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Committee on Ways and Means
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Statement for the Record

The Supplemental Security Income Program

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Good morning, Chairman Herger, Mr. Cardin, Members of the Subcommittee. As the Acting Inspector General of Social Security, it is a pleasure to join you today for this important hearing on the status and progress of the Social Security Administration's (SSA) Supplemental Security Income (SSI) Program. As Commissioner Barnhart noted in her testimony of April 29, 2004, SSI has come a long way since 1997, when the General Accounting Office (GAO) designated it a high-risk program because SSA lacked an effective plan to address the level of debt created by overpayments. GAO also said the Agency had difficulty determining initial medical and non-medical eligibility for the program, as well as continuing eligibility of program participants.

Since then, SSA has taken a number of significant steps to address these concerns. Most notably, the Agency issued an SSI Corrective Action Plan. This report reflected the serious nature of SSA's commitment to SSI improvement. It focused on four areas: commitment to timely processing of continuing disability reviews (CDRs), improved prevention of overpayments, increased overpayment detection, and increased collection of debt. As a result of the Agency's efforts, GAO removed the SSI program from its high-risk list in January 2003, noting SSA's progress in improving the financial integrity and management of the program. GAO commended SSA for its action obtaining legislation both to prevent and to collect overpayments, as well as administrative actions to strengthen SSI program integrity.

Due to SSA's many accomplishments, as well as the work of this Subcommittee and the Subcommittee on Social Security to enact legislation drawn from recommendations made by GAO and by our office—SSA's Office of the Inspector General (OIG)—the SSI program has improved significantly.

Today, I will discuss several important actions the Agency has taken to meet the challenge of strengthening SSI. I will discuss our office's evaluation of these improvements to—and status of—the SSI program from two perspectives: management of the disability process and improper payments. Finally, I will also comment on the impact of the Social Security Protection Act of 2004.

Management of the Disability Process

Due to concerns about the timeliness and quality of service, management of the disability process remains a major management challenge for SSA. This area includes the Disability

Insurance (DI) and SSI programs, which provide payments to individuals based on disability. GAO echoed our concerns when it added all Federal disability programs across the Federal government to its 2003 high-risk list.

Several initiatives SSA has tested to address concerns about its disability process, have not resulted in significant improvements. However, the Commissioner has introduced a comprehensive long-term approach to improve the Agency's disability process, which SSA expects to shorten its disability processing times. We will continue to evaluate these more recent initiatives to determine their effectiveness and report to you on the Agency's progress once data is available.

In her April 29 testimony, the Commissioner stated that the linchpin for SSA's strategy is the development and implementation of its electronic disability claims system, the Accelerated Electronic Disability System (AEDIB). She described AEDIB as "a major Agency initiative that is moving all components involved in disability claims adjudication and review to an electronic business process through the use of an electronic disability folder." When fully implemented, the Agency expects each component to be able to work claims by "electronically accessing and retrieving information that is collected, produced and stored as part of the electronic disability folder." The Commissioner believes AEDIB will reduce delays that currently result from mailing, locating, and organizing paper folders. We are particularly interested in the electronic signature and systems security implications of AEDIB, and will continue to closely monitor the development of this key initiative.

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

The Cooperative Disability Investigations Program

One area that has shown great success is our collaborative effort with SSA in addressing the integrity of the disability programs through the Cooperative Disability Investigations (CDI) program. The CDI program's mission is to obtain evidence that can resolve questions of fraud in SSA's disability programs.

CDI units are composed of Office of Investigations (OI) special agents and personnel from SSA's Office of Operations, State Disability Determination Services and State or local law enforcement. They use their combined skills and specialized knowledge to combat fraud, waste, and abuse in the disability program. Eighteen units have been opened in 17 States since fiscal year (FY) 1998 with 2 units open in Texas.

Last year, GAO acknowledged the CDI program's successes by noting that we have increased the level of resources and staff devoted to investigating fraud and abuse. Our CDI teams identify fraud and abuse before benefits are approved and paid. In the first half of FY 2004, the CDI units

saved SSA's SSI and Old Age, Survivors and Disability Insurance (OASDI) programs almost \$64 million by identifying fraud and abuse related to initial and continuing claims within the disability program. In FY 2003, the CDI Program saved almost \$100 million. Since the inception of the program, over 5,000 claims have been denied or terminated.

