

*Social Security Administration
Office of the Inspector General
Semiannual Report to Congress*

October 1, 1996 – March 31, 1997

Foreword

I am pleased to submit the Office of the Inspector General's (OIG) Semiannual Report to the Congress, as required by the Inspector General Act of 1978, as amended. This report chronicles the accomplishments of our office for the period October 1, 1996 to March 31, 1997.

During this period, OIG activities resulted in 395 criminal convictions and more than \$11.5 million in fines, judgments, and restitutions. We issued 20 audit and evaluation reports with recommendations that \$39,100,000 be put to better use. It is significant to note that our monetary recommendations were more than double the OIG's total budget for the reporting period. In addition, the Social Security Administration (SSA) implemented recommendations made by the OIG exceeding \$1.4 billion. Lastly, the OIG's work produced recommendations that will lead to improvements in the accuracy of beneficiary payments. Since March 31, 1995, we have recommended \$537 million in payment accuracy improvements involving more than 400,000 beneficiaries.

I want to thank the Acting Commissioner of Social Security, the SSA senior management team, and Members of Congress and their staffs for their support. In addition, I want to commend the fine work performed by the Office of the Inspector General's staff during this period. We look forward to continuing our work to achieve the highest level of integrity and accountability for SSA's programs and operations.

David C. Williams

Inspector General

Office of the Inspector General *Mission Statement*

Mission

We improve the Social Security Administration's programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.

Authority

The Inspector General (IG) 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 Inspector General 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

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.

Overview of the Office of the Inspector General

Created in 1935, the Social Security Administration (SSA) has grown to be an indispensable part of the American way of life. The Social Security Administration directly touches the lives of more people than any other public service agency in the United States. More than 50 million Americans depend on the Social Security Administration's programs. In Fiscal Year 1996, the Social Security Administration paid \$375 billion in benefits to retiree's, the needy, aged, blind and disabled persons; their spouses and dependent children; and certain surviving family members of deceased insured workers. It is vital that the public has confidence and trust in the Social Security Administration and its programs.

The Social Security Administration is vast in size, employing about 65,000 people in over 1,500 offices. In addition, the disability program depends on the support of 54 Disability Determination Services located in all 50 States, the District of Columbia, Guam and Puerto Rico. The Disability Determination Services employ approximately 15,000 individuals.

As part of the Social Security Independence and Program Improvements Act of 1994 (Public Law 103-296), the Social Security Administration was provided with its own statutory Inspector General, effective March 31, 1995. The Office of the Inspector General's (OIG) mission is to improve the effectiveness and efficiency of the Social Security Administration's operations and programs and protect them against fraud, waste and abuse.

The Office of the Inspector General's Fiscal Year 1997 budget appropriation of \$37,354,000 funds the salaries of 383 staff members and supports OIG operations. To effectively carry out and accomplish the Office of the Inspector General's mission and to support the Agency's goals of rebuilding public confidence we have organized our office into four main components.

Office of Investigations

The Office of Investigations conducts and coordinates investigative activity related to fraud, waste, abuse and mismanagement in the Social Security Administration's programs and operations. This investigative activity also includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and by the SSA employees in the performance of their duties. The Office of Investigations frequently conducts joint investigations with other Federal, State, and local law enforcement agencies. The Office of Investigations has eight field offices with numerous sub-offices.

In addition to offices nationwide, the Office of Investigations directs the Joint Field Operations program. This program is staffed with highly experienced criminal investigators who draw upon their experience and established contacts within the law enforcement community to focus on significant fraud and enumeration violations against SSA. Further, the Strategic Enforcement Division, staffed with senior investigators, identifies and targets for investigation SSA programs and operations that are potentially vulnerable to widespread fraud and abuse.

Office of Audit

The Office of Audit conducts comprehensive financial and performance audits of the Social Security Administration's programs and operations. In its reports, the Office of Audit makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations, and cash flow. Performance audits review the efficiency and effectiveness of SSA's programs. The Office of Audit also conducts short-term management and program evaluations focused on issues of concern to SSA, the Congress, and the general public. Evaluations identify and recommend ways to prevent program fraud and minimize inefficiency.

The Office of Audit is organized into issue area teams that provide centers of expertise in each of SSA's program areas. We have issue area teams for Enumeration; Retirement and Survivors Insurance Program; Earnings; Supplemental Security Income/Old-Age Survivors and Disability Insurance; Field Office Operations; Office of Hearings and Appeals; State Disability Determination Services; Program Service Center/Teleservice Center Operations; Financial Management; Systems; General Management; Payment Accuracy; and Performance Monitoring.

Office of the Counsel to the Inspector General

The Office of the Counsel to the Inspector General provides legal advice and counsel to the Inspector General and senior staff on various matters, including: (1) statutes, regulations, legislative and policy directives governing the administration of the Social Security Administration's programs; (2) investigative procedures and techniques; and (3) legal implications and conclusions to be drawn from audit and investigative material. Section 4(a) of the Inspector General Act of 1978, as amended, requires the Inspector General to review existing and proposed legislation and regulations and to make recommendations concerning the impact on the economy and efficiency of the administration of the Agency's programs. The Counsel's office is also responsible for the implementation of the Civil Monetary Penalty program.

Office of Management Services

The Office of Management Services coordinates resource management needs for the OIG components by providing budgetary, administrative, facilities and equipment, human resources, information resources management, internal and external communications, and planning services. The office also manages the Hotline, which receives allegations of fraud, waste, and abuse that could threaten the effectiveness and efficiency of SSA's programs and operations.

Office of the Inspector General Executive Summary

The Office of the Inspector General achieves results by conducting independent and objective investigations, audits and evaluations. We measure our accomplishments by highlighting areas where programs could be administered more efficiently and effectively. Recommendations by the Office of the Inspector General help the Social Security Administration maintain a high level of integrity, thereby strengthening public confidence in its programs.

During the first 6 months of Fiscal Year 1997, the Office of Investigations opened 2,307 and closed 788 investigations, obtained 395 criminal convictions as a result of investigations, and reported more than \$11.5 million in fines, judgments and restitutions.

Our efforts focused on assessing our investigative function and developing strategies for leveraging our resources by forming partnerships with other Federal, State, and local law enforcement entities. Through these partnerships, we are afforded the ability to identify, locate, investigate, and prosecute individuals who have defrauded the Social Security Administration in a broad range of illegal activities. The types of fraud committed by individuals include filing false claims, making false statements, and/or concealing factors affecting initial or continuing entitlement.

Different investigations have found unscrupulous individuals defrauding the Social Security Administration's programs through theft and forgery of benefit checks, concealing the death of beneficiaries with intent to continue fraudulently receiving their payments, using fraudulent medical records, and feigning disabilities. Further information regarding unscrupulous activities uncovered by the Strategic Enforcement Division may be found beginning on page 7 of this report.

The integrity of the Social Security Administration's trust funds relies on the trustworthiness and dedication of its many employees. Unfortunately, a few corrupt employees can compromise the integrity of the Social Security system and undermine the public's confidence in the Agency's programs. Nine of the 395 criminal convictions obtained during this period involved SSA employees. Employee fraud cases usually fall within the following categories: (1) creating fictitious identities; (2) fraudulently issuing and/or selling Social Security number (SSN) cards; (3) misappropriating refunds during the collection and deposit of overpayments; and (4) abusing access to confidential information.

The Civil Monetary Penalty program, administered by the Office of the Counsel to the Inspector General (OCIG), includes sanctions for violations of section 1140 of the Social Security Act, which addresses misleading advertisements. The Inspector General is authorized under section 1140 to impose civil monetary penalties against entities that use Social Security's program words, letters, symbols or emblems in advertisements or certain other communications in a manner which conveys, or which reasonably could be interpreted or construed as conveying, the false impression that the advertisement or other communication was approved, authorized or endorsed by the Social Security Administration. Prior to imposing civil monetary penalties, cease

Office of the Inspector General *Significant Activities*

We have summarized both our audit and investigative activities under the following eight categories: Task Forces and Study Groups, Enumeration, Earnings, Initial Claims, Post-entitlement, Financial Management, General Management and Representative Payee. Enumeration, Earnings, Initial Claims, and Post-entitlement are among the core business processes identified by the Social Security Administration's General Business Plan for Fiscal Years 1997-2001. Financial Management, General Management and Representative Payee categories include cross-cutting issues that affect all of the Social Security Administration's operations. The following section highlights the Office of the Inspector General's significant audit and investigative activities:

1. TASK FORCES AND STUDY GROUPS

The Office of the Inspector General participates in a number of task forces and study groups promoting economy and efficiency and deterring fraud, waste and abuse. The following initiatives illustrate significant work in process as well as work completed by our office.

Payment Accuracy Task Force

The Payment Accuracy Task force is an initiative led by the OIG's Office of Audit. It was created to improve the accuracy of payments for SSA's Old-Age Survivors and Disability Insurance and Supplemental Security Income programs. This task force is guided by a high-level Steering Committee of Associate Commissioners from SSA's major components. Through an Office of the Inspector General/Social Security Administration cooperative effort, the Steering Committee has established multidisciplinary issue teams to analyze the causes of payment errors and recommend corrective actions to SSA's Executive Staff.

Despite SSA's efforts to improve its payment accuracy rates, the rates of error have remained constant over the years. Even small percentages of error represent large costs to the Agency, beneficiaries, and the taxpayers. The Earnings Record payment error category is the first issue area to be addressed by the Task Force. It was selected because it consistently accounts for the largest amount of error dollars. The issue team will examine SSA's payment processes to identify the aspects of those processes that result in inaccurate payments and explore solutions for improving SSA's ability to issue accurate payments. A report is expected to be issued by the end of FY 1997.

The Office of Investigations' Strategic Enforcement Division formed task forces which operate to identify areas that are potentially vulnerable to widespread fraud and abuse. The Division has undertaken four major initiatives during this period:

and desist letters are issued advising entities of the violations and requesting voluntarily compliance with section 1140. Final regulations implementing section 1140 were published in the *Federal Register* on November 27, 1995.

Since November 27, 1995, OCIG has reviewed a total of 643 complaints involving 153 entities. To date, complaints against 96 entities have been closed; 74 complaints were closed because there was no violation of section 1140 and the remainder were closed because the entity involved complied with a cease and desist letter. Complaints against 57 entities are still in negotiation or under review.

During this reporting period, OCIG reviewed 171 complaints involving 48 entities (including 32 new entities). In addition, OCIG closed complaints against 29 of the entities. Fifteen were closed because there was no violation of section 1140; 14 were closed because the entity had agreed to comply with a cease and desist letter.

On November 25, 1996, the Office of the Inspector General held its official ribbon-cutting ceremony launching the operation of its new Fraud Hotline. Between November 25, 1996 and March 31, 1997, the Hotline received more than 75,000 calls and processed over 2,550 allegations resulting in investigative action. In addition to the calls, the Hotline received on average 75 letters per week.

