

Social Security Administration  
Office of the Inspector General

*Semiannual Report to Congress  
October 1, 2013 - March 31, 2014*



# Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

## Who We Are

The Office of the Inspector General (OIG) is responsible for meeting the statutory mission of promoting economy, efficiency, and effectiveness in the administration of Social Security Administration (SSA) programs and operations; and preventing and detecting fraud, waste, abuse, and mismanagement in such programs and operations. To accomplish this mission, we conduct and supervise a comprehensive program of audits, evaluations, and investigations. We also search for and report systemic weaknesses in SSA programs and operations, and make recommendations for needed improvements and corrective actions.

## What We Do

We strive for continual improvement in SSA's programs, operations, and management by proactively seeking new ways to prevent and detect 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.

## Reach Us



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<http://oig.ssa.gov>

## Report Fraud

Reporting is easy, safe, and secure. You can reach us online, or by mail, phone, or fax.

**Internet:** <http://oig.ssa.gov/report>

**U.S. Mail:** Social Security Fraud Hotline  
P.O. Box 17785  
Baltimore, Maryland 21235

**FAX:** (410) 597-0118

**Telephone:** (800) 269-0271 from 10:00 a.m. to 4:00 p.m. Eastern Standard Time

**TTY:** (866) 501-2101 for the deaf or hard of hearing

## Feedback

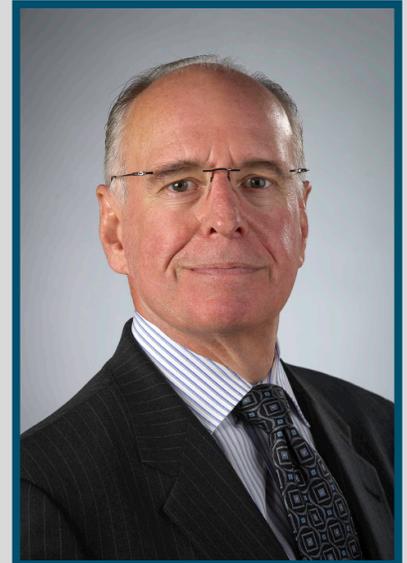
After reading our *Semiannual Report to Congress*, we encourage you to take a brief, anonymous survey to let us know how we're doing. The survey is available on our website listed above. We appreciate any feedback that can help us improve our publication.

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## A MESSAGE FROM THE INSPECTOR GENERAL

On January 7, 2014, I joined the Manhattan District Attorney in New York City to announce the indictments of more than 100 people—many of them retired police officers and firefighters—for their alleged involvement in a vast and longstanding scheme to defraud the Social Security Administration (SSA) out of millions of dollars in disability benefits. Since then, the OIG—in coordination with other law enforcement agencies—has arrested 134 people, including four alleged facilitators believed to have participated in this scheme.



This investigation is another example of the fine work of our investigators and our cooperative efforts with SSA and its front-line employees and other law enforcement agencies. However, the scope of this fraud scheme is disturbing to me and my office.

The public depends on us to identify fraud in SSA's programs and improve the integrity of the Agency's operations. The audit, investigative, and legal achievements highlighted in this Semiannual Report to Congress, for the period October 1, 2013 – March 31, 2014, represent the best efforts of our employees to fight fraud, protect SSA's programs, and provide an exceptional return on the taxpayer funds invested in our operations.

As you will read in this report, we keep these goals in mind with every audit we conduct and every investigation we close. The discovery of schemes like the one described above, have reminded us that preventing fraud requires constant innovation and collaboration. For example:

- I will co-chair the recently re-established National Anti-Fraud Committee with SSA's Deputy Commissioner for Budget, Finance, Quality, and Management. The Committee will lead collaborative efforts among SSA's Regional Anti-Fraud Committees to develop and support new strategies and initiatives to detect and prevent Social Security fraud.
- The Cooperative Disability Investigations (CDI) program has been fighting fraud and preventing improper payments for almost 17 years; it's proven to be our most successful anti-fraud initiative, with CDI efforts contributing to more than \$2.7 billion in projected savings to SSA programs. We hope to open seven new CDI units by the end of fiscal year 2015, bringing the total number of CDI units to 32.
- Our Disability Fraud Pilot, which we established last year, continues to focus exclusively on detecting high-dollar, high-impact cases of facilitator fraud. Our pilot teams are developing investigations into doctors, lawyers, and representatives from a nationwide review and analysis of fraud allegations and Social Security management information.

These are just a few of our ongoing initiatives that focus on combating disability fraud. I assure you that this organization is committed to working with SSA and the Congress to help the Agency fulfill its duty to the millions of Americans who turn to it for help.

I invite you to read more about what we do and how we do it in the pages that follow; and I encourage you to comment on this report and our work by participating in our Semiannual Report to Congress feedback survey located online.

Patrick P. O'Carroll, Jr.  
Inspector General

## EXECUTIVE SUMMARY

<b>Key Accomplishments</b> October 1, 2013 - March 31, 2014	
<b>Audit Reports Issued</b>	33
<b>Questioned Costs</b>	\$521 Million
<b>Funds Put to Better Use</b>	\$6 Million
<b>Allegations Received</b>	58,251
<b>Investigations Opened</b>	4,188
<b>Investigations Closed</b>	3,756
<b>Arrests</b>	233
<b>Indictments/Informations</b>	631
<b>Criminal Convictions</b>	584
<b>Civil Actions/Civil Monetary Penalties</b>	170
<b>Cooperative Disability Investigations</b>	
<b>Confirmed Fraud Cases</b>	2,002
<b>SSA Savings</b>	\$165,340,379
<b>Non-SSA Savings</b>	\$123,514,017

This report presents the significant activities of the SSA OIG from October 1, 2013 through March 31, 2014. The report details the achievements of the OIG's Offices of Audit, Investigations, Counsel, and OIG's support components.

### Audit

During this reporting period, we issued 33 reports and made recommendations on a variety of challenges facing SSA. We also identified more than \$521 million in questioned costs and more than \$6 million in Federal funds that could be put to better use.

Among our noteworthy reports, we issued two reviews of beneficiaries receiving payments above the family maximum provisions or in excess of Federal limits. We found that SSA did not properly adjust child and spousal benefits on 3,428 beneficiaries in accordance with the family maximum provisions, and that SSA improperly issued 2,747 concurrent beneficiaries combined SSA payments that exceeded Federal limits. These two reports identified approximately \$44.4 million in improper payments, and found SSA would improperly pay about \$6.6 million per year unless it identifies and corrects these payment errors.

## Investigative

During this reporting period, we received more than 58,000 allegations from SSA employees, the Congress, the public, law enforcement agencies, and other sources. Our agents closed more than 3,700 criminal investigations, resulting in over 230 arrests, over 630 indictments and informations, over 580 criminal convictions (including pretrial diversions) and 170 civil judgments/civil monetary penalty (CMP) assessments.

In the first half of FY 2014, we are reporting over \$256 million in monetary accomplishments, with over \$58 million in SSA recoveries, restitution, fines, settlements, and judgments; and over \$198 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 \$37 million in savings, restitution, and recoveries for other agencies.

Our 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 contributed to more than \$165.3 million in projected SSA program savings, and over \$123.5 million in projected savings to other programs such as Medicare.

## Legal

During the reporting period, our attorneys initiated 245 CMP actions against individuals who made false statements, representations, or omissions to obtain or retain Social Security benefits (violations of Section 1129 of the *Social Security Act*). OIG attorneys imposed almost \$10 million in penalties and assessments through the CMP program. We also pursued actions to protect the public from fraudulent schemes that make use of the SSA's well-known name and good reputation (violations of Section 1140). During this reporting period, we achieved voluntary compliance in 16 Section 1140 cases, and deterred future violations through aggressive outreach and enforcement efforts.

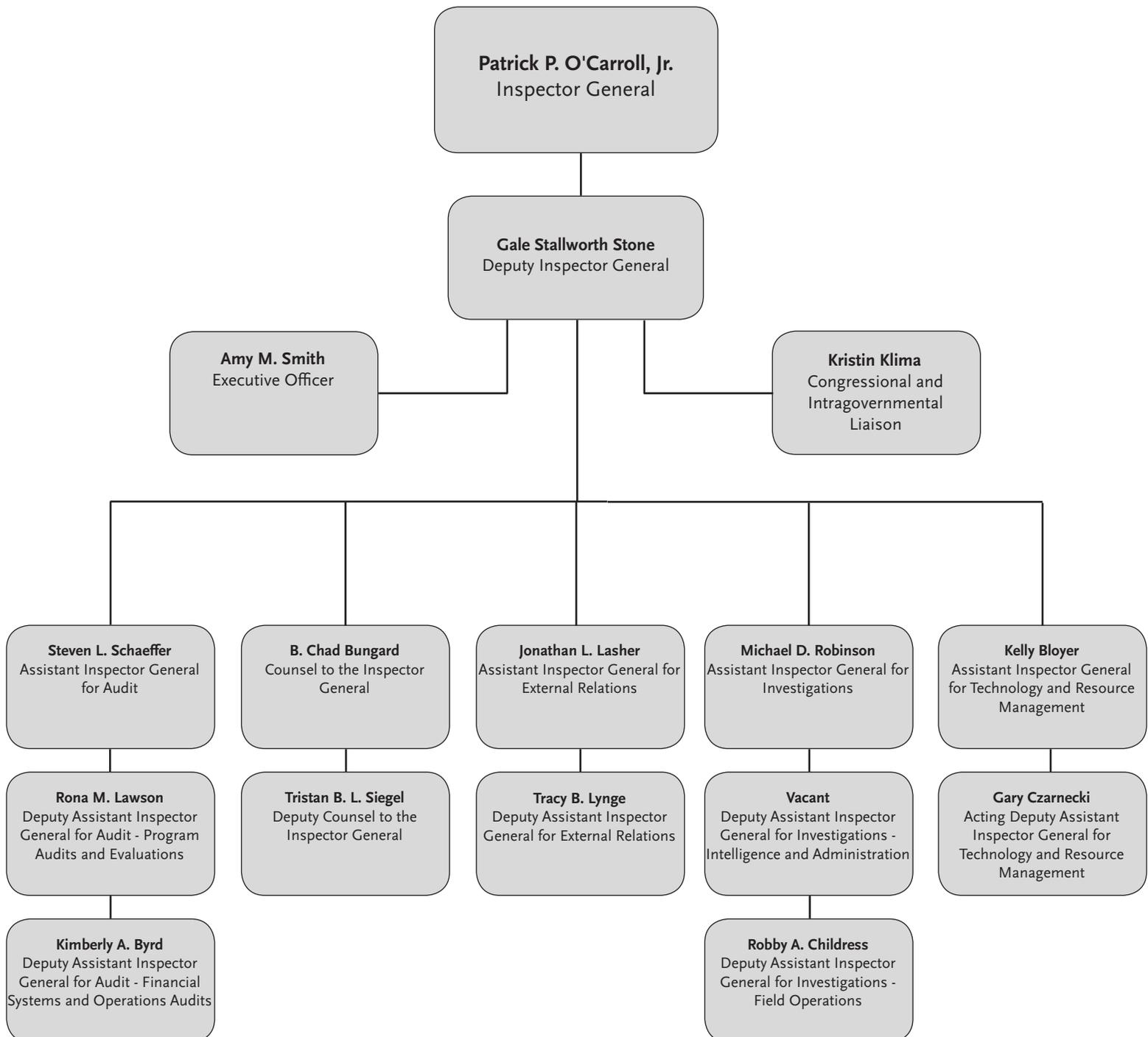
## Outreach

During the reporting period, Inspector General O'Carroll testified before the House Subcommittee on Energy Policy, Health Care, and Entitlements on continuing oversight of SSA's management of Federal disability programs; and before the House Subcommittee on Social Security on the Social Security Disability Insurance fraud scheme in New York.

The Inspector General also gave the keynote address about identity theft at a Federal Computer Week-sponsored training event in Washington, D.C.; he joined the Manhattan District Attorney in New York City to announce the indictments of more than 100 people allegedly connected to a disability fraud scheme; he appeared in an episode of the Boston-based "Your Federal Government" television show; and he met with the National Association of Disability Examiners Board of Directors at its mid-year meeting in Baltimore.

## INTRODUCTION TO OUR ORGANIZATION

SSA OIG comprises 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) assists the Inspector General with the full range of his responsibilities. IO staff also coordinates with SSA, congressional committees, the Social Security Advisory Board, and the Council of Inspectors General on Integrity and Efficiency (CIGIE). IO also includes the Office of Quality Assurance and Professional Responsibility (OQAPR), which reviews OIG component offices to ensure compliance with Federal laws and regulations, Agency policies, and relevant professional standards; and conducts investigations into allegations of misconduct by OIG employees.

## Office of Investigations

The Office of Investigations (OI) conducts 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. This office serves as the OIG's liaison to the Department of Justice (DOJ) on all investigative matters. OI also conducts joint investigations with other law enforcement agencies, and shares responsibility with the Department of Homeland Security's (DHS) Federal Protective Service (FPS) for investigating threats or violence against SSA employees and facilities.

## Office of Audit

The Office of Audit (OA) conducts 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 on issues of concern to SSA, the Congress, and the general public.

## Office of External Relations

The Office of External Relations (OER) disseminates information about the OIG's work to Congress, the media, and the public. OER prepares presentations for OIG executives, publishes informational materials, prepares *the Semiannual Report to Congress*, and represents the OIG in the news media. OER also maintains the OIG presence on the Internet, and supports OIG components with respect to external communications.

## 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 activities.

## 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 OIG human resources and develops 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.

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## MANAGEMENT CHALLENGES

OIG annually identifies the most significant management issues facing SSA based on legislative mandates and its audit and investigative work. A summary of each issue is below:

### **Strengthen Strategic and Tactical Planning**

While near-term planning is important, SSA needs long-range plans that address long-term challenges, including a rising workload, a decrease in experienced staff, overly complex program policies, and a rising need to provide more services electronically. At a time when SSA needs to plan to do more with less, SSA lacks long-term plans in a number of critical areas. In its report, *The Social Security Administration: A Vision of the Future*, the Social Security Advisory Board recommended that SSA take multiple steps to ensure success in 2020, including rethinking its service delivery strategy, performing a comprehensive review of program policy to reduce complexity, establishing a Systems Modernization Plan, and developing a Human Capital Plan. SSA published a Service Delivery Plan in February 2013, but it did not comprehensively describe the service options it will offer in the future or the resources needed to do so.

### **Improve Customer Service**

The Agency faces several challenges as it pursues its mission to deliver Social Security services that meet the changing needs and demographics of the American public. Each day, almost 182,000 people visit SSA field offices, and more than 445,000 people call SSA for a variety of services, such as filing a claim, updating information, and asking questions. In the last 3 years, SSA has lost over 11,000 employees. SSA's diminished workforce, coupled with hiring restrictions, comes at a time when demands for its services are as high as they have ever been. The projected retirement of its employees continues to present a challenge to SSA's customer service capability. In addition, technology is rapidly changing and the public expects to complete more business online. To complicate matters, issues such as the fraudulent redirection of direct deposit benefit payments, and representative payee misuse of benefits strain SSA's ability to balance customer service with its stewardship responsibilities.

