

**U.S. House of Representatives**  
**Committee on Appropriations**  
**Subcommittee on Labor, Health and Human Services, Education, and Related Agencies**  
**Statement for the Record**  
**Departments of Labor, Health and Human Services, Education, and Related Agencies**  
**Appropriations for 2001**

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

**March 28, 2000**

Good morning Mr. Chairman and members of the Subcommittee. My name is James G. Huse, Jr., and it is truly an honor for me to sit before you as the Inspector General of Social Security. Let me begin by stating that we are very appreciative of the support this subcommittee has given the Office of the Inspector General (OIG). Today, I want to discuss our Fiscal Year (FY) 2001 appropriations request, provide you with a sense of what we have accomplished, and identify what more we can do to further the fight against fraud, waste, and abuse.

## **BACKGROUND**

Since the OIG's establishment under the *Social Security Independence and Program Improvements Act of 1994*, this Subcommittee has provided the OIG with a level of support that has been commensurate with your expectations of what this office can and does accomplish. In FY 2000, we absorbed the SSA Fraud Hotline function within our Office of Investigations (OI) and our productivity has continued to escalate. In FY 1999, we issued 59 audit and evaluation reports recommending that approximately \$270 million in Federal funds could be put to better use. Our Office of the Counsel to the Inspector General was instrumental in the prosecution of individuals guilty of violating section 1140 of the Social Security Act, which prohibits misleading advertising. This action has sent a clear message to the direct mailing industry that deceiving consumers under Social Security's good name will not be tolerated.

On the investigative side, we processed over 74,000 allegations, opened over 9,000 cases, and caused 3,139 criminal interventions, including criminal convictions and illegal alien and fugitive felon apprehensions. OI also aggressively pursued fraud prevention activities for the Old Age, Survivors, and Disability Insurance and the high-risk Supplemental Security Income (SSI) programs. Their efforts resulted in over \$55 million in scheduled recoveries, fines, settlements, judgments, and restitution. In addition, we estimate that our work prevented Social Security Administration (SSA) from issuing about \$144 million in improper benefits, and also saved other government entities and financial institutions about \$15 million.

## **MAJOR INITIATIVES**

To continue our fight against fraud, waste, and abuse and in support of SSA's goal of making SSA's program management the best in business with "zero tolerance for fraud," our FY 2001

budget request is for \$73 million and 584 FTEs. This represents a \$7 million increase in the amount authorized for FY 2000 and the annualization of 48 FTEs. These resources will allow us to continue to maintain our current service levels; fund contract services for our annual financial statement audit; and advances the following key initiatives with the staffing authority received in FY 2000:

### Cooperative Disability Investigations (CDI)

One of our major initiatives to reduce the risk of fraud in the SSI program is the CDI teams. This pilot initiated five CDI teams in the following cities: Atlanta, Baton Rouge, Chicago, New York City, and Oakland. These teams combine the resources and talents of our OIG special agents with State law enforcement officers as well as SSA and State Disability Determination Service claims professionals to prevent individuals from fraudulently receiving benefits at the application stage. During FY 1999, these teams confirmed 378 cases of fraud and prevented over \$20 million in estimated benefits from being disbursed. In FY 2000, we opened new teams in Missouri, Oregon, Texas and New Jersey. Because of the success of these teams and their preventive focus, we continue to support and advocate for the expansion of more teams across the Nation. This is an innovative OIG initiative that produces excellent results and is an effective way to address disability fraud.

### Fugitive Felon Project

Another major initiative, the Fugitive Felon Project, continues to identify individuals who are ineligible to receive SSI under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. As our office identifies and locates these individuals, SSA continues to remove them from the rolls. In FY 1999, we identified over \$17 million in overpayments, and estimate that an additional \$27 million in benefits were saved as a result of our efforts. The success of this program is reliant on computer matching with various Federal and State law enforcement entities.

As we establish and implement more computer matching agreements with the Federal Bureau of Investigation, the U.S. Marshals Service, the National Criminal Information Center, and State agencies, the number of fugitives identified will increase dramatically, and the fugitive felon program will provide vast savings to the Government. For example, in the second half of FY 1999, we identified 5,898 individuals compared to the 1,523 individuals in the first half of the year. This increase of 4,375 matches resulted from implementing one State match.