Most allegations fall into one of four categories: **Social Security number** (i.e. obtaining a Social Security number based on false information, counterfeiting Social Security cards, misusing Social Security numbers to obtain benefits and services from Government programs, improperly issuing Social Security numbers for illegal work activity by noncitizens, etc.); **Program** (i.e. concealment of work activity, false claims, forgery, deceased payees, marriage not reported, etc.); **Employee** (i.e. mismanagement, discrimination, sexual harassment, unauthorized activities, etc.) and; **Other** (i.e. misuse of Social Security's symbols, misuse of direct deposit, multiple benefits, excessive fee charges, diversion of funds, receiving benefits for children not in recipients' care, mail fraud, etc.).

During this period, the Office of Audit issued 20 audit and evaluation reports with recommendations that \$39,100,000 be put to better use. It is significant to note that our monetary recommendations for this 6-month period exceeded our entire Fiscal Year 1997 budget.

El Paso Residency Fraud

This operation targeted individuals who are fraudulently receiving Supplemental Security Income (SSI) benefits while residing in Mexico. With assistance from the Office of Audit, SSA's Regional Office, and SSA's El Paso field office, 2,107 SSI recipients living in El Paso were asked to provide evidence of residency. As of March 31, 1997, this ongoing investigation resulted in stopped payments to 156 recipients and identified \$1.6 million in fraudulent payments. The amount of payments avoided as a result of this investigation is estimated at \$3 million.

Escapees and Fugitives Receiving Disability Checks

The SSA's ongoing prison matching operation identifies disability beneficiaries who are convicted felons. In some cases, when prison officials were contacted to verify the incarceration, they informed SSA personnel that the prisoner had escaped. The SSA considers beneficiaries in flight to avoid confinement still under an order of confinement, and therefore payments are stopped. Stopping the payments to these known felons negated an opportunity for apprehending them and possibly recovering the improper payments. In September 1996, we identified for investigation 21 cases of escapees receiving disability benefits. We verified that 18 of the 21 beneficiaries included in our investigation were convicted felons and benefit payments were stopped. In addition, working with other law enforcement agencies, we were able to arrest five escaped felons. These escapees had already received \$330,000 in fraudulent payments. We estimated that these escaped felons would have received an estimated \$465,000 in additional payments.

In February 1997, we targeted another 35 escapees/fugitives who were receiving disability payments. We are also working with the New York City police and the U.S. Marshals Service to identify fugitives/escapees who may be receiving disability benefits.

Washington State Disability Fraud

A task force of Federal and State investigators and SSA employees in Washington State identified approximately 600 SSI recipients in Pierce County who were suspected of fraudulently receiving benefits. Thus far, there have been 31 convictions, 60 cases accepted for prosecution, \$1.8 million in restitution, and \$1.7 million in future SSI payments avoided.

The Strategic Enforcement Division is looking at this model for potential application in other areas of the country where similar types of fraud may be occurring.

Chula Vista Residency Fraud

This was a follow-up effort to our initial pilot program to verify claimants' residency in the United States. This operation targeted individuals identified in the pilot program who were fraudulently receiving Supplemental Security Income benefits while residing in Mexico. With

assistance from the Office of Investigations and private investigators, the SSA field office in Chula Vista denied benefits to 37 individuals and stopped payments to 126 recipients who were not residing in the United States.

The Office of Investigations has formed internal task forces and is operating in joint efforts with outside agencies to effectively respond to criminal activities that target the Social Security system and undermine the public's confidence in the Agency's programs. These include:

International Validation Surveys

The Office of Investigations participated in several international validation surveys. These surveys are conducted to validate beneficiaries by verifying their existence, identity, and continuing eligibility. Those beneficiaries that either are no longer eligible for benefits or are collecting benefits fraudulently are removed from the rolls. The Office of Investigations, in concert with SSA's Office of International Operations, conducted a survey in Argentina and has one currently in progress in North Yemen.

The Office of Investigations also joined forces in conducting a series of surveys with the Department of Defense and the U.S. Secret Service under the moniker "Operation Mongoose" Operation Mongoose utilized a state-of-the-art computer technology data matching technique to detect and deter fraud. These surveys took place in Korea, Japan, and the United Kingdom and resulted in the termination of payments to individuals no longer eligible to receive benefits.

Domestic Validation Surveys

The Office of Investigations is participating in a validation survey with the Office of Program and Integrity Reviews. The survey's objective is to identify foreign-born Supplemental Security Income recipients not living in the United States and to ascertain their continuing eligibility. The survey, still in progress, targeted 900 foreign-born SSI beneficiaries and has identified some individuals with the potential to have their benefits terminated.

Regional Fraud Committees

The Special Agents-in-Charge chair these fraud committees in their respective field office locations. These committees bring together OIG's investigative experience and SSA personnel's program and operational knowledge in a concerted effort to identify and prevent fraud in SSA programs. They focus on key issues such as the process for potential fraud referral and necessary training in detecting fraud and counterfeit documents. The committees foster improved communications between the Social Security Administration and the Office of the Inspector General components and ways to encourage suggestions to further the goals of the committees.

The Office of Investigations has agreed to participate with SSA in the following two new fraud prevention/detection initiatives:

State Disability Determination Services Fraud Pilot Project

The Office of the Inspector General and SSA's Office of Disability are establishing teams comprised of two SSA Quality Assurance/Integrity Specialists and two State law enforcement officers. These teams will be led by an OIG investigator. The teams will review and investigate suspected fraud referrals from Disability Determination Services and SSA field offices. The teams will be located in space provided by DDSs in five pilot regions.

Data Base Investigative Systems Task Force

This task force is currently being established. It will consist of an OIG supervisory special agent, SSA's Office of Program and Integrity Reviews staff, and a senior programmer from SSA's Office of Systems.

This team will have the proactive mission of identifying systemic fraudulent activities perpetrated in SSA programs by beneficiaries, third parties or employees. Each individual will contribute a unique sphere of expertise. The Office of the Inspector General will identify vulnerabilities within the system and identify the criteria for computer screening of the appropriate SSA data bases. The Office of Systems will provide computer support. The Office of Program and Integrity Reviews' analysts will review data to identify potentially fraudulent transactions. This will result in the subsequent identification of perpetrators exploiting SSA systems' vulnerabilities. Task force projects currently being considered are:

"Operation Chicago" - Match Social Security number (SSN) cardholders born in Chicago to Illinois vital statistics records to identify SSNs issued to fictitious persons;

"Operation Clean Credit" - Match SSNs used for credit bureau approval to the SSN data base to identify individuals using an unissued SSN or another person's SSN for credit; and

Match of New York City Police Department and U.S. Marshals Service fugitive/escapee files to identify fugitives and escapees receiving Social Security benefits.

Other Office of the Inspector General initiatives include:

The Office of Investigations' Strategic Enforcement Division also develops numerous internal and external special projects. For example, the OIG is a sponsor of the "Preventing Fraud in Cyberspace Conference." The purpose of this conference, which is supported by the President's Council on Integrity and Efficiency (PCIE), is to provide discussions and information sharing on the potential for fraud that exists in cyberspace. The Strategic Enforcement Division also coordinates a Credit/Bank Card Industry fraud prevention advisory panel. This panel, comprised of senior executives from American Express, NOVUS, VISA, and Mastercard, provides strategies on preventing enumeration fraud. Lastly, the Division prepares detailed reports for SSA components on fraud vulnerabilities. Recent studies include a general overview of SSA's fraud vulnerability.

During this period, the Inspector General served as Chairman of the PCIE's Professional Development Committee. This committee presented a series of educational forums for the Inspector General community. These forums covered a wide variety of technical and management topics and provided continuing professional education credits that meet the General Accounting Office's Yellow Book standards. In addition, the Inspector General edits the Journal of Public Inquiry, a semiannual publication that focuses on issues and topics of interest to the Inspector General community.

Census Bureau's Single Audit Clearinghouse

The Single Audit Act Amendments of 1996 established a Federal clearinghouse to receive copies of Single Audit reports covering Federal, State, and local governments as well as nonprofit organizations. As part of this collaborative effort, the Office of Audit has been working with the Census Bureau's Single Audit Clearinghouse task force to develop a Single Audit report data base, identify the data elements to be collected governmentwide, and refine the machine-readable form used to input data into the data base.

Electronic Service Delivery Steering Team

As a member of SSA's Electronic Service Delivery (ESD) Steering Team, the Office of Audit is involved in efforts to select, assess, and foster the innovative use of technology to improve service to the public, improve support for employees, and increase Agency efficiency. In addition, our role is to identify potential audit and investigative problems early in the Electronic Service Delivery initiatives and suggest preemptive remedies. The OIG also served on an ESD work group responsible for establishing criteria to be used by SSA in determining the level of authentication necessary to appropriately secure the private information of beneficiaries using a range of possible electronic services. We were concerned that the Electronic Service Delivery Steering Team still needed to establish a plan to address how small and future projects would be treated, the Team's operating processes, and project time management. The Electronic Service Delivery Steering Team initiated actions to develop a strategic plan and a formal work plan, and to establish procedures for adding and managing future projects.

SSA's Customer Service Executive Team

The Office of the Inspector General's Office of Audit participates on SSA's Customer Service Executive Team. The Executive Team is responsible for developing an ongoing process to review and update SSA's performance measures and published customer service standards within the context of SSA's strategic planning process. Moreover, the team will make recommendations for any changes to the current performance measures and customer service standards based on input from customers and stakeholders.

Deterrence and Recovery Measures Task Force

The Deterrence and Recovery Measures Task Force, comprised of representatives from various OIG components, was formed to identify areas within SSA's programs and operations in which

existing statutes, regulations, and policies unintentionally create opportunities for fraud, and to create solutions by way of legislative, regulatory, or other means. The group has submitted its final report to the Inspector General.

2. ENUMERATION

Enumeration is the process by which the Social Security Administration assigns original Social Security numbers (SSN), issues replacement cards to people with existing SSNs, and verifies SSNs for employers and other Government agencies.

The expanded use of Social Security numbers as identifiers has given rise to the practice of counterfeiting SSN cards, obtaining SSN cards based on false information, and misusing SSNs to obtain benefits and services from Government programs, credit card companies, retailers and other businesses.

Additional concerns relate to improperly issuing SSNs for illegal work activity by noncitizens, to issuing multiple SSNs to individuals, and to controls over third party involvement (i.e. hospitals, relatives, and other governmental agencies) in the enumeration process. During this period, nearly 70 percent of our criminal convictions involved Social Security number fraud. Some of our significant work included:

Investigations:

Man Received Benefits Under Two Identities: A Colorado man receiving disability benefits established another identity with a new SSN and worked under the second identity from 1979 until 1991. In March 1992, he applied for benefits under the new SSN and became entitled to disability benefits and Supplemental Security Income benefits. He continued to receive benefits under both SSNs until December 1994, when he admitted the details of the scheme. He was indicted and pleaded guilty to making false statements and was sentenced to 6 months incarceration, 3 years probation, and ordered to make restitution to SSA in the amount of \$40,223. The total loss to SSA was \$92,012.

U.S. Postal Worker Misused SSNs Not Assigned to Her: A U.S. Postal Service employee was involved in a scheme using various SSNs not assigned to her to fraudulently obtain credit. The Office of the Inspector General investigation revealed the employee was engaged in mail fraud, mail theft, bank fraud and credit card fraud totaling \$114,750. The employee was indicted in the Eastern District of Pennsylvania and later pleaded guilty to false use of an SSN and bank fraud.

