

**U.S. House of Representatives**

**Committee on Ways and Means  
Subcommittee on Social Security**



**Statement for the Record**

**Hearing on Combating Disability Waste, Fraud, and Abuse**

**The Honorable Patrick P. O'Carroll, Jr.  
Inspector General, Social Security Administration**

**January 24, 2012**

Good morning, Chairman Johnson, Ranking Member Becerra, and members of the Subcommittee. It is a pleasure to appear before you, and I thank you for the invitation to testify today. I have appeared before Congress many times to discuss issues critical to the Social Security Administration (SSA) and the services the Agency provides to American citizens. Today, we are discussing SSA's Disability Insurance (DI) program, focusing on efforts to secure the program's future and safeguard it from fraud, waste, and abuse.

SSA DI is the nation's primary Federal disability program. According to the most recent data from SSA, in November 2011, the Agency provided about \$9.8 billion in DI payments to more than 10.5 million citizens across the country (more than 8.5 million disabled workers, along with 2 million spouses and children). As baby boomers reach their most disability-prone years, more Americans have turned to SSA. Since FY 2007—when the Agency received 2.5 million initial applications for disability and the economy began its downturn—initial applications to SSA for disability have increased each year, with SSA receiving more than 3.2 million initial applications for disability in FY 2011. Thus, it is a critical time for the Agency to focus on the future of the DI program.

Ensuring the stability of the DI program is also an important undertaking for SSA because Agencies across the Federal government are working to reduce improper payments and to develop new solutions to eliminate and prevent wasteful spending, as President Obama signed into law the *Improper Payments Elimination and Recovery Act* in July 2010. SSA has reported about \$1.8 billion in overpayments in its DI program for FY 2011; SSA paid about \$130 billion total in DI in FY 2011. As Federal employees, we must ensure that taxpayer dollars are spent wisely and efficiently, and that government benefits are administered correctly. Improper payments cover a number of financial transactions, but in SSA's case, they are largely benefit payments made to ineligible program participants. They can be the result of documentation and administrative errors or fraudulent activity. OIG's involvement in the effort to reduce overpayments in SSA's DI program focuses on investigating individuals suspected of committing Social Security fraud, completing audit reviews, and recommending ways for SSA to improve DI program integrity and efficiency.

According to SSA, as reported in its March 2011 *Improper Payment Report*, there are three major causes of errors and improper disability payments:

- **Substantial Gainful Activity (SGA):** An adult is considered disabled if he or she is unable to engage in SGA because of a medically determinable physical or mental impairment. The SGA for Calendar Year (CY) 2012 is earnings above \$1,010 per month for non-blind individuals, and earnings above \$1,690 per month for blind individuals. Errors occur when beneficiaries fail to report earnings timely, or SSA does not timely withhold monthly benefit payments from those engaging in SGA.
- **Government Pension Offset:** SSA may offset benefits for a spouse or a surviving spouse if he or she receives a Federal, State, or local government pension based on work on which the spouse did not pay Social Security taxes. Errors occur if receipt of these types of pensions is not reported to SSA.
- **Wages/Self-Employment Income:** When an individual's earnings record does not accurately reflect the worker's actual earnings, there may be errors if the mistake goes undetected when the worker applies for benefits.

From FY 2005 to FY 2009, according to SSA, SGA errors resulted in an average of \$975 million in overpayments per year, government pension offset errors resulted in an average of \$240 million in overpayments per year, and wages/self-employment income errors resulted in an average of \$195 million in overpayments per year.

SGA is strictly an issue with DI cases, according to SSA. From FYs 2005 to 2009, 64 percent of the improper payments associated with SGA errors resulted from the beneficiaries' failure to report their work activity, while the remaining 36 percent of errors were associated with SSA's failure to schedule a work continuing disability review (CDR) after the beneficiary notified SSA that he or she had returned to work.

We know there are individuals who will purposely withhold or fabricate information to collect government benefits that they are not entitled to receive. Our agents investigate those who aim to defraud SSA and the Federal government. In FY 2011, our investigators reported more than \$410 million in investigative accomplishments, including about \$82 million in SSA recoveries and restitutions and about \$329 million in projected savings from programs such as the Cooperative Disability Investigations (CDI) initiative. CDI detects potential fraud and limits improper SSA disability payments. Members of the CDI Unit in St. Louis, Missouri, are with us today to discuss the program in detail.

