
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**AGED BENEFICIARIES WHOSE BENEFITS
HAVE BEEN SUSPENDED FOR ADDRESS
OR WHEREABOUTS UNKNOWN**

June 2011

A-09-09-29117

AUDIT REPORT



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SOCIAL SECURITY

MEMORANDUM

Date: June 17, 2011

Refer To:

To: The Commissioner

From: Inspector General

Subject: Aged Beneficiaries Whose Benefits Have Been Suspended for Address or Whereabouts Unknown (A-09-09-29117)

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) had taken appropriate actions for Title II beneficiaries over age 70 whose benefits were suspended for address, whereabouts unknown, or miscellaneous reasons.

BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance program under Title II of the *Social Security Act*.¹ This program provides monthly benefits to retired or disabled workers, their families, and survivors of deceased workers. SSA may suspend benefits when it receives a third-party report that a beneficiary is missing, when checks are returned because they are undeliverable, or for other miscellaneous reasons. For beneficiaries living outside the United States, SSA may also suspend benefits when a foreign enforcement questionnaire (FEQ) is not returned.² In such instances, SSA must make a reasonable effort to locate the beneficiary.

SSA policy states that when a beneficiary's whereabouts are unknown and benefits have been suspended for at least 7 years, SSA will assume the reason the beneficiary failed to request payment during the 7-year period is death. SSA uses this presumption of death to terminate benefits and prevent benefits from remaining in suspense indefinitely. SSA policy also states that terminating entitlement for presumed death ensures that suspended payments will not be fraudulently issued to someone other than the beneficiary.³

¹ The *Social Security Act* § 201 *et seq.*, 42 U.S.C. § 401 *et seq.*

² SSA, Program Operations Manual System (POMS), RS 02655.010.

³ SSA, POMS, GN 02602.320.F and Social Security Ruling 99-1p.

According to SSA's Master Beneficiary Record (MBR), as of January 2009, there were approximately 38,000 Title II beneficiaries over age 70 whose benefits were suspended for address, whereabouts unknown, or miscellaneous reasons. This consisted of approximately 30,000 beneficiaries whose last known address was in the United States and 8,000 beneficiaries whose last known address was in a foreign country. According to SSA's records, none of these beneficiaries had a reported death.

From the population of 38,000 beneficiaries, we reviewed 2 random samples:
(1) 100 beneficiaries whose last known address was in the United States and
(2) 100 beneficiaries whose last known address was in a foreign country.

RESULTS 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. Specifically, we found that SSA did not (1) terminate beneficiaries in suspended pay status for longer than 7 years for presumption of death, as required; (2) take action on beneficiaries who were suspended between 2 and 7 years; and (3) properly resolve FEQ suspensions for beneficiaries living in foreign countries. Based on our random samples, 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 (24,439 beneficiaries with a last known address in the United States and 4,757 beneficiaries with a last known address in a foreign country);
- 5,981 beneficiaries had been suspended between 2 and 7 years because their whereabouts were unknown (3,017 beneficiaries with a last known address in the United States and 2,964 beneficiaries with a last known address in a foreign country); and
- 2,964 of the foreign beneficiaries were suspended because they did not return the FEQ, and there was no evidence that SSA conducted the required follow-up actions to determine their whereabouts or whether they were deceased (see Appendix C).

This occurred because SSA did not have adequate controls and procedures to (1) identify and terminate beneficiaries who were presumed to be deceased; (2) prevent the erroneous reinstatement and payment of suspended benefits to someone other than the beneficiary; and (3) ensure follow-up actions for FEQ suspensions were properly resolved or documented.

AGED BENEFICIARIES IN SUSPENDED PAY STATUS

Based on a random sample of 200 beneficiaries,⁴ we found 142 (71 percent) had been in suspended pay status for 7 or more years. In addition, 48 (24 percent) had been in suspended pay status between 2 and 7 years. For the remaining 10 (5 percent) beneficiaries, 4 were returned to current pay status, and 6 were terminated for death. The results of our review are summarized in the following table.

