
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**COLLECTION OF
CIVIL MONETARY PENALTIES**

August 2011

A-06-11-11136

AUDIT REPORT



Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

Vision

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



SOCIAL SECURITY

MEMORANDUM

Date: August 12, 2011

Refer To:

To: The Commissioner

From: Inspector General

Subject: Collection of Civil Monetary Penalties (A-06-11-11136)

OBJECTIVE

Our objective was to assess the Social Security Administration's (SSA) effectiveness in collecting civil monetary penalties (CMP).

BACKGROUND

CMPs are imposed against individuals, organizations, or other entities that violate sections 1129¹ or 1140² of the *Social Security Act* (Act). Individuals, organizations, or other entities violate section 1129 of the Act by knowingly misleading SSA and/or making false statements to obtain or retain SSA benefits. They violate section 1140 of the Act by using words, letters, symbols, or emblems in a manner that falsely conveys SSA's approval, authorization, or endorsement. The Commissioner of Social Security delegated the authority for imposing CMPs to the Office of the Inspector General (OIG).³ The OIG's Office of Counsel to the Inspector General (OCIG) is responsible for administering the program.

OCIG forwards section 1129 CMPs to SSA's Office of Operations for collection. Unless the violator enters into a settlement agreement, SSA should withhold 100 percent of the individual's Social Security benefit or Supplemental Security Income payment until the CMP is repaid.⁴ For violators who are not in current payment status, SSA can take other steps to ensure future CMP collections. OCIG forwards section 1140 CMPs to SSA's Office of Finance for collection.

¹ *Social Security Act* § 1129, 42 U.S.C. § 1320a-8.

² *Social Security Act* § 1140, 42 U.S.C. § 1320b-10.

³ See Memorandum from Shirley S. Chater, Commissioner of Social Security to Inspector General, *Delegations of Authority To Implement Sections 1129 and 1140 of the Social Security Act*, June 28, 1995.

⁴ SSA, POMS, GN 02230.060 A.2.d (03/14/2011).

Because CMPs result from fraud and related misconduct, SSA cannot terminate collection or write off the debt without Department of Justice approval, regardless of the amount.⁵ Although the courts have not addressed whether bankruptcy discharges an assessment in lieu of damages, CMPs are considered fines or penalties that are not subject to discharge in bankruptcy.⁶

From September 1997 through December 2009,⁷ OCIG imposed 1,356 section 1129 CMPs, totaling approximately \$23.9 million, and forwarded them to the Office of Operations for collection.⁸ From October 1999 through December 2009, OCIG forwarded 15 section 1140 CMPs, totaling about \$3.1 million, to the Office of Finance for collection. We provide additional background information in Appendix B and our scope and methodology in Appendix C.

RESULTS OF REVIEW

SSA's efforts to collect section 1140 CMPs were effective. The Office of Finance collected approximately \$1.5 million of the \$3.1 million assessed and was working with the Department of Justice to collect the remaining balances.

SSA's section 1129 CMP collection efforts need improvement.⁹ Office of Operations' CMP coordinators stated they received CMP assessment notifications, reviewed the packages, and forwarded the information to applicable regional offices or program service centers for collection. However, SSA did not implement sufficient controls to monitor or report collection activities periodically or ensure Office of Operations staff initiated CMP collection. Although OCIG has been referring CMPs to SSA for collection since Calendar Year 1997, SSA did not develop written policies for CMP collection until May 2010.¹⁰

Our review of 50 randomly selected CMPs indicated that SSA had collected only 15 percent of penalties imposed through December 2009.¹¹ Based on our sample results, we estimate that SSA collected about \$3 million of the \$23.9 million in penalties assessed during that timeframe (see Appendix D).

⁵ SSA, POMS, GN 02230.060 H (03/14/2011).

⁶ SSA, POMS, GN 02230.050 G.10 (05/24/2010); *see also* 11 U.S.C. § 523(a)(7).

⁷ We limited our review to CMPs imposed through December 31, 2009 to provide SSA reasonable time to initiate collection activity.