### **Improve the Timeliness and Quality of the Disability Process**

SSA needs to address millions of initial disability and reconsideration claims, as it continues to have backlogs of initial disability claims and continuing disability reviews (CDR). Over the past 2 years, SSA has received a large influx of initial and reconsideration claims. We have an on-going audit to look at SSA's progress in reducing the initial claims backlog. SSA also has a backlog of 1.3 million medical CDRs. Medical CDRs are effective in reducing overpayments in the DI program, and therefore, are a critical workload. We have continued working with SSA to address the integrity of the disability programs through CDI that obtain evidence to resolve questions of fraud in SSA's disability claims.

### **Improve Transparency and Accountability**

SSA faces a number of challenges ensuring accountability, including concerns over its internal controls, systems security, and administrative cost allocations. In the FY 2013 Independent Auditor's Report, the auditor identified three deficiencies in internal control that, when aggregated, were considered to be a significant deficiency in internal controls related to calculation, recording and prevention of overpayments. The auditor also identified four deficiencies that, when aggregated, are considered to be a significant deficiency in the areas of information systems controls. We also believe SSA can bring greater accountability to its administrative cost allocation.

### **Invest in Information Technology Infrastructure to Support Current and Future Workloads**

SSA will not be able to manage its current and future workloads without the proper IT infrastructure. The Agency uses a variety of technologies, including telephone service, the Internet, and videoconferencing to deliver service to its customers. We have concerns regarding the Agency's IT physical infrastructure; development and implementation of secure electronic services; and logical access controls and security of sensitive information. Nevertheless, SSA must provide additional electronic services to meet its customers' growing needs. While expanding its inventory of electronic services, the Agency needs to ensure its existing and future electronic services are secure. In January 2013, SSA expanded its MySocialSecurity online portal; however, fraudulent accounts were established to redirect Social Security benefits to unauthorized bank accounts. SSA has implemented a variety of measures to protect the public and has initiated multiple efforts to detect and prevent the fraudulent use of Social Security online services. According to SSA, through April 2014, less than 1 percent of the 12 million existing MySocialSecurity accounts were established fraudulently.

### **Reduce Improper Payments and Increase Overpayment Recoveries**

SSA must be a responsible steward of the funds entrusted to its care and minimize the risk of making improper payments. SSA strives to balance its service commitments to the public with its stewardship responsibilities. However, given the size and complexity of the programs, some payment errors will occur. Given the large overall dollars involved in SSA's payments, even the slightest error in the overall process can result in millions of dollars in over- or underpayments. One of the major causes of improper payments in the Old-Aged and Survivors Disability Insurance (OASDI) program is benefit computation error. SSA has developed automated tools to address the more troublesome computation issues. Another major cause of improper payments in the SSI program is recipients' failure to provide accurate and timely reports of new or increased wages. SSA also has projects to help identify undisclosed resources.

### **Reduce the Hearings Backlog and Prevent its Recurrence**

While SSA had a plan to eliminate the hearings backlog by 2013, the number of pending cases increased, and the average processing time remained above the goal of 270 days. The Agency dropped the 466,000 pending claims backlog goal from its FY 2013-2016 Strategic Plan and focused instead on reducing the average wait time for a hearing decision to 270 days by the end of FY 2013. While the Agency will not meet the 270-day goal, it has reduced the average wait times. For example, average processing time in FY 2008 was 514 days; by the end of FY 2013, it was 382 days. The Senior Attorney Adjudicator (SAA) Program contributed to an increase in adjudicative capacity and improved average processing time over the years; however, the number of SAA on-the-record decisions has been declining, and the quality of these decisions has dropped. The agency is also making efforts to identify problematic workload trends among Administrative Law Judges.

### **Strengthen the Integrity and Protection of the Social Security Number**

Protecting the Social Security Number (SSN) and properly posting the wages reported under SSNs are critical to ensuring SSN integrity and that eligible individuals receive the benefits due them. We remain concerned about SSN misuse by noncitizens who are not authorized to work in the United States, as well as the misuse of children's SSNs for work and identity theft purposes. Accuracy in recording workers' earnings is critical because future benefit payments are calculated based on the earnings an individual accumulates over his/her lifetime. Therefore, properly assigning SSNs only to those individuals authorized to obtain them, protecting SSN information once the Agency assigns the numbers, and accurately posting the earnings reported under SSNs are critical SSA missions.

## AUDIT

### Significant Audit Activities

#### Adjustment of Monthly Benefits Under the Family Maximum Provisions

In this review, we determined that SSA did not always correctly adjust child and dually entitled spousal benefits in accordance with family maximum provisions. The *Social Security Act* (the Act) limits the amount of benefits payable to child and spousal beneficiaries on a Social Security record. If the total monthly benefits of all child and spousal beneficiaries exceed the maximum allowable, SSA must reduce the benefit amount. However, the family maximum may be higher if a child is entitled to benefits on both parents' records, and spouses may receive higher benefits if they have a child in their care under age 16 or disabled.

We estimated that SSA improperly paid spousal and child beneficiaries about

- \$25.6 million on 2,334 records because it incorrectly calculated benefits payable under the family maximum,
- \$10.8 million on 547 records because it did not combine the family maximum for children who were eligible for benefits on more than 1 record, and
- \$4.6 million on 547 records because it improperly calculated benefits for spouses who had a child in their care.

We also estimated that SSA would improperly pay about \$4.6 million per year on 2,006 records, unless it identifies and corrects these payment errors.

We recommended that SSA: (1) take appropriate action to make underpayments and establish overpayments on the 94 records identified by our audit; (2) evaluate the results of its corrective action for the 94 records and determine whether it should review the remaining population of 7,095 records; (3) improve controls to ensure these benefits are properly adjusted; and (4) remind employees to (a) properly apply the family maximum provisions for records with dually entitled spouses and (b) review eligibility for children entitled to benefits on both parents' records and spouses with a child in their care.

SSA agreed with our recommendations.

#### Processing IRS Alerts for Supplemental Security Income Recipients

We conducted this audit to determine if SSA was properly processing 1099 alerts from the IRS and adjusting payment amounts for Supplemental Security Income (SSI) recipients. The *Spending Reduction Act of 1984* provides for SSA to receive IRS data to detect unreported nonwage information for SSI recipients. When IRS records indicate possible unreported income or resources, SSA systems generate an alert and annotate the recipient's record for further processing.

We found that SSA's processing of IRS alerts needs improvement. SSA did not always develop alerts timely to recover potential overpayments. We estimate SSA may have overpaid 1,014 SSI recipients about \$12 million for tax year 2010. Based on our findings, we would expect similar results if we reviewed alerts from other tax years. Although SSA could develop cases and assess overpayments before administrative finality rules applied, we found that 27 percent of the alerts we identified in December 2011 were still pending as of April 2013.

We made four recommendations, including to 1) review the 20 sample cases we determined had overpayments as well as the other 2,485 sample cases, and appropriately adjust the SSI payments; and 2) review the existing statistical profiling model to determine if cases with significant income and resources are more likely to lead to an overpayment and should be sent to a field office for development. SSA agreed with our recommendations.

## **Improper Use of Children's SSNs**

We conducted this review to determine if children's SSNs were being misused for work purposes. SSA matches the names and SSNs on W-2 Forms against its own records to ensure that the information on the W-2 can be properly recorded. SSA does not add reported wages to individuals' records if the Agency's records indicate 1) the wages were earned after a listed date of death or 2) the wage earner is a child age 6 or younger. SSA assigns an Earnings After Death indicator to the record of any deceased individual whose W-2 Form reports wages earned after the date of death listed in SSA's records.

We found that in tax years 2007 to 2010, about 37,700 employers reported approximately \$1 billion in wages using the names and SSNs assigned to 36,546 children ages 13 and younger. SSA's records indicated that 36,181 were alive and 365 were deceased when the wages were earned. From the population of alive children, we reviewed a sample of 100, and found that 71 were legitimately working and had earned about \$30 million in wages; 8 cases involved SSN misuse, 6 involved an edit routine error<sup>1</sup>, and 15 involved enumeration errors. We reviewed all of the 365 deceased children's cases, and found that 362 involved SSN misuse. These children had about \$9 million in wages reported by employers that did not typically employ children. Although many of the employers involved with the SSN misuse cases were registered to use the Social Security Number Verification Service (SSNVS), they may not have been aware the SSNs belonged to children under age 14 because a date of birth is not mandatory for verification.

We recommended that SSA take action on cases in our sample, and notify employers through SSNVS when they submit a child's SSN for verification. SSA agreed with our recommendations.

## **Analysis of Hearing Offices Using Key Risk Factors**

We used key risk factors developed in our January 2013 review, *Identifying and Monitoring Key Risk Factors at Hearing Offices*, to create a model that analyzes performance and outcome data among administrative law judges (ALJ) in the same office. The risk factors are ALJs' (1) allowance rates, (2) number of dispositions, (3) on-the-record (OTR) decision rates, (4) dismissal rates, and (5) average processing time. We then used our model to analyze FY 2012 workload data. We identified hearing offices with the highest and lowest variance scores, and identified the regions with the highest percent of offices under each variance category. We believe outlier hearing offices may indicate potential processing issues (high-variance) as well as potential best practices (low-variance).

In follow-up discussions with regional managers, we learned that they focused their oversight on individual ALJ performance, rather than on variances among ALJs in hearing offices as we do in our model. Our review of the hearing offices with the 10 highest variance scores identified an outlier ALJ who had a significant number of dispositions and OTR decisions with the same claimant representative. We referred this case to management for additional review.

We recommended that SSA: 1) determine whether our model would assist SSA in monitoring hearing office performance, understanding that the number and nature of the risk factors can be adjusted to meet the needs of management; and 2) ensure that SSA's early monitoring system combines existing information on ALJ OTR decisions and case rotation to identify ALJs who issue a high percentage of OTR decisions with the same claimant representative. SSA agreed with our recommendations.

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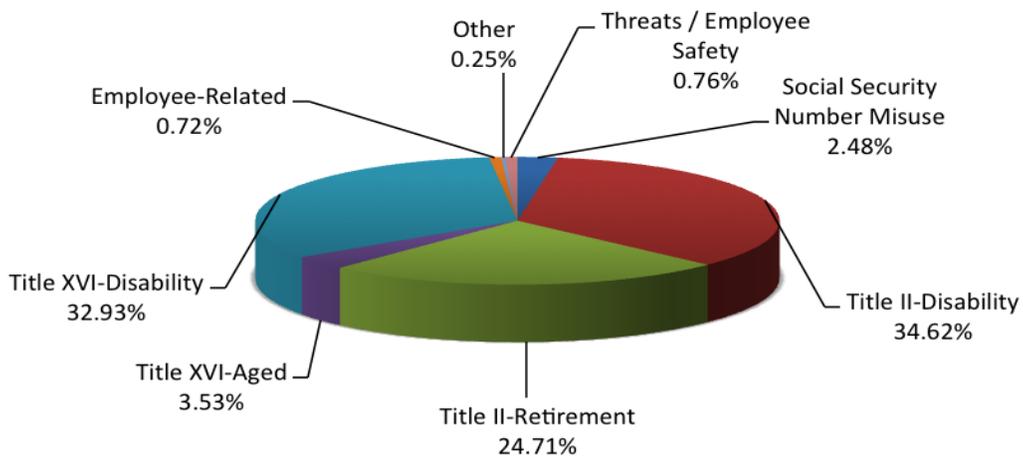
<sup>1</sup> SSA uses the Single Select edit routine to resolve unmatched name and SSN data submitted to SSA in employers' wage reports. Single Select creates up to 89 possible variations of the SSN and matches them against SSA's records. If one SSN/name match is found, the earnings are posted to the validated SSN. If no match is found on the last name, the edit is extended to search for a match on the entire name. SSA reported that in February 2014, it implemented an expanded edit routine that increased the character field lengths for the name matching.

## INVESTIGATIONS

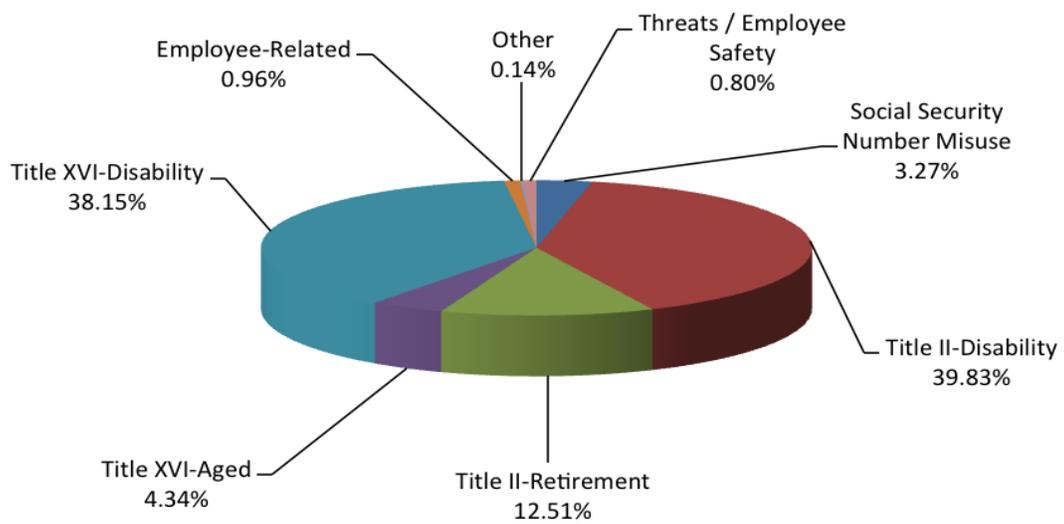
Our Office of Investigations examines and investigates allegations of fraud, waste, abuse, and mismanagement in SSA programs and operations. These allegations may involve issues such as benefit fraud, SSN misuse, violations by SSA employees, or fraud related to grants and contracts. Our investigations often result in criminal or civil prosecutions or the imposition of CMPs against offenders. These investigative efforts improve SSA program integrity by recovering funds and deterring those contemplating fraud against SSA in the future. Our work in the areas of program fraud, enumeration fraud, SSN misuse, and other Social Security-related fraud ensures the integrity of SSA programs.

Investigative Results	
	10/1/13-3/31/14
Allegations Received	58,251
Cases Opened	4,188
Cases Closed	3,756
Arrests	233
Indictments/Informations	631
Criminal Convictions	584
Civil Actions/CMPs	170

### Cases Opened by Program Category 10/01/13 Through 03/31/14



### Cases Closed by Program Category 10/01/13 Through 03/31/14



<b>Allegations Received by Source</b>	
	<b>10/1/13-3/31/14</b>
<b>SSA Employees</b>	31,768
<b>Private Citizens</b>	14,552
<b>Anonymous</b>	8,556
<b>Law Enforcement</b>	1,595
<b>Beneficiaries</b>	1,019
<b>Public Agencies</b>	753
<b>Other<sup>1</sup></b>	8
<b>TOTAL</b>	<b>58,251</b>

<sup>1</sup> Other includes allegation sources such as: Congressional, Financial Institutions, Contractors/Grantees, White House, Employee of Contractor, and Employee of Subject.