In addition, OIG agents opened and closed nearly 7,200 cases in FY 2011, leading to 1,374 criminal prosecutions. OIG received more than 103,000 allegations of fraud, waste, or abuse in FY 2011, and while the majority of those allegations are related to SSA's disability programs, 43 percent of all allegations were specifically related to the DI program.

To give you an example of the types of DI fraud cases our agents pursue, an investigation by our Seattle agents recently led to prison sentences for a Washington couple that defrauded SSA and other State and Federal assistance programs out of almost \$300,000.

Anthony George, 37, of Washington, reportedly obtained a second Social Security Number under a fictitious name in 1982, and, in 1993, he used the fake identity to apply for disability benefits, claiming he could not work. During multiple medical interviews over the years, George, using the fake identity, pretended he was profoundly disabled and unable to work. George's wife, Roxanne, 35, accompanied her husband at an interview and pretended to be his neighbor, claiming George never worked and could not work.

However, an OIG investigation revealed Anthony George bought and sold used cars, lived in a \$430,000 house, and had more than \$10,000 in his bank account. Roxanne George reportedly further defrauded State and Federal assistance programs by failing to report that she lived with her husband and claiming to be a single mother with three children. During in-home visits and written statements, Anthony and Roxanne George pretended to be brother and sister, rather than husband and wife.

Both Anthony and Roxanne George pleaded guilty to Social Security fraud in September 2011. Earlier this month, Anthony George was sentenced to 27 months in prison and ordered full restitution of \$198,148 to State and Federal disability programs. Roxanne George was sentenced to six months in prison, six months in a halfway house and has agreed to pay \$91,527 for her fraudulent use of State and

Federal assistance programs. According to reports, when he addressed the court, Anthony George said, "I am a liar. It's all there in black and white."

In addition to our ongoing investigative work, we have made many recommendations to SSA in recent years that support OIG's focus on DI program integrity. Although disabled beneficiaries are required to report their work activity to SSA, they do not always do so. In a September 2010 Congressional Response Report, *SSA's Process for Identifying and Preventing Improper Payments to Individuals Who Return to Work*, we said the Agency should devote additional resources to effectively make improvements to identify and prevent DI overpayments, because reviewing work activity and earnings is a complex process that requires staff to consider all of the return-to-work provisions of the *Social Security Act*.

The OIG's work has shown that SSA identifies beneficiaries who return to work through employer reports, computer matching with other Federal and State agencies, and other Agency projects. However, SSA must balance service initiatives, such as processing new claims, with stewardship responsibilities, such as conducting timely CDRs. Therefore, the Agency has not reviewed work activity for all beneficiaries and recipients who have earnings that may be substantial enough to affect their benefit payments.

For example, in an April 2009 review, *Follow-up on Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File*, we found that SSA did not evaluate all beneficiary earnings, and overpayments resulted from work activity. We estimated that about \$1.3 billion in improper payments went undetected by the Agency to about 49,000 disabled beneficiaries.

Also, in a March 2010 report, *Full Medical Continuing Disability Reviews*, we determined SSA's number of completed medical CDRs declined by 65 percent from FY 2004 to FY 2008, resulting in a significant CDR backlog. We estimated SSA would have avoided paying at a minimum \$556 million during CY 2011 if the medical CDRs in the backlog had been conducted when they were due.

Medical CDRs are effective in reducing overpayments in the DI program. SSA estimates that every \$1 spent on medical CDRs yields at least \$10 in SSA program savings and Medicare and Medicaid. In FY 2011, SSA conducted more than 345,000 full medical CDRs, up from 325,000 in FY 2010. In FY 2012, it is intended the Agency will receive \$896 million for program integrity efforts like medical CDRs, and SSA has a goal of conducting 1.44 million CDRs total, including a proposed 592,000 full medical CDRs.