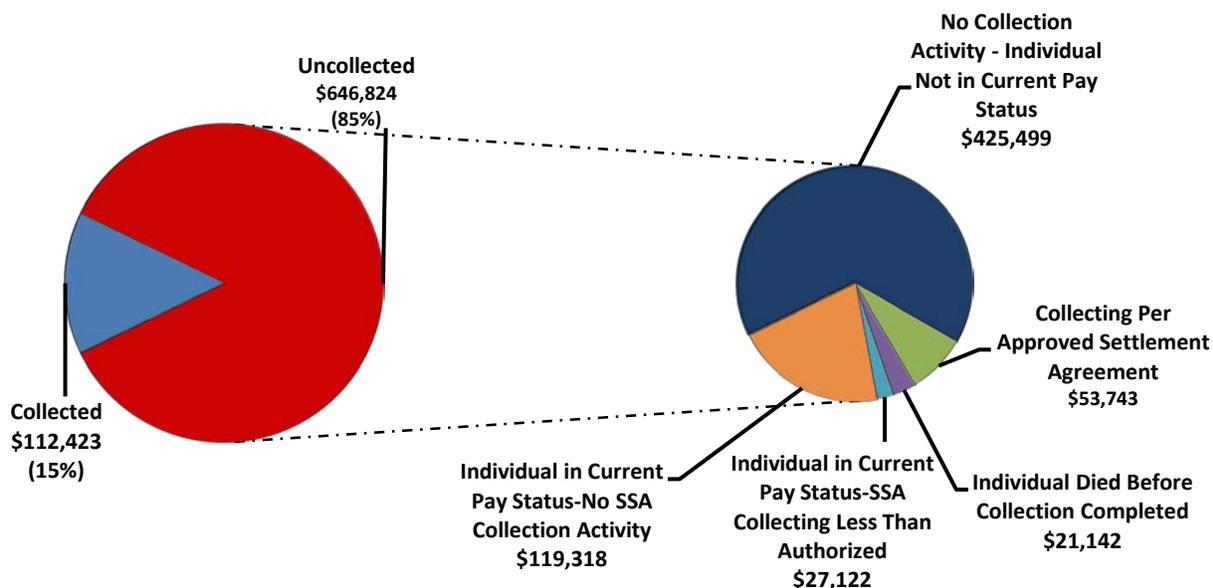
⁸ Before May 2010, the Office of Financial Policy and Operations, Office of Payment Recovery and Policy, was responsible for receiving the CMP information from OCIG, creating a transmittal with directions for posting the CMP to an individual's record, and forwarding the information to Operations for collection.

⁹ Subsequent information presented in the report refers exclusively to section 1129 CMPs.

¹⁰ See Footnote 8.

¹¹ Collections through October 2010.

Status of SSA Collection Activity for 50 Randomly Selected CMPs



SSA recovers CMPs primarily by withholding some or all of an individual's benefit payment. Our sample results indicated the low collection rate was primarily attributable to the fact that SSA did not collect many CMPs assessed against individuals who were not in current payment status.

However, we also determined SSA did not always collect CMP amounts due from individuals receiving payments. Based on our sample results, we estimate SSA had not taken action to collect approximately \$3.2 million in CMPs assessed against individuals who were receiving SSA payments at the time of our audit. In addition, SSA withheld smaller amounts from individuals' monthly payments than authorized or did not complete recovery because individuals who received payments died before making full restitution.

SSA Collection Activity for 50 Randomly Selected CMPs

SSA completed collection against eight individuals who were assessed a total of \$46,971 in CMPs. In seven additional cases,¹² SSA was collecting CMPs in accordance with negotiated settlement agreements. However, SSA's collection efforts in the other 35 cases were less effective.

¹² As of October 2010, SSA had collected \$25,669 of \$79,412 in CMPs imposed against the individuals.