Subject Caught Recruiting Individuals to File Fraudulent Tax Returns and Apply for Welfare Benefits: Several subjects were identified in a scheme involving approximately 300 State and Federal income tax returns and a scheme to defraud the State welfare and food stamp programs. The primary subject recruited individuals to file fraudulent income tax returns and to apply for food stamps and other benefits. The subject rewarded these individuals with money and food stamps for receiving mail for the subject and for assisting the subject in negotiating checks. The

subject was sentenced to 46 months imprisonment followed by 3 years of supervised release. The subject was also ordered to perform 200 hours of community service and make restitution in the amount of \$580,720 to the affected agencies.

Audit:

The Office of Audit is presently conducting reviews in the enumeration area and expects its completed work to be reported in the next Semiannual Report to the Congress.

3. EARNINGS

Social Security benefits are based on an individual's earnings as reported to the Social Security Administration. The Social Security Administration establishes and maintains a record of an individual's earnings for use in determining an individual's entitlement to benefits and for calculating benefit payment amounts.

In FY 1996, the Social Security Administration processed almost 240 million earnings items. This workload is expected to increase to over 256 million items by FY 2001. In 1989, the Omnibus Budget Reconciliation Act mandated that SSA issue Personal Earnings and Benefit Estimate Statements (PEBES) annually to individuals over age 60 during FYs 1996 through 1999, and to persons age 25 and over beginning in FY 2000. This will generate additional work for the Agency, mostly in the form of public inquiries and requests for earnings corrections. In FY 1996, the Social Security Administration issued approximately 9 million PEBES.

Reviews in this area have identified problems with unidentified earnings items, omitted earnings reports, duplicate posting of earnings, and poor controls over the earnings

correction process. Fraud related to earnings usually involves deception, such as false identity cases where an individual uses another person's identity or Social Security number that distorts the true Social Security number holder's earnings records and income tax records. Some of our significant work in the earnings area included:

Investigations:

SSA Disability Beneficiary Pleaded Guilty: A Social Security Administration disability beneficiary pleaded guilty in the Eastern District of New York to working under another name and Social Security number since 1981. The amount of the fraud was approximately \$92,989. The beneficiary was sentenced to 4 years probation, 6 months home confinement, and ordered to apply 5 percent of his gross income toward restitution during the period of probation.

Maryland Woman Receiving Supplemental Security Income Used Alias to Receive Disability Benefits: A Maryland woman was receiving Supplemental Security Income benefits under her true name while receiving Social Security disability benefits under an alias. The subject was sentenced to 5 years in prison, 4 years and 8 months suspended, given 4 months credit for time already served, and was ordered to make restitution in the amount of \$13,140 to SSA.

Florida Man Used Former Wife's Social Security Number for Employment: A former recipient of disability insurance benefits concealed his employment by working under his former wife's name and Social Security number. The loss to the program, as a result of the subject's concealment and failure to report his work activity, was \$29,364.

Audits:

Social Security Coverage of State and Local Government Employees, A-04-95-06013, December 13, 1996

Prior to 1951, Social Security was not available to public employees. Amendments to the Social Security Act in 1950 allowed States to voluntarily obtain Social Security coverage for public employees who were not in a position covered by a public retirement system. Coverage could then be obtained only by means of an agreement between the Federal and State governments. In subsequent years, there were a number of significant and complex revisions to the coverage provisions which extended coverage to other public employees.

This review was performed because the Social Security Administration was concerned that a sizable number of public employers may not be accurately reporting the coverage status of their employees for Social Security purposes. The Office of the Inspector General concluded that there is a significant risk of noncompliance by public employers with the coverage provisions of the act. Further, the potential maximum Federal Insurance Contributions Act tax liability resulting from noncompliance is about \$17 billion annually.

The risk of noncompliance exists because coverage provisions are not well understood by public employers. Contributing to the risk are the following factors: (1) there are no systematic reviews of public employers being done by either SSA or the Internal Revenue Service (IRS) to assess compliance; (2) the data collection and information exchanges between SSA and IRS are insufficient to detect compliance problems; and (3) there is widespread confusion as to the responsibilities, authorities, and roles of SSA, IRS, and the States.

The OIG recommended that SSA: (1) fund an ongoing compliance review program which assures periodic evaluation of the public employers' compliance with the program coverage provisions; (2) continue to pursue a formal agreement with IRS specifying respective responsibilities with regard to performing compliance reviews, meeting the educational needs of public employers, and improving the operational and informational exchanges between the agencies to better detect and deal with compliance problems; and (3) study the feasibility of universal coverage for public employees.

The Social Security Administration generally concurred with our recommendations and stated that universal coverage could be an area for future study in light of the need to examine alternatives for long-term Social Security financing. Mandatory coverage for public employees not currently covered by the provisions of the Act would have a significant impact on the Social Security trust funds, on affected employees, and on existing State and local government retirement systems.

*Internal Controls of the Earnings Modernization 2.8 Program, A-03-95-02608,
March 31, 1997*

The objective of our review was to evaluate the accuracy of the operative controls to detect and prevent fraudulent entry of earnings corrections.

As stated earlier, SSA is mandated to mail Personal Earnings and Benefits Estimate Statements (PEBES), beginning in 2000, to all workers age 25 and older. The Earnings Modernization (EM) 2.8 Program, implemented in October 1994, is a computerized process for making earnings corrections found by individuals to their respective PEBES records. The EM 2.8 will be used to handle the anticipated growth in corrections expected as a result of this mandated mailing.

Under the new corrections process, earnings corrections can be made on-line, most paper forms are eliminated, and the most complex corrections require just one technician and three steps to complete. It is now possible for many corrections to be made within 2 days.

Our review showed that controls over the earnings adjustment process at the Mid-Atlantic Program Service Center and the Office of Central Records Operations need to be improved to address the increased vulnerability to fraud with the expanded access to the Master Earnings File resulting from the EM 2.8 program.

We recommended that SSA: (1) implement an internal review system at the Mid-Atlantic Program Service Center; (2) introduce separation of duties procedures at the Mid-Atlantic Program Service Center and Office of Central Records Operations for high-risk transactions; and (3) improve its automated security matrix to restrict the usage of EM 2.8. While addressed to the locations reviewed, these recommendations apply system-wide and should be implemented at all locations having access to the EM 2.8 program.

SSA agreed to correct the matrix problem but because the Agency is concerned with the effect additional controls will have on productivity, it did not agree with our recommendations. The Social Security Administration stated that it has satisfactorily addressed the vulnerability of the earnings adjustment process by putting in place a comprehensive package of administrative and system-enforced security controls. The SSA plans to implement the new Comprehensive Integrity Review Process software, which will provide additional transaction targeting capabilities, as well as the flexibility to dynamically control transaction selections and profile criteria for integrity reviews.

The Office of the Inspector General disagreed with the Social Security Administration's position stating that while there are a number of intricate and overlapping controls in place, they would not detect or prevent fraudulent entry of earnings' corrections because these controls do not compensate for the absence of separation of duties. Further, it was noted that the Comprehensive Integrity Review Process software, when fully implemented, may be an acceptable compensating control for the absence of separation of duties. However, implementation is 3 years away.

4. INITIAL CLAIMS

Initial claims is the process by which the Social Security Administration determines an individual's eligibility for and entitlement to benefits. The process begins with an individual's initial contact with the Agency and continues through payment effectuation or the administrative appeals process. The process for determining eligibility for benefits involves certain basic functions across each of the programs that the Agency administers: outreach and information, intake, evidence collection, determination of eligibility or entitlement, notification of award or denial, and initial payment.

In FY 1996, the Social Security Administration processed slightly over 3 million initial claims for Old-Age and Survivors Insurance, 1.7 million initial claims for Disability Insurance, and 1.9 million initial claims for Supplemental Security Income.

The Social Security Administration programs may be defrauded by persons who file false claims, make false statements, or conceal factors affecting initial or continuing entitlement. The Office of the Inspector General's emphasis is to identify individuals engaged in these activities.

The Office of the Inspector General's work also places emphasis on future opportunities to improve the timeliness and accuracy of SSA's payments. The OIG's major concerns in this areas are delays in processing disability claims, reliability of disability determinations, benefit computation payment errors, and inadequate internal controls. Some of our significant work included:

Investigations:

Attorney Sentenced in Disability Benefits Case: An attorney was sentenced to 5 months incarceration, 2 years supervised release, and 5 months home detention after pleading guilty to one count of making a false statement or misrepresentation for use in determining rights to payment. The attorney performed legal work out of his home while receiving disability benefits. The subject was ordered to make restitution to SSA in the amount of \$120,000 and ordered to voluntarily surrender for confinement on or before April 1, 1997.

Woman Sentenced for Submitting False Documents for Widows' Benefits:

A woman was sentenced in U.S. District Court, Middle District of Florida, to 3 years probation for providing false information on forms filed with SSA in an effort to obtain widows' benefits. She was also ordered to make restitution in the amount of \$51,048 through monthly withholdings. Prior to her sentencing, the subject voluntarily initiated a repayment program to SSA which reduced the outstanding balance at the time of sentencing to \$43,275.

Audits:

The Social Security Administration's Payment for Medical Evidence of Record Obtained by State Disability Determination Services, A-07-95-00833, March 26, 1997

The objective of our audit was to assess the Social Security Administration's policy of reimbursing medical providers for the cost of providing medical evidence of record.

Disability Determination Services rely on medical evidence of record to determine the medical condition of individuals applying for Disability Insurance and Supplemental Security Income disability benefits. To ensure prompt receipt of medical evidence from treating sources, Congress authorized the Social Security Administration to pay non-federal hospitals and health care providers directly for the medical evidence of record. The Congress believed that this practice would improve claims processing time and reduce the need for the Disability Determination Services to purchase additional consultative exams.

We found that, contrary to congressional intent, claims processing time during the period from FY 1985 through FY 1994 increased substantially while consultative examination rates remained relatively constant.

In addition, we concluded that the time required to obtain medical evidence of record accounted for a considerable portion of claims processing time and contributed to delays in the disability determination process.

Furthermore, we found that the State of Connecticut, which precluded reimbursement to both institutional and non-institutional providers for medical evidence of record, has encountered no adverse effect on the disability determination process. Accordingly, we have concluded that reimbursing medical sources has had no discernible impact on improving the timeliness of medical evidence of record receipt or reducing consultative exam purchases.

We recommended that the Social Security Administration reevaluate its policy for paying for medical evidence records. As part of this reevaluation, we suggested that the Social Security Administration measure the time between the initial medical evidence of record request and the receipt of the record. This information will illustrate the extent to which the medical evidence of record is not being submitted timely and will also assist SSA in evaluating the effect of payment on the collection of medical evidence of record. We also recommended that the Social Security Administration initiate a legislative proposal precluding payment to medical sources for medical records not received within 30 days from the date of the request, if the reevaluation discloses significant delays.

The Social Security Administration deferred comment on our recommendations, but agreed that payment should provide an incentive for timely and responsive submission of medical evidence. The SSA, as part of its ongoing disability redesign process, plans to complete a reevaluation of the medical evidence collection process within 9 months. If the reevaluation results show that statutory changes are needed, then the Social Security Administration will propose the necessary legislation.