<b>Allegations Received by Category</b>	
	<b>10/1/13-3/31/14</b>
<b>Disability Insurance</b>	18,839
<b>SSI Disability</b>	10,338
<b>SSN Misuse</b>	7,792
<b>Old-Age and Survivors Insurance</b>	16,404
<b>Other</b>	2,830
<b>Threats/Employee Safety</b>	666
<b>Employee-Related</b>	681
<b>SSI Aged</b>	701
<b>TOTAL</b>	<b>58,251</b>

## Significant Investigative Activities

### Disability Program Fraud

#### **More than 130 People Charged in New York City-based Disability Fraud Conspiracy**

Acting on a referral from SSA's New York Regional Office, our New York office investigated an alleged disability fraud conspiracy in New York City. We identified numerous individuals—many of them retired city police officers and firefighters—as allegedly participating in this scheme. With the assistance of four scheme facilitators—an attorney, a disability consultant, and two recruiters—the individuals allegedly submitted false disability claims and feigned mental illnesses to fraudulently collect Social Security Disability Insurance.

On January 7 and February 25, 2014, our agents, along with the New York County District Attorney's Office, the New York Police Department and other law enforcement agencies, conducted operations resulting in the arrest of 134 individuals on charges of larceny and conspiracy. Further judicial actions against these individuals are pending, and the investigation is ongoing.

#### **Disability Beneficiary Feigns Blindness**

Based on a complaint received from a private citizen, our Milwaukee office investigated a 58-year-old Title II disability beneficiary who claimed to be blind. The investigation revealed the man was not blind, he owned and operated two water filtration companies, and he failed to pay taxes on his income. After the man pled guilty to wire fraud and tax evasion he was sentenced in January to 1 year in prison and 1 year of supervised release. He was also ordered to pay \$174,670 to SSA and \$51,865 to the IRS.

#### **In-home Care Provider Defrauds SSA and Others**

Acting on information provided by the U.S. Attorney's Office, Western District of Virginia, our Charleston, West Virginia office investigated a 41-year-old woman who concealed her employment as an in-home care provider, while collecting Title II disability benefits. In addition, she committed food stamp fraud and embezzled money from her employer. After she pled guilty to food stamp fraud and bank fraud, she was sentenced in January 2014 to 30 months in prison and 3 years' supervised release. She was also ordered to pay \$153,759 to her former employer, \$3,936 to the of Virginia Supplemental Nutrition Assistance Program, and \$19,840 to SSA.

#### **Disability Beneficiary Found Working as Fire Chief**

Based on information provided by the Federal Bureau of Investigation (FBI), our St. Louis office investigated a 48-year-old Title II disability beneficiary. The investigation revealed that the man failed to report income he received as a fire chief in a Missouri town. After the man pled guilty to wire fraud, Federal program theft, and false statements, he was sentenced in November to 33 months in prison, 3 years' probation, and ordered to pay restitution of \$118,905 to SSA and \$140,833 to the local fire district.

### Representative Payee Fraud

#### **Georgia Woman Conceals that Child Was Not in her Care for Over 8 Years**

Acting on a referral from the Waycross, Georgia SSA office, our Atlanta office investigated a 33-year-old woman who served as the representative payee for her son's Title II survivors' benefits, and collected child-in-care benefits for herself. From mid-2004 through November 2012, the woman received these benefits for herself and her son, even though the child was living with family in Delaware and not in the woman's care. After she pled guilty to wire fraud, in January 2014 she was sentenced to 37 months in prison and ordered to pay restitution of \$200,612 to SSA.

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## **Representative Payee Uses Multiple Identities to Obtain Government Benefits**

Based on a request for investigative assistance from the Department of Labor/OIG, our Las Vegas office investigated a 50-year-old woman for fraudulently obtaining unemployment insurance benefits using multiple identities, including the names and SSNs of other people, to submit fraudulent claims through fictitious employers. We determined that the woman created multiple fictitious identities, and requested several replacement Social Security cards using existing individuals' personal information, to further this scheme. She also received Title II auxiliary benefits as a representative payee for a child that was never in her care, and used an alias to obtain a public housing unit from the Southern Nevada Regional Housing Authority (SNRHA). After she pled guilty to theft of government funds, she was sentenced in January 2014 to 57 months in prison and 3 years' supervised release. She was also ordered to pay \$40,656 to SSA, \$322,682 to the Nevada Department of Employment, Training and Rehabilitation, and \$114,128 to the SNRHA.

## **Woman Working for Organizational Representative Payee Embezzles Funds**

Acting on information received from an area organizational representative payee, our Seattle office investigated the 61-year-old former manager of the business' Representative Program. Between January 2006 and December 2010, the woman wrote checks from the business' trust account, which contained SSA beneficiaries' funds, to pay her personal expenses. After the woman pled guilty to theft of government funds and theft of government property forfeiture, she was sentenced in January 2014 to 5 months in prison and 36 months' supervised release. She was also ordered to pay \$88,390 to the business and its insurance carrier.

## **SSA Fraud**

### **Jamaican National Sentenced in Lottery Scheme**

Acting on an OIG Headquarters' referral, our Milwaukee, Wisconsin office, along with the U.S. Department of Homeland Security, and the U.S. Postal Inspection Service, investigated a Jamaican citizen, as part of a "lottery scam" investigation. For years, the 29-year-old man compromised numerous SSA beneficiaries' identities, stole over \$100,000 in SSA benefits by fraudulently redirecting victims' benefits to pre-paid debit cards, and sent the money to co-conspirators living in Jamaica. After he pled guilty to conspiracy and mail fraud, he was sentenced in December to 60 months in prison and 3 years' supervised release. He was also ordered to pay \$185,371 to SSA.

### **Texas Woman Uses False Identifiers to Obtain Tax Refunds and Loans**

In response to information from the FBI and the U.S. Attorney's office, our San Antonio office investigated a 46-year-old Texas woman who used false names and SSNs to obtain tax refunds and money from falsified loan applications. After the woman pled guilty to false, fictitious, or fraudulent claims and misuse of an SSN, she was sentenced in November 2013 to 63 months in prison and 5 years' supervised release. She was also ordered to pay \$407,488 to various financial institutions.

## **Employee Fraud**

### **Former SSA Assistant District Manager Convicted on Multiple Criminal Charges**

Based on a referral from the U.S. Department of Labor/OIG and the Rhode Island State Police, our Boston office investigated a 49-year-old SSA assistant district manager for accessing the SSA database to obtain personally identifiable information of an SSA beneficiary. The manager used the information to open a brokerage account in his and the beneficiary's name, and transferred and cashed two stock certificates owned by the beneficiary. After the employee pled guilty to mail fraud, transportation of stolen securities, tax evasion, aggravated identity theft, and false tax returns, he was sentenced in January to 39 months in prison, 36 months' probation, and ordered to pay restitution of \$245,299 to the victim. The employee retired from SSA in November 2011.

### **Former SSA Employee Convicted of Theft of Government Property**

In response to information from the Baltimore, Maryland SSA office, our Baltimore office investigated a 40-year-old former SSA information technology (IT) specialist. The investigation revealed that the employee stole SSA computer equipment and took other computer-related items from SSA, posted them on eBay, and sold them for profit. The employee pled guilty to theft of government property and was sentenced in January 2014 to 3 years' probation and ordered to pay \$106,674 to SSA. The employee resigned from SSA in September 2013.

### **Former Claims Representative Convicted of Extortion**

Based on a referral from the Morrow, Georgia SSA office, our Atlanta office investigated a 47-year-old former SSA claims representative for soliciting payments from several SSA benefit applicants to expedite the payment of retroactive benefits they were entitled to receive. The investigation determined the employee requested monies in exchange for special treatment. The employee requested 5 percent, or \$1,000, of the beneficiaries' lump sum payments received. The employee pled guilty to extortion, and was sentenced in December 2013 to 12 months in prison, 3 years of supervised release, and 120 hours of community service. The employee was also ordered to pay \$7,654 to the victims. The individual's employment with SSA was terminated in June 2013.

### **Former SSA Employee Convicted of Theft of Government Property**

In response to information provided by the U.S. Attorney's Office, District of Maryland, our Baltimore office investigated a 39-year-old former SSA Telecommunications and Systems Operations IT specialist. We determined that the employee sold marijuana on SSA property, stole and sold SSA computer equipment, and committed time and attendance fraud. The employee pled guilty to theft of government property and was sentenced in January 2014 to 3 years' supervised probation and ordered to participate in mental health and substance abuse treatment. He was also ordered to pay \$5,750 to SSA. His employment was terminated in October 2013.

## **Deceased Payee Fraud**

### **Louisiana Woman Receives Deceased Mother's Benefits for 22 years**

Based on information from the Alexandria, Louisiana SSA office, our Houston office investigated a 58-year-old woman who, from July 1990 through April 2012, converted her mother's Title II widows' benefits to her personal use, after her mother's death. After she pled guilty to theft of government funds, she was sentenced to 3 months in prison, 9 months' home confinement and 3 years' supervised release. She was also ordered to pay \$192,918 to SSA.

### **Nephew Ordered to Pay Restitution of Over \$236,000 to SSA**

Based on a referral from the Lakewood, Colorado SSA office, derived from SSA's Centenarian Project, our Denver office investigated a 66-year-old man who misused the Title II retirement benefits of his deceased aunt. From November 1986 through August 2011, the nephew converted to his own use the benefits intended for his deceased aunt. After pleading guilty to theft of government funds, he was sentenced in January 2014 to 1 year in prison. He was also ordered to pay \$236,187 to SSA.

## **SSN Misuse**

### **Chicago Woman Commits Mortgage Fraud**

Acting on an anonymous report, our Chicago office investigated a 40-year-old SSI disability recipient. The investigation revealed the woman received SSI under her assigned SSN, while concealing earnings under a second SSN. Our Chicago office determined that the Department of Housing and Urban Development (HUD) OIG was investigating the woman for an elaborate mortgage fraud scheme, totaling over \$2 million in losses. After pleading guilty to wire fraud and bankruptcy fraud, she was sentenced in November 2013 to 30 months in prison, and was ordered to pay \$32,284 to SSA and \$2,073,191 to HUD.

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## **Woman with Two Identities Received Disability Benefits While Concealing Work**

In response to a referral from the Illinois State Police, our Chicago office investigated a 67-year-old Chicago woman. From March 1996 through May 2012, the woman concealed that she had two identities and SSNs. Between March of 1996 and May of 2012, the woman worked and fraudulently received SSI disability and retirement benefits, totaling \$48,235. She also received food stamps and other state welfare under both identities, totaling \$19,670. After the woman pled guilty to theft of government funds, she was sentenced in October 2013 to 3 years' probation and 100 hours of community service. She was also ordered to pay restitution of \$48,235 to SSA and \$19,670 to the Illinois Department of Healthcare and Family Services.

## **Threats and Assaults Against SSA Employees**

Employee safety is of paramount concern to SSA and OIG, as the number of threats and assaults against Government employees has increased in recent years. We share the responsibility for investigating reports of threats or violence against Agency employees with the Department of Homeland Security's Federal Protective Service, 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 more than 600 allegations nationwide related to employee safety issues, of which about 200 involved assault or harassment, and over 400 were associated with threats against SSA employees or buildings. We opened over 30 cases and closed 30 cases nationwide related to employee safety. Following are examples of significant investigations we conducted during this reporting period in which SSA employees were threatened or assaulted.

### **Man Threatens to Bomb SSA Office**

Based on a report received from the Minot, North Dakota SSA office, our Sioux Falls office investigated a 54-year-old man who left a voicemail message at the Minot office stating that he wanted to speak to someone that day or he would "blow up" the office. After the man pled guilty to threatening to damage or destroy property by means of an explosive, he was sentenced in October to 9 months in prison and 3 years' supervised release.

### **SSI Applicant Threatens to Kill SSA Employees**

Acting on information from the SSA Queens, New York Hearing Office, our New York office investigated a 26-year-old SSI disability applicant who threatened to kill SSA employees, including an Administrative Law Judge (ALJ), and himself, if he could not meet with the ALJ assigned to hear his case. After the man pled guilty to making a terroristic threat, he was sentenced in November 2013 to time served (1 year and 5 months) and 5 years' probation. He was also ordered to obtain medical treatment for his addiction and psychological disorders.

### **Man Threatens to "Shoot Up" SSA Office**

In response to a report from the Panorama City, California SSA office, our Los Angeles office investigated a 44-year-old California man who made several threats against employees at the Panorama City SSA office. During the incident, the man threatened to bring additional people and "shoot up the office." After the man pled no contest to making a criminal threat, he was sentenced in November 2013 to 180 days in prison and 36 months' probation.

## Cooperative Disability Investigations Program

The CDI program continues to be one of our most successful joint initiatives, contributing to the integrity of SSA's State disability programs. CDI is a joint effort of the OIG, SSA, State Disability Determination Services (DDS), and State/local law enforcement personnel. Established in 1998 with units in just five states, the CDI program now has 25 units in 21 states and the Commonwealth of Puerto Rico. 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.

### **St. Louis Bow Hunting Mom Falsifies Disability Claim**

The St. Louis CDI Unit investigated a 34-year-old woman who was receiving Title II disability benefits for an injured back and claimed she was unable to work. The Union, Missouri SSA office referred this case because of an anonymous letter they received, along with four photographs of the woman engaging in physical activity.

Through surveillance, interviews, and the woman's social media accounts, the investigation determined that she was participating in physical activities like bow hunting and going to a concert. During the investigation, the woman's treating physician was interviewed and shown the surveillance video. After which, the physician changed her position from the beneficiary being totally disabled to a position that she was capable of working. As a result of the CDI investigation, SSA initiated a Continuing Disability Review (CDR) and later terminated the woman's disability benefits. In January 2014, after a jury convicted her of false statements and theft of government funds, the woman was sentenced to 12 months and 1 day in prison and 3 years' supervised release. She was also ordered to pay \$18,111 to SSA.

### **Tampa Woman Falsifies Impairments on Disability Application**

The Tampa CDI Unit investigated a 26-year-old woman who was applying for SSI due to lower back problems, right hip, leg, and foot problems, hearing difficulty in the right ear, and moderate mental retardation. Due to her many prior applications with no physical impairment, the Florida Division of Disability Determinations (DDD) referred this matter to the CDI Unit.

Through witness interviews and surveillance, the CDI investigation revealed that the woman did not appear to have any difficulty moving or walking and even managed to load bags of groceries into and out of a shopping cart without any noticeable difficulty.

In June 2103, SSA denied the woman's SSI application. Additionally, due to the woman's false statements on her SSA Function Report, the CDI Unit referred her case to OCIG for CMP consideration. In January 2014, she was ordered to pay a CMP of \$10,500 to SSA.