No Collection Activity from Individuals Receiving SSA Payments

In 11 of 50 randomly selected CMP cases, SSA did not take action to recover \$119,318 in CMPs imposed against individuals who received SSA payments at the time of our review.

| No Collection Activity from Individuals Receiving SSA Payments | | |
|---|------------------------|-------------------------------------|
| Date CMP Imposed | Uncollected Balance | Individuals' Monthly SSA Payment |
| Mar-03 | \$2,200 | \$1,209 |
| Aug-03 | \$10,000 | \$478 |
| Dec-04 | \$10,000 | \$674 ¹³ |
| Aug-05 | \$14,317 | \$1,304 |
| Jan-06 | \$2,500 | \$1,317 |
| Mar-07 | \$8,575 | \$674 |
| Sep-07 | \$6,439 | \$774 |
| May-08 | \$1,850 | \$728 |
| Sep-08 | \$10,000 | \$694 |
| Sep-08 | \$30,000 | \$674 |
| Mar-09 | \$23,438 | \$674 |
| Total | \$119,318* | |

* Does not add due to rounding.

- In six cases, SSA's payment records did not contain a reference to the CMP.
- In three cases, SSA's payment records contained references to CMPs; however, SSA did not withhold amounts from the individuals' payments to recover the CMPs.
 - ✓ In one case, SSA collected overpayments from an individual; however, the collections were unrelated to the CMP assessed against this individual. Because CMPs typically involve fraud or misconduct, CMP collection takes priority over other collection activities and should not be subordinated to other overpayment collection activity unless authorized by an approved settlement agreement.¹⁴ The settlement agreement did not authorize SSA to subordinate collection of this CMP.
 - ✓ SSA incorrectly consolidated one CMP with other overpayments appearing on an individual's payment record, and then erroneously stopped collection action because of a pending medical cessation hearing.
 - ✓ SSA established cross-program recovery efforts for one CMP but did not initiate collection.

¹³ SSA withholds the entire \$674 in satisfaction of an unrelated overpayment. However, at the time of our review, the CMP amount did not appear on the individual's payment record.

¹⁴ SSA, POMS, GN 02230.060 A.2 (03/14/2011).

- In one case, SSA annotated the individual’s payment record with a remark referencing the CMP; however, staff did not post the CMP for collection.
- In one case, SSA initiated collection of a \$15,694 CMP in June 2006. From July through September 2006, SSA recovered \$1,377 from the individual’s payments. However, in September 2006, an unexplained systems transaction reduced the balance due from \$14,317 to \$0. SSA cannot terminate collection or write off CMP balances without Department of Justice approval. We found no documentation that justified SSA’s deletion of the balance due from this individual.

Absent an approved settlement agreement,¹⁵ SSA should take 100 percent of an individual’s benefit payment to satisfy a CMP.¹⁶ SSA did not implement controls to monitor or report CMP collection status, or ensure amounts were recovered from current payments. Based on our sample results, we estimate SSA was not taking action to collect approximately \$3.2 million in CMPs assessed against violators who were receiving benefits.

Collecting CMPs at Less Than Required Withholding Rates

In three cases with unpaid balances totaling \$27,122, SSA initiated collection activity but withheld amounts from individuals’ current payments that were less than amounts stipulated in CMP default letters.

| CMPs Collected at Less Than Default Letter Amount | | | | |
|---|------------|----------------|---------------------|-----------------|
| Date Imposed | CMP Amount | Unpaid Balance | Monthly SSA Payment | Amount Withheld |
| Aug-05 | \$15,000 | \$12,248 | \$694 | \$54 |
| Jul-06 | \$10,000 | \$7,424 | \$505 | \$55 |
| Aug-07 | \$10,000 | \$7,450 | \$293 | \$75 |
| | | \$27,122 | | |

In one case, SSA collected only \$54 from an individual’s \$694 monthly payment. At that rate of collection, it will take more than 18 years to recover the CMP. In a second case, SSA collected only \$55 from an individual’s \$505 monthly payment. At that rate of collection, it will take more than 11 years to recover the CMP. In the third case, available documentation indicated field office personnel agreed to reduce the CMP collection amount from the full amount of the individual’s SSA payment to \$75 per month. In all three cases, we found no evidence to indicate SSA obtained approval to withhold less than the full payment amount.