Payments to Surviving Spouses at Retirement Age, A-05-95-00016, March 28, 1997

We conducted this review to determine if surviving spouses were receiving the highest benefit at retirement age for which they were eligible and if the Social Security Administration was effective in identifying and notifying affected individuals.

The SSA requires surviving spouses to reapply for retirement benefits when their retirement benefits become higher than their survivors benefits. We identified 7,694 surviving spouses who could potentially qualify for retirement benefits and who had attained age 65 in December 1992. A sample of cases (all were widows) disclosed that 16 percent were eligible for higher retirement benefits. Many of these widows did not apply for the retirement benefits and, therefore, were not receiving the highest benefits for which they were eligible. The widows were due increased monthly benefits with an average increase of 15.7 percent. The widows were unaware of the higher retirement benefits and, at their retirement age, SSA did not notify them. This problem could become worse as the number of widows entitled to retirement benefits grows due to the increase in women's participation in the work force.

We recommended that SSA improve its procedures to assist surviving spouses in receiving the highest benefits due to them. We expect that our recommendations, when implemented, will improve the accuracy of benefit payments to surviving spouses by \$660,000.

The SSA agreed that it could improve its process for informing surviving spouses when they are eligible for higher benefits at retirement age. The SSA expects the new process to be implemented by May 1997.

5. POST-ENTITLEMENT

Once individuals become eligible for Social Security or Supplemental Security Income benefits, any changes in circumstances; e.g. events that affect the amount or continuation of payments, change of address, etc., must be reflected in the Social Security Administration's records. The post-entitlement process encompasses actions that SSA takes after claims have been processed as initial awards. This process contributes to timely and correct payment of benefits.

In FY 1996, the Social Security Administration processed 64.3 million post-entitlement Old-Age and Survivors Insurance transactions; 12.3 million Disability Insurance transactions; and 22.6 million Supplement Security Income transactions.

Post-entitlement fraud includes the concealment of changes material to the beneficiary's or recipient's entitlement to SSA benefits. This concealment sometimes involves representative payees who defraud SSA benefit programs either by filing fraudulent applications for persons not in their care or custody or through misuse of the benefits received on behalf of another. Individuals may also conceal facts affecting the beneficiary's continuing eligibility or entitlement such as incarceration or death. Some of our significant work included:

Investigations:

Son of a Deceased SSA Beneficiary Pleaded Guilty: A Connecticut man pleaded guilty on October 25, 1996, to one count of theft of Government property for cashing \$99,846 worth of SSA benefits. These checks were negotiated subsequent to the death of the true payee. On January 13, 1997, he was sentenced to 5 years probation, ordered to perform 100 hours of community service, and was ordered to make full restitution.

Virginia Couple Sentenced for Embezzling: In a plea agreement on November 8, 1996, a Virginia man pleaded guilty to converting \$52,214 in Social Security benefits to his own use after the death of his father, the true beneficiary. The subject and his wife received over \$90,000 in Social Security benefits. The subject's wife pleaded guilty earlier this year to one count of embezzlement for receiving \$36,424 of the benefits and was sentenced to 3 years probation and 6 months home confinement, and was ordered to repay SSA \$900 and her former employer \$300. Her husband was sentenced to 26 months imprisonment and 3 years probation, and was ordered to make restitution in the amount of \$1,400 to SSA and \$600 to a local business.

Woman Sentenced for Theft of Public Money: A Florida woman was sentenced to 5 years probation and ordered to make restitution to SSA in the amount of \$94,463. The woman pleaded guilty to theft of public money in conjunction with a scheme to defraud the Old-Age Survivors and Disability Insurance programs administered by SSA. The woman received and converted for her own use the benefits issued to her deceased mother from 1982 to 1994.

Colorado Man Imprisoned: For 10 years, a Colorado resident received his deceased father's retirement benefits via direct deposit into a joint bank account. The subject stole over \$104,000. The subject was sentenced to 366 days imprisonment and 3 years supervised release, and was ordered to pay restitution of \$24,000.

Woman Pleaded Guilty to Theft of Government Funds: A Nevada woman pleaded guilty to Federal charges of theft of Government funds. The woman admitted that she received and negotiated her husband's Social Security checks for an extended period of time after his death. In addition, the woman also cashed her husband's Supplemental Security Income checks while he was incarcerated. The investigation revealed the fraud totaled approximately \$114,000. The woman entered into a pre-trial diversion program and was required to complete 100 hours of community service and remain under supervision for 12 months. She was also required to stay within the State of Nevada. SSA is withholding a portion of the woman's monthly widows' benefits.

Audits:

Unresolved Internal Revenue Service Alerts, A-13-97-61007, January 21, 1997

The purpose of this study was to determine the number and characteristics of suspended or terminated Supplemental Security Income records having an unresolved Internal Revenue Service alert indicator.

The Tax Reform Act of 1984 provides for the Social Security Administration to receive financial information from the IRS to help detect unreported non-wage information, such as pensions, interest, and dividends. When IRS records indicate possible income or resources, an alert is generated and the recipient's SSI record is annotated. The SSA field offices are required to verify the information with the recipient or the financial institution and adjust or terminate the benefits if warranted. If the recipient fails to cooperate with SSA, benefits are suspended and eventually terminated without determining whether an overpayment exists for the earlier period.

We found that in 1992 approximately 143,000 recipients had a terminated SSI record with an unresolved IRS alert. Seventeen of the 42 SSI recipients for which we obtained income and resource information may have received overpayments.

We learned that SSA field office staff were not following SSA's Program Operations Manual System procedures or fully utilizing resources available to them for processing IRS alerts. One-third of the recipients with IRS alerts also received Social Security benefits, which created a possible avenue to recover Supplemental Security Income overpayments. We also found that field office staff identified barriers that impede the timely development of IRS alerts.

We recommended that SSA: (1) require field offices to resolve previous IRS alerts prior to allowing recipients to resume SSI benefits; (2) encourage increased utilization of financial penalties for those recipients who receive overpayments detected by IRS alerts; (3) provide refresher training for field office staff to ensure compliance with Program Operations Manual System procedures on working IRS alerts and resolving them in a timely and thorough manner; (4) consider establishing work unit credits for field office staff developing IRS alerts; (5) continue to work toward legislative changes permitting nonvoluntary recovery of overpayments by adjusting Social Security benefits; (6) pursue legislative changes to simplify both resource and income eligibility requirements; (7) establish a working relationship with national banking associations to ensure cooperation and support on the part of the financial institutions; and (8) refer all cases of suspected fraud to the Office of the Inspector General.

The SSA generally agreed with the recommendations but questioned whether the 17 identified cases resulted in actual overpayments. SSA also expressed concerns about the methodology used and some of the contents of the report.

Reading Level for Spanish-Speaking Clients Receiving Social Security Administration Spanish Language Notices, A-06-96-62200, January 30, 1997

We conducted an extensive literature search and personal and telephone interviews with 46 individuals at 39 agencies. The purpose was to provide the Social Security Administration with information concerning the appropriate reading level of Spanish-speaking clients to ensure that SSA notices are understandable.

Respondents indicated that SSA's reading level established for English language material was appropriate for materials sent to Spanish-speaking individuals. Further, respondents stated that

they have not developed a method for determining the most appropriate reading level for Spanish-speaking individuals nor are they using a computer software program to assess the readability of material written in Spanish.

We recommended that SSA: (1) conduct focus groups to obtain participant feedback on the readability of SSA notices; (2) adhere to SSA standards for preparing English and Spanish language notices; (3) enhance the English-Spanish glossary of SSA terminology; (4) consider using the Spanish version of an editing software program when it becomes available; (5) ensure that the staff preparing translations have adequate skills and tools needed for translations; and (6) identify capable staff interested in translating. The SSA agreed with our recommendations.

Procedures for Collecting Social Security Administration/Railroad Retirement Board Combined Benefit Payments Issued after Death, A-05-95-00017, March 3, 1997

This review was conducted to determine if SSA's share of payments issued after death by the Railroad Retirement Board (RRB) to combined SSA/RRB beneficiaries were returned to the SSA trust fund.

We reviewed case records for a random sample of beneficiaries who were receiving SSA/RRB combined benefit payments which were terminated due to death during FY 1994. Documentation at the Social Security Administration and the RRB showed that incorrect payments issued after death were not always identified and recovered by the RRB, the responsible agency. As a result, SSA's share of these payments was not returned to the SSA trust fund.

Our projections show that, during FY 1994, the RRB issued an estimated \$3.5 million in benefit payments after the deaths of beneficiaries. We estimated that \$392,000 of the \$3.5 million was drawn from but not returned to the SSA trust fund.

We recommended that SSA: (1) request RRB to calculate and return to SSA its share of incorrect payments issued during FY 1994 through FY 1996; (2) develop a method of accounting for SSA payments issued to SSA/RRB combined beneficiaries; (3) establish an accounts receivable for SSA payments due from RRB for incorrect payments issued after death; and (4) ensure that SSA beneficiary records accurately reflect combined benefit payment and collection information.

The Social Security Administration agreed with our recommendations and stated that the Railroad Certification (RRCERT) monitoring system is intended to monitor RRB disbursements and ensure that SSA's share of benefits are issued correctly. The RRCERT is part of the Title II redesign and scheduled to be implemented by July 1999. In our opinion, the RRCERT monitoring system may be a long-term solution; however, SSA should institute an immediate means to account for payments after death until such time as the controls envisioned by the Title II redesign are operational.

Missing Data Hinders Vocational Rehabilitation Referrals, A-13-97-21009, February 5, 1997

We conducted this review to obtain and summarize baseline demographic information about disabled adults who are considered candidates for vocational rehabilitation. We expected to use

the information to evaluate the Social Security Administration's vocational rehabilitation referral process. However, we found that referral decision codes were missing for over one-fifth of all applicants reviewed. Over two-thirds of all applicants' records were incomplete in at least one of the demographic categories reviewed. The missing codes prevent SSA from evaluating and improving its vocational rehabilitation referral system.

We recommended that SSA ensure, through mandatory coding, that complete and accurate demographic information is entered into the disability determination file and that the file reflects which candidates are referred and accepted for State vocational rehabilitation services.

The SSA agreed that complete and accurate demographic information needs to be recorded for vocational rehabilitation management information purposes. The SSA disagreed with our recommendations regarding the absence of coding and indicated that several other data sources are used to collect vocational rehabilitation management information.

6. FINANCIAL MANAGEMENT

The Chief Financial Officers (CFO) Act of 1990, as amended by the Government Management Reform Act of 1994 (GMRA), requires agencies to report annually to the Congress their financial status and any other information needed to fairly present the agencies' financial position and results of operation. To meet the requirements of the CFO Act and GMRA, the Social Security Administration prepares annual financial statements. The Office of the Inspector General audits these statements and issues an opinion on the fair representation of the statements. Our audit activity included:

Inspector General's Report on SSA's Fiscal Year 1996 Financial Statements, A-13-96-51001, November 22, 1996

The objective of our audit was to express an opinion on the fair presentation of the Social Security Administration's FY 1996 principal financial statements taken as a whole, test the internal control structure, and assess SSA's compliance with applicable laws and regulations that could have a material effect on its annual financial statements.