Description	Domestic Beneficiaries	Foreign Beneficiaries ⁵
Beneficiaries in Suspense for 7 or More Years	81	61
Beneficiaries in Suspense for 2 to 7 Years	10	38
Beneficiaries Returned to Current Pay Status	3	1
Beneficiaries Terminated for Death	6	0
Total	100	100

SSA Controls and Procedures for Beneficiary Suspensions

SSA may suspend benefits for address, whereabouts unknown, or miscellaneous reasons. This suspension action may be based on a third-party report, undeliverable mail, or benefit checks returned for address or miscellaneous reasons. For a Title II beneficiary, the suspension is proper when SSA cannot locate the beneficiary and his or her whereabouts are unknown. When this occurs, SSA will send a notice advising the beneficiary that benefits will be suspended. SSA employees must attempt to locate the beneficiary, obtain a correct address, or determine the reason for a returned benefit check. SSA's efforts to locate the beneficiary must be documented on the MBR. After a beneficiary has been suspended for whereabouts unknown for a period of at least 7 continuous years, SSA assumes the beneficiary is deceased and terminates entitlement to benefits effective the date the beneficiary disappeared unless there is convincing evidence to establish a more likely date of death.⁶

SSA sends an annual or biennial FEQ to all beneficiaries residing outside the United States. The FEQ verifies that beneficiaries are alive and obtains information regarding events that may result in suspension, reduction, or termination of benefits. If a beneficiary does not return the FEQ, benefits are suspended and SSA is required to investigate the beneficiary's whereabouts.⁷

⁴ Includes 100 domestic and 100 foreign beneficiaries.

⁵ Includes 19 FEQ suspensions.

⁶ SSA, POMS, GN 02602.320, SM 03005.140, and SM 03020.200.

⁷ SSA, POMS, RS 02655.001 and RS 02655.010.I.

SSA has established a number of automated controls to ensure benefit suspensions are properly resolved. Specifically, SSA generates an alert after 60 days and a follow-up alert 6 months after the initial alert for any beneficiary who has been suspended for address reasons.⁸ If a beneficiary has been suspended for whereabouts unknown, SSA generates an alert after 60 days and a follow-up alert 12 months after the initial alert if the conditions still exist. When these alerts are generated, SSA employees should determine the beneficiary's whereabouts or whether a more appropriate suspension or termination applies.⁹ There are no periodic alerts for beneficiaries suspended because they did not return the FEQ. Finally, SSA did not have a control in place to identify and terminate the records of beneficiaries whose whereabouts are unknown and have been in continuous suspense for longer than 7 years.

Aged Beneficiaries in Suspense for 7 or More Years

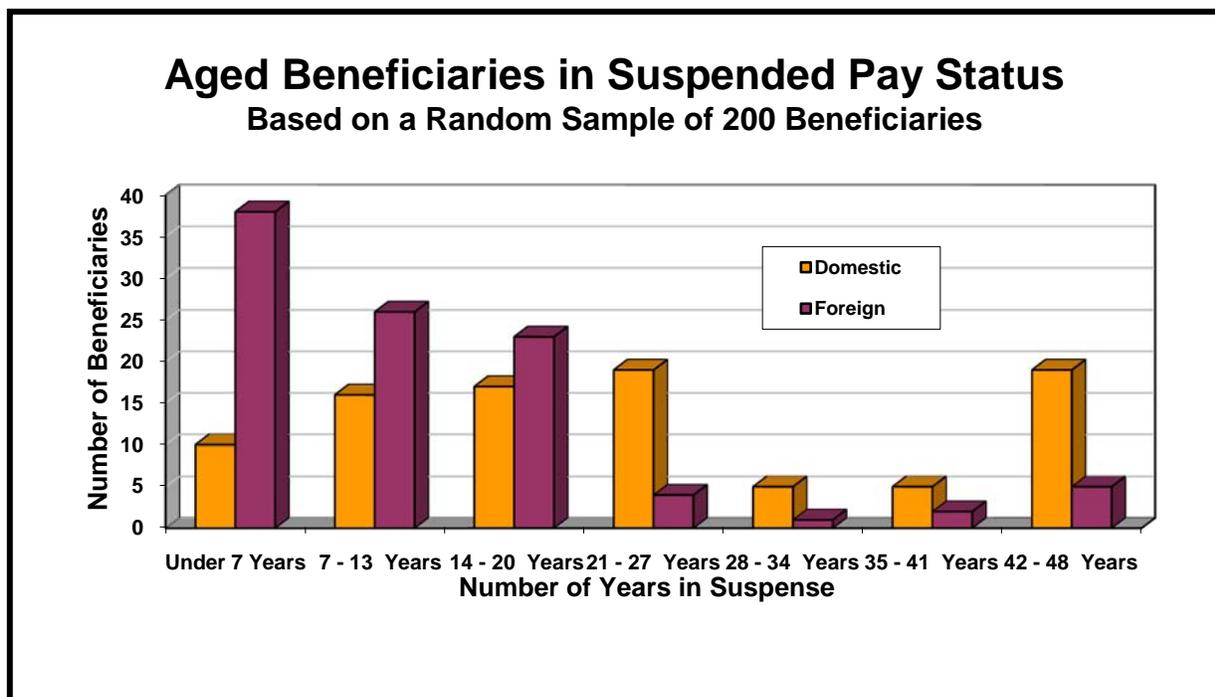
Based on a random sample of 200 beneficiaries,¹⁰ we found 142 (71 percent) were in suspended pay status for 7 or more years. However, SSA had not taken any action to terminate the entitlement of these beneficiaries. This occurred because SSA did not have a control to identify and terminate the records of beneficiaries whose whereabouts were unknown and benefits had been suspended for at least 7 years. Based on our sample results, we estimate that SSA had not taken action to terminate 29,196 beneficiaries based on a presumption of death (see Appendix C).