### Civil Monetary Penalty (CMP) Program

The Commissioner of Social Security has delegated to the Inspector General the authority to impose CMPs for false statements made to SSA and for the misuse of SSA's trademarks. The amount of CMPs imposed against individuals who make false statements in order to obtain benefits has doubled every year since 1997. In FY 1999, the IG imposed \$110,441 in assessments and penalties against these individuals, and so far in FY 2000, \$157,758 has been imposed. In addition, in FY 1999, the IG instituted a major CMP case against the Federal Record Service Corporation (FRSC). This corporation targeted new brides and new mothers with deceptive SSA-related advertisements designed to charge a fee for obtaining a new Social

Security number (SSN) card. Our efforts resulted in the corporation being dissolved and settlement agreements totaling over \$1 million reached with two individuals and two corporate defendants. As the CMP caseload increases, we will have the opportunity to realize more benefits from both CMP authorities in FY 2001.

### Systems Controls and Security Efforts

One of the challenges facing SSA is providing the public with the service it expects during a period of increasing demands, and constrained resources. The retirement wave of baby boomers looms before us, and is expected to cause substantial increases in SSA's workloads. To meet this demand, SSA must increase its reliance on automated systems and explore new avenues of electronic service delivery. Last year, I established a Critical Infrastructure Division (CID) that is charged with evaluating SSA's programs and policies, in order to protect SSA from cyber and physical threats. In FY 2001, this Division will expand to focus its efforts on conducting intrusion investigations and computer forensics examinations in the cyber crime arena, and will identify measures to prevent security breaches. In partnership with the Office of Audit, the CID will increase its focus on SSA's electronic systems to ensure the integrity, reliability, and security of SSA's systems.

### Government Performance and Results Act (GPRA)

Another area of great interest to the Congress is assuring compliance with GPRA by each agency throughout Government. Because of this Subcommittee's investment in our organization, we have developed an aggressive 3-year plan to review SSA's performance measures. We are currently in our second year of that plan and in FY 2001 we will complete the first 3-year cycle. I am confident that the audit work we provide to the Congress in this area will be invaluable in furthering your oversight efforts.

### SSN Misuse and Identity Theft

One of the fastest growing areas of concern for us is the misuse of SSNs to commit crimes, particularly in the area of Identity Theft. Clearly, there is a public expectation that the Federal Government will take action against those individuals who commit identity theft. Congress' response to this fast growing crime was to pass the *Identity Theft and Assumption Deterrence Act of 1998* (Identity Theft Act). This Act empowers my office and other law enforcement authorities to arrest, prosecute, and convict individuals who fraudulently use another person's SSN to create a false identity. It also acknowledges that the SSN is a means of identifying an individual and, as such, has become the de facto national identifier.

This office has taken a proactive stance in responding to the public's expectation and Congress' mandate by redirecting investigative resources to this issue. With existing resources, we are working as efficiently as possible. In FY 1999, we launched five SSN misuse pilot projects. Our special agents provide the lead in working with Federal and State law enforcement agencies to review Hotline allegations and initiate an investigation, whenever warranted. Since August 1999, these task forces have partnered with other law enforcement agencies and have opened 79 investigations, which so far, have resulted in the conviction of 18 individuals. United States

Attorneys' Offices and Federal and State law enforcement agencies have enthusiastically welcomed these pilots, and have applauded my office for taking the investigative lead.

I am committed to protecting the integrity of the SSN. I will continue to direct resources to this area as they become available, and will support legislation that is necessary to address this critical issue. I believe the SSA OIG should continue to lead and assist the law enforcement community in investigating SSN misuse and identity theft. We will also continue to audit SSA's business processes of assigning original SSNs, issuing replacement cards, and verifying SSNs for employers and other Federal agencies, in order to ensure that adequate controls and preventive measures are in place to protect SSA from vulnerabilities. However, there is much more to do across Government in this area because the SSN touches virtually every business organization and governmental entity.

I would like to thank the Subcommittee for its continued support. I am confident that with the approval of our FY 2001 budget request, this OIG will continue to produce quality audits, significant investigative outcomes, and timely reports to Congress. Thank you for your time and I will be happy to answer any questions that the Chairman or members may have.