SSA estimates that meeting the goals for medical CDRs and other integrity efforts will result in about \$9 billion in savings over 10 years, including Medicare and Medicaid savings. However, SSA's Office of Quality Performance projects that at the end of FY 2012, SSA will still have a backlog of 1.2 million medical CDRs.

Additionally, SSA has said it would make the following improvements to its work CDR efforts:

- Dedicate staff to target the oldest CDR cases—initially, cases over 365 days old, then a gradual reduction of the age threshold;
- Prioritize earnings alerts by amount of earnings and work cases with highest earnings to minimize overpayments;

- Improve communication between operational components;
- Allocate additional staff resources to conduct work CDRs; and
- Provide additional information in disability publications on when, where, and how to submit work reports to SSA.

Also, SSA has developed a legislative proposal—the Work Incentive Simplification Pilot—to simplify work policies in the DI program, which would reduce administrative complexity and workloads, enhance correlation of program rules among SSA’s disability programs, and encourage DI beneficiaries to return to work because they would not face a permanent loss of benefits and Medicare.

We in the OIG believe reducing the complexity of SSA’s disability programs would help reduce millions of dollars in overpayments that occur each year. For example, because SSA has to evaluate earnings and work incentives before stopping benefits—and cannot simply stop paying benefits because wages are reported—simplifying these provisions could have a positive effect. A proposal exists to change the Federal wage-reporting process from annual to quarterly reporting. A change of this nature would increase the frequency that employers report wages to SSA, improving the timeliness of the work CDR process.

We also encourage SSA to support any legislative proposals that would improve the identification and prevention of improper payments in its programs. The OIG community is pursuing an exemption to the *Computer Matching and Privacy Protection Act of 1988* (CMPPA), which would exempt OIGs from certain restrictions of the *Privacy Act* that forbid the use of matching programs to compare Federal records against other Federal and non-Federal records. The CMPPA restrictions weaken OIG efforts to detect improper payments and identify weaknesses that make Federal programs vulnerable to fraud. In 2010, the Department of Health and Human Services (HHS) and HHS OIG obtained an exemption for data matches designed to identify fraud, waste, and abuse. SSA and SSA OIG are not exempt from the CMPPA.

Finally, we continue to pursue the establishment of a self-supporting program fund for activities, such as CDRs, to ensure payment accuracy—that applicants and beneficiaries are eligible at the time they apply and as long as they remain in payment status. The proposal would provide for indefinite appropriations to make available to SSA 25 percent, and to OIG 2.5 percent, of actual overpayments collected based on detection of erroneous overpayments SSA collects. These funds would be available until spent for stewardship activities.

The OIG has conducted, and continues to conduct, significant audit and investigative work to identify areas where SSA’s DI program can be vulnerable to improper payments, and to recommend actions to reduce and eliminate those errors. We will continue to provide information to SSA’s decision-makers and to this Subcommittee, and we look forward to assisting in these and future efforts.

I would like to conclude with a CDI case example, as the CDI program continues to be SSA and OIG’s most successful anti-fraud initiative. The CDI Program has received tremendous support from Congress. In late August 2011, Chairman Johnson was kind enough to visit the Dallas CDI Unit to learn more about the program and tour the Unit’s office, and Congressman Brady and I previously toured the Houston CDI Unit. We greatly appreciate your interest in the program. I’m also very happy the Subcommittee invited OIG Special Agent Tom Brady and St. Louis County Detective Paul Neske, members of the St. Louis CDI Unit, here today to discuss, in detail, the CDI program.

We currently have 25 CDI Units in operation across the country, and this example comes from the Tampa CDI Unit in Florida:

The Unit investigated a 54-year-old man who applied for disability benefits due to intestinal problems and shortness of breath, and the man said he used a walking cane for assistance, he could only walk for about a minute before he needed to rest, and he could not perform household chores. Tampa disability examiners referred the case to the CDI Unit due to inconsistencies in the medical evidence and the man's alleged impairments.

The CDI investigation, which included video surveillance of the man, revealed the man was hardly incapable of walking for longer than a minute and performing household chores. Surveillance showed the man lifting a large piece of wooden furniture and sweeping debris from the roof of his mobile home. Throughout the surveillance, the man did not display any apparent disabilities. With this information, the Tampa DDS denied the man's claim, preventing improper SSA payments.