Of the 142 beneficiaries who were in suspended pay status for 7 or more years, 81 had a last known address in the United States and were in suspense for an average of 26 years. The remaining 61 beneficiaries had a last known address in a foreign country and were in suspense for an average of 17 years. The following chart provides the number of years the aged beneficiaries remained in suspended pay status.

⁸ SSA, POMS, SM 00619.085.

⁹ SSA, POMS, SM 00619.090.

¹⁰ Includes 100 domestic and 100 foreign beneficiaries.



We also found the 200 beneficiaries in our sample were, according to SSA's records, between the ages of 71 and 129. According to the Gerontology Research Group, as of November 2009, there were 22 validated individuals who were 110 years or older in the United States. The oldest validated living centenarian in the United States was age 114 as of November 2009.¹¹ However, according to SSA's records, 32 beneficiaries in our sample were 110 years or older. Of these, 23 beneficiaries were 114 years or older.

For example, SSA suspended benefits to a beneficiary with an incorrect address in December 1977. After 7 years, the beneficiary had accumulated \$20,363 in suspended benefits. However, SSA did not take action to terminate the beneficiary's entitlement to benefits. Instead, the beneficiary remained in suspense while an additional \$134,677 accumulated over the next 25 years. According to SSA's records, as of December 2009, the beneficiary was 117 years old. SSA should have terminated the beneficiary based on a presumption of death to reduce the potential for improper payments to ineligible individuals.

¹¹ Gerontology Research Group, *Validated Living Supercentenarians*, November 2009.

SSA policy states that when benefits have been suspended for whereabouts unknown for at least 7 continuous years because an adult individual has been absent or missing during this period, SSA should assume the reason the beneficiary did not request the benefits is death. SSA should also terminate entitlement to benefits effective with the date the adult beneficiary disappeared, unless there is evidence to establish a more likely date of death.¹²

SSA policy states that terminating entitlement for presumed death ensures that suspended payments will not be fraudulently issued to someone other than the beneficiary. This is because SSA policy requires a face-to-face interview with the beneficiary before it can reinstate benefits after an erroneous death termination.¹³ However, the reinstatement and payment of suspended benefits does not involve the same stringent development before release of payment and is more vulnerable to fraud. By applying the presumption of death policy to terminate entitlement, SSA ensures a final resolution occurs for those beneficiaries who would otherwise remain in suspension indefinitely.¹⁴

Finally, in a recent audit,¹⁵ we reported that SSA improperly issued about \$2.1 million in payments to beneficiaries who remained in a suspended payment status for an extended period. Specifically, we found that approximately 8,200 beneficiaries who, according to SSA's records, were between ages 112 and 136 and had not received a Social Security benefit for at least 30 years were improperly issued a \$250 economic recovery payment. SSA subsequently reported that only one of these beneficiaries was alive and eligible for the payment. As a result, we recommended, and SSA agreed to take, appropriate actions to terminate the records of these beneficiaries to prevent further erroneous payments.