Due to the great success of these units, we hope to add additional CDI units on a year-to-year basis, depending on available funds. As an alternative, we would also consider adding staff to our more successful units.

Four recent cases highlight the successes of the CDI Program. A California woman served as representative payee for her husband and her multiple children. They all received disability benefits for mental impairments. The Oakland CDI unit investigation found that each family member established several fictitious identities and improperly obtained \$456,309 in SSI disability benefits, as well as county welfare benefits. The family also bilked some \$2 million from several elderly victims. The husband and wife were arrested and charged with 28 counts of criminal malfeasance, including grand theft charges for the SSI payments. Each was sentenced to a 10-year State prison term, and the couple was ordered to pay joint restitution of over \$1.5 million to SSA, Alameda County, and their elderly victims. The family's benefits were terminated.

In another large-scale case, our New York CDI unit recently completed its investigation of a \$1.3 million SSI fraud committed by several organized groups in Brooklyn, NY. The Brooklyn DDS contacted the CDI Unit about a pattern of applications containing no treatment for alleged mental disabilities. Our investigators observed the applicants performing activities they claimed they could not perform, such as leaving home, shopping, and driving. We determined that several of these SSI frauds had begun in the 1970s and 1980s. This investigation resulted in 35 arrests, 24 felony convictions, and court-ordered restitutions, forfeitures, and judgments totaling more than half a million dollars. Many of those convicted were also incarcerated.

In another CDI case, a 23-year-old man filed for disability benefits, alleging brain damage and mental retardation caused by exposure to toxic fumes at a chemical plant. Our Houston CDI Unit, assisted by local police, arrested him at a girlfriend's house on an outstanding felony warrant for failure to register as a sex offender. After the arrest, our investigators found he was able to talk, communicate well and follow directions. The man's claim was denied.

Finally, our New York CDI investigated a man who received SSI benefits for paralysis, alleging such limitations that he spent his days watching television and needed his mother to do chores. Our CDI Unit investigation revealed the subject was running a \$30 million dollar sports betting operation and was alleged to be a captain in the Gambino crime family. His W-2 earnings statements showed annual earnings of \$75,000 for managing a restaurant. SSA determined his earnings precluded eligibility and he was arrested for grand larceny. The subject was incarcerated on racketeering charges, and his sentencing on the SSI case is pending.

Improper Payments

Another perspective from which we observe Agency progress in the SSI program is improper payments—payments that should not have been made or that were made for incorrect amounts. To combat improper payments, Congress enacted the Improper Payments Information Act in November 2002, and the Office of Management and Budget (OMB) issued guidance in May 2003 implementing this new law. Under this law, agencies that administer programs with a significant risk of improper payments estimate their annual amount of improper payments, and report this information in their Performance and Accountability Reports. SSA has undertaken many projects to identify and improve areas where it could do more to reduce improper payments and/or recover amounts overpaid. The Agency has been working to improve its ability to prevent overpayments and underpayments by obtaining beneficiary information from independent sources sooner and/or using technology more effectively. In this regard, SSA has initiated new computer matching agreements, obtained on-line access to wage and income data, and implemented improvements in its debt recovery program.

In FY 2003, SSA issued over \$500 billion to almost 50 million beneficiaries and recipients with \$33 billion in SSI payments to about 6.8 million individuals. Even the slightest error in the overall process can result in millions of dollars in overpayments or underpayments. Working with SSA, we have made great strides in reducing benefit payments to prisoners and SSI payments to fugitive felons, and these efforts continue. For example, we recently completed a review of the Agency's efforts which concluded that SSA has made significant efforts over the past several years to identify, prevent, and recover SSI overpayments.

Halting Benefits for Prisoners

One early sign of SSA's commitment to SSI program integrity was the halting of benefit payments to prisoners. Less than a year after SSA became an independent agency, we estimated in an audit report 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 and payments to more than 69,000 prisoners were suspended in FY 2000 based on more than 260,000 prisoner alerts received in large part because of that legislation. SSA's actuary estimated in 1998 that \$4.9 billion would be saved between calendar years 1995 and 2003 by stopping OASDI and SSI payments to prisoners. In July 2003, we completed a follow-up review and found that SSA has made progress in obtaining, processing, and suspending Social Security benefits to prisoners, as well as collecting overpayments from prisoners.