We found that the combined financial statements present fairly, in all material respects, the financial position of SSA at September 30, 1996 and 1995, and the results of its operations, change in net position, and cash flows for FY 1996, in accordance with the generally accepted accounting principles.

In performing our test of internal controls, we found that SSA's primary benefit payment systems, the Modernized Supplemental Security Income Claims System, the Modernized Claims System, and the Manual Adjustment Credit and Award Data Entry system, lack sufficient compensating controls to accommodate for the lack of separation of duties. The absence of separation of duties poses a significant risk that employees could implement fraudulent financial transactions and not be detected. In addition, the Title XVI overpayment system remains a material weakness under the Federal Managers' Financial Integrity Act (FMFIA) because it cannot generate reliable accounts receivable data.

We also found in our review of SSA's compliance with laws and regulations that SSA had implemented a programmatic change to eliminate the practice of posting overpayments to beneficiary records and initiating collection without providing the beneficiary with the legally required notification. However, we found no indication that SSA has attempted to contact recipients we previously reported as already affected by this practice. Also, despite an increase in the number of continuing disability reviews (CDR) performed by SSA, a substantial backlog of approximately 1.8 million Title II CDRs remains.

7. GENERAL MANAGEMENT

Part of the Social Security Administration's core business processes involves the dissemination of information about its programs. Within this area, SSA includes extensive public information activities, data exchanges with other agencies, and research and policymaking. Significant activities during this reporting period included:

Investigations:

Owner of Boarding Homes Defrauds Residents: The owner of several boarding homes in Philadelphia utilized threats and coercion to obtain power of attorney over the residents' withholdings and converted their assets to the owner's personal use. In addition, the subject illegally obtained the residents' Social Security checks, forged endorsements, and converted the funds to the owner's personal use. A civil judgment was issued in favor of the United States in the amount of \$500,000, of which \$350,000 is to be paid as restitution to the victims.

Former Office of Hearings and Appeals Hearings Clerk Engaged in Bribery: A former Hearings Clerk in SSA's Office of Hearings and Appeals, along with her husband, were charged with bribery and conspiracy in U.S. District Court, Eastern District of Louisiana. The couple was found guilty by a Federal jury. The former Hearings Clerk was sentenced to 46 months imprisonment and ordered to make restitution in the amount of \$23,809. Her husband received a prison term of 30 months and was ordered to make restitution in the amount of \$23,809. In connection with this case, two former Office of Hearings and Appeals employees, who entered guilty pleas to lesser charges and testified at the trial, were also sentenced. One of the former employees received a 6-month jail sentence and was ordered to make restitution in the amount of \$7,709; the other individual was sentenced to 3 years probation and ordered to make restitution in the amount of \$4,226.

Audits:

Office of the Inspector General Evaluation Report - Test of Satisfaction Scales, A-02-96-02204, October 23, 1996

This report presented the results of our test of different overall satisfaction scales used in the questionnaire for SSA's annual Customer Satisfaction Survey. This evaluation was conducted at the request of SSA's Senior Executive Staff in support of the implementation of the Government Performance and Results Act (GPRA).

These surveys were conducted in response to congressional concerns that the quality of SSA's service would decline as SSA reduced staff and modernized services. Each Commissioner since 1986 has requested that the Office of the Inspector General conduct these tests as an independent evaluation of how well the Agency serves the public.

Data from these surveys on overall satisfaction, readability of mail, and staff courtesy are used as performance measures reported under GPRA. Other data from the surveys are used to assess Agency performance in meeting the standards in the customer service pledge. The SSA is required to report its progress in meeting these standards under Executive Order 12682, Setting Customer Service Standards.

We evaluated the effect of changing the highest rating, or top box on the overall satisfaction scale from the traditional rating of very good to excellent. In their discussions on GPRA, the SSA Executive Staff believed that excellent was a more appropriate customer service goal for a world-class organization. However, because of the importance of long-term analysis to ongoing monitoring of customer satisfaction, the SSA needed to be assured that a change to excellent as the top box would not preclude long-term analysis.

We found that SSA's customers rate excellent and very good similarly as the top box on an overall satisfaction scale. More specifically, we found no statistically significant differences among three test surveys and the last annual Customer Satisfaction Survey.

Accordingly, we are confident that ongoing long-term analysis among annual Customer Satisfaction Surveys will remain valid if the scale is changed. We recommended that SSA move ahead with its plan to shift to a top box satisfaction scale using Aexcellent@ as the top box on the scale.

Audit of the Office of Program and Integrity Reviews' Special Studies, A-13-96-51142, February 19, 1997

The Social Security Administration established the Office of Program and Integrity Reviews (OPIR) to perform quality assessment reviews of programs and operations.

The objectives of this review were to determine whether the Office of Program and Integrity Reviews' special studies were: (1) used by management to improve SSA programs; (2) cost-effective and efficient; and (3) performed in accordance with established standards.

We were not able to meet our intended objectives because OPIR has not implemented appropriate management controls for assuring accountability for special studies. The Office of Program and Integrity Reviews has not developed a system for tracking special studies and proposed recommendations, established standards for conducting its special studies, nor established policies for ensuring the statistical validity of its studies. As a result, we were unable to ascertain the cost-effectiveness or efficiency of the Office of Program and Integrity Reviews' special studies or their usefulness to Agency managers.

We recommended that OPIR improve its management control program and establish special study and statistical policies and procedures. Specifically, we recommended that OPIR: (1) develop and maintain a workload tracking system which includes monitoring prior and current assignments and resources expended; (2) develop and maintain a system for tracking the current status of OPIR's recommendations incorporating prior unimplemented recommendations; (3) establish OPIR as a management control area in SSA's Federal Managers' Financial Integrity Act program; (4) develop and implement policies and procedures for conducting OPIR studies, including requirements for maintaining adequate study documentation for examination; and (5) implement statistical policies and procedures, such as those published in the General Accounting Office's (GAO) Statistical Sampling publication (GAO/PEMD-10.1.6), and modify reporting formats to include detailed statistical information, such as response rates and confidence intervals, in all reports where statistical sampling is used.

The Agency did not comment on the draft report. The Agency recently engaged a consultant to review a number of issues involving the Office of Program and Integrity Reviews.

Review of CA-TOP SECRET Access Control Software, A-13-95-00606, March 18, 1997

The objective of this review was to evaluate SSA's administration of its access control system, TOP SECRET, to determine if that system effectively limits access to the Agency's computer systems, resources, and data, and prevents unauthorized changes to SSA's computer programs which are run at SSA's National Computer Center.

The SSA has considerably improved its systems security environment in two areas over the last several years. First, SSA has moved from a fragmented focus on security to a hierarchical structure with authority and responsibility clearly defined. Second, SSA has improved its security by increasing protection and access restrictions to sensitive utility programs and other programs on its Authorized Program Facility, which permits the identification of programs that are authorized to use restricted functions. We found that although improvements have been made in SSA's security posture, the Agency needs to perform periodic reviews of TOP SECRET options at the National Computer Center to improve overall systems security.

We recommended that SSA initiate periodic reviews of TOP SECRET options at the National Computer Center. The SSA agreed with our recommendations and stated that reviews are now performed on a regular basis.

Review of Administratively Uncontrollable Overtime, A-13-97-92001, January 31, 1997

The objective of our audit was to examine the use of Administratively Uncontrollable Overtime (AUO) pay at the Social Security Administration in 1996. In addition, the audit included a determination as to whether Agency eligibility criteria and AUO payments complied with Federal laws and regulations.

The SSA's use of AUO was minimal since only two employees were receiving AUO for a short period of time in 1996. The amount of the AUO pay was to be approximately \$10,523. We found

that SSA had properly determined that the employees were eligible for AUO payments in accordance with Federal regulations; however, in calculating the AUO payment, we found that the two employees had been underpaid.

We recommended that the Social Security Administration correct these underpayments. The SSA agreed with our recommendation and informed us that the AUO payments have been corrected and processed for payment.

Review of SSA's Procedures to Ensure State Compliance with Section 1616(e) of the Social Security Act, A-01-96-62001, March 31, 1997

The objective of this review was to determine whether SSA could rely on the compliance statements made by States. Under section 1616 (e) of the Social Security Act, States are required to establish and maintain standards for institutions, foster care, or group living arrangements in which a significant number of Supplemental Security Income recipients reside or are likely to reside.

We reviewed the statement submitted by the Commonwealth of Massachusetts to determine if the State: (1) had established and enforced health and safety standards for institutions, foster homes and group living arrangements in which a significant number of Supplemental Security Income recipients reside, and (2) reported identified shortcomings to SSA and taken corrective actions timely.

The SSA has established a reporting system whereby it tracks whether States certify compliance with section 1616(e) of the Social Security Act. The States are each required to certify annually to the Commissioner of Social Security that they are in compliance. Follow-up letters are sent to those States which do not comply with the certification requirement. The SSA currently has certifications on file for all States; however, SSA is not required by law to verify the States' compliance statements to ensure that they are true.

We found that Massachusetts, through its licensing authorities, had generally established and enforced health and safety standards for various types of facilities required to be reviewed for licensing under the provisions of the Social Security Act. The agency responsible for oversight of the administration of the licensing programs had not established procedures to ensure that all facilities required to meet State standards were identified. More significantly, SSA relies on the State's certification and was not aware that the State system could not identify all facilities.

In addition, the State does not have a system for maintaining records of information concerning enforcement proceedings and where applicable, waivers of standards and violations of standards by specific facilities. Accordingly, SSA was not aware that State licensing officials revoked three facilities' licenses between October 1, 1994 and September 30, 1996 due to noncompliance with State standards.

We recommended that SSA periodically review attestations made by States in their certifications of compliance. These reviews would ensure that States identify all facilities required to be reviewed for licensing under section 1616(e) of the Social Security Act. We are also

recommending that SSA inform States of the requirements of the law and establish procedures to ensure that States notify SSA when licenses are revoked due to noncompliance with State standards or expire and are not renewed in a timely manner.

In response to our draft report, SSA agreed to address our second recommendation but did not address our first recommendation. We continue to believe that SSA should periodically review attestations made by States in their certifications of compliance to ensure that States identify all facilities required to be reviewed for licensing.

8. REPRESENTATIVE PAYEE

If Social Security Administration beneficiaries cannot manage their own finances, Congress has authorized the Agency to pay their benefits to other individuals or organizations, known as representative payees. Approximately 6.6 million beneficiaries have payees. Payees may include, but are not limited to, parents, spouses, legal guardians, friends, and institutions.

A payee's responsibilities include frequently monitoring the beneficiary's current well-being, informing SSA of changes in the payee's own circumstances that would affect the payee's performance, reporting events to SSA that could affect the beneficiary's entitlement or amount of benefits, and submitting an annual accounting to SSA reporting how benefits were used or conserved.

The representative payee accounting process is expensive and labor intensive and produces limited results. The process rarely detects misuse of benefits or other problems and was estimated to cost SSA approximately \$66 million in FY 1996. The SSA asked the Office of the Inspector General to conduct a series of studies that would review and recommend improvements to the process. The following reports were issued during this period:

Monitoring Representative Payee Performance: Nonresponding Payees, A-09-96-64208, December 16, 1996

A major payee responsibility is to submit an annual report to SSA accounting for benefits received, used, and conserved. If payees have not returned forms within 6 months of mailing, SSA generates a list of nonresponding payees for further contact by staff. The SSA staff attempt to obtain a completed accounting form from the payee.