¹⁵ OCIG approved settlement agreements in 6 of the 11 cases.

¹⁶ SSA, POMS, GN 02230.060 A.2.d (03/14/2011).

Individuals Died Before SSA Recovered the CMP

In three cases, CMP balances totaling \$21,142 were uncollected because the individuals died before SSA recovered the amounts due. Two of the three individuals were receiving SSA payments, and CMP collections were ongoing at the time of death. SSA policy states that the Agency should seek payment of the CMP debt from the individual's estate.¹⁷ SSA could not provide evidence that estate development took place in two of the three cases¹⁸, and had not requested Department of Justice approval to write off unpaid balances.

| Individuals Who Died Before CMP Recovered | | | | |
|---|------------|------------------|-------------|---------------|
| Date CMP Imposed | CMP Amount | Amount Recovered | Balance Due | Date of Death |
| Jan-01 | \$11,516 | \$1,674 | \$9,842 | Sept-02 |
| Jun-06 | \$9,200 | \$900 | \$8,300 | July-08 |
| Dec-07 | \$5,000 | \$2,000 | \$3,000 | Jan-09 |
| | | | \$21,142 | |

No CMP Collection Activity from Individuals Who Did Not Receive SSA Payments

In 18 cases with unpaid balances totaling \$425,499, the violators were not receiving benefits at the time of our review. In these instances, SSA notes the debt on the individual's record in the event the individual becomes eligible for payments in the future.¹⁹ In 14 cases, we confirmed that SSA staff posted the uncollected debt in accordance with Agency policy. However, in four cases, additional SSA action was required to post the CMP and/or provide the necessary CMP remarks. Absent such notation on these payment records, SSA employees will not know to initiate collection activity in the event the individuals become eligible for SSA payments.

| Uncollected CMP Balances from Individuals Who Did Not Receive SSA Payments | | |
|--|-----------------|---------------------|
| Year CMP Imposed | Number of Cases | Uncollected Balance |
| 2000-2002 | 3 | \$23,536 |
| 2003-2005 | 2 | \$26,105 |
| 2006-2007 | 4 | \$71,027 |
| 2008-2009 | 9 | \$304,831 |
| | 18 | \$425,499 |

¹⁷ SSA, POMS, GN 02230.060 H (03/14/2011).

¹⁸ Operations staff stated that in December 2010, SSA initiated estate development on one of the cases.

¹⁹ SSA, POMS, GN 02230.055 A.4.b and A.5.b (05/24/2010).

SSA may return CMP debt imposed by settlement agreement that is not being repaid to OCIG for possible further administrative action. Otherwise, SSA may forward the matter to its Office of General Counsel for possible civil action.²⁰ However, during our review, we found no documentation to indicate SSA had pursued these alternatives in any of the 18 cases.

SSA officials stated that staff had been working with the Office of General Counsel to modify existing regulations to include CMP debts as eligible for Department of the Treasury referral. In the future, SSA plans to initiate other collection actions (Tax Refund Offset, Credit Bureau Reporting, Administrative Wage Garnishment, etc.) for CMP debts.

CONCLUSION AND RECOMMENDATIONS

Office of Finance efforts to collect section 1140 CMPs were effective, but Office of Operations efforts to collect section 1129 CMPs need improvement. Based on our sample results, we estimate SSA collected only about \$3 million of the \$23.9 million in section 1129 CMP fines assessed through December 2009. SSA did not always initiate CMP collection activity against individuals who received SSA payments. Based on our sample results, we estimate that SSA did not initiate collection of approximately \$3.2 million in CMPs owed by individuals receiving SSA benefits. This occurred because the Office of Operations did not implement effective controls to monitor or report CMP collection activity. Implementing effective controls could help ensure the recovery of approximately \$20 million in uncollected CMPs.