Currently, SSA receives prisoner data from all 50 States and over 3,000 county and local facilities. Since the incentive payment program began in 1997, SSA has paid 5,196 penal institutions over \$113 million in incentive payments. Suspension of benefits to prisoners saves approximately \$500 million annually.

We are currently assessing the accuracy of incentive payments to prisons. The incentive payment provisions in the Social Security Act were established to encourage the reporting of inmate data which would allow SSA to suspend SSI and OASDI benefits to prisoners in a timely manner. Once our review is complete, we will provide you with our findings and recommendations.

The Fugitive Felon Program

Federal legislation bars SSI for fugitive felons and for probation and parole violators, and provides for the exchange of certain SSI information with law enforcement agencies under specified conditions. Such fugitives are denied Federal assistance and parallel aid is also provided to law enforcement for their apprehension.

Our highly successful Fugitive Felon Program assists law enforcement with locating and apprehending criminals, making our neighborhoods safer. The program uses automated data matches to compare warrant information from the National Crime Information Center (NCIC), the Federal Bureau of Investigation, the United States Marshals Service, and State agencies with SSI rolls. During FY 2003, we identified approximately 38,000 subjects receiving SSI payments—over 3,000 per month—resulting in over 6,500 apprehensions. SSA data contributed to the arrest of 3,329 fugitives in the first half of FY 2004—and over 19,000 arrests since the program's inception in 1996.

Let me cite three recent examples. Our Chicago Field Division participated in a three-day fugitive sweep in FY 2003 as part of the Violent Crimes/Street Gang Alliance Task Force that combined the resources of Federal, State, county and local law enforcement agencies from the Detroit metropolitan area. Our agents contacted approximately 100 fugitives receiving SSI benefits to lure them to our office for arrest. Our agents were directly responsible for the arrests of 46 felons, and the sweep resulted in over 100 arrests for a variety of felony offenses including arson, criminal sexual conduct, felonious assault, narcotics and firearms violations, malicious destruction of property and animal fighting. The operation followed a similar three-day fugitive felon sweep that resulted in 100 arrests for crimes including assault with intent to murder, assault with intent to do great bodily harm, armed robbery, criminal sexual conduct, home invasion, weapons violations, auto theft, and various probation and parole violations.

In another fugitive felon case, our Los Angeles Field Division investigated an SSI recipient who violated his probation following his conviction for robbing a bank. Our investigators determined that he had an extensive criminal history involving numerous violations for both theft and bank robbery. He was taken back into custody without incident by our special agents and United States Marshals Service deputies near the Social Security office in Pomona.

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

In a fugitive felon report issued last year, we estimated that SSA saved the SSI program \$83.4 million between August 1996 and February 2003. This included \$74.1 million in SSI payments that might otherwise have been paid to fugitives had SSA not taken administrative action to suspend their monthly payments and \$9.3 million in SSI overpayments recovered from fugitives. Also, the Agency is attempting to recover about \$207 million in overpayments paid to fugitives.

Benefits Fraud

Eligibility for the SSI program is often complex and difficult to verify. Several factors need to be considered, such as an individual's income, resource levels, and living arrangements. Further, because individual financial circumstances also often change, SSA must frequently reassess recipients' continuing eligibility for benefits. As a result, the SSI program tends to be difficult and labor intensive to administer. These factors also make the SSI program vulnerable to overpayments.

Our office is constantly working to prevent and detect fraud that would result in the improper payment of SSI. For example, we have taken aggressive action in conjunction with SSA to stop erroneous payments to deceased individuals. This includes front-end detection of such payments and controls to prevent them, as well as detailed investigations to locate wrongdoers when the system breaks down.

In 1997, as a result of the Robinson/Reyf class action lawsuit settlement, SSA implemented procedures that payment checks were issued by SSA be replaced immediately after a non-receipt report is filed. This has resulted in some fraudulent non-receipt reports. To ensure these payments are issued appropriately, in close coordination with SSA's regional staff, we have initiated an aggressive investigative project into replacement check fraud, in which people ask for a replacement check to be issued, falsely claiming they never received the original.

