U.S. House of Representatives

Committee on Ways and Means
Subcommittee on Human Resources

Statement for the Record

Fraud and Abuse in the Supplemental Security Income Program

The Honorable James G. Huse, Jr.
Inspector General, Social Security Administration

July 25, 2002

Good morning, Chairman Herger, Mr. Cardin, Members of the Subcommittee.

In 1997, the General Accounting Office (GAO) designated the Social Security Administration's (SSA's) Supplemental Security Income (SSI) program, administered under title XVI of the Social Security Act (Act), a high-risk program. As GAO pointed out in a recent update, it was felt that SSA's problems stem from an organizational culture that places a greater priority on processing and paying SSI claims than on controlling expenditures, and that SSA often paid insufficient attention to verifying recipient financial eligibility, deterring fraud and abuse, and identifying options for addressing underlying policy weaknesses that impede program integrity.

I welcome the opportunity to be here today to discuss how far SSA has come in changing its organization culture and recognizing program integrity as *one component* of service to the public. While there undoubtedly remains more to be done, SSA should be proud of the difficult changes it has made, and the improvements brought about by those changes.

As soon as SSA was established as an independent Agency in 1995, enormous new responsibilities were placed upon the Agency, even as it was adjusting to its own independence. These rapid changes were a monumental challenge in themselves, and I'd like to touch briefly on how several of these challenges altered the SSI landscape.

Drug and Alcohol Addiction

In 1996, the year following SSA's independence, Congress enacted legislation terminating Social Security benefits—both title II and title XVI—to recipients whose disability determination was based on drug or alcohol addiction (DA&A). Thus, even before SSA could fully begin to make efforts to improve the SSI program, a fundamental change, representing a massive workload, was placed on the agency.

Still, SSA was up to the challenge. Barely a year after Congress enacted the DA&A legislation, SSA had identified 209,374 individuals whose disability eligibility determinations were based on drug addiction or alcoholism, and had mailed them notices stating that their benefits would terminate shortly. The complexity of this effort cannot be overstated—disability beneficiaries frequently have several medical bases for their disability determination, and reviewing hundreds of thousands of cases to decide whether the disability was based on DA&A, or whether it was a sufficiently large contributing factor to merit termination of benefits was a monumental task.

Our office checked on SSA's work a year later, when we began an audit in August 1998 to determine if SSA had identified and terminated benefits payments to all individuals where DA&A was a contributing factor. We estimated that 3,190 beneficiaries were incorrectly paid $38.7 million dollars in title II and title XVI benefits after the DAA legislation was enacted. For example, one individual whose case was not even reviewed by SSA following enactment of the DA&A legislation had a disability determination that was clearly based on addiction. The Office of Hearings and Appeals decision awarding benefits stated that "Substance abuse is a substantial reason for the finding of disability and the conferring of benefits in this case." Unfortunately, the case was miscoded, and not even reviewed until our office conducted our work. The individual was overpaid $11,736 in SSI payments.

We concluded our work with four recommendations to improve SSA's implementation of the DA&A legislation and reduce SSA's vulnerability of paying benefits to ineligible individuals.

SSA agreed with our recommendations and began taking corrective action. This was an early sign that SSA was taking seriously its obligation to promote program integrity, and SSI integrity in particular, even before SSI was designated a high-risk program.

In April 2001, we initiated a follow-up audit to determine whether SSA had in fact implemented the recommendations of our prior report. In December 2001, we concluded that overall, SSA had effectively implemented our prior recommendations, but we further recommended that SSA use the Continuing Disability Review process to ensure that diagnosis codes are updated to show the proper disability impairment.

Termination of Benefits to Prisoners

Another very early sign of an independent SSA's commitment to program integrity was the payment of benefits to prisoners. In an audit report we issued –again, less than a year after SSA's independence—we estimated that the annual cost to SSA in erroneous payments to prisoners was $48.8 million, and we recommended that SSA seek legislation to facilitate the exchange of information with Federal, state, and local prison authorities. Such legislation was enacted in 1999, removing the need for computer matching agreements between SSA and prison authorities to be renewed every 18 months under the Computer Matching and Privacy Protection Act of 1988 (5 U.S.C. § 552a). The elimination of this time-consuming process had an overwhelming effect; according to SSA statistics, payments to more than 69,000 prisoners were suspended in FY 2000, based on more than 260,000 prisoner alerts that were received in large part because of that legislation. Progress has been promising and the efficiency of this program should continue to improve as the 1999 legislation paved the way for even more expansive communication between SSA and prison authorities.

We recently initiated some follow-up work on prisoners and expect to issue a report in fiscal year 2003 on SSA's efforts to implement our prior recommendations to improve its prisoner operations.