We found that: (1) SSA does not receive an accounting for approximately \$1.2 billion in annual benefits; (2) SSA does not maintain information about nonresponding payees; (3) nonresponding payees are usually relatives with custody; and (4) agencies and institutions are the most common nonresponding payees. Although it is SSA's policy to continue to follow up until the forms are received, we found that not all offices were complying with this policy. The OIG currently has an audit underway to determine the extent of nonresponder problems.

We recommended that SSA: (1) determine why selected payees fail to complete accountings; (2) determine whether field offices or processing center staff are properly processing the nonresponder alerts; and (3) develop a more immediate and appropriate method (e.g., suspension

of benefits, immediate change of payee with final accounting by former payee) to be used in conjunction with the tracking system to obtain accountings. Additionally, SSA should annotate the Master Representative Payee file to indicate that the payee failed to respond to a request for accounting and should not be considered as a representative payee for beneficiaries in the future. The SSA generally concurred with our recommendations.

Monitoring Representative Payee Performance: The Accounting Form, A-09-96-64204, January 6, 1997

Payees are required to submit an annual accounting form report to SSA. To handle the high volume of annual accounting, SSA developed two standardized accounting forms, SSA-623 and SSA-6230. Initially, SSA used form SSA-623 to determine the continuing suitability of representative payees, the continuing need for representative payment, and whether representative payees used benefits properly during the 12-month reporting period. In 1990, SSA introduced the SSA-6230 accounting form for parents, and later for step-parents and grandparents with custody of minor children who receive Title II benefits. These representative payees may report their use of benefits for up to four children on the same form. Since parents, step-parents, and grandparents represent the largest type of representative payee category, most Title II representative payees now receive the SSA-6230.

We found that although the majority of representative payees respond to mailed accounting requests by completing and returning the accounting form, SSA still must contact a large number of representative payees directly. Some contacts are to obtain missing or incomplete responses to the accounting form, while others are to clarify representative payees' responses. Many of the latter contacts are necessitated by representative payees' confusion over completing the accounting forms. The SSA's efforts to make the accounting form SSA-6230 a simpler and more direct form have proven successful. We found the error rate less for representative payees completing the SSA-6230 than representative payees completing the SSA-623.

Monitoring Representative Payee Performance: The Accounting Review Process, A-09-96-64209, January 6, 1997

This evaluation was conducted to review the effectiveness and efficiency of the Social Security Administration's representative payee accounting review process.

We found that the accounting review process is neither effective nor efficient in identifying poor performance or misuse and/or questionable use of benefits. We also found that many representative payees misunderstood the question regarding the conviction of a felony, believing that it applied to the beneficiary. In addition, we found that the accounting review process does not address problems with improperly titled accounts (for example, individuals other than the payee and beneficiary listed on the account).

We concluded that problem cases often are not identified through the accounting review process. The SSA expends extensive effort to discover that many exceptions are the result of confusion

and misunderstanding rather than actual status changes. Some questions on the annual accounting forms produce virtually no results, while other questions, such as those about financial account titles, do not identify the true magnitude of the problem.

Monitoring Representative Payee Performance: Management and Staff Survey, A-09-96-64212, February 28, 1997

This management advisory report discussed SSA staff attitudes toward their participation in the data-gathering phase of our evaluations of SSA's representative payee accounting process.

Our survey found that most SSA field office managers and employees are willing to participate in studies that they believe will result in worthwhile recommendations to improve SSA systems even if their participation may have a short-term negative impact on their offices' productivity. The employees surveyed believe that the current representative payee accounting system needs to be improved and they seemed eager to contribute to possible solutions. Many employees felt that the current representative payee accounting forms are inadequate and require revision.

In addition, field office employees thought that SSA should attempt to profile representative payees so that the Agency could focus its limited resources on scrutinizing those who possess characteristics which may make them more likely to misuse beneficiary benefits.

Large Underpayments to Representative Payees, A-02-96-61201, March 26, 1997

The purpose of this review was to assess the Social Security Administration's policies and practices for paying and monitoring large underpayments to representative payees. Large underpayments were defined as payments of \$4,000 or more.

Beneficiaries may be underpaid if delays occur in processing their initial applications or in cases where suspended benefits are reinstated. It is not uncommon for several months' benefits, or more, to accumulate in these situations. Some difficulties have been noted with the issuance of large underpayments to representative payees who do not use these payments in the best interests of the intended beneficiaries. The SSA has the authority to appoint representative payees to receive and manage payments on behalf of the beneficiaries who cannot manage their own finances. The SSA has procedures in place to protect the beneficiaries' interests in regard to issuing large underpayments to representative payees. If field office personnel determine that it is in the best interest of the beneficiaries, large underpayments can be issued in installments.

We found that half of the claims representatives in SSA's field offices had not used installment payments to release large underpayments to representative payees. The claims representatives who used installments did so infrequently. We also found that most claims representatives asked representative payees to verify expenditures. The claims representatives who met with payees after the release of large underpayments either asked for receipts, relied on a combination of receipts and the representative payees' word or accepted the payees' word alone to verify expenditures. In addition, we found most claims representatives seek improvements in the

process for making large underpayments. The most often mentioned recommendation was the increased use of automated installment payments. The claims representatives reported they would be more inclined to use installments if the process were automated.

We recommended that SSA give claims representatives the option of using automated installments when releasing all large underpayments to representative payees. We also recommended that SSA remind claims representatives of the current options for issuing large underpayments to representative payees.

Monitoring Representative Payee Performance: Roll-Up Report, A-09-96-64201, March 28, 1997

This roll-up report provides comprehensive recommendations for increasing the efficiency and effectiveness of the Social Security Administration's representative payee monitoring process. This report summarized the findings and recommendations of 16 audit and evaluation reports concerning representative payee issues. The reports, issued by the Department of Health and Human Services' OIG and SSA's OIG during the 1990's, provided findings and recommendations concerning: (1) SSA's accounting review process; (2) assessment of risk by various types and categories of representative payees; and (3) the demographics of representative payees and beneficiaries.

In summarizing the previous 16 reports, five general findings emerged: (1) problems with representative payees are less extreme than anecdotal stories would suggest; (2) the accounting review process produces limited results; (3) the accounting review process places an undue administrative burden on SSA; (4) the accounting review process fails to meet mandated requirements; and (5) the accounting system relies on incomplete and inaccurate data.

We recommended that SSA: (1) develop a system of continuous training for representative payees; (2) conduct more thorough screenings of potential representative payees; (3) revise its preference lists for representative payees to place greater emphasis on custody arrangements; (4) develop a comprehensive automated representative payee system to manage the return of millions of accounting forms; (5) not require annual reports from all representative payees; (6) tailor forms to address variations among representative payees and differences in relationships between payees and beneficiaries; (7) conduct periodic reviews of selected representative payees; (8) change the focus of the current process from accounting to monitoring and compliance; (9) develop a representative payee coding scheme that reflects the Agency's needs for administering the process; and (10) review previous OIG recommendations related to representative payment to determine if additional benefit could be gained from these recommendations.

We believe that SSA could save \$39.1 million annually by allowing certain categories of representative payees with custody (parents, relatives, and legal guardians) to submit the accounting report every 3 years rather than annually. These savings would somewhat be reduced by the initial face-to-face checks required to screen potential payees. Legislative relief from the Social Security Act and the Jordan Court order concerning the requirement to obtain an annual accounting of benefits from all representative payees would be required to achieve these savings.

The SSA is in general agreement with our recommendations. The SSA expressed concerns with exempting some representative payees (e.g., legal guardians) from the annual accounting requirement, performing suitability checks for only the payees highest on the preference list, and revising accounting forms to ask specific questions about events that representative payees commonly fail to report.

***List of Office of the Inspector General
Reports Issued October 1, 1996 to March 31, 1997***

The Office of Audit conducts comprehensive audits and evaluations of SSA's programs and operations and makes recommendations to ensure that program objectives are achieved effectively and efficiently. The following charts provide a listing of all audits and evaluations conducted from October 1, 1996 to March 31, 1997. Copies of the following reports are available and will be furnished upon request.

Audit Reports Issued

Date Issued	Title	Report Number
November 22, 1996	Inspector General's Opinion on SSA's Fiscal Year 1996 Financial Statements	A-13-96-51001
December 13, 1996	Social Security Coverage of State and Local Government Employees	A-04-95-06013
January 31, 1997	Administratively Uncontrollable Overtime	A-13-97-92001
February 19, 1997	Audit of the Office of Program and Integrity Reviews' Special Studies	A-13-96-51142
March 13, 1997	Procedures for Collecting Social Security Administration/Railroad Retirement Board Combined Benefit Payments Issued After Death	A-05-95-00017
March 18, 1997	Review of CA-TOP SECRET Access Control Software	A-13-95-00606
March 26, 1997	The Social Security Administration's Payment for Medical Evidence of Record Obtained by State Disability Determination Services	A-07-95-00833
March 28, 1997	Payments to Surviving Spouses at Retirement Age	A-05-95-00016
March 31, 1997	Internal Controls of the Earnings Modernization 2.8 Program	A-03-95-02608
March 31, 1997	Review of Social Security Administration's Procedures to Ensure State Compliance with Section 1616 (e) of the Social Security Act	A-01-96-62001

Evaluation Reports Issued

Date Issued	Title	Report Number
October 23, 1996	Office of the Inspector General Evaluation Report - Test of Satisfaction Scales	A-02-96-02204
December 16, 1996	Monitoring Representative Payee Performance: Nonresponding Payees	A-09-96-64208
January 6, 1997	Monitoring Representative Payee Performance: The Accounting Form	A-09-96-64204
January 6, 1997	Monitoring Representative Payee Performance: The Accounting Review Process	A-09-96-64209
January 21, 1997	Unresolved Internal Revenue Service Alerts	A-13-97-61007
January 30, 1997	Reading Level for Spanish-Speaking Clients Receiving Social Security Administration Spanish Language Notices	A-06-96-62200
February 5, 1997	Missing Data Hinders Vocational Rehabilitation Referrals	A-13-97-21009
February 28, 1997	Monitoring Representative Payee Performance: Management and Staff Survey	A-09-96-64212
March 26, 1997	Large Underpayments to Representative Payees	A-02-96-61201
March 28, 1997	Monitoring Representative Payee Performance: Roll-up Report	A-09-96-64201

***Resolving Office of the Inspector General
Recommendations***

The following chart summarizes SSA's responses to the Office of the Inspector General's recommendations for the recovery or redirection of questioned and unsupported costs.

Questioned costs are those costs which are challenged because of a violation of law, regulation, grant, etc. Unsupported costs are those costs questioned because they are not supported by adequate documentation. This information is provided in accordance with the Supplemental Appropriations and Rescissions Act of 1980 (Public Law 96-304) and the Inspector General Act of 1978, as amended.