We recommend SSA:

1. Take action to address collection errors associated with our sampled cases.
2. Improve tracking and monitoring controls to ensure better collection of current and future CMPs, particularly section 1129 CMPs imposed against individuals in current payment status.
3. Provide periodic reports to SSA management on the status of CMP collection activities.

AGENCY COMMENTS

SSA agreed with our recommendations. SSA's comments are included in Appendix E.



Patrick P. O'Carroll, Jr.

²⁰ SSA, POMS, GN 02230.060 I and J (03/14/2011).

Appendices

APPENDIX A – Acronyms

APPENDIX B – Background

APPENDIX C – Scope and Methodology

APPENDIX D – Sampling Methodology and Results

APPENDIX E – Agency Comments

APPENDIX F – OIG Contacts and Staff Acknowledgments

Acronyms

| | |
|--------|--|
| Act | <i>Social Security Act</i> |
| CMP | Civil Monetary Penalty |
| OCIG | Office of Counsel to the Inspector General |
| OIG | Office of the Inspector General |
| POMS | Program Operations Manual System |
| SSA | Social Security Administration |
| U.S.C. | United States Code |

Background

A civil monetary penalty (CMP) is imposed against individuals, organizations, or other entities that violate sections 1129¹ or 1140² of the *Social Security Act* (Act). Individuals, organizations, or other entities violate section 1129 of the Act in the following ways.

- Making false statements or representations in connection with obtaining or retaining benefits or payments under Titles II, VIII, or XVI of the Act³ or making such statements or representations with knowing disregard for the truth.⁴
- Omitting material information from a statement or representation that the person knows or should know is material to the determination of any initial or continuing right to benefits or payments under Titles II, VIII, or XVI of the Act if they know or should know that the statement or representation with such omission is false or misleading.⁵
- Failing to report a change in status that the person knows or should know is material to the determination of any initial or continuing right to benefits or payments under Titles II, VIII, or XVI of the Act if they know or should know that the failure to report such change is misleading.⁶
- Wrongfully converting Social Security benefits while acting in the capacity of a representative payee.⁷

Section 1140 of the Act is a consumer protection tool against misleading advertising. Section 1140, in part, prohibits the use of Social Security Administration (SSA) words and symbols in advertisements, solicitations, or other communications in a manner that

¹ *Social Security Act* § 1129, 42 U.S.C. § 1320a-8.

² *Social Security Act* § 1140, 42 U.S.C. § 1320b-10.

³ *Supra* note 1 at §1320a-8(a)(1)(A).

⁴ *Supra* note 1 at §1320a-8(a)(1)(B).

⁵ *Supra* note 1 at §1320a-8(a)(1)(C).

⁶ *Id.*

⁷ *Supra* note 1 at §1320a-8(a)(3).

conveys the false impression that such item is approved, endorsed, or authorized by SSA or that such person has some connection with, or authorization from, SSA.⁸

For violations of section 1129, the Act authorizes a CMP of no more than \$5,000 for each violation and/or an assessment in lieu of damages of no more than twice the amount of improper benefit payments that resulted from the violation.⁹ With regard to section 1140 violations, CMPs may be imposed in an amount up to \$5,000 for each violation of the statute.¹⁰ Moreover, in the case of violations consisting of a broadcast or telecast, section 1140 authorizes the imposition of civil monetary penalties up to \$25,000.¹¹

⁸ *Supra* note 2 at §1320b-10(a)(1). In addition, section 1140 prohibits the fee-based reproduction, reprinting or distributing of any item consisting of a form, application, or other publication of SSA unless such person has obtained specific, written authorization for such activity in accordance with the regulations prescribed by the Commissioner. *Supra* note 2 at §1320b-10(a)(2)(A). Moreover, section 1140 prohibits persons from assisting an individual to obtain a product or service that they know or should know is provided free of charge by SSA without providing sufficient notice that the product or service is available free of charge from SSA and complies with the standards set forth by the Commissioner regarding placement, visibility, and legibility. *Supra* note 2 at §1320b-10(a)(4)(A).