### **Man's False Paralysis Claim Leads to Denial of Benefits and a CMP**

The Denver CDI Unit investigated a 25-year-old man who was applying for Title II disability benefits due to paralysis in his left arm. The Colorado Disability Determination Services (DDS) referred the allegation to the CDI Unit due to his frequent applications and inconsistencies in those applications.

CDI investigators conducted surveillance of the man and observed him talking on a cell phone that he held with his left hand and later, carrying objects, opening doors, and drinking from a cup with his left hand. The man was also observed driving a car that was equipped with a manual transmission.

The Colorado DDS denied the man's claim. Furthermore, since he made false statements to SSA on his Function Report regarding the use of his left arm, the case was referred for CMP consideration. As a result, in February 2014, the man was assessed a CMP of \$8,000.

The following table highlights the successes of the CDI program, which yielded more than \$165.3 million in projected SSA program savings during this reporting period:

<b>Cooperative Disability Investigations Program Results</b>				
<b>October 1, 2013 through March 31, 2014</b>				
<b>State</b>	<b>Allegations Received</b>	<b>Cases Denied/ Ceased</b>	<b>SSA Savings<sup>1</sup></b>	<b>Non-SSA Savings<sup>2</sup></b>
Arizona	129	64	5,475,950	3,817,147
California <sup>3</sup>	570	183	12,505,334	12,883,299
Colorado	97	64	5,768,000	4,229,098
Florida	111	82	6,133,863	4,627,220
Georgia	93	106	8,394,078	5,433,585
Illinois	122	63	5,065,577	2,992,940
Kentucky	113	38	3,059,611	1,920,435
Louisiana	94	62	5,496,870	3,622,602
Massachusetts	106	60	5,407,500	4,837,338
Mississippi	51	29	2,353,929	1,302,702
Missouri <sup>4</sup>	253	166	13,007,001	9,579,412
New York	94	33	2,668,460	2,380,905
Ohio	308	165	12,807,634	12,346,283
Oklahoma	108	66	5,908,719	3,176,765
Oregon	210	199	17,657,375	12,680,271
Puerto Rico	30	0	0	0
South Carolina	180	167	13,786,954	9,270,998
Tennessee	43	33	2,905,598	2,189,856
Texas <sup>5</sup>	235	151	12,542,315	9,780,888
Utah	154	80	7,126,038	4,516,904
Virginia	111	87	7,624,879	5,716,098
Washington	170	124	9,644,694	6,209,271
<b>Total (10/1/13 – 3/31/14)</b>	<b>3,382</b>	<b>2,022</b>	<b>165,340,379</b>	<b>123,514,017</b>

<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 /termination 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.

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

## Digital Forensic Cases

### **Kentucky Man Worked under His Wife's SSN to Receive Disability Benefits**

Our Digital Forensic Team (DFT) investigated a 47-year-old man who was receiving Title II disability benefits and conspired with his employer to conceal his earnings as a construction estimator by posting the earnings under his wife's SSN. The employer allegedly provided wages to the man in the form of a Visa debit card, and later by adding his wife to the company payroll.

Members of the DFT, along with the Lexington, Kentucky CDI Unit, Kentucky Office of the Attorney General, and the Kentucky State Police, executed a search warrant on the business at which time four computers and an external hard drive were seized.

The DFT conducted forensic analyses of the seized electronic media and was able to determine that the man worked for the company and that his wife was added to their payroll to hide his earnings.

SSA terminated the man's disability benefits. In November 2013, after the man and his wife were charged with aiding and abetting the theft of government money, the man was sentenced to 3 months in prison, 2 years of supervised release, and ordered to pay restitution of \$52,472 to SSA. His wife was sentenced to 6 months' home imprisonment and 3 years' supervised release. She was also ordered to pay \$16,912 to SSA. The owner of the construction company was charged with aiding and abetting and ordered to pay \$62,472 to SSA.

### **Texas Man Conceals Employment as Truck Driver**

Acting on information received from the San Antonio SSA office, our San Antonio office investigated a 52-year-old former Title II disability beneficiary. From January 1997 through June 2012, the man conspired with the owners of a trucking company to conceal his employment as a truck driver from SSA. The owners of the trucking company paid his wages in his wife's name and SSN. The wife aided and abetted the conspiracy by telling SSA that she worked for the company. SSA determined that the man received \$171,449 in disability benefits to which he was not entitled.

In June 2012, the Texas Department of Public Safety, our San Antonio office, and members of the DFT executed a Federal search warrant at the trucking company. During the search, two computers were seized and forensically imaged. The search linked the man to working at the trucking company.

In November 2013, after the man and his wife pled guilty to conspiracy to commit fraud, theft of government funds, and aiding and abetting, both were sentenced to 5 years' supervised probation and ordered to jointly pay \$171,449 to SSA.

In October 2013, after pleading guilty to willful failure to file returns, supply information, or pay taxes to the IRS and aiding and abetting, the two trucking company owners were sentenced to 10 months' supervised probation and ordered to pay \$10,000 each in court fines.

## LEGAL

### Section 1140 Enforcement and Case Highlights

Using authority delegated by the Commissioner of Social Security, we aggressively enforce Section 1140 of the *Social Security Act*, which prohibits the misuse of SSA words and symbols in misleading advertisements, solicitations, or other communications. Section 1140 also prohibits the reproduction and sale of SSA forms without authorization.

Misleading communications take many forms, such as deceptive mailers, attorney advertising, and Internet-based solicitations and communications, which often include the online sale of otherwise free Social Security publications and forms. In the pursuit of financial gain or the accumulation of PII, scammers use misleading domain names, websites, mobile apps, social networking sites, and advertisements linked to search engines (e.g., Google) and social media (e.g., Facebook) that create a false sense that the scammers are associated with SSA. Section 1140 provides a CMP of up to \$5,000 for each violation and \$25,000 for each violative broadcast/telecast aired. Penalties collected are deposited into SSA's Old Age and Survivors Trust Fund.

We continued our highly successful Section 1140 outreach program by meeting with companies in a variety of industries commonly used by Section 1140 violators. During this reporting period, we continued our recent focus on social media by establishing a cooperative relationship with major companies who work with us to locate fraudulent operations, identify the perpetrators, and either shut down violators or suspend their activities until Section 1140 compliance is achieved. During this reporting period, we continued with our recent focus on social media by establishing a cooperative relationship with Facebook, Inc. To remain ever vigilant and proactive in our Section 1140 enforcement efforts, we continually look for new industries and companies in which to expand our Section 1140 outreach efforts.

SECTION 1140	
	10/1/13– 3/31/14
Cases Reviewed	34
Cases Closed - No Violation of Section 1140	18
Cases Successfully Resolved (Voluntary Compliance and Settlement Agreement)	16
Penalties Imposed	\$220,000

### Section 1140 Case Summaries

#### New York-Based Internet Entrepreneur Agrees to Pay \$100,000 CMP and Discontinue Use of URL

A New York-based Internet entrepreneur agreed to pay a CMP and discontinue use of the Uniform Resource Locator (URL) SocialSecurity.com to settle our claim that the URL violated Section 1140 of the Social Security Act. The entrepreneur voluntarily ceased the use of the URL's website without admitting that a Section 1140 violation occurred, agreed to comply with section 1140, discontinued the use of the URL, and paid a \$100,000 penalty.

**Maryland-Based Non-profit Organization Agrees to Pay \$50,000 CMP**

Civic Council, Inc., of Frederick, Maryland, d/b/a Benefit Security Coalition and Council of Seniors (Civic Council), agreed to pay a CMP to settle our claim that the company violated Section 1140 by mailing solicitations containing references to SSA and discussing Social Security-related issues in a misleading manner. Civic Council, without admitting that it violated the Act, cooperated fully with us, agreed to comply with Section 1140 in the future, and agreed to pay a \$50,000 penalty.

**Missouri Companies Agree to Pay \$35,000 and \$10,000 CMPs for Lead Card Mailings**

Haberstroh Insurance Agency, Inc., d/b/a National Reply Center (Haberstroh) and Stolze Printing Company, Inc. (Stolze), both of Bridgeton, Missouri, agreed to pay CMPs to settle our claim that the companies violated Section 1140. Stolze printed and mailed on behalf of its client, Haberstroh, several insurance-related solicitations (commonly referred to as “lead card mailings” or simply “lead mailings”) containing references to Social Security on the outside of the envelopes in a manner that we asserted violate Section 1140. Without admitting violations of law, both companies cooperated with us, agreed to comply with Section 1140 in the future, and agreed to pay penalties of \$35,000 and \$10,000, respectively.

**Section 1129 Enforcement and Case Highlights**

The OIG’s Section 1129 CMP program maximizes available resources to create a positive return on investment. Section 1129 authorizes a CMP against anyone who makes any false statement, misrepresentation, or material omission in connection with obtaining or retaining benefits or payments under Titles II, VIII, or XVI of the Act. In addition, CMPs may be imposed against representative payees for wrongful conversion of payments, or against individuals who knowingly withhold a material fact from SSA. After consultation with DOJ, we are authorized to impose CMPs, which may include 1) a penalty of up to \$5,000 for each false statement, representation, conversion, or omission made; and 2) an assessment, in lieu of damages, of up to twice the amount of any overpaid benefits, subject to the statute of limitations.

We have been committed to increasing the number of cases successfully resolved each year to ensure Section 1129 serves to punish wrongdoing in cases where criminal prosecution has been declined. Last year, in FY 2013, we successfully resolved 280 cases and imposed more than \$15 million in CMPs. Continuing our aggressive enforcement efforts, the following table and cases highlight the value achieved through our Section 1129 efforts for this reporting period.

<b>SECTION 1129</b>	
	<b>10/1/13– 3/31/14</b>
<b>Penalties and Assessments Imposed</b>	\$8,527,043
<b>Number of Hearings Requested</b>	29
<b>Cases Successfully Resolved (settled case, favorable judgment, or penalty imposed)</b>	156

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## Section 1129 Case Summaries

### **Chicago Man Failed to Notify SSA That His Mother Had Died for 6 Years**

A joint account holder on the bank account into which his mother's Title II disability benefits was deposited failed to notify SSA that his mother died in August 2005. Instead, the man converted \$86,220 to his own use between September 2005 and February 2011. The man agreed to pay a penalty of \$13,780 plus repayment of the wrongfully converted \$86,220 for a total CMP of \$100,000. The man paid the entire \$100,000 at the time of settlement in a lump sum.

### **Denver Woman Used Two SSNs to Collect SSI and Retirement and Survivors Insurance Benefits**

A woman used an alias name and second SSN to receive SSI payments between May 1998 and June 2002, which resulted in her wrongful receipt of \$57,134. In addition, she was concurrently receiving RSI Widow's benefits under her deceased husband's SSN between June 2002 and October 2010, which resulted in the wrongful receipt of \$122,858. Based on the effective date of Section 1129's material withholding provision, the actionable amount for RSI benefits was \$43,124. We negotiated a penalty of \$89,606 and a double damages assessment of \$86,249, for a total CMP of \$175,855.

### **Texas Father Stole his Children's Disability Benefits**

A Houston man receiving Title II disability benefits applied for Auxiliary Children's Benefits on behalf of his three children. He was able to receive their benefits and spend it on himself because he misrepresented that they lived with him and that he cared for them. Several years later, during a child support hearing, his ex-wife, who was nearly destitute due to his failure to pay these benefits plus child support, discovered he was receiving his children's benefits. The man agreed to pay a penalty of \$20,000 plus repayment of the \$29,076 in benefits that should have gone to his children, for a total CMP of \$49,076.

### **Texas Mom Concealed Real Estate to Receive SSI for Her Son**

A Corpus Christi mother whose son was receiving SSI concealed from SSA that she owned three properties in Texas valued at thousands of dollars. She received steady rental income from these properties and also owned several valuable annuities. Her failure to report these assets to SSA caused her to receive over \$50,000 in SSI payments for her son. We imposed a penalty of \$56,000 plus repayment of the monies she fraudulently received, for a total CMP of \$107,657.

### **California Woman Failed to Report Marriage and Assets to Continue Collecting SSI**

A woman receiving SSI from 2002 to 2013 neglected to tell SSA that she had gotten married in 2002 and purchased a house with her husband in 2008. Over that time period, she also provided several false statements and misrepresentations to SSA regarding her marital status, as well as who was actually living in her household. We imposed a \$71,000 penalty and a \$62,717 assessment, for a total CMP of \$133,717.

### **Texas Man Failed to Report Numerous Properties and Other Resources While Collecting SSI**

A man received SSI from 2000 to 2012 by failing to report numerous real estate properties he owned with his wife as well as other various assets as required of an SSI recipient. We imposed a \$63,000 penalty and an assessment of \$78,492, for a total CMP of \$141,492.

### **Washington Man Concealed Lawn Care Business to Receive Concurrent Title II/XVI Disability Benefits**

In 2007, a man applied for and received concurrent Title II and XVI disability benefits. An OIG investigation revealed that he had owned and operated a lawn care business since 2005 and had been actively advertising his business by leaving business cards at local retailers and posting signs by local roadsides. The man admitted he had been earning self-employment income exceeding the substantial gainful activity limits for disability benefits, but he did not report the income to SSA because he knew his benefits would be terminated. He agreed to repay the more than \$85,000 in benefits he wrongfully received, plus a \$20,000 penalty for a total CMP of \$105,636.

## SUPPORT

### Budget

For FY 2014, our annual appropriation is \$102.1 million, which supports an estimated end-of fiscal year staffing level of 555. Salaries and benefits of our employees account for 88 percent of overall spending. The remaining 12 percent provides for basic infrastructure needs such as rent, reimbursable work authorizations, fleet, and interagency service agreements, as well as necessary expenses for travel, training, communications, and general procurement. We expend our appropriation each year supporting our responsibility to achieve the goals set forth in the *OIG Strategic Plan for Fiscal Years 2011 – 2015*. The goals and accomplishments measured in the Strategic Plan are also published in SSA's Annual Congressional Budget Justification.

### Human Resource Planning and Management

We actively pursue and work to retain the best possible employees. 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, we offer 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 continued working to update and improve the OIG systems environment. This includes migration to a new infrastructure platform to provide redundancy and failover for OIG applications and data including our National Investigative Case Management System as well as an upgrade of our Business Process Management software, which provides workflows and approval chains for automated OIG business processes.

We also continued the effort to implement business intelligence software to provide enhanced management information to OIG executives and managers. Once these upgrades have been completed, we will continue to automate our existing business processes in an effort to decrease costs and increase efficiency.

During this reporting period, we continued to expand our telework program, with plans for additional expansion in FY 2014. We continue to make improvements to our telework infrastructure for increased capacity and improved performance. The technologies we implemented allow for a productive remote workforce without sacrificing the security of sensitive information. These steps align the OIG with the goals and requirements of the *Telework Enhancement Act of 2010*.

Finally, our IT staff analyzes industry trends to find new technologies that may enhance our business processes. During this 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 uptime. OIG IT specialists continue to meet the challenge of providing a variety of IT support services for more than 70 OIG offices throughout the country.

## Allegation Management and Fugitive Enforcement Division

The OIG's Fugitive Felon Enforcement Program identifies beneficiaries or recipients reported to have outstanding felony arrest warrants and outstanding warrants for parole and probation violations (PPV). SSA shares its location information for wanted felons or PPVs with local law enforcement agencies to assist in their apprehension efforts.