TABLE I: REPORTS WITH QUESTIONED COSTS

For the Reporting Period October 1, 1996 to March 31, 1997

	Number	Dollar Value	
		Questioned	Unsupported
A. For which no management decision had been made by the commencement of the reporting period.	2 ¹	\$269,638	\$0
B. Which were issued during the reporting period:	1	\$391,716	\$0
Subtotals (A+B)	3 ²	\$661,354	\$0
Less:			
C. For which a management decision was made during the reporting period:	3	\$661,354	\$0
(i) dollar value of disallowed costs.	3	\$661,354	\$0
(ii) dollar value of costs not disallowed.	0	\$0	\$0
D. For which no management decision had been made by the end of the reporting period.	0	\$0	\$0
E. Reports for which no management decision was made within 6 months of issuance.	0	\$0	\$0

¹ These audit reports were submitted to the Agency after the issuance of the Office of the Inspector General's previous Semiannual Report to the Congress.

² State of Maine, Department of Human Services, Bureau of Rehabilitation Disability Determination Services - (A-01-95-36087 - 6/22/95); Department of Administration, State of Maine - (A-01-96-40576 - 5/23/96); Procedures for Collecting Social Security Administration/Railroad Retirement Board Combined Benefit Payments Issued After Death - (A-05-95-0017 - 3/13/97)

TABLE II: REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

The following chart summarizes reports which include recommendations that funds be put to better use through cost avoidances, budget savings, etc.

For the Reporting Period October 1, 1996 to March 31, 1997

	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	0	\$0
B. Which were issued during the reporting period:	1 ³	\$39,100,000
Subtotals (A + B)	1	\$39,100,000
C. For which a management decision was made during the reporting period:		
(i) dollar value of recommendations that were agreed to by management.	0	\$0
(a) based on proposed management action.	0	\$0
(b) based on proposed legislative action.	0	\$0
Subtotals (a + b)	0	\$0
(ii) dollar value of costs that were not agreed to by management.	0	\$0
Subtotals (i + ii)	0	\$0
D. For which no management decision had been made by the end of the reporting period.	1 ⁴	\$39,100,000

³ Monitoring Representative Payee Performance: Roll-up Report - (A-09-96-64201 - 3/28/97)

⁴ SSA Management had made a decision on the 14 reports listed in our previous Semiannual Report.

Reporting Requirements Index

The Inspector General Act of 1978, as amended, specifies reporting requirements for semiannual reports. The requirements are listed and indexed to their appropriate pages.

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Section 5(a)(12): Significant management decisions with which the OIG disagreed.....None

APPENDIX A

Implemented Recommendations to Put Funds to Better Use

The following schedule quantifies actions agreed to be taken by the Social Security Administration (SSA) in response to the Office of the Inspector General's (OIG) recommendations to prevent unnecessary obligations for expenditures of Agency funds or to improve Agency systems and operations. The amounts shown represent funds or resources that will be used more efficiently as a result of documented measures taken by the Congress or by management to implement OIG recommendations, including: actual reductions in unnecessary budget outlays; deobligations of funds; reductions in costs incurred or preaward contracts; and grant reductions from Agency programs or operations. This information was provided by SSA's Management Analysis and Audit Program Support Staff which tracks and monitors OIG recommendations.

The total savings for this period are approximately \$1,442,417,700 which are derived from the following prior and current reports:

OIG RECOMMENDATION	SAVINGS
Review of Child Dependents' Dates of Birth on the Master Beneficiary Records of Title II Beneficiaries - (A-01-92-02001 - 3/23/93)	\$26,417,700
The Social Security Administration's Efforts to Address the Backlog of Medical Continuing Disability Reviews for Disabled Beneficiaries - (A-13-93-00405 - 2/9/95)	\$1,416,000,000
Total	\$1,442,417,700

APPENDIX B

For the Reporting Period October 1, 1996 to March 31, 1997

This schedule represents recommendations from prior Reports to the Congress for which corrective actions have not been completed. Reports dated prior to March 31, 1995 were issued by the Department of Health and Human Services, Office of Inspector General.

Follow-up on Payments Under the Disability Determination Program for Medical Appointments Broken by Claimants of Disability Income and Supplemental Security Income Benefits, A-01-95-02007, 7/24/96

The Social Security Administration should institute a policy of paying only for services rendered and attempt to implement that policy at all Disability Determination Services units. Such a policy would allow for payment for review of medical records but not for broken medical appointments. In June 1996, SSA representatives conferred with representatives from States that no longer pay for broken medical appointments in order to develop a presentation which was given at the National Professional Relations Conference in August 1996. The presentation encouraged paying States to adopt a no-pay policy and also shared strategies employed by States that have already converted to a no-pay policy. Representatives will begin to contact the regions that have States which are paying for broken medical appointments to ascertain what progress they have made in converting to a non-pay status. The Office of Disability is working closely with States that have not adopted a policy of not paying for broken consultative examinations. The Office of Disability expects to complete its contacts and will monitor regions' progress quarterly thereafter, as needed.

Identification of Reported Name Changes That Affect Auxiliary Benefits Under Title II of the Social Security Act, A-01-94-02001, 6/14/96

The SSA should conduct a one-time match to identify name changes on the numident record that have not been posted to the Master Beneficiary Record. Eligibility should be re-determined for those beneficiaries whose name changes are found to be caused by marriage or divorce, and recovery of overpayments should be pursued. By April 1997, the Office of Systems Requirements plans to have a selection of name discrepancy cases available for review to determine the nature of discrepancies and the amount of work that is needed to resolve and correct name differences between the Master Beneficiary Record and the numident record. If the Office of Systems Requirements completes its activities by April 1997, then completion of the analysis of the cases is expected by November 1997. Milestones for completing this project cannot be provided at this time.

Follow-up Audit on Field Office Processing of Death Alerts, A-09-94-00074, 2/16/96

The SSA should instruct all field offices to follow Agency procedures for verifying beneficiary deaths more closely and resolving death alerts more timely. Also, SSA should require field office management to ensure that a control log for the receipt and disposition of death alerts is kept by a

person not authorized to process death alerts, and require security staff to routinely review deleted death alerts by sampling from the information available in the Audit Trail System. SSA did not agree with this recommendation but is investigating the possibility of providing regional offices with a periodic listing derived from the Audit Trail System. The listing would identify for review death alerts, control and update system delete actions, (with matching name and address changes) and direct deposit actions. SSA expects to have a data set available for each regional security staff by mid-1997.

SSA Field Office Visitor Workload, OEI-05-92-00043, 8/22/95

The SSA should eliminate the field office interview workload for noncitizens applying for an original SSN. The SSA is working with staff from the Department of State to transfer the enumeration of aliens to the Immigration and Naturalization Service, effectively eliminating the workload from SSA field offices. Plans require a phased-in approach, beginning with a Memorandum of Understanding with the Immigration and Naturalization Service and Department of State.

Improvements Are Needed to Prevent Underpayments for Social Security Beneficiaries with Earnings Posted after Entitlement, A-13-94-00509, 5/1/95

The SSA should strengthen internal controls by improving sampling techniques to include random sampling and quality assurance procedures for the automatic earnings reappraisal operation in order to identify beneficiaries with post-entitlement earnings who received no benefit increase. The new ongoing post-entitlement earnings review is expected to be in place by mid-1997.

The SSA should identify and pay underpayments to all current and noncurrent beneficiaries who were due benefit increases for post-entitlement earnings. The Office of Systems processed payments for 60,000 accounts, totaling \$42 million. The Office of Systems has identified an additional 340,000 beneficiaries who are potentially due benefit increases. Some of these cases are expected to be processed manually by the Program Service Centers.

Identifying Disabled Beneficiaries Working Under Another Social Security Number, A-13-92-00235, 9/9/94

The SSA should implement a name and address computer match program to identify and correct situations where beneficiaries are receiving benefits improperly. The SSA agreed that a computer match would enhance existing controls and is examining the feasibility of implementing one. The SSA advised the OIG that it performed a computer match which has, thus far, resulted in the identification of almost 50 percent of these beneficiaries.

Testing Equipment Used for Peripheral Vision Disability Assessments, A-13-93-00429, 8/15/94

The SSA should allow the use of currently available and widely used automated peripheral vision testing devices for disability assessment. SSA's ability to implement this recommendation

depends upon the timely delivery of programming requirements from the manufacturers of the automated perimeters. In August 31, 1995, SSA obtained from the Automated Perimetry Manufacturers instructions to allow administration of tests according to National Research Council specifications. In September 1995, SSA issued interim instructions explaining how and when the results of automated perimetry tests not administered according to National Research Council specifications can be used to evaluate disability and blindness. Preliminary independent testing of several individuals' visual fields has produced results that bring into question the validity of the National Research Council specifications.

Obtaining Medical Evidence Contributes Significantly to Claims Processing Delays, A-13-92-00106, 2/9/94

The SSA needs to develop indicators to uniformly measure the performance of alternative methods of acquiring medical evidence of record. The SSA plans to collect data from the regions concerning projects involving alternative methods for processing disability claims, including obtaining medical evidence. This data collection report will be linked with the Agency's disability process redesign plan. The implementation plan, published in November 1994, includes integrating the processes for requesting, storing, and retrieving medical records into the Reengineered Disability System (formerly the Modernized Disability System).

The SSA should expand use of the method or methods showing the greatest potential for improving claim processing time and cost-effective operations. Expansion beyond the prototype/pilot stage of methods for improving the medical evidence of record acquisition process have been tied into SSA's redesign effort.

Processing of Death Termination Actions for Individuals Who Die Before or During Their Date of Entitlement Month - Northeastern Program Service Center, A-02-91-00002, 9/27/93

The SSA should eliminate the system limitation that requires the manual processing of death termination actions in advance of filing cases when the applicant dies prior to the date of entitlement month. Implementation of this recommendation will be accomplished under the Title II Redesign Automatic Data Processing Plan, scheduled for September 1999.

Audit of Work-Related Payment Cessations for Disabled Beneficiaries, A-13-92-00231, 9/14/93

The SSA needs to develop a workload management system that permits managers to identify and review cases that should have trial work period diary dates. The Deputy Commissioner for Operations established a workgroup which met on August 9, 1994. The workgroup completed an ADP plan initiative statement on April 14, 1995, recommending system improvements that would supply a report to managers and provide instant feedback to employees in the form of real-time screen edits to ensure that proper trial work period diary dates are established. The initiative statement was forwarded to the Office of Systems. A business process architecture has been prepared which documents the Agency's logical structure and business requirements of the continuing disability review area. The Office of Systems has included this recommendation in its

long-range plans for continuing disability review changes and enhancements; however, a schedule has not been established due to assignment of resources to higher priority disability projects.

The SSA should study the usefulness of various types of enforcement alerts and eliminate nonproductive alerts. The Office of Program and Integrity Reviews completed its analysis from past enforcement alerts to enable SSA to eliminate nonproductive alerts. The Office of Program Integrity and Reviews submitted the draft report to the Office of Budget and is awaiting comments.

Audit of the Office of Central Records Operations' Social Security Number Records Correction Process, A-13-92-00237, 7/1/93

The SSA needs to ensure the automated system for Social Security number (SSN) record corrections is modified to print the legend not valid for employment on SSN cards issued to aliens not authorized for employment. The Division of Validation is now able to run modernized enumeration system batch tests. Implementation of this project was delayed due to validation limitations. The Office of Systems Requirements is expected to perform the validation during spring 1997.