Fugitive Felons

Also in 1996—again, just a year after SSA independence and one year before SSI was designated a high-risk program—Congress enacted legislation making fugitive felons ineligible for SSI payments. As with the DA&A legislation, this meant that a significant number of SSI recipients would now become ineligible, and that these determinations of eligibility would have to be re-determined. In addition, the legislation required the Commissioner of Social Security to provide state and local law enforcement officials with locator information about fugitives receiving SSI—name, address, even photographs—to facilitate their apprehension. The Commissioner requested—and received—the OIG's help in performing this function, and we began immediately. To date, we have identified over 77,000 fugitives receiving SSI, resulting in more than $250 million in projected savings. Additionally, we have provided law enforcement officials with information necessary to locate and apprehend approximately 8,000 fugitives.

Our two top priorities in this program tracked the double-edged nature of the legislation—apprehension and savings. First and foremost, we wanted to apprehend the most dangerous fugitives, and get them off the streets. Therefore, we target violent crimes first and have been successful in that endeavor, as was the case with the SSI recipient in California wanted for assault with a deadly weapon on a police officer. The second prong of our effort was the identification of fugitives receiving SSI and the termination of those payments. Our ability to save Government funds, and to remove more dangerous fugitives from the streets, is limited only by the resources we can devote to the task, and by the existing infrastructure to provide timely and accurate warrant information from around the country.

The issue of resources is a matter for Congress to consider. The issue of information is one we have pursued with vigor. Together with SSA, we have executed agreements aimed at improving the volume and accuracy of the information that we act upon with the U.S. Marshals Service, the FBI, and the National Crime Information Center.
Additionally, out of the 50 states:

- 24 states and 4 cities or counties have signed agreements with SSA to share fugitive data with SSA;
- 14 states, plus the District of Columbia, now provide all of their felony warrant and parole/probation violator data to NCIC;
- 3 states provide most of their data to NCIC; and
- 3 states provide all of their felony warrants to NCIC, though parole and probation violator data is not provided.

Agreements with the remaining states are pending, and we continue to expand and refine the informational processes by which we receive and utilize fugitive information. Notwithstanding the relative youth of the OIG, and the new independence of SSA when this law was enacted, the fugitive felon program is a resounding success story.

Cooperative Disability Investigations

Not all of the initiatives directed at improving SSA program integrity, and SSI integrity in particular, are Congressional initiatives. Early in our history, we realized that prevention of program fraud is more cost-effective and more meaningful if fraud can be detected before benefits are ever paid. To that end, our office and SSA created the Cooperative Disability Investigations Program, or CDI. There are now thirteen CDI units across the country, with four more slated to begin operation later this year, and a total of twenty by the end of FY 2003. Each unit is comprised of an OIG Special Agent who acts as team leader. The remaining members of the unit are state or local law enforcement personnel, state Disability Determination program specialists, and supporting staff. Their mission is to detect fraud in the early stages—at the time of application for Social Security benefits or during the appeals process. The results have been especially notable. Since 1998, when the first units became operational, CDI units have received more that 6,900 allegations of fraud in the disability programs, the vast majority of which came from those most qualified to detect fraud—DDS adjudicators. The results of CDI investigations were used to support over 2,700 denials or terminations, allowing SSA to avoid improper payments of approximately $159 million, and allowing related, non-SSA programs to save over $79 million. More importantly, it is our firm belief that the presence of these units has served as an enormous deterrence to fraud.

CFOC/PCIE Workgroup

To address the issues raised by the President's Management Agenda on improving financial performance, the Chief Financial Officer Council and the President's Council on Integrity and Efficiency established a work group to address improper and erroneous payments. The work group is charged with developing and benchmarking methods to reduce or eliminate, where possible, improper and erroneous payments made by Federal government agencies. One of the goals of the work group is to propose legislation for all Federal departments and agencies to provide a funding mechanism whereby collections of improper payments could be used to fund the administrative costs incurred for activities designed to prevent, detect and recover future improper payments. The OIG fully supports the development of this legislation and the efforts of the work group.

In fact, we would propose the creation of an integrity fund built on program dollar savings that could be a needed resource reservoir to strengthen efforts to reduce fraud, waste and abuse.

Conclusion

Still, despite these challenges and successes, more remains to be done. Cognizant of this, SSA recently issued an SSI Corrective Action Plan to address those problems identified by GAO and by our office that remain unresolved. This report reflects the serious nature of SSA's commitment to SSI improvement, and echoes a number of recommendations we have previously made in our audit work. I am optimistic that SSA's plan marks another positive step down the road to recovery, and that ultimately, the SSI program will be removed from GAO's list of high-risk programs. I stand prepared to assist the Commissioner in meeting that goal.