⁹ *Supra* note 1 at § 1320a-8(a)(1)(C).

¹⁰ *Supra* note 2 at §1320b-10(b)(1). This means up to \$5,000 for each piece of violative mail, each misleading attorney advertisement, etc.

¹¹ *Supra* note 2 at §1320b-10(b)(2). The language of the statute indicates that this applies to each violation. For example, in the case of a misleading commercial that violates section 1140, each time that commercial is broadcast, it is subject to up to \$25,000 in a potential civil monetary penalty.

Scope and Methodology

To accomplish our objective, we:

- Reviewed pertinent sections of the *Social Security Act* and the Social Security Administration's Program Operations Manual System.
- Interviewed Office of Counsel to the Inspector General (OCIG) attorneys regarding their process for assessing civil monetary penalties (CMP), the data collection tools for tracking CMPs, and the data contained in the National Investigative Case Management System related to CMPs.
- Interviewed Headquarters staff from the Offices of Financial Policy and Operations, Public Service and Operations Support, and Systems.
- Identified 1,356 section 1129 CMPs, totaling approximately \$23.9 million, assessed by OCIG and 15 section 1140 CMPs, totaling approximately \$3.1 million, assessed by court judgments through December 2009. We reviewed available documentation to determine the collection status of
 - ✓ 50 randomly selected section 1129 CMPs and
 - ✓ all 15 section 1140 CMPs.

We performed our audit in the Dallas Audit Division between September 2010 and February 2011. We tested the data obtained for our audit and determined them to be sufficiently reliable to meet our objective. The entities audited were the Offices of (1) Financial Policy and Operations, Offices of Payment and Recovery Policy and Finance under the Deputy Commissioner for Budget, Finance and Management; (2) Public Service and Operational Support under the Deputy Commissioner for Operations; and (3) the Deputy Commissioner for Systems. We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Sampling Methodology and Results

We obtained section 1140 civil monetary penalty (CMP) information from the Office of Finance and identified a population of 15 CMPs imposed from October 1999 through December 2009. To determine the Social Security Administration’s (SSA) effectiveness in collecting the CMPs, we reviewed the collection status of all 15 cases.

We also identified a population of 1,356 section 1129 CMPs imposed by the Office of Counsel to the Inspector General from September 1997 through December 2009. To determine SSA’s effectiveness in collecting CMPs, we randomly selected 50 cases and determined the collection status of each sampled case.

Based on our random sample of 50 CMP cases, we found that SSA had collected \$112,423 of the \$759,248 CMPs assessed for the 50 sampled cases (see Table D-1). We also determined that SSA was not collecting CMP balances due from 11 individuals who received SSA payments at the time of the audit.

Table D-1. Collection Status of 50 Randomly Selected CMPs

| Calendar Year Imposed | Number of Sample Cases | CMP Amount | Collected as of 10/2010 | Uncollected Balance | Number of Sampled Cases Where Individual Was in Current Payment Status | | | | Individual Not in Current Payment Status | |
|-----------------------|------------------------|------------|-------------------------|---------------------|--|------------------------------------|------------------------|---------------------------------|--|----------------------------------|
| | | | | | Collected in Full | Collected per Settlement Agreement | No Collection Activity | Collecting Less than Authorized | No Collection Activity | Died Before Collection Completed |
| 2000 | 1 | \$7,182 | \$0 | \$7,182 | 0 | 0 | 0 | 0 | 1 | 0 |
| 2001 | 3 | \$21,516 | \$4,674 | \$16,842 | 1 | 0 | 0 | 0 | 1 | 1 |
| 2002 | 3 | \$25,354 | \$14,800 | \$10,554 | 1 | 1 | 0 | 0 | 1 | 0 |
| 2003 | 4 | \$37,200 | \$9,208 | \$27,992 | 0 | 1 | 2 | 0 | 1 | 0 |
| 2004 | 3 | \$28,000 | \$3,000 | \$25,000 | 1 | 0 | 1 | 0 | 1 | 0 |
| 2005 | 3 | \$31,694 | \$5,129 | \$26,565 | 1 | 0 | 1 | 1 | 0 | 0 |
| 2006 | 8 | \$87,659 | \$35,447 | \$52,212 | 1 | 3 | 1 | 1 | 1 | 1 |
| 2007 | 9 | \$126,751 | \$16,711 | \$110,040 | 1 | 1 | 2 | 1 | 3 | 1 |
| 2008 | 10 | \$141,512 | \$18,404 | \$123,108 | 2 | 1 | 3 | 0 | 4 | 0 |
| 2009 | 6 | \$252,380 | \$5,050 | \$247,330 | 0 | 0 | 1 | 0 | 5 | 0 |
| Totals | 50 | \$759,248 | \$112,423 | \$646,825 | 8 | 7 | 11 ¹ | 3 | 18 ² | 3 |