The SSA needs to limit the number of access attempts to three. Forgotten personal identification numbers and passwords should be obtained through Systems Security Officers. Under the rehosting project, TOP SECRET will automatically control access attempts and tracking. However, the actual use of TOP SECRET to control access will involve substantial profile development and training.

In addition, SSA needs to prevent lead clerks from changing transactions after they have been keyed. Further, the SSA needs to prohibit transactions from being changed from verify hold status when a lead clerk accesses the verified transactions. Actions addressing these two recommendations should be completed by October 1997.

State Reverse Offset Laws for Disability Benefits, OEI-06-89-00902, 6/1/93

The SSA should seek legislation rescinding reverse offset laws and requiring a reduction of the Social Security disability payment to offset Workers' Compensation and State-funded disability benefit payments. The SSA deferred evaluation of this recommendation pending further study by the Agency to determine the impact on affected States and on the beneficiaries residing in those States. In April 1994, the Office of Disability released its report on the statistical analysis of each State. The Office of Disability findings show that if reverse offset were to be rescinded, savings would accrue at SSA. The Agency included a proposal to rescind reverse offset in the current package of legislative proposals sent to the House Committee on Ways and Means staff.

**Audit of the System of Internal Controls for the Modernized Enumeration System,
A-13-90-00045, 4/12/93**

The SSA needs to revise procedures for the issuance of a Social Security card to applicants 18 years old or older by including management review and authorization by input of reviewer's personal identification number to complete the transaction. The integrated client data project will enhance the modernized enumeration system improving the processing of applications for original SSNs from U.S. citizens 18 years of age or older. Implementation is expected in August 1997.

The SSA needs to establish a modernized enumeration system edit for Enumeration Feedback Messages vulnerable to erroneous SSN assignment; edit should require management/management designee review of Enumeration Feedback Messages' resolutions and input of the reviewer's personal identification number before the action can be processed. This recommendation will be addressed in SSA's integrated client data project. Implementation is expected to be completed in August 1997.

The SSA needs to establish a modernized enumeration record system edit to prevent issuance of a replacement SSN without deletion of the death record from numident. Deletion of the death record should require management authorization through input of the manager's personal identification number. This recommendation will be addressed through release 2 of the integrated client data project. The implementation is expected to be completed in August 1997.

Audit of the Effectiveness of Title II Disability Work Incentives - A-13-92-00223, 2/12/93

This audit recommended that SSA defer any benefit increases based on trial work earnings of a disabled beneficiary until he or she reaches age 62 and can receive retirement benefits, or until his or her disability benefits have been exhausted and he or she refiles for disability. SSA rejected this recommendation May 3, 1993.

**Work Incentives for Disabled Supplemental Security Income Recipients, OEI-09-90-00020,
2/4/92**

SSA should take the lead in organizing efforts to identify and study ways to encourage employers to hire severely disabled workers. The SSA initiated Project Network which tested four separate models for providing rehabilitation and job placement services for people who enter the work force. The models were completed in March 1995 with evaluation activities continuing through FY 1997. In May 1993, SSA implemented Project Able, a demonstration project which expands employment opportunities for Title II and Title XVI disability beneficiaries through the use of an automated system that links job-ready individuals with disabilities to employers seeking to fill vacancies. Project Able has been piloted in Maryland, Virginia, and Washington, D.C. Based on feedback received during the pilot, SSA expanded the project in the third quarter of FY 1995 to include California, Illinois, Pennsylvania, and Texas. Two improvements that should increase the opportunities for Project Able candidates are: (1) an automatic daily interface with the Office of Personnel Management's Federal Job Opportunities Listing, resulting in referral of Project Able candidates to any Federal agency with a vacancy;

and (2) the addition of a resume bank which would provide employers with complete information about candidates. The SSA has developed proposals for a cost-effective employment strategy that would assist beneficiaries with disabilities in returning to work. The key direction for the strategy is to enhance the security and smooth the transition of those who choose to work despite their impairments and provide greater incentives for public and private sector providers to hire SSA's beneficiaries with disabilities. The completion of the proposals is expected by May 1997.

The Federal Policy of Excluding Lodging Compensation From FICA Coverage Needs to be Reconsidered, A-09-90-00050, 5/29/91

Federal policy excludes the value of employer-funded lodging from Federal Insurance Contributions Act coverage. This exclusion results in reduced Old-Age, Survivors and Disability Insurance benefits for those individuals whose compensation included lodging.

We recommended that SSA include permanent lodging compensation for Federal Insurance Contributions Act coverage. The SSA did not support this recommendation. SSA believed it would be difficult to administer this change because employer-provided lodging would then be treated differently for Federal Insurance Contributions Act and income tax purposes. This could be confusing and lead to reporting errors. This recommendation was rejected by SSA July 12, 1991.

Better Controls Over Correspondence Process Would Help Post More Earnings to Wage Earners' Accounts, A-13-89-00040, 4/1/91

We reviewed SSA's earnings operations and identified procedural and control weaknesses that allowed correctable wage items to remain uncorrected. SSA received responses from 4.2 million individuals in an attempt to correct wage items held in its suspense file. SSA needs to communicate with these individuals to inform them that an error has not been resolved and emphasize the need for them to contact their local field office. SSA advised OIG that this situation has been corrected and all wage earners now receive the required notification.

Our audit showed that SSA should do more to resolve suspense cases for which no response was received. We recommended that SSA enact a number of management controls to improve earnings operations which included: (1) establish a new category of responses from employers; (2) design new notices to follow up on incorrect employer responses; and (3) implement a mechanism to sort suspended wage items by Social Security number. The first two recommendations are expected to be implemented in mid-1997. SSA reported that a review of the suspense data and its accessibility began in April 1996. A report on the review is scheduled to be released in May 1997 and a decision will be made then regarding the prototype suspense file access application.

First Month of Eligibility, OEI-12-89-01260, 3/29/91

The SSA should submit a legislative proposal establishing a consistent definition of eligibility for age-based retirement and survivor payments. The SSA did not agree with the recommendation and thought that it should be supported with a stronger rationale.

New Cards for New Brides, OEI-06-90-00820, 2/28/91

The SSA should actively pursue acquisition of computerized marriage records from States having this capability and work with them to revise their marriage forms, adding the SSN and other needed data elements. The SSA's Office of Programs discussed the feasibility of this proposal with the Association of Vital Records and Health Statistics Executive Board on July 16, 1991. The Board was uniformly negative but some members said they would provide cost estimates. Only one member has submitted information and that information related only to start-up costs. The remaining steps continue to be delayed due to the competing demands of the Agency's strategic plan and other priority activities.

Follow-up on the Audit of the Collection of Nonresident Alien Taxes for Retroactive Periods, A-13-90-00041, 2/12/91

The SSA should expedite the development and implementation of procedures and system modifications needed to use automated systems to identify and collect retroactive alien taxes. The SSA has deferred this project because resources are committed to higher priority projects.

Suspended Payments Need to be Resolved Timely, A-13-89-00027, 9/26/90

The SSA should establish controlled alerts on existing and future benefit suspensions and follow-up on the alerts to ensure that employees resolve them timely. A study on the feasibility of suspension and termination under various circumstances not covered under existing policy has been completed. The study report includes recommendations on suspension and termination of benefits based upon a presumption of death; alerts on existing and future suspensions with follow-ups; alerts on existing suspensions with provisions made for cases in which the suspense issue cannot be resolved; and management review. Proposed systems changes, including identification of cases and generation of controlled alerts, are contained in the report on the review of suspension and termination policies. The tactical plan proposal to implement recommendations made in the study of suspended cases has been approved; however, no resources were devoted to it. The plan includes an Automated Data Processing proposal to establish a controlled alert system that will implement the OIG recommendation.

The SSA should institute a separation of duties function or compensating control to ensure that Program Service Center and field office employees have adequate evidence that a beneficiary is alive before reinstating benefits. The SSA plan requires an interface of Death Alert, Control and Update System information contained on the numident system consistent with that found on the Post Eligibility Online System. The plan also requires an interface of the Modernized Data Input

System for all posteligibility actions that can result in reinstating benefits to suspended beneficiaries. Implementation of this recommendation is expected to be completed in August 1997.

Abandonments of Reclamation Actions for Incorrect Title II Payments, A-04-89-03021, 12/22/89

The Social Security Administration should conclude an agreement with the Department of the Treasury regarding abandonments. The Department of the Treasury began developing an electronic reclamation procedure in May 1996. The practicality of an abandonment reclamation feature will be addressed as part of the system's design. The SSA's successful implementation of the new automated clearinghouse transaction standard, and the death notification entry, coupled with its implementation of a Memorandum of Understanding with Treasury in July 1993, resulted in a substantial decrease in the number of reclamations being generated. The death notification entry allows SSA to notify banks immediately when a direct deposit customer dies. Banks have been responding by returning erroneous payments, thus eliminating the need for a reclamation. The Memorandum of Understanding established an electronic funds transfer intercept hold process that allows SSA to stop erroneous payments up to 4 days before payment date. This has also contributed to the reduction in reclamations. The SSA and Treasury continue to explore ways to improve the reclamation process and to develop more streamlined procedures to handle reclamations.

Undeliverable Notices Need to Be Better Controlled, A-13-88-00035, 9/5/89

The SSA should use 7 years after the date of the last contact with unable to locate individuals to establish a presumed date of death and recover accrued benefits. The study on the feasibility of suspension and termination under various circumstances not covered under existing policy has been completed. A tactical plan proposal to implement recommendations made in the study of suspended cases has been approved; however, no budget resources were devoted to it. Development of regulation specifications to suspend and terminate benefits based on a presumption of death is continuing. During the development of the regulation specifications, the necessity for a regulation was questioned, based on an earlier SSA Office of the General Counsel opinion. The Office of Programs and Policy has requested a review of that opinion from the Office of the General Counsel. If the decision is that a regulation is not needed, the Office of Programs and Policy will proceed to write instructions to terminate benefits to those individuals suspended for whereabouts unknown after 7 years. It should be noted that under the proposed policy, there will be no accrued benefits to recover because the termination action will have followed a period of suspense. The request for a control system to automate this activity was resubmitted to the Title II Redesign Team in November 1996. As of March 31, 1997, no response had been received from the Team.

Expanding the Tip Reporting Requirements, A-09-89-00072, 5/12/89

We recommended that SSA expand the requirements for mandatory tip income to include other types of businesses where tipping is a common practice. Although SSA supports OIG's

recommendations, it believes that any proposal to change the requirements would be within the jurisdiction of the Internal Revenue Service (IRS). The IRS has not supported this proposal. This recommendation was rejected by SSA June 30, 1989.

Collection of Nonresident Alien Taxes for Retroactive Periods, A-13-86-62658, 6/10/88

The SSA should use automated systems to identify retroactive nonresident alien taxes due. Procedures should be developed to facilitate collection by SSA's automation system. SSA's Office of Systems Requirements led an intercomponent workgroup in the development of a comprehensive business plan analysis. The business plan analysis outlines the scope, data and functionality of the project that will automate the taxation process for both prospective and retroactive cases. The data administrator is conducting meetings with the workgroup to