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

In FY 2003, we reviewed SSA's process for issuing replacement checks and found that SSA needs to improve its monitoring of replacement check requests, overpayment recovery actions, and deterrents such as administrative sanctions. In response, the Agency revised its procedures and controls over its replacement check policy, as well as its recovery of related overpayments. We will continue to monitor the Agency's progress in this area.

Representative Payee Fraud

Another area of concern is the Representative Payee Program. When SSA determines a beneficiary cannot manage his/her benefits, SSA selects a representative payee, who must use the payments for the beneficiary's needs. About 5.3 million representative payees manage payments for 6.7 million beneficiaries for all of SSA's programs. Over 2.3 million SSI recipients have representative payees. In managing the representative payee process, SSA must provide appropriate safeguards to ensure they meet their responsibilities to the beneficiaries they serve. To assist SSA in this effort, we completed a number of initiatives to determine whether representative payees had effective safeguards over the receipt and disbursement of Social

Security benefits, and to ensure that Social Security benefits are used and accounted for in accordance with SSA policies and procedures.

Additionally, since FY 2001, our audits have identified deficiencies with the financial management and accounting for benefit receipts and disbursements; vulnerabilities in the safeguarding of beneficiary payments; poor monitoring and reporting to SSA of changes in beneficiary circumstances; as well as inappropriate handling of beneficiary-conserved funds and the charging of improper fees. As a result of these audits, the Agency has both agreed to and implemented numerous recommendations for corrective actions aimed at strengthening the control and accounting of funds by representative payees.

Our audit work has shown that closer attention to the initial selection process could resolve many potential problems before they arise, so it is critical that SSA more thoroughly screen potential representative payees. In October 2002, we issued a report that identified 121 individuals serving as representative payees whose own SSI benefits were stopped by SSA because they were fugitive felons or parole or probation violators. SSA policy at that time did not prohibit fugitive felons and parole or probation violators who have not been convicted of a crime involving a Social Security program to serve as representative payees. In a March 2003 audit we quantified the number of representative payees who were fugitive felons regardless of whether they were receiving SSI payments. In this audit, we estimated that fugitives could manage approximately \$19 million in Social Security funds each year if SSA did not take action to replace them as representative payees. The recent passage of the Social Security Protection Act bars fugitives from serving as representative payees. Therefore, SSA can now take extra precautions to protect its most vulnerable beneficiaries.

Once representative payees have been selected, it is also incumbent upon SSA to adequately monitor them to ensure that benefits are being used as intended to aid the beneficiary and that the representative payees continue to be suitable.

To date, we have opened over 3,800 investigations of representative payees. Those investigations have identified over \$32 million in fraud, and have resulted in over 765 convictions. Three recent cases illustrate our successes combating representative payee fraud.

“Payee-R-Us,” an organizational representative payee service in Washington State, handled as many as 200 vulnerable beneficiaries including individuals who were mentally disabled, for which it received a monthly fee per client. Its executive director embezzled over \$107,000 in payments. In one egregious example, a homeless beneficiary was unaware of his approximately \$15,000 retroactive benefit check that the executive director had embezzled for her personal use. After our Seattle Field Division’s investigation, she pleaded guilty to representative payee misuse and Social Security fraud. She was sentenced to 10 months’ imprisonment and ordered to pay \$107,292 in restitution directly to 88 victims.

A Kansas man was representative payee for several recipients and beneficiaries of Department of Veterans Affairs (VA) and SSA benefits for several years. He converted their benefits to his personal use, telling agents after his arrest he needed the money to pay for his drinking habit, and he admitted selling at least three recipients’ farms for more than \$70,000 each. Our office

worked with VA's OIG to bring charges, and he was sentenced to 12 months house arrest wearing an electronic monitor, 3 years supervised probation, a special assessment fee of \$300, and restitution in the amount of \$490,625.

We have the same problem in non-SSI cases as well. For example, our Atlanta Field Division investigated a Florida woman who stole an acquaintance's identity to obtain a North Carolina ID card. Then she "created" two children by providing SSA false birth certificates to get SSNs for them. After altering marriage and divorce documents and claiming she had married a known deceased man she portrayed as the children's father, she received SSA survivor's benefits for the fictitious children as their representative payee. We found she had previously collected SSA survivor benefits for herself and another fictitious child. Our investigation revealed five false identities she used to obtain valid SSNs to open bank accounts and private mailboxes for the SSA funds. She was sentenced to 27 months' incarceration, ordered to pay SSA restitution of \$79,627, and required to participate in a Federal Bureau of Prisons drug rehabilitation program.