¹ In four cases (one 2005 case, two 2007 cases, and one 2008 case), SSA records indicated some prior CMP collection activity.

² In eight cases (one 2003 case, two 2007 cases, two 2008 cases, and three 2009 cases), SSA records indicated some prior CMP collection activity.

Projecting these results to our population of 1,356 cases with a total CMP fine amount of \$23.9 million, we estimate that (1) SSA had collected approximately \$3 million in CMP fines and (2) there were 298 individuals in current pay status with about \$3.2 million in CMP fines but no current collection activity. The following tables provide the details of our sample results and statistical projections.

| Table D-2: Population and Sample Size | Number | CMP Amount |
|--|---------------|-------------------|
| Population Size | 1,356 | \$23.9 M |
| Sample Size | 50 | \$759,248 |

| Table D-3: Estimated Amount of SSA CMP Collections | Number | Collected Amount |
|---|---------------|-------------------------|
| Sample Results | 33 | \$112,423 |
| Point Estimate | 895 | \$3,048,913 |
| Lower Limit | 728 | \$1,963,765 |
| Upper Limit | 1,042 | \$4,134,061 |

Note: All projections are at the 90-percent confidence level.

| Table D-4: Estimated Individuals with CMP Fines in Current Pay Status with No Collection Activity | Number | Uncollected Amount |
|--|---------------|---------------------------|
| Sample Results | 11 | \$119,318 |
| Point Estimate | 298 | \$3,235,916 |
| Lower Limit | 177 | \$1,324,044 |
| Upper Limit | 455 | \$5,147,788 |

Note: All projections are at the 90-percent confidence level.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: July 21, 2011

Refer To: S1J-3

To: Patrick P. O'Carroll, Jr.
Inspector General

From: Dean S. Landis /s/
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Collection of Civil Monetary Penalties"
(A-06-11-11136)--INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Frances Cord at (410) 966-5787.

Attachment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "COLLECTION OF CIVIL MONETARY PENALTIES" (A-06-11-11136)

Below are our responses to your recommendations.

Recommendation 1

Take action to address collection errors associated with our sampled cases.

Response

We agree.

Recommendation 2

Improve tracking and monitoring controls to ensure better collection of current and future CMPs, particularly 1129 CMPs imposed against individuals in current pay status.

Response

We agree. We will centralize the workload by assigning Civil Monetary Penalty (CMP) cases to one Program Service Center and develop a database to control and track the cases.

Recommendation 3

Provide periodic reports to SSA management on the status of CMP collection activities.

Response

We agree. While, we currently do not have an automated system in place to track and monitor CMP cases, we will continue to explore ways to improve the manual process. In addition, the database control activities described in recommendation number 2 should assist with automating this effort.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Ron Gunia, Director, Dallas Audit Division

Jason Arrington, Audit Manager

Acknowledgments

In addition to those named above:

Chasity Crawley, Senior Auditor

Sandi Archibald, Attorney

Amy Shemensi, IT Specialist

For additional copies of this report, please visit our Website at www.ssa.gov/oig or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-06-11-11136.

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Social Security Advisory Board

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess 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 reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Counsel to the Inspector General

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

Office of External Relations

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.