General (USPS/OIG) notified us that our Office of Investigations passed the peer review. In the opinion of the USPS/OIG, the system of internal safeguards and management procedures for the investigative function of SSA/OIG in effect for the year ending June 30, 2010, complied with the quality standards established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) and the Attorney General Guidelines for Offices of Inspector General with Statutory Law Enforcement Authority.
- There are no outstanding recommendations from prior investigative peer reviews completed by us or from prior reviews of our organization.

#### **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. A copy of the System Review Report can be obtained from our website at <http://www.ssa.gov/oig/ADOBEPDF/externalreview.pdf>.
- The final System Review Report related to our last peer review, conducted by the Department of Justice OIG, was issued in November 2009. 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 Justice 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.



## GLOSSARY OF ACRONYMS

|          |  |
|----------|--|
| AMFED    | Allegation Management and Fugitive Enforcement Division                  |
| ANP      | Alien Nonpayment Provisions  |
| BIC-D    | Deceased Payee Project   |
| CDI      | Cooperative Disability Investigative                                     |
| CMP      | Civil Monetary Penalty   |
| DDS      | Disability Determination Services  |
| DHS      | Department of Homeland Security  |
| DI       | Disability Insurance   |
| DMF      | Death Master File  |
| DOJ      | Department of Justice  |
| DOL      | Department of Labor  |
| ERP      | Economic Recovery Payment  |
| E-Verify | Employment Verification  |
| EV-STAR  | Employment Verification SSA Tentative Nonconfirmation Automated Response |
| FECA     | <i>Federal Employees' Compensation Act</i>                               |
| FY       | Fiscal Year  |
| GED      | General Education Development  |
| GSA      | General Services Administration  |
| IO       | Immediate Office   |
| IT       | Information Technology   |
| MBR      | Master Beneficiary Record  |
| NCC      | National Computer Center   |
| OA       | Office of Audit  |
| OASDI    | Old-Age, Survivors, and Disability Insurance                             |
| OCIG     | Office of the Counsel to the Inspector General                           |
| OER      | Office of External Relations   |
| OI       | Office of Investigations   |
| OIG      | Office of the Inspector General  |



## GLOSSARY OF ACRONYMS (CONTINUED)

|                     |   |
|---------------------|---|
| OQAPR               | Office of Quality Assurance and Professional Responsibility |
| ORP                 | Organizational Representative Payee                         |
| OTRM                | Office of Technology and Resource Management                |
| PASS                | Plan to Achieve Self Support                                |
| PII                 | Personally Identifiable Information                         |
| <i>Recovery Act</i> | <i>American Recovery and Reinvestment Act of 2009</i>       |
| SPA                 | Special Payment Amount                                      |
| SSA                 | Social Security Administration                              |
| SSI                 | Supplemental Security Income                                |
| SSN                 | Social Security Number                                      |
| <i>the Act</i>      | <i>Social Security Act</i>                                  |
| TNC                 | Tentative Nonconfirmations                                  |
| Treasury            | Department of the Treasury                                  |
| VA                  | Department of Veterans Affairs                              |
| WC                  | Workers' Compensation                                       |

## How to Report Fraud

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

Call..... 1-800-269-0271

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

Fax ..... 410-597-0118

Online ..... [www.socialsecurity.gov/oig](http://www.socialsecurity.gov/oig)

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