In turn, these agencies advise SSA on the disposition of a felony warrant so SSA can take appropriate administrative action to stop payments for beneficiaries or recipients who have an outstanding felony warrant for escape from custody, flight to avoid prosecution or confinement, and flight-escape. Because of the Clark Court Order, SSA no longer stops payments for probation or parole violation warrants.

Our data-sharing efforts with law enforcement agencies contributed to the arrest of 144 subjects during the reporting period, and more than 96,135 arrests since the program's inception in 1996. The following are some examples of fugitive felon activities during the past six months:

- OIG agents and members of the U.S. Marshals Service, Capital Area Regional Fugitive Taskforce, arrested an SSA beneficiary wanted on several warrants dated November 2013 for Failure to Appear on charges of Possession with the Intent to Distribute Cocaine and Cocaine Hydrochloride, Driving Under the Influence, and Driving with a Suspended License. The SSA beneficiary, in order to avoid apprehension, kicked through the drywall of a closet in the apartment and entered the bedroom of a 5-year-old girl in the apartment next door. After a brief foot pursuit, the SSA beneficiary was apprehended. These felony warrants were issued by FBI, the Virginia State Police Department, the Dinwiddie County Sheriff's Office, and the Petersburg Police Department.
- OIG agents along with the Denver Police Department in Denver, Colorado arrested an SSA beneficiary wanted on a Parole Violation warrant for the charge of Aggravated Robbery dated August 2013. The felony warrant was issued by the Denver Police Department.

## Outreach

During the reporting period, the Inspector General testified before:

- the House Committee on Oversight and Government Reform, Subcommittee on Energy Policy, Health Care, and Entitlements, regarding SSA's management of the disability programs;
- the House Committee on Ways and Means, Subcommittee on Social Security, regarding the Social Security Disability Fraud Scheme in New York.

In January, the Inspector General traveled to New York City to join the Manhattan District Attorney and other city officials for a press conference to announce the indictments of more than 100 individuals allegedly involved in a vast and longstanding Social Security Disability Insurance fraud scheme.

The Inspector General made several presentations to external audiences during the reporting period, including giving the keynote address about identity theft at a Federal Computer Week-sponsored event in November in Washington, D.C. He also met with and spoke with organizations like the Social Security Advisory Board, the Office of Management and Budget, and the National Association of Disability Examiners.

In January, the Inspector General and the Special Agent-in-Charge of the Boston Field Division appeared on the Boston-based television program "Your Federal Government," to discuss the OIG's mission and recent audit and investigative accomplishments. The Inspector General also gave two interviews about the OIG's mission and activities to Federal News Radio.

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 Congress.

Section	Requirement	Page(s)
Section 4(a)(2)	Review of legislation and regulations	Appendix I
Section 5(a)(1)	Significant problems, abuses, and deficiencies	P. 16
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	P. 16
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	P. 16
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	P. 11
Section 5(a)(8)	Table showing the total number of audit reports and total dollar value of questioned costs	Appendix A & B
Section 5(a)(9)	Table showing the total number of audit reports and total dollar value of funds put to better use	Appendix A & B
Section 5(a)(10)	Audit recommendations more than 6 months old for which no management decision has been made	Appendix A & B
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

## 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 October 1, 2013 - March 31, 2014			
	Number	Value Questioned	Value Unsupported
A. For which no management decision had been made by the commencement of the reporting period.	16 <sup>a</sup>	\$512,128,637 <sup>a</sup>	\$61,640,437
B. Which were issued during the reporting period.	7 <sup>b</sup>	\$521,414,653	\$0
Subtotal (A + B)	23 <sup>c</sup>	\$1,033,543,290	\$61,640,437
Less:			
C. For which a management decision was made during the reporting period.	12	\$121,829,602	\$61,640,437
i. Dollar value of disallowed costs.	7	\$118,359,829	\$6,707,811
ii. Dollar value of costs not disallowed.	5	\$3,469,773	\$54,932,626
D. For which no management decision had been made by the end of the reporting period.	13	\$911,713,688	\$0

<sup>a</sup> Number of reports and value questioned corrected from last reporting period.

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

<sup>c</sup> Two reports each have two monetary recommendations; one report is reflected in section Ci and Cii and one report is reflected in Ci and D.

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

Reports with Recommendations that Funds Be Put to Better Use Reporting Period October 1, 2013 - March 31, 2014		
	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	8	\$1,088,079,574
B. Which were issued during the reporting period.	2 <sup>a</sup>	\$6,609,726
Subtotal (A + B)	10 <sup>b</sup>	\$1,094,689,300
Less:		
C. For which a management decision was made during the reporting period.		
i. Dollar value of recommendations that were agreed to by management.	2	\$530,963,886
(a) Based on proposed management action.	2	\$530,963,886
(b) Based on proposed legislative action.	0	\$0
ii. Dollar value of costs not agreed to by management.	2	\$2,671,527
Subtotal (i + ii)	4	\$533,635,413
D. For which no management decision had been made by the end of the reporting period.	7	\$561,053,887

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

<sup>b</sup> One report has three monetary recommendations; two are reflected in section Cii and one is reflected in D.

## APPENDIX B: REPORTS ISSUED

Reports with Non-Monetary Findings October 1, 2013 - March 31, 2014		
Audit Number	Report	Issue Date
A-14-13-13042	Cost Savings Planned and Achieved Through the Social Security Administration's Information Technology Development Initiatives	10/1/2013
A-14-13-13050	The Social Security Administration's Process to Identify and Monitor the Security of Hardware Devices Connected to its Network	10/1/2013
A-01-13-13025	Sensitive Information at Social Security Administration Offices	10/18/2013
A-77-14-00001	Single Audit of the State of New Hampshire for the Fiscal Year Ended June 30, 2012	11/1/2013
A-04-13-13058	Administrative Costs Claimed by the Georgia Disability Adjudication Services	11/4/2013
A-02-13-13048	Representative Payees Residing in Foreign Countries or U.S. Territories Who Represent Beneficiaries Residing in the United States	11/8/2013
A-15-12-11290	Field Office Performance	11/8/2013
A-77-14-00002	Single Audit of the State of Utah for the Fiscal Year Ended June 30, 2012	11/25/2013
A-14-13-13086	The Social Security Administration's Compliance with the Federal Information Security Management Act of 2002 for Fiscal Year 2013	11/26/2013
A-77-14-00003	Single Audit of the State of New Jersey for the Fiscal Year Ended June 30, 2012	11/27/2013
A-02-14-14056	Fiscal Year 2013 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges	12/6/2013
A-15-13-13085	Fiscal Year 2013 Financial Statement Audit of the Social Security Administration	12/9/2013
A-77-14-00004	Single Audit of the Commonwealth of Pennsylvania for the Fiscal Year Ended June 30, 2012	12/13/2013
A-77-14-00005	Single Audit of the Hawaii Department of Human Services for the Fiscal Year Ended June 30, 2012	12/13/2013
A-12-13-13044	Analysis of Hearing Offices Using Key Risk Factors	12/20/2013
A-77-14-00006	Single Audit of the State of North Carolina for the Fiscal Year Ended June 30, 2012	12/23/2013

Reports with Non-Monetary Findings October 1, 2013 - March 31, 2014		
Audit Number	Report	Issue Date
A-15-13-13115	The Social Security Administration's Reporting of High-dollar Overpayments Under Executive Order 13520 in Fiscal Year 2013	12/26/2013
A-77-14-00007	Single Audit of the State of Ohio for the Fiscal Year Ended June 30, 2012	1/10/2014
A-13-14-14055	Fiscal Year 2013 Risk Assessment of the Social Security Administration's Charge Card Programs	1/30/2014
A-15-12-11233	Supplemental Security Income Telephone Wage Reporting	2/6/2014
A-14-13-13063	Security of the Social Security Administration's Wireless Networks (Limited Distribution)	2/11/2014
A-01-13-13097	Claimant Representatives at the Disability Determination Services Level	2/27/2014
A-12-13-13039	Request for Review Workloads at the Appeals Council	3/7/2014
A-05-12-11225	Bond and Financial Credit Risk Requirements for Non-governmental Fee-for-Service Representative Payees	3/28/2014
A-15-13-13103	Unused Facilities and Capacity at Social Security Administration Headquarters	3/28/2014
A-03-12-21269	Improper Use of Children's Social Security Numbers	3/31/2014

Reports with Questioned Costs October 1, 2013 - March 31, 2014			
Audit Number	Issue Date	Report	Dollar Amount
A-13-11-21188	10/18/2013	Special Disability Workload Payments Made to Incarcerated Beneficiaries	\$1,022,032
A-03-13-13106	12/26/2013	Processing Internal Revenue Service Alerts for Supplemental Security Income Recipients	\$12,022,216
A-06-12-22131	1/14/2014	Concurrent Beneficiaries Improperly Receiving Payments in Excess of Federal Limits	\$3,370,643
A-09-12-22100	2/7/2014	Improper Payments Resulting from Unresolved Delayed Claimants	\$6,769,458
A-09-12-11252	2/27/2014	Representative Payee Selections Pending in the Representative Payee System	\$397,517,226
A-09-13-13087	3/11/2014	Adjustment of Monthly Benefits Under the Family Maximum Provisions	\$40,957,450
A-09-12-21292	3/11/2014	Spouses Eligible for Higher Retirement Benefits	\$59,755,628
<b>Total</b>			<b>\$521,414,653</b>

Reports with Funds Put to Better Use October 1, 2013 - March 31, 2014			
Audit Number	Issue Date	Report	Dollar Amount
A-06-12-22131	1/14/2014	Concurrent Beneficiaries Improperly Receiving Payments in Excess of Federal Limits	\$1,991,991
A-09-13-13087	3/11/2014	Adjustment of Monthly Benefits Under the Family Maximum Provisions	\$4,617,735
<b>Total</b>			<b>\$6,609,726</b>

## 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 2014 from the Offices of Investigations and Audit in this report.

### OFFICE OF INVESTIGATIONS

We are reporting over \$58 million in SSA funds as a result of our investigative activities in this reporting period (10/01/13 – 03/31/14). These funds are broken down in the table below.

Investigative Activities			
	1st Quarter 10/1/13 – 12/31/13	2nd Quarter 1/1/14 – 3/31/14	Total
Court Ordered Restitution	\$9,922,709	\$8,258,421	\$18,181,130
Recoveries	\$14,258,391	\$20,518,168	\$34,776,559
Fines	\$2,292,668	\$2,259,991	\$4,552,659
Settlements/ Judgments	\$388,880	\$364,261	\$753,141
<b>TOTAL</b>	<b>\$26,862,648</b>	<b>\$31,400,841</b>	<b>\$58,263,489</b>

### OFFICE OF AUDIT

SSA management informed us that the Agency has completed implementing recommendations from 4 audit reports during this period valued at over \$2.81 billion.

#### **DISABLED INDIVIDUALS WITH MENTAL IMPAIRMENTS ACTING AS REPRESENTATIVE PAYEES (A-07-12-21265, 9/23/2013)**

We recommended that SSA conduct capability and suitability determinations for the 22 representative payees we found may have been incapable of managing or directing the management of SSA benefits. The implemented value of this recommendation is \$438,432.

#### **SUPPLEMENTAL SECURITY INCOME RECIPIENTS ELIGIBLE FOR, OR RECEIVING, RUSSIAN PENSIONS (A-01-12-21238, 12/10/2012)**

We recommended that SSA follow up on the cases in our sample in which the recipients are receiving or eligible for Russian pensions and take appropriate corrective action. The implemented value of this recommendation is \$5,134,041.

#### **DISABLED INDIVIDUALS WITH MENTAL IMPAIRMENTS IN NEED OF A REPRESENTATIVE PAYEE (A-07-11-11110, 9/27/2012)**

We recommended that SSA determine whether the 6,076 concurrent beneficiaries should have their benefits paid directly or through a representative payee. The implemented value of this recommendation is \$23,717,592.

We recommended that SSA perform a capability determination for the 64 beneficiaries we identified as possibly incapable of managing or directing the management of their benefits. The implemented value of this recommendation is \$2,404,112,052.

**FOLLOW-UP ON DISABLED TITLE II BENEFICIARIES WITH EARNINGS REPORTED ON THE MASTER EARNINGS FILE (A-01-08-28075, 4/15/2009)**

We recommended that SSA develop and implement a plan to allocate more resources to timely perform work-related continuing disability reviews (CDRs)---and assess overpayments resulting from work activity---for cases identified by the Agency's earnings enforcement process. The implemented value of this recommendation is \$381,563,100.

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

None

## 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
2012	580	\$35,388,290	See Footnote <sup>1</sup>
2013	532	\$35,549,341	See Footnote <sup>1</sup>
2014 (10/1/13 - 3/31/14)	227	\$15,183,004	See Footnote <sup>1</sup>
<b>TOTAL</b>	<b>1,339</b>	<b>\$86,120,635</b>	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
2012	1,382	\$53,354,863
2013	1,622	\$54,903,601
2014 (10/1/13 - 3/31/14)	837	\$34,776,559
<b>TOTAL</b>	<b>3,841</b>	<b>\$143,035,023</b>

## 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, 2014.

SSA's Responses to OIG's Recommendations						
Recovery or Redirection of Questioned and Unsupported Costs <sup>1</sup>						
FY	Reports with Questioned Costs	Questioned/Unsupported Costs	Management Concurrence	Amount Collected or to be Recovered	Amount Written-Off/Adjustments	Balance <sup>2</sup>
2012	29	\$1,170,466,288	\$862,414,550	\$850,604,002	\$293,648,925	\$26,213,361
2013	23	\$886,384,392	\$440,675,040	\$48,140,973	\$77,991,372	\$760,252,047
2014	7	\$521,414,653	\$7,791,490	0	\$3,370,643	\$518,044,010
<b>TOTAL</b>	<b>59</b>	<b>\$2,578,265,333</b>	<b>\$1,310,881,080</b>	<b>\$898,744,975</b>	<b>\$375,010,940</b>	<b>\$1,304,509,418</b>

<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**

### **USEFULNESS OF DEPARTMENT OF HOMELAND SECURITY TRAVEL DATA TO IDENTIFY SUPPLEMENTAL SECURITY INCOME RECIPIENTS WHO ARE OUTSIDE THE UNITED STATES (A-01-11-01142, 2/1/2013)**

Results of Review: Although there are legal and technical challenges in obtaining data from the DHS to identify SSI recipients who are absent from the United States, we estimated 35,068 SSI recipients had approximately \$152 million in overpayments because of unreported absences from the United States between September 2009 and August 2011. Furthermore, millions of dollars more in overpayments could be identified if SSA includes all SSI recipients, regardless of their country of birth or associated bank. If our results using sample data associated with one bank represent all banks, we estimate our review would have identified an additional \$289 million in overpayments.

Developing a process with DHS—and if necessary, the Department of State—would be a long-term initiative; and SSA has a history of overcoming legal and technical factors with other initiatives it has pursued to address improper payments. Ultimately, the other agencies have to be willing to work with SSA.