¹² SSA, POMS, GN 02602.320.

¹³ Social Security Ruling 99-1p and SSA, POMS, GN 02602.055.

¹⁴ Social Security Ruling 99-1p.

¹⁵ SSA, OIG, *Economic Recovery Payments for Social Security and Supplemental Security Income Beneficiaries* (A-09-10-11017), September 2010.

Aged Beneficiaries in Suspense Between 2 and 7 Years

SSA studies show that suspensions for lack of address are usually resolved within 24 months, and benefits left in suspense for longer than 24 months are rarely resolved.¹⁶ Given this, we believe the same vulnerability that SSA policy noted for terminating entitlement based on a presumption of death after 7 years also exists for beneficiaries in suspense longer than 2 years. These benefits can also be reinstated and paid without an in-person interview and proof of the beneficiary's identity. We do not believe a termination based on a presumption of death is necessary; however, SSA should establish additional controls before it reinstates benefits to aged beneficiaries whose whereabouts have been unknown for longer than 2 years.

Based on our random sample of 200 beneficiaries,¹⁷ we determined that 48 (24 percent) were in suspended pay status between 2 and 7 years. We believe these benefits are at risk because they could be reinstated and paid without an in-person interview and proof of the beneficiary's identity. Based on our sample results, we estimate that approximately 5,981 beneficiaries have been in suspended pay status between 2 and 7 years (see Appendix C).

Required Follow-up Actions for Beneficiaries Who Did Not Return FEQs

Based on our sample of 100 foreign beneficiaries, we found that 38 (38 percent) were suspended because they had not returned the FEQ.¹⁸ For these beneficiaries, there was no evidence that SSA had conducted the required follow-up actions to determine their whereabouts or whether they were deceased. Based on our sample results, we estimate that SSA had not taken appropriate follow-up action for 2,964 beneficiaries who were suspended because they had not returned the FEQ (see Appendix C).

SSA mails an FEQ annually or biennially to beneficiaries living outside the United States to verify (1) they are still alive and (2) any events have occurred that may affect their eligibility for benefits.¹⁹ If the FEQ is not returned within 60 days, SSA mails a second notice to the beneficiary. If there is no response, SSA mails a suspension letter about 6 months after the initial FEQ was mailed.²⁰

¹⁶ Social Security Ruling 99-1p.

¹⁷ Includes 100 domestic and 100 foreign beneficiaries.

¹⁸ Of these, 19 beneficiaries remained in suspended pay status for over 7 years and should have been terminated for presumption of death.

¹⁹ SSA, POMS, RS 02655.001.

²⁰ SSA, POMS, RS 02655.010.

After SSA suspends benefits, it establishes a 90-day diary to follow up on these beneficiaries. If the diary expires and SSA has not received an FEQ, it reviews the beneficiary's case folder and contacts the appropriate foreign service post or border field office to locate the missing beneficiary. In addition, SSA notifies the applicable Federal Benefits Unit (FBU)²¹ to investigate the beneficiary's whereabouts.²² SSA may also contact local police, clergy, Post Office, or welfare authorities to determine the beneficiary's status.

Of the 38 beneficiaries, 21 resided in countries where SSA had an FBU in the American Embassy or Consulate, and 17 resided in countries where SSA did not have an FBU. Although SSA stated that FBUs should document their efforts to locate missing foreign beneficiaries, it could not provide any documentation to support the results of its investigations into the whereabouts of these beneficiaries. However, since many beneficiaries were in suspended pay status for an extended period, SSA stated that some of the documentation may have been archived or destroyed.

For example, SSA suspended benefits to a beneficiary who resided in Canada and had not returned the FEQ in January 1999. The beneficiary was born in May 1908. During our review, we found no evidence to indicate SSA had conducted the required follow-up actions to determine the beneficiary's whereabouts or whether she was deceased. In addition, SSA could not provide any documentation to support its efforts to locate the missing beneficiary. As of December 2009, the beneficiary remained in suspended pay status and had accumulated \$133,391 in suspended benefits.