Special Agent Brady and Detective Neske will provide more details on the CDI program in their testimony. I thank you again for the invitation to be with you here today. I would be happy to answer any questions.

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**Hearing on Combating Disability Waste, Fraud, and Abuse**

**Tom Brady  
Special Agent and St. Louis CDI Team Leader  
Office of the Inspector General, Social Security Administration  
Paul Neske  
Detective, St. Louis County Police Department**

**January 24, 2012**

Good morning, Chairman Johnson, Ranking Member Becerra, and members of the Subcommittee. It's a pleasure to appear before you, and I thank you for the invitation to be here today. My name is Tom Brady. I am a Special Agent with the Social Security Administration (SSA) Office of the Inspector General (OIG), and I serve as the Team Leader for the Cooperative Disability Investigations (CDI) Unit in St. Louis, Missouri. I'm joined by Detective Paul Neske of the St. Louis County Police Department, one of our local law enforcement partners in St. Louis, to speak to you about the CDI program, a collaborative anti-fraud effort between SSA and the OIG. Today, we're discussing SSA's Disability Insurance (DI) program and SSA's efforts to secure the program's future. The CDI program has been extremely successful in detecting abuse in SSA's disability programs, specifically in preventing payment on disability cases involving potential fraud. The work of CDI Units across the country is a critical piece of the OIG and SSA's cooperative efforts to limit improper payments in SSA's disability programs.

As Americans continue to adjust their lives as the economy recovers, more and more people are turning to SSA. In Fiscal Year (FY) 2011, SSA received more than 3.2 million initial disability claims. Also, SSA paid about \$130 billion in disability benefits in FY 2011. These numbers challenge SSA's ability to provide world-class service delivery, creating workloads that strain resources, causing delays and backlogs, and leaving the Agency susceptible to fraud and abuse. As more individuals apply for benefits, allegations of unlawful disability claims will also increase across the country, challenging the OIG with regard to stewardship in SSA programs. The CDI Units play a key role in ensuring that SSA and the State Disability Determination Services (DDS) have an avenue to further explore disability claims that appear suspicious. The CDI program helps maintain the level of accuracy and integrity in these programs that the American public deserves.

SSA and OIG jointly established the CDI Program in FY 1998, in conjunction with State DDS and State or local law enforcement agencies, to effectively pool resources and prevent fraud in SSA's disability programs. The Units investigate disability claims under SSA's Title II and Title XVI programs that SSA employees believe are suspicious, and also investigate suspicious claims relating to other Federal and State programs. The CDI program's primary mission is to obtain evidence that can resolve questions of fraud before benefits are ever paid. CDI Units also provide reports to DDS examiners during continuing disability reviews (CDRs) that can be used to cease benefits of in-payment beneficiaries.

In 1998, the CDI program launched with Units in five states. The program currently consists of 25 Units covering 22 states, with the most recent Unit opening in Jackson, Mississippi, in November 2011. In FY 2011, the CDI program reported \$281.2 million in projected savings to SSA's disability programs—the program's greatest single-year savings total—for a return-on-investment of \$14-to-\$1. Since the program was established, through December 2011, the CDI efforts have resulted in \$1.9 billion in projected savings to SSA's disability programs and \$1.2 billion in projected savings to non-SSA programs.

Each CDI Unit comprises an OIG Special Agent who serves as the Team Leader, employees from that State's DDS and an SSA employee who act as programmatic experts, and State or local law enforcement officers. Tapping the skills of each member, the CDI Units receive benefit applications identified as suspicious by the DDS and, where appropriate, investigate these claims. In St. Louis, I have served as the Team Leader since February 2011, and I work side-by-side with Detective Neske, another detective



and an intelligence analyst from the St. Louis County Police Department, a third detective from the Sikeston (Missouri) Police Department, an SSA operations supervisor, and a DDS hearings officer.