Partnerships with U.S. Attorneys

Placing attorneys in several United States' Attorneys' Offices (USAO) as Special Assistant United States Attorneys (SAUSA) is an important law enforcement tool in fighting benefits fraud. This partnership enables us to have cases that are developed by our investigators criminally prosecuted—cases that would normally be declined due to the limited resources of the various USAOs. OIG currently has a full-time SAUSA in Los Angeles and part-time SAUSAs in New Haven and Memphis. Likewise, SSA's Office of General Counsel has assigned several attorneys to act as SAUSAs in other major metropolitan areas.

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

The Civil Monetary Penalty Program

Another important enforcement tool in the fight against fraud, the Civil Monetary Penalty (CMP) program, provides for the imposition of penalties and assessments against individuals who make false statements or representations of material fact to SSA in connection with the application for or retention of SSI and DI benefits. The CMP program is often used when cases investigated by the OIG are declined for criminal and civil prosecution by the USAO. The law allows for the imposition of up to \$5,000 in penalties for each false statement or representation made to SSA. In addition, we are authorized to impose an assessment of up to twice the amount of any SSI or DI benefits improperly paid as a result of the false statement or representation. Since FY 1998, we have imposed over \$2.6 million in penalties and assessments against those who mislead SSA. When neither criminal action nor imposition of a CMP is possible, we refer the details of our investigation to SSA so that the Agency can pursue administrative sanctions to protect program integrity.

In one recent case, a non-governmental claimant representative made numerous false statements to SSA in connection with his attempt to obtain or continue SSI and DI benefits for his clients. He altered sections, deleted information, and forged physician signatures on medical assessment forms to obtain favorable disability hearing decisions for his clients. He was disqualified from representing Social Security claimants, and we imposed a \$25,000 CMP.

Impact of the Social Security Protection Act of 2004

The Social Security Protection Act of 2004, the work of three Congresses, is a milestone bill. It provides new safeguards for Social Security and SSI beneficiaries who have representative payees, and will enhance other program protections. We called for a number of the measures embodied in the new law for several years.

This new legislation will provide significant new authority to our office to protect the Social Security number (SSN), SSA employees, and the Social Security Trust Funds. It is a significant expansion of OIG's responsibility. I congratulate the Ways and Means Committee for this comprehensive, diligent effort, and am honored that we could contribute our insight and recommendations to improve the integrity of SSA programs and operations.

The new legislation expands our Fugitive Felon Program beyond SSI beneficiaries to include OASDI beneficiaries and representative payees. In our audit report issued last year on the SSI fugitive program, we estimated that approximately 7,988 individuals were ineligible for SSI payments in February 2003 because of outstanding felony warrants, but were eligible for OASDI benefits totaling \$4 million for that 1 month. At the time—prior to enactment of the Social Security Protection Act—we noted that if the Social Security Act were amended to preclude payment of OASDI benefits to fugitives, SSA could save approximately \$48 million over the next year by withholding the monthly OASDI benefits to these 7,988 fugitives.

These savings can now become a reality with the passage of the law, combined with SSA's and OIG's efforts to implement it with current resources. Additionally, I mentioned earlier that SSA data has contributed to the arrest of over 19,000 fugitives since the program's inception in 1996. With the passage of the Social Security Protection Act, we expect our monthly workloads to increase substantially.

The Social Security Protection Act will also significantly strengthen the Representative Payee Program and our ability to deal with dishonest representative payees. It allows for the imposition of CMPs against representative payees who misuse benefits paid on behalf of their clients. The new law also allows SSA to fully compensate beneficiaries defrauded by unscrupulous representative payees, and bars fugitive felons from serving as representative payees.

This is an important new safeguard.

Conclusion

I am certainly proud of the contributions our office has made toward the detection and prevention of fraud and the overall security of the SSI program. While there undoubtedly

remains more to be done, SSA should be proud of the significant changes it has made in the SSI program, and the improvements brought about by those changes.

I look forward to working with Congress and the Commissioner to help SSA meet these and other challenges. Thank you, and I would be pleased to answer any of your questions.