CONCLUSION AND RECOMMENDATIONS

SSA had not taken appropriate actions for Title II beneficiaries over age 70 whose benefits were suspended for address, whereabouts unknown, or miscellaneous reasons. Based on our random samples, we estimate that (1) 29,196 beneficiaries whose whereabouts were unknown had not been terminated based on a presumption of death, (2) 5,981 beneficiaries had been suspended between 2 and 7 years because their whereabouts were unknown, and (3) there was no evidence that SSA conducted the required follow-up actions for 2,964 foreign beneficiaries who did not return FEQs (see Appendix C).

²¹ SSA provides services to claimants and beneficiaries residing outside the United States through FBUs located in 34 countries.

²² SSA, POMS, RS 02655.010.

We recommend that SSA:

1. 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.
2. Ensure suspended beneficiaries whose whereabouts were unknown for longer than 2 years have their identity and continuing eligibility for benefits validated before reinstating benefits.
3. 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.
4. Implement controls to identify beneficiaries in suspense for 7 or more years and ensure these beneficiaries are terminated for presumption of death in a timely manner.

AGENCY COMMENTS

SSA agreed with all our recommendations. The Agency's comments are included in Appendix D.



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Sampling Methodology and Results

APPENDIX D – Agency Comments

APPENDIX E – OIG Contacts and Staff Acknowledgments

Acronyms

FBU	Federal Benefits Unit
FEQ	Foreign Enforcement Questionnaire
MBR	Master Beneficiary Record
MEF	Master Earnings File
POMS	Program Operations Manual System
OIG	Office of the Inspector General
SSA	Social Security Administration
U.S.C.	United States Code

Scope and Methodology

From the Social Security Administration's (SSA) Master Beneficiary Record (MBR), we obtained a data extract of beneficiaries over age 70 who were in suspended pay status for address, whereabouts unknown, or miscellaneous reasons as of January 2009. We identified a population of 30,171 domestic beneficiaries and 7,799 foreign beneficiaries.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act* and SSA's Program Operations Manual System;
- interviewed SSA employees from the Offices of the Commissioner and Central Operations;
- selected a random sample of 100 domestic and 100 foreign beneficiaries;
- reviewed queries from SSA's MBR, Numident, and Master Earnings File (MEF);
- referred 38 beneficiaries who had not returned the foreign enforcement questionnaire to the Office of International Operations for review; and
- calculated the amount of suspended benefits and number of months in suspense for the beneficiaries in our sample.

We determined the computer-processed data from the MBR and Numident were sufficiently reliable for our intended use. We conducted tests to determine the completeness and accuracy of the data. These tests allowed us to assess the reliability of the data and achieve our audit objective. We did not test SSA's automated systems to verify the completeness and accuracy of the MEF. The entity responsible for the MEF is the Office of Earnings, Enumeration, and Administrative Systems under the Office of the Deputy Commissioner for Systems.

We performed audit work in Richmond, California, and Baltimore, Maryland, between April and October 2010. The entities audited were the Offices of Income Security Programs under the Deputy Commissioner for Retirement and Disability Policy and International Operations under the Office of the Deputy Commissioner for Operations.

We conducted this performance 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 a data extract from the Social Security Administration's (SSA) Master Beneficiary Record of 37,970 beneficiaries over age 70 who were suspended for address, whereabouts unknown, or miscellaneous reasons as of January 2009. Based on the data extract, we identified a population of 30,171 beneficiaries with a last known domestic address and 7,799 beneficiaries with a last known foreign address.

We randomly selected 100 domestic and 100 foreign beneficiaries to determine whether SSA had taken appropriate actions to resolve their suspensions. We also determined the number of months the beneficiaries had been in suspended pay status. In addition, we calculated the amount of accumulated benefits from the first month of suspension to December 2009.

Aged Domestic Beneficiaries in Suspended Pay Status

Based on a random sample of 100 aged beneficiaries with a domestic address, we found 81 were in suspended pay status for 7 or more years and should have been terminated based on a presumption of death. Projecting these results to our population of 30,171 beneficiaries, we estimate that SSA had not taken action to terminate the suspended benefits for 24,439 beneficiaries.