Recommendation: Reach out to DHS again (and if necessary, the Department of State) to attempt to create a process that provides the necessary information to identify all (not just foreign-born) SSI recipients outside the United States for longer than 30 days, which could include proposing legislative changes.

Agency Response: SSA agreed with the recommendation.

Valued at: \$152,200,827 in questioned costs.

Corrective Action: SSA is exploring a data exchange opportunity with the State Department to identify SSI recipients who leave the country. SSA has two outgoing agreements with State (#810 and #10011) where the Agency helps verify Social Security Numbers (SSN) for passport issuance. In return, SSA would like to know what happens with those passports, and is in the process of identifying the Agency's State Department contact to begin discussions.

SSA staff are exploring new data sets; exploring the legality of having agreements with major airline carriers to also identify when SSI recipients leave the country and do not need a passport (like Puerto Rico). The Agency is still in the very early stages of both of these ideas.

### **DUALLY ENTITLED BENEFICIARIES WHO ARE SUBJECT TO THE WINDFALL ELIMINATION PROVISION AND GOVERNMENT PENSION OFFSET (A-09-12-11210, 1/31/2013)**

Results of Review: SSA needs to improve its controls to ensure it properly imposes the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) for dually entitled beneficiaries. We estimate that SSA

- overpaid \$19.2 million in retirement benefits to 2,046 beneficiaries because WEP was not properly applied,
- overpaid \$14.6 million in spousal benefits to 1,662 beneficiaries because GPO was not properly imposed, and
- will overpay \$12.7 million annually to 3,708 beneficiaries unless it takes action to identify and correct these payment errors.

We also estimate that 3,961 beneficiaries were exempt from WEP and 3,148 were exempt from GPO, but SSA employees did not record the exemption reason on the Master Beneficiary Record, as required.

Finally, SSA did not take action to impose WEP and GPO on a population of beneficiaries identified in our prior audit. Consequently, we estimate that SSA overpaid these beneficiaries an additional \$181.6 million.

Recommendation: Determine whether there is a cost-effective method to identify and correct the population of overpaid dually entitled beneficiaries in current pay whose benefits should be reduced for WEP or GPO.

Agency Response: SSA agreed with the recommendation.

Valued at: \$214,514,795 in questioned costs.

Corrective Action: SSA began the first phase of its review in December 2013. The second phase was scheduled to begin in March 2014, and the third and final phase should begin around the end of April 2014. SSA intends to have the analysis completed and report by the end of August 2014.

**THE SOCIAL SECURITY ADMINISTRATION'S DEVELOPMENT OF EARNINGS ALERTS FOR SUPPLEMENTAL SECURITY INCOME RECIPIENTS (A-02-11-11185, 12/20/2012)**

Results of Review: SSA's development of SSI earnings alerts was not fully effective. While SSA has the opportunity to record the largest possible overpayment caused by earnings if it diligently pursues earnings alerts, over 86 percent of the 16,952 earning alerts we identified in May 2009 had been pending over 6 months. In May 2010, 2,883 of the 16,952 earnings alerts were still pending.

We reviewed a sample of 250 of the 2,883 recipients in April 2011, which was 28 months after the month SSA systems generated the alerts. We reviewed cases that SSA had developed and those that it did not. For those not developed, we identified improper payments caused by the earnings that generated the alerts. We also reviewed cases SSA developed and found additional improper payments that SSA did not identify. Based on these results, we estimate that SSA could have recorded approximately \$110 million more in SSI overpayments for almost 25,140 recipients than it identified if it diligently pursued earnings alerts.

Furthermore, some of the earnings alerts that had been generated may have been unnecessary. Of the 250 recipients in our sample, 46 had alerts identifying earnings that were too low to change the recipient's payment amount.

Recommendation: Evaluate whether it is cost-effective to establish earnings alerts more likely to lead to payment changes. More specifically, SSA should consider using focused criteria to generate earnings alerts that take into account other factors that determine the SSI payment amount along with the amount of earnings identified.

Agency Response: SSA agreed with the recommendation.

Valued at: \$110,142,700 in questioned costs.

Corrective Action: SSA is conducting a statistical modeling analysis of FY 2013 Change Rate Study cohort data to determine if targeted criteria can be used to identify a more cost-effective process to generate earnings alerts to identify and correct SSI overpayments. SSA anticipates completing its analysis in May 2014, and at that time, the Agency will have findings and recommendations from the study.

**CHILDHOOD DISABILITY BENEFICIARIES WITH AN INCORRECT WAITING PERIOD (A-09-11-21158, 12/20/2012)**

Results of Review: SSA needs to improve its controls to ensure childhood disability beneficiaries do not serve a 5-month waiting period before becoming entitled to disability benefits. We found that SSA incorrectly applied a 5-month waiting period before childhood disability beneficiaries became entitled to benefits. Based on our random sample, we estimate that SSA

- established an incorrect initial date of entitlement to disability benefits for 5,104 beneficiaries;
- underpaid 3,202 of the 5,104 beneficiaries about \$7.3 million in childhood disability benefits; and
- established an incorrect initial date of entitlement to Medicare for 4,977 of the 5,104 beneficiaries.

Generally, these beneficiaries were entitled to disability benefits and Medicare coverage 5 months sooner than the date SSA established.

Recommendation: Evaluate the results of the Agency's corrective action for the 161 beneficiaries and determine whether it should review our population of 6,340 disabled children who may have incorrectly served a 5-month waiting period.

Agency Response: SSA agreed with the recommendation.

Valued at: \$7,101,797 in questioned costs.

Corrective Action: SSA is finalizing actions on the 161 cases. After receiving the results, the Agency will evaluate if corrective action should be taken on the remaining 6,340 cases.

**ACCUMULATED FUNDS PAYABLE TO BENEFICIARIES OR THEIR REPRESENTATIVE PAYEES (A-09-12-21236, 12/11/2012)**

Results of Review: SSA needed to improve controls to ensure it properly and timely paid accumulated funds to Title II beneficiaries or their representative payees. Based on a random sample, we estimate that

- 4,174 beneficiaries had accumulated funds totaling approximately \$29.9 million that SSA had not paid to the beneficiaries or their representative payees;
- 909 beneficiaries had approximately \$18.6 million in accumulated funds that were correctly paid but not timely; and
- 248 representative payees were paid accumulated funds totaling approximately \$4 million, but SSA had not evaluated their ability to manage the funds, as required.

This occurred because SSA did not always (1) establish manual diaries to control the payment of accumulated funds, (2) pay accumulated funds to representative payees when required, or (3) pay all accumulated funds due and payable upon the selection of a representative payee.

Recommendation: Develop a cost-effective method for identifying and paying, as appropriate, Title II beneficiaries who have unpaid accumulated funds.

Agency Response: SSA agreed with the recommendation.

Valued at: \$29,211,452 in questioned costs.

Corrective Action: The Deputy Commissioner for Retirement and Disability Policy will work with the Office of Systems and the Deputy Commissioner for Operations to determine the feasibility of developing a cost-effective method for identifying and paying, as appropriate, Title II beneficiaries who have unpaid accumulated funds.

**TERMINATION OF DISABILITY BENEFITS FOLLOWING A CONTINUING DISABILITY REVIEW CESSATION DETERMINATION (A-07-12-11211, 11/1/2012)**

Results of Review: We identified populations of 25,564 DI beneficiaries and 67,943 SSI recipients who received medical cessation determinations during Calendar Years (CY) 2005 through 2010 but continued to receive monthly benefit payments more than 2 months after the medical cessation determination. Of 250 DI beneficiaries sampled, we found 30 percent improperly received benefit payments of approximately \$48.9 million because payments were not terminated timely. Of 250 SSI recipients sampled, 16 percent improperly received \$34.7 million because payments were not terminated timely.

These improper payments occurred, in part, because SSA lacked adequate controls and did not have automated systems for processing medical cessation determinations. SSA employees were aware of the systems limitations and were to manually check cases to ensure the termination actions were accomplished. According to SSA, reduced resources and increased workloads may have prompted employees to rely on the system, rather than manually checking each case to ensure timely termination of benefits.

From November 2003 through June 2009, SSA took actions to identify DI beneficiaries and SSI recipients who continued receiving benefit payments after medical cessation determinations. However, since June 2009, SSA has not routinely identified cases where benefits were not terminated following medical cessation determinations. According to SSA, this was the result of resource limitations and other work priorities.

Recommendation: Enhance the ability of the processing system to perform automated terminations to ensure the timely termination of benefits following a medical cessation determination.

Agency Response: SSA agreed with the recommendation.

Valued at: \$83,583,935 in questioned costs.

Corrective Action: For the FY 2013 IT budget process, the Office of Disability Adjudication and Review (ODAR) requested systems upgrades and enhancements to automate the termination of disability cessation cases that

are currently subject to manual termination. SSA is working on a systems update to ODAR's Hearing Office and Appeals Council case processing systems (Case Processing and Management System (CPMS) and Appeals Review Processing System (ARPS)).

The update will fix an issue that causes some Title II disability and concurrent Title II disability and Title XVI adult disability cessations to fail to propagate correctly into CPMS and automatically terminate benefits. A September 2014 CPMS/ARPS systems release should include this update. However, this update does not address Title XVI only, Title XVI disabled children, or Title II benefits for disabled children or widow/ers. SSA is proposing additional systems changes for the FY 2015 IT budget process. In the interim, SSA is drafting additional reminders and updating its policy instructions to help ensure the Agency timely terminates disability cessations.

**DISABLED INDIVIDUALS POTENTIALLY ELIGIBLE AS AUXILIARY CHILD BENEFICIARIES (A-13-10-10146, 6/12/2012)**

Results of Review: Although SSA had taken actions to identify and prevent missed entitlements, we identified SSI recipients who were also eligible for OASDI. Our analysis of 100 SSI recipients found 95 were eligible for OASDI as auxiliary child beneficiaries. Of these, we identified 16 SSI recipients who were due OASDI underpayments totaling about \$71,000. We estimate approximately 2,160 SSI recipients were eligible for OASDI and were due underpayments totaling approximately \$9.6 million.

In February 2012, we identified 14,434 SSI recipients—from all 20 segments of SSA's records—who were potentially entitled disabled child beneficiaries. We provided this information to the Agency for corrective action.

Recommendation: Develop and implement a cost-effective strategy to assess the 14,434 recipients we identified to correctly pay those recipients eligible for OASDI as auxiliary child beneficiaries and pay the OASDI underpayments due the recipients, as appropriate.

Agency Response: SSA agreed with the recommendation.

Valued at: \$9,582,380 in questioned costs.

Corrective Action: As resources allow, SSA will review the 14,434 cases. The review will involve SSA field offices and processing centers analyzing and developing each case. SSA expects processing these cases will take some time, due to the volume and complexity of these cases. The Agency expects to complete its determinations, and pay any OASDI underpayments by the end of the second quarter or beginning of the third quarter of FY 2014.

**INDIVIDUAL REPRESENTATIVE PAYEES WHO MISUSE BENEFITS (A-13-10-10182, 5/4/2012)**

Results of Review: SSA did not always take appropriate actions concerning individual representative payees who were serving 14 or fewer beneficiaries and who misused benefit payments. Specifically, the Agency did not always obtain restitution from payees when it could use benefit adjustment to do so; pay beneficiaries when Agency negligence was determined; document negligence decisions; refer instances of misuse to the Office of the Inspector General; make restitution to beneficiaries when misused funds were collected in installments from payees; follow policy regarding retention of payees who commit misuse; and record misuse-related data accurately in the Representative Payee System.

SSA had taken actions intended to improve its oversight and management of these payees. In October 2011 and January 2012, SSA released versions of its Electronic Representative Payee System Misuse System and revised its policies. However, SSA needs to take additional actions to improve its oversight and management of individual representative payees serving 14 or fewer beneficiaries who misused benefit payments.

Recommendation: Use, when appropriate, benefit adjustment to obtain restitution from the 408 payees we identified to recover about \$2.1 million in misused funds.

Agency Response: SSA agreed with the recommendation.

Valued at: \$2,112,581

Corrective Action: SSA stated that the field offices and processing centers require additional time to take action on the 408 cases OIG identified. The Agency's target completion time frame is the first quarter of CY 2014.

**ANNUAL EARNINGS TEST UNDERPAYMENTS PAYABLE TO BENEFICIARIES (A-09-11-11128, 4/6/2012)**

Results of Review: SSA improperly paid beneficiaries whose Master Beneficiary Record (MBR) annual report data exceeded their earnings on the Master Earning File (MEF). We estimated that SSA improperly paid 10,644 beneficiaries about \$15 million during CYs 2005 through 2008. In addition, unless SSA revises the Earnings Enforcement Operation (EEO), we estimated it would improperly pay about \$3.7 million, annually, to 2,661 beneficiaries.

The improper payments occurred because SSA's policy is to exclude from the EEO beneficiaries whose MBR annual report data exceeded the earnings recorded on SSA's MEF. Finally, we found that SSA should not rely on the annual report data on the MBR to determine whether beneficiaries were properly paid. Specifically, we found that annual report data on the MBR (1) were estimated amounts, (2) contained obvious recording errors, and (3) included earnings that were not subject to the annual earning test.

Recommendation: Review its policies, procedures, and systems concerning earnings and benefit computations to provide accurate results for Title II beneficiaries.

Agency Response: SSA agreed with the recommendation.

Valued at: \$3,754,533 in funds put to better use.

Corrective Action: While SSA's Office of Systems completed the migration of Automated Job Stream 3 to Title II Redesign in August 2012, there was a release to correct issues with the month of entitlement and rates in February 2013. The first enforcement pass after this release took place in May 2013. SSA Policy staff is revising all of the month of entitlement Program Operations Manual System guides, which should be completed by the end of the CY. After this revision is released, the Agency will evaluate the outcome of this first pass to the Master Earnings File and the available resources, and SSA will determine if it will conduct a study.

**TITLE II BENEFICIARIES WHOSE BENEFITS HAVE BEEN SUSPENDED AND WHO HAVE A DATE OF DEATH ON THE NUMIDENT (A-09-10-10117, 4/28/2011)**

Results of Review: SSA needs to improve controls to ensure it takes timely and proper actions to resolve death information on the Numident for suspended beneficiaries. We estimate that:

- 4,699 beneficiaries remained in suspended pay status despite the death information on their Numident. Of these, we estimate 2,976 were improperly paid approximately \$23.8 million.
- 2,715 beneficiaries' personally identifiable information was at risk of being released to the public.
- 157 beneficiaries whose benefits were terminated were improperly paid \$342,114.

Recommendation: Identify and take correction action on the remaining population of 6,277 suspended beneficiaries who had a date of death on the Numident.

Agency Response: SSA agreed with the recommendation.

Valued at: \$22,855,376 in questioned costs.

Corrective Action: The Agency has reduced the number of cases to 157. A request was sent to Systems in September 2013 asking that they run the 157 SSNs again to see if the date of death is still missing from the payment record so SSA can determine which cases still need to be worked. The Agency has not received a reply from Systems. SSA expected a response by the end of December 2013 on when Systems can provide results.