The process typically begins with a fraud referral from the DDS or SSA to the CDI Unit. We also receive fraud referrals from SSA's Office of Disability Adjudication and Review, private citizens, anonymous sources, and other law enforcement agencies. Disability fraud can involve malingering, filing multiple applications, concealing work or other activities, and exaggerating or lying about disabilities. The CDI Unit Team Leader screens the referral, and if it's accepted as a case, the Team Leader will work with the State or local law enforcement members of the team to investigate the allegation, either by interviewing the applicant and third parties and/or conducting surveillances of the applicant. Upon completion of the investigation, a report detailing the investigation is sent to the DDS, where DDS staff serves as the ultimate decision-making entity in determining whether a person is eligible to receive a monthly disability benefit payment. If the claimant is already receiving benefits, DDS and/or SSA will determine whether the person's benefits should be continued or terminated. There are also, in some cases, opportunities for criminal prosecution and the imposition of civil monetary penalties or administrative sanctions.

In one recent case, our CDI Unit investigated a 45-year-old woman who had been collecting Social Security disability benefits since December 2009. At the time her disability claim was allowed, the woman alleged chronic back pain, and she said she was using a cane for assistance. During a CDR by the Missouri DDS in 2011, the woman alleged that she was unable to sit, stand, or walk for long periods, that she could not bend or squat, and that she spent "about 75 percent of her day in bed." She said she used a cane to move around, however, the DDS examiner noticed the woman had a normal gait, and her case was referred to the CDI Unit for further investigation.

During a subsequent surveillance, Detective Neske observed the woman exit her house and carry a wooden cane in her left hand. The woman walked down several steps and on a sidewalk with a normal gait toward a parked car. She reached the vehicle, placed the cane in the vehicle's back seat through the open front passenger window, opened the front passenger door, and sat in the front passenger seat.

I later observed the vehicle arrive at a doctor's office, where the woman was scheduled to have a consultative examination. The woman exited the vehicle near the front door to the office, and then walked toward the door, using the cane in her right hand for assistance. She had a limp in her gait and her pace was very slow and lethargic. When she reached the steps leading to the front door, she took each step one by one. She later exited the building in the same slow and lethargic manner, using the cane to walk down the steps, one by one. She entered the same vehicle that brought her to the appointment.

Detective Neske and I followed the vehicle, which stopped at a nearby gas station. The woman exited the vehicle and walked without a cane and with a normal gait to the station's convenience store. She then purchased two drinks, carried them outside, and entered the vehicle. The vehicle traveled to another residence, which the woman entered without the assistance of a cane, and she soon left the residence with a child's play-seat. She entered the vehicle and returned to her residence, exiting the vehicle, walking with a normal gait, and carrying the child's play-seat and her cane into her residence.

After receiving the CDI Unit's report, the Missouri DDS ceased the woman's disability benefits in June 2011. The woman requested reconsideration from the DDS, and in October, the DDS issued a decision that confirmed its original decision to cease her benefits. She then requested an appeals hearing before

an Administrative Law Judge, which was held on Jan. 9, 2012. The judge requested and received a copy of our surveillance video, and we are awaiting a final decision.

The St. Louis CDI Unit, like the other 24 CDI Units across the country, is continually saving money and ensuring the integrity of SSA's disability programs. Since the inception of the St. Louis CDI Unit in September 1999 through December 2011, the Unit has opened 1,926 cases and closed 1,903 cases, resulting in more than 1,200 cases of fraud or similar fault. The Unit's work has resulted in \$84.2 million in projected SSA savings and \$32.6 million in projected non-SSA savings.

Several years ago, the Government Accountability Office recommended expansion of the CDI program to all 50 states, and the OIG and local law enforcement agencies like the St. Louis County Police Department share that enthusiasm. The OIG and SSA are committed to expanding the CDI program and ensuring disability program savings for the Agency. Plans for future expansion are made on a yearly basis and are contingent upon the availability of funds; expansion sites for FY 2012 and FY 2013 have not been decided at this time.

The CDI program helps maintain the level of accuracy and integrity in SSA's disability programs that the American public deserves, and it reduces improper payments, deters fraud, and saves taxpayer dollars. We in the St. Louis CDI Unit are proud to make sure the people in our community who truly need assistance receive their benefit payments in an efficient and proper manner. We look forward to continuing to work with SSA in this vitally important and growing program.

I thank you again for the invitation to speak with you today, and Detective Neske and I would be happy to answer any questions.