We also found 10 domestic beneficiaries were in suspended pay status between 2 and 7 years. Projecting these results to our population of 30,171 beneficiaries, we estimate that SSA had not taken action to terminate the suspended benefits for 3,017 beneficiaries.

Aged Foreign Beneficiaries in Suspended Pay Status

Based on a random sample of 100 aged beneficiaries with a foreign address, we found 61 were in suspended pay status for 7 or more years and should have been terminated based on a presumption of death. Projecting these results to our population of 7,799 beneficiaries, we estimate that SSA had not taken action to terminate the suspended benefits for 4,757 beneficiaries.

We also found 38 foreign beneficiaries were in suspended pay status between 2 and 7 years. Projecting these results to our population of 7,799 beneficiaries, we estimate that SSA had not taken action to terminate the suspended benefits for 2,964 beneficiaries.

In addition, we found 38 foreign beneficiaries were suspended because they had not returned the foreign enforcement questionnaire. For these beneficiaries, there was no evidence that SSA had conducted the required follow-up actions to determine their

whereabouts—or whether they were deceased. Projecting these results to our population of 7,799 beneficiaries, we estimate that SSA had not taken action to terminate the suspended benefits for 2,964 beneficiaries. The following tables provide the details of our sample results and statistical projections.

Table 1 – Population and Sample Size

Description	Number of Domestic Beneficiaries	Number of Foreign Beneficiaries
Population Size	30,171	7,799
Sample Size	100	100

Table 2 – Beneficiaries in Suspense for 7 or More Years

Description	Number of Domestic Beneficiaries	Number of Foreign Beneficiaries
Sample Results	81	61
Point Estimate	24,439	4,757
Projection - Lower Limit	22,144	4,084
Projection - Upper Limit	26,302	5,392

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

Table 3 – Beneficiaries in Suspense Between 2 and 7 Years

Description	Number of Domestic Beneficiaries	Number of Foreign Beneficiaries
Sample Results	10	38
Point Estimate	3,017	2,964
Projection - Lower Limit	1,670	2,334
Projection - Upper Limit	4,936	3,636

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

Table 4 – Required Follow-up Actions for Beneficiaries Who Did Not Return Foreign Enforcement Questionnaires

Description	Number of Foreign Beneficiaries
Sample Results	38
Point Estimate	2,964
Projection - Lower Limit	2,334
Projection - Upper Limit	3,636

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

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: May 24, 2011 **Refer To:** S1J-3

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

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

Subject: The Office of the Inspector General (OIG) Draft Report, "Aged Beneficiaries Whose Benefits Have Been Suspended for Address or Whereabouts Unknown" (A-09-09-29117)--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, “AGED BENEFICIARIES WHOSE BENEFITS HAVE BEEN SUSPENDED FOR ADDRESS OR WHEREABOUTS UNKNOWN” (A-09-09-29117)

Prior to your audit, we convened a Death Notification Workgroup to research certain cases where Title II beneficiaries remained in suspension for long periods. We are considering the workgroup’s recommendations. We recently formed another workgroup, the Title II Beneficiaries Suspense Status Workgroup, to analyze and provide possible solutions to the issues you describe in your report.

Recommendation 1

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.

Response

We agree. We will identify and terminate beneficiaries in this category. Our Title II Beneficiaries Suspense Workgroup will study other long-term suspense categories and we will act on its findings and recommendations.

Recommendation 2

Ensure suspended beneficiaries whose whereabouts were unknown for longer than 2 years have their identity and continuing eligibility for benefits validated before reinstating benefits.

Response

We agree. We will update our policy for reinstating benefits and apply it accordingly.

Recommendation 3

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.

Response

We agree.

Recommendation 4

Implement controls to identify beneficiaries in suspense for 7 or more years and ensure these beneficiaries are terminated for presumption of death in a timely manner.

Response

We agree. As resources permit, we will implement an alert to place these beneficiaries in terminated status.

OIG Contacts and Staff Acknowledgments

OIG Contacts

James J. Klein, Director, San Francisco Audit Division

Jack H. Trudel, Audit Manager

Acknowledgments

In addition to those named above:

Daniel Hoy, Senior Auditor

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