Recommendation: Take appropriate action to terminate benefits or remove erroneous death information from the Numident for the 180 beneficiaries identified by our audit.

Agency Response: SSA agreed with the recommendation.

Valued at: \$910,282 in questioned costs.

Corrective Action: SSA is working with its Office of Budget, Finance, Quality, and Management on an automated solution for taking corrective action on these records. The Agency is releasing 180 cases to the regions and expects completion by the end of CY 2014.

**BENEFITS PAYABLE TO CHILD BENEFICIARIES WHO NO LONGER NEED REPRESENTATIVE PAYEES (A-09-09-29116, 8/20/2010)**

Results of Review: SSA needed to improve controls to ensure child beneficiaries who attained age 18 were paid benefits that had been previously withheld pending the selection of a representative payee. Based on a random sample of beneficiaries, we found that SSA did not pay an estimated 13,464 beneficiaries approximately \$31.2 million in withheld benefits.

Generally, these errors occurred because SSA did not generate a systems alert to identify beneficiaries who should have been paid withheld benefits when they attained age 18 or SSA employees did not take corrective actions to pay withheld benefits when processing student awards when a child attained age 18.

Recommendation: Identify and take corrective action on the population of child beneficiaries over age 18 whose benefits were withheld pending the selection of a representative payee.

Agency Response: SSA agreed with the recommendation.

Valued at: \$31,052,839 in questioned costs.

Corrective Action: The processing centers (PC) completed their initial case reviews. In October 2013, SSA sent come-in notices as part of a mass Central Office mailing to the individuals for whom 1) underpayments are due and 2) SSA has addresses from an Office of the Chief Actuary/Office of Quality Performance automated search.

**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: 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: The Office of Systems determined this would require complex changes to the IBIL screen, and would have to be submitted as a Strategic Information Technology Assessment and Review (SITAR) project. There are no plans to submit a SITAR request at this time.

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

**DISABLED INDIVIDUALS WITH MENTAL IMPAIRMENTS IN NEED OF A REPRESENTATIVE PAYEE (A-07-11-11110, 9/27/2012)**

Results of Review: We estimated that over 208,000 of the 895,151 mentally impaired beneficiaries in our population received over \$200 million in monthly benefits and may have been incapable of managing or directing the management of their benefits. If these beneficiaries are, in fact, in need of a representative payee, we further estimate over \$2.4 billion in benefits will be at risk of inappropriate use, annually.

SSA policy states that it must remain alert to indications of a change in a beneficiary's condition or circumstances that might indicate a need for a new capability determination. However, over \$2.4 billion in benefits may be at risk of inappropriate use because SSA does not have a process to identify mentally impaired beneficiaries who become incapable of managing or directing the management of their benefits after their initial entitlement.

In addition, we estimated that approximately \$2 million in monthly benefits are at risk because 6,076 beneficiaries received benefits under both the DI and SSI programs, but only have a representative payee assigned for 1 of the programs. If these beneficiaries are, in fact, in need of a representative payee, we further estimate approximately \$24 million in benefits will be at risk of inappropriate use, annually.

Recommendation: Determine whether the 6,076 concurrent beneficiaries should have their benefits paid directly or through a representative payee.

Agency Response: SSA agreed with the recommendation.

Valued at: \$23,717,592 in funds put to better use.

Corrective Action: SSA completed each case associated with this recommendation by taking appropriate actions to pay beneficiaries directly or appoint a payee.

Recommendation: Perform a capability determination for the 64 beneficiaries we identified as possibly incapable of managing or directing the management of their benefits.

Agency Response: SSA agreed with the recommendation.

Valued at: \$2,404,112,052 in funds put to better use.

Corrective Action: SSA completed each case associated with this recommendation. Of the 64 cases, the Agency determined that 47 beneficiaries were capable of handling their own benefits; appointed payees for 15 beneficiaries; and placed one beneficiary into suspense for Whereabouts Unknown. One beneficiary is in suspense due to incarceration.

#### **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: 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 made the following improvements to the Agency’s work-related CDR processes and management information.

- SSA established a dedicated staff, which targets the oldest cases.
- SSA now prioritizes enforcement alerts (for cases with unreported earnings) by the amount of earnings. SSA works the cases with highest earnings first to minimize overpayments.
- SSA improved communications between its field offices and processing centers for priority cases that must be transferred between components.
- SSA established an Agency standard report for work CDR management information and overpayments. It is currently in the final stages of validation.
- SSA is establishing streamlined earnings reporting processes via telephone and Internet.

In addition, as recommended by the Government Accountability Office, SSA is evaluating the feasibility of:

- Periodically matching disability beneficiaries and recipients to Federal payroll data.
- Using the Automated Earnings Reappraisal Operation to identify individuals who have returned to work.

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

### **IDENTIFYING AND MONITORING RISK FACTORS AT HEARING OFFICES (A-12-12-11289, 1/24/2013)**

Results of Review: We found that ODAR had created 19 ranking reports that measured hearing office performance using a single risk factor, such as average processing time or pending cases per administrative law judge (ALJ). However, ODAR had not established a process to rank hearing office performance using a combination of risk factors. In FY 2011, ODAR began developing an early monitoring system to measure ALJ performance based on a combination of risk factors, such as number of dispositions, number of on-the-record decisions, and frequency of hearings with the same claimant representative. A quality division then reviewed potential issues identified in the ALJ monitoring system to ensure compliance with established policies and procedures. We reviewed hearing office risk factors particular to ALJs to determine whether such information, when alone or combined with ODAR's ALJ monitoring system outcomes, would provide ODAR management with additional information to assess hearing office management controls. We found large variances in ALJ outcomes within and between hearing offices, indicating that further review of ALJ performance variances in hearing offices, as well as a new hearing office monitoring system using a combination of risk factors, would provide ODAR with additional tools to assess hearing office management controls. Moreover, greater analysis of hearing office variance can put issues identified as part of ODAR's ALJ monitoring system and quality reviews into a broader context.

Recommendation: Create new management information reports combining ALJ-related hearing office risk factors, which could include variances within those factors, and use this information to identify potential processing and management problems at hearing offices.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA continues to work on developing a system to identify potential processing and management problems at the hearing office level.

### **TERMINATION OF DISABILITY BENEFITS FOLLOWING A CONTINUING DISABILITY REVIEW CESSATION DETERMINATION (A-07-12-11211, 11/1/2012)**

Results of Review: We identified populations of 25,564 DI beneficiaries and 67,943 SSI recipients who received medical cessation determinations during CYs 2005 through 2010 but continued to receive monthly benefit payments more than 2 months after the medical cessation determination. Of 250 DI beneficiaries sampled, we found 30 percent improperly received benefit payments of approximately \$48.9 million because payments were not terminated timely. Of 250 SSI recipients sampled, 16 percent improperly received \$34.7 million because payments were not terminated timely.

These improper payments occurred, in part, because SSA lacked adequate controls and did not have automated systems for processing medical cessation determinations. SSA employees were aware of the systems limitations and were to manually check cases to ensure the termination actions were accomplished. According to SSA, reduced resources and increased workloads may have prompted employees to rely on the system, rather than manually checking each case to ensure timely termination of benefits.

From November 2003 through June 2009, SSA took actions to identify DI beneficiaries and SSI recipients who continued receiving benefit payments after medical cessation determinations. However, since June 2009, SSA has not routinely identified cases where benefits were not terminated following medical cessation determinations. According to SSA, this was the result of resource limitations and other work priorities.

Recommendation: Prioritize the identification of cases where disability benefit payments have not been terminated following medical cessation determinations to minimize improper payments.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA is currently reviewing cases to determine the scope of the issue and the feasibility of the recommendation.

**USING MEDICARE CLAIM DATA TO IDENTIFY DECEASED BENEFICIARIES (A-08-09-19105, 8/2/2012)**

Results of Review: We believe SSA can use enhanced Medicare claim data to better identify deceased beneficiaries using less time and fewer resources. For example, SSA either terminated or suspended benefits of 44 (35 percent) of our 125 sample beneficiaries, which is significantly higher than the 5 percent SSA found in its 2002 Medicare Non-Usage Project.

Based on our findings, we estimate that SSA overpaid 890 deceased beneficiaries about \$99 million. Further, we estimate that over the next 12 months, SSA will pay about \$9 million in additional overpayments to these deceased beneficiaries. In addition, we estimate that about 1,160 beneficiaries were living outside the United States and did not report their address change to SSA, and about 190 beneficiaries' whereabouts were unknown. These are conservative estimates because they exclude beneficiaries who did not live near an Office of Audit (OA) field office. Furthermore, we believe it is likely that many of the beneficiaries with suspended benefits are deceased. We reached this conclusion because they did not contact SSA to reinstate their benefits.

Recommendation: Work the remaining 1,067 cases in our universe (who are in current payment status and not part of the Centenarian Project) to determine whether these beneficiaries are alive.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA field offices are currently working the 1,067 cases.

**SIGNIFICANCE OF ADMINISTRATIVE FINALITY IN THE SOCIAL SECURITY ADMINISTRATION'S PROGRAMS (A-08-11-21107, 7/26/2012)**

Results of Review: As determined in our prior and current reviews, SSA did not correct beneficiary and recipients' payment amounts when it invoked administrative finality. For example, we identified a beneficiary receiving a full retirement benefit under her own Social Security number and another full benefit under her deceased spouse's Social Security number that resulted in an \$870 monthly overpayment. The overpayments started in July 1982 and created a total overpayment of approximately \$215,000. Since our 2007 recommendation to revise its administrative finality rules—which SSA disagreed with—the Agency has paid this beneficiary approximately an additional \$40,000. Because of SSA's administrative finality rules, it will not reopen this case and this overpayment will continue increasing throughout the beneficiary's lifetime.

Given the recent Government initiative to reduce improper spending and waste of Federal funds and the current economic environment, we do not believe SSA's administrative finality rules comply with the initiative. SSA should revise its administrative finality rules and allow for revisions to payments to ensure the beneficiary or recipient receives the amount they are due. We believe it is the appropriate business process to ensure the integrity of program funds as these payments affect the trust funds.

Recommendation: Evaluate its administrative finality policies and regulations and consider revising the rules to allow for the collection of more debt.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA is still considering four proposals for changing the rules of administrative finality. On 7/31/2013, the Agency published a Federal Register Notice to solicit comments from the public on these proposals. The comment period ended on 9/30/2013. SSA received seven responses, and all of the comments were from legal services or other advocacy organizations, including the National Organization of Social Security Claimants' Representatives and the National Association of Disability Representatives. Currently, SSA is in the process of evaluating these comments to determine the Agency's next steps.

**THE SOCIAL SECURITY ADMINISTRATION'S SOFTWARE MODERNIZATION AND USE OF COMMON BUSINESS ORIENTED LANGUAGE (A-14-11-11132, 5/17/2012)**

Results of Review: Our review determined that SSA does not have a strategic plan to convert its legacy COBOL application programs to a more modernized programming language. Nonetheless, the Agency has developed an approach to gradually reduce its reliance on COBOL for its core processing of program transactions, such as retirement and disability claims.

While the Agency has moved forward in modernizing its information technology environment, several factors limit the Agency's ability to operate efficiently and improve service delivery. At a minimum, SSA should address the following factors in its modernization roadmap: (1) projected future service delivery demands; (2) growth of information technology and maintenance costs; (3) loss of institutional legacy programming knowledge; (4) lack of integrated business processes; and (5) outdated user interfaces. Although these factors are not unique to COBOL, SSA relies on COBOL applications to deliver its core services. Therefore, the Agency's use of COBOL impacts its current system environment and its system modernization path.

Recommendation: Develop a comprehensive, long-term strategic plan to modernize SSA's legacy applications. This plan should:

include a target timeframe and estimated resources to modernize SSA's existing environment;

include an in-depth analysis of projected service delivery demands and how new approaches and technology can promote greater productivity while meeting customer expectations for service;

position the Agency to maximize the effectiveness and cost-efficiency of its systems over the long-term; and be reevaluated over time and revised as necessary.

Agency Response: SSA agreed with the recommendation.

Corrective Action: This recommendation is consistent with current guidance from the Office of Management and Budget (OMB) regarding the Federal Enterprise Architecture framework. While SSA expected to issue its current Information Resource Management Strategic Plan during the second quarter of FY 2013, the Agency has not confirmed that it was completed.

**STATE DISABILITY DETERMINATION SERVICES' EMPLOYEE AND CONTRACTOR SUITABILITY PROGRAM (A-15-11-21180, 12/21/2011)**

Results of Review: Although SSA had a limited policy in place that required a statewide criminal background check, we noted a number of vulnerable areas in the policy that could pose a risk to SSA data and systems. We found that State policy regarding suitability determinations for employees, contractors, and other disability determination services (DDS) staff varied widely from State to State. Some States had yet to implement a policy requiring statewide criminal background checks. Additionally, we found that although most States had a policy in place for prospective employees, the policy did not require criminal background checks for existing employees.

SSA performed some oversight of the DDS suitability process. Regional Office staff should review the DDS' self-assessments, but beyond this, Regional Office staff stated they leave the suitability determinations to the DDSs. According to SSA, Regional Office staff is responsible for conducting the day-to-day monitoring of the DDSs.

Recommendation: Require all individuals with access to SSA systems and data to have an appropriate suitability determination consistent with the requirements of SSA's suitability program.

Agency Response: SSA agreed with the recommendation.

Corrective Action: Based on budgetary resources, HSPD 12 roll-out was temporarily placed on hold. Currently, three DDS sites are in process for suitability determinations and credential issuance. SSA has initiated the fourth site as of December 2013. If funding is made available, SSA still anticipates completing 10 sites by the end of FY 2014.

**FOLLOW-UP: SURVIVOR BENEFITS PAID IN INSTANCES WHEN THE SOCIAL SECURITY ADMINISTRATION REMOVED THE DEATH ENTRY FROM A PRIMARY WAGE EARNER'S RECORD (A-06-10-20135, 9/1/2011)**

Result of Review: SSA has made progress in completing corrective actions to address the recommendations in our September 2006 report. SSA determined that 286 of the 307 wage earners identified during the prior review were actually deceased. SSA confirmed that 14 wage earners were alive and took action to terminate survivor benefit payments. SSA erroneously issued approximately \$579,000 in survivor benefits to family members of these wage earners. SSA could provide no documentation to indicate completion of death verifications for the remaining seven individuals.

As part of our follow-up review, we identified an additional 642 wage earners whose family members received survivor benefits even though SSA had deleted the wage earners' death entries from the Death Master File, and SSA's Numident file indicated the wage earners were alive. At the time of our review, SSA paid approximately \$644,000 in monthly survivor benefits to family members of the 642 wage earners. Our review of sampled records indicated that, similar to our 2006 findings, SSA employees who deleted these death entries did not document pertinent facts to support or explain these transactions. The resurrection transactions indicated the wage earners were alive, and survivor benefits were improper. If the wage earners were actually deceased, SSA erroneously deleted their information from the Death Master File.

Recommendation: Perform death verifications for each of the 642 records with survivor benefit payments identified in this review and the 7 pending from our prior review and take appropriate action (for example, terminate benefits and establish overpayments, refer potentially fraudulent cases to OIG, and/or reinstate death entries).

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA has resolved all the cases except for one. SSA is still investigating to determine the proper number holder (NH) and whether the correct NH is deceased or alive. This is a shared Numident case which involves mixed earnings over a lengthy period involving survivor benefits which could be based on fraud. Due to the complexity, no time estimate has been given by the Region. Recomputations, overpayments, and processing center work still need to be done once the proper NH is identified.

**AGED BENEFICIARIES WHOSE BENEFITS HAVE BEEN SUSPENDED FOR ADDRESS OR WHEREABOUTS UNKNOWN (A-09-09-29117, 6/17/2011)**

Result of Review: SSA had not taken appropriate actions for Title II beneficiaries over age 70 whose benefits were suspended for address, whereabouts unknown, or miscellaneous reasons. We estimate that

- 29,196 beneficiaries whose whereabouts were unknown for longer than 7 years had not been terminated based on a presumption of death;
- 5,981 beneficiaries had been suspended between 2 and 7 years because their whereabouts were unknown; and
- 2,964 foreign beneficiaries were suspended because they did not return the foreign enforcement questionnaire (FEQ), and there was no evidence that SSA conducted the required follow-up actions to determine their whereabouts or whether they were deceased.

Recommendation: Take appropriate action (including termination of benefits) for the estimated 2,964 suspended beneficiaries living outside the United States who did not return the FEQ.

Agency Response: SSA agreed with the recommendation.

Corrective Action: This recommendation will be completed by the Deputy Commissioner for Operations once the Program Operations Manual System guide under Audit 22011049 Recommendation #2 is published. This will require a change in coding on the MBR.

**THE SOCIAL SECURITY ADMINISTRATION'S TIME ALLOCATION SYSTEM (A-14-10-20122, 4/18/2011)**

Result of Review: We found several events that led to SSA's decision to terminate the Time Allocation System (TAS). Some of these events raised questions about SSA's management of the TAS project, given that the project was terminated without proper analysis to determine which Workload Management System (DOWS or TAS) more accurately accounted for workload time measurements. We believe if SSA had conducted sufficient project planning before initiating the TAS project, most, if not all, of the events identified in this report could have been resolved before expending approximately \$36 million of Agency resources. We have organized our findings based on the Systems Development Life Cycle used by SSA.

- Planning and Analysis Phase
  - Insufficient Planning and Analysis Leading to the Termination of TAS
  - TAS Benefits and Costs Were Not Identified Timely

- Construction Phase
  - Insufficient Testing Due to Storage Constraints
- Post Release Phase
  - No Post Implementation Review (PIR) after a system was in operation for 6 months, or after TAS was terminated, to determine reasons for the project's failure.
- Maintenance Phase
  - Inability to maintain TAS cost-effectively.

Recommendation: Take the necessary steps to validate the accuracy of the current work measurement system or future replacements.

Agency Response: SSA agreed with the recommendation.

Corrective Action: The Agency simplified work sampling by eliminating obsolete categories and consolidating categories with significant overlap. These changes went into effect at the beginning of FY 2012. SSA updated the Management Information Manual chapters on work sampling to reflect the category changes and rewrote sections that previously contained language that was vague, inconsistent, and potentially confusing. SSA issued an Administrative Message, published on PolicyNet, to announce and document the changes to work sampling. Separately, SSA also created a Work Sampling Guidance document, published in the Management Resource Kit section of PolicyNet, to provide general instructions, best practices, reminders, and other helpful information about the work sampling process.

In addition, SSA wrote a Video On Demand script for work sampling training, which the Agency is planning to produce in the coming year. SSA is also in preliminary discussions with the Office of Systems, the Office of Automation Support, and other Operations stakeholders about automating a portion of work sampling by using a pop-up application that employees would use to report work activity instead of the manual sampling process the Agency uses now.

The project to automate a portion of work sampling is moving forward, but the Agency is still in the early planning stages. SSA expected to begin development in FY 2013, but a timeline for implementation has not been confirmed.

Recommendation: Perform a PIR after a system has been in operation for 6 months and for all terminated projects to determine reasons for the project's termination.

Agency Response: SSA agreed with the recommendation.

Corrective Action: In support of conducting PIRs in FY 2013, SSA's Office of Systems was in the process of refining the policy and framework that was developed. SSA is comparing the PIR data requirements against the Project Success Verification process in order to identify the areas to enhance as outlined in OMB guidance. SSA continues to perform Project Success Verifications on the Agency's completed projects.

#### **DISABILITY IMPAIRMENTS ON CASES MOST FREQUENTLY DENIED BY DISABILITY DETERMINATION SERVICES AND SUBSEQUENTLY ALLOWED BY ADMINISTRATIVE LAW JUDGES (A-07-09-19083, 8/20/2010)**

Results of Review: We identified the four impairments that were most often denied by DDSs in CYs 2004 through 2006, appealed to the hearing level, and subsequently allowed. These impairments were Disorders of Back; Osteoarthritis and Allied Disorders; Diabetes Mellitus; and Disorders of Muscle, Ligament, and Fascia. Our analysis of cases with these four impairments disclosed:

Claimant age impacted disability determinations.

- Determinations of claimants' ability to work resulted in differences at the DDS and hearing levels.
- Claimant representation was more prevalent in cases allowed at the hearing level than in cases decided at the DDS level.

- Cases were allowed at the hearing level based on a different impairment than that on which the DDS made its determination.
- States had both DDS denial rates and hearing level allowance rates above the national averages.
- ODAR regions, hearing offices, and ALJs had wide variations in allowance rates.

Recommendation: SSA should consider analyzing variances between the hearing offices and ALJs with high and low allowance rates for the four impairments we analyzed to determine whether factors are present that support the variances

Agency Response: SSA agreed with the recommendation

Corrective Action: SSA's Office of Appellate Operations (OAO) developed a program to pull data on the allowance and denial rates based on the four impairments in OIG's report, and analyzed data from FY 2010 hearing decisions that contained the four impairments. OAO in consultation with the Office of the Chief ALJ will determine if focused reviews are necessary on any hearing offices and/or adjudicators with the highest or lowest allowance rates of the impairments OIG identified. SSA expects to finalize the report by the end of the first quarter in CY 2014.

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

### **DISABLED INDIVIDUALS WITH MENTAL IMPAIRMENTS IN NEED OF A REPRESENTATIVE PAYEE (A-07-11-11110, 9/27/2012)**

Results of Review: We estimate that over 208,000 of the 895,151 mentally impaired beneficiaries in our population received over \$200 million in monthly benefits and may have been incapable of managing or directing the management of their benefits. If these beneficiaries are, in fact, in need of a representative payee, we further estimate over \$2.4 billion in benefits will be at risk of inappropriate use, annually.

SSA policy states that it must remain alert to indications of a change in a beneficiary's condition or circumstances that might indicate a need for a new capability determination. However, over \$2.4 billion in benefits may be at risk of inappropriate use because SSA does not have a process to identify mentally impaired beneficiaries who become incapable of managing or directing the management of their benefits after their initial entitlement.

In addition, we estimate that approximately \$2 million in monthly benefits are at risk because 6,076 beneficiaries received benefits under both the DI and SSI programs, but only have a representative payee assigned for 1 of the programs. If these beneficiaries are, in fact, in need of a representative payee, we further estimate approximately \$24 million in benefits will be at risk of inappropriate use, annually.

Recommendation: Contact the 72 beneficiaries whom we could not locate or refused to participate in our review to verify their continued benefit eligibility and, if eligible, determine whether they are capable of managing their benefits.

Agency Response: SSA agreed with the recommendation.

Corrective Action: SSA completed each case associated with this recommendation. Of the 72 cases, the Agency determined that: 4 beneficiaries were terminated, 1 beneficiary was in suspense, and 56 beneficiaries were capable of handling their own benefits. SSA appointed payees for five beneficiaries, and placed six beneficiaries in suspense.

### **AGED BENEFICIARIES WHOSE BENEFITS HAVE BEEN SUSPENDED FOR ADDRESS OR WHEREABOUTS UNKNOWN (A-09-09-29117, 6/17/2011)**

Result of Review: SSA had not taken appropriate actions for Title II beneficiaries over age 70 whose benefits were suspended for address, whereabouts unknown, or miscellaneous reasons. We estimate that

- 29,196 beneficiaries whose whereabouts were unknown for longer than 7 years had not been terminated based on a presumption of death;
- 5,981 beneficiaries had been suspended between 2 and 7 years because their whereabouts were unknown; and
- 2,964 foreign beneficiaries were suspended because they did not return the foreign enforcement questionnaire, and there was no evidence that SSA conducted the required follow-up actions to determine their whereabouts or whether they were deceased.

Recommendation: Identify and terminate in accordance with SSA's presumption of death policy, the entitlement of the estimated 29,196 beneficiaries whose whereabouts were unknown and have been in suspended pay status for 7 or more years.

Agency Response: SSA agreed with the recommendation.

Corrective Action: In August 2013, SSA developed a unique reason for suspension and termination code (RFST) of AGETRM for use with ledger account file (LAF) T9 (miscellaneous termination) to terminate certain title II beneficiaries in suspense for whereabouts unknown for 7 or more years. SSA narrowed the selection criteria to eliminate certain records (e.g. contained auxiliaries receiving benefits, dual-entitlement involved, contained a date of death on another record, etc.) from 16,000 title II beneficiaries to approximately 9,200 title beneficiaries. On October 21, 2013, SSA's Office of Quality Performance completed its processing to manually terminate these records. In FY 2014, the Agency's goal is to automate the process and schedule periodic runs.

## APPENDIX H: PEER REVIEWS

### OFFICE OF AUDIT

- Our Office of Audit is required to undergo a peer review every 3 years, in accordance with generally accepted government auditing standards.
- The final System Review Report related to our last peer review, conducted by the Department of Veterans Affairs, was issued in August 2012. 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 Veterans Affairs 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 2013, we conducted a peer review of the Department of Labor OIG Audit Organization. We issued our report on March 15, 2013 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.

### OFFICE OF INVESTIGATIONS

- Our Office of Investigations is required to undergo a peer review every 3 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.
- During this reporting period, the Office of Investigations did not undergo a peer review.
- During this reporting period, the Office of Investigations did not conduct a peer review.
- There are no outstanding recommendations from prior investigative peer reviews completed by us or from prior reviews of our organization.

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## APPENDIX I: REVIEW OF LEGISLATION AND REGULATIONS

Section 4(a)(2) of the *Inspector General Act of 1978*, as amended, requires the SSA OIG to review existing and proposed legislation and regulations relating to SSA's programs and operations; and to make recommendations concerning their impact on those programs or on the prevention of fraud and abuse. We accomplish this in several ways. First, many of our audits and other reports evaluate SSA's compliance with existing laws and regulations. When appropriate, we recommend issuing relevant regulations or seeking appropriate legislative authority; and we provide a status of those recommendations in our *Semiannual Report to Congress*. Additionally, we describe in our annual Audit Work Plan planned reviews that will address issues related to laws and regulations.

With regard to proposed legislation and regulations, we provide comments on pending or proposed legislation to SSA's Office of Legislation and Congressional Affairs, which includes those comments in its agency response to OMB.

In addition, we participate on an SSA working group that reviews legislative proposals throughout the year. This working group provides feedback on proposals submitted from all SSA components. Also, the Inspector General is an active member of the CIGIE Legislation Committee. In this role, we provide input to responses prepared by the committee to congressional staff on the impact of proposed legislation, and we meet with congressional staff as needed to discuss legislative issues.

Fraud in SSA's disability programs continues to be of great concern to Congress and the public. During this reporting period, the Inspector General testified twice on this issue before Congress. On November 19, 2013, the Inspector General testified before the House Committee on Oversight and Government Reform, Subcommittee on Energy Policy, Health Care, and Entitlements, at a hearing on SSA's management of the disability programs. He testified that it is critical that SSA and the OIG be able to identify and prevent individuals and groups from defrauding the government and SSA's disability programs for personal gain. He reviewed the audits and investigative initiatives the OIG has done and has ongoing as we work to improve the integrity and effectiveness of the claims and appeals process. The Inspector General stressed the importance of targeting widespread fraud schemes and identifying vulnerabilities in the claims process, including the recent activity regarding disability fraud in Puerto Rico.

On January 16, 2014, the Inspector General testified before the House Committee on Ways and Means, Subcommittee on Social Security, at a hearing on the Social Security Disability Fraud Scheme in New York. He reviewed the history of the investigation, providing some detail of the scheme. He also reviewed other OIG integrity efforts, examining the many facets of the disability claims process for vulnerabilities. The Inspector General pointed out how our investigations into both the New York and Puerto Rico fraud schemes were hampered by the ongoing lack of an exemption from the requirements of the *Computer Matching and Privacy Protection Act* (CMPPA) and the *Paperwork Reduction Act* (PRA). We continue to support a CIGIE legislative proposal to exempt all Federal OIGs from complying with the provisions of the CMPPA and the PRA for projects relating to fraud, waste, and abuse; and we have met with various congressional staff to provide input on this issue.

We also provided technical input to congressional staff on the proposed language of H.R. 4090, the *Social Security Fraud and Error Prevention Act of 2014*. This legislation is designed to improve SSA's ability to fight fraud, prevent errors, and protect the Social Security Trust Fund.

## GLOSSARY OF ACRONYMS

ALJ	Administrative Law Judge
ARPS	Appeals Review Processing System
CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
CIGIE	Council of Inspectors General on Integrity and Efficiency
CMP	Civil Monetary Penalty
CPMS	Case Processing and Management System
CY	Calendar Year
DDD	Division of Disability Determinations
DDS	Disability Determination Services
DFT	Digital Forensics Team
DHS	Department of Homeland Security
DI	Disability Insurance
DOJ	Department of Justice
EEO	Earnings Enforcement Operation
FBI	Federal Bureau of Investigations
FPS	Federal Protective Service
FY	Fiscal Year
GPO	Government Pension Offset
HUD	Department of Housing and Urban Development
IO	Immediate Office
IT	Information Technology
MBR	Master Beneficiary Record
MEF	Master Earnings File
OA	Office of Audit
OASDI	Old-Age, Disability and Survivors Insurance
OCIG	Office of the Counsel to the Inspector General
ODAR	Office of Disability Adjudication and Review
OER	Office of External Relations
OI	Office of Investigations
OIG	Office of the Inspector General
OQPAR	Office of Quality Performance and Review
OTR	on-the-record
OTRM	Office of Technology and Resource Management
PC	Processing Center
PII	Personally Identifiable Information

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## GLOSSARY OF ACRONYMS (CONTINUED)

PPV	parole and probation violations
SAA	Senior Attorney Adjudicator
SITAR	Strategic Information Technology Assessment and Review
SNRHA	Southern Nevada Regional Housing Authority
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSNVS	Social Security Number Verification System
the Act	Social Security Act
URL	Uniform Resource Locator
WEP	Windfall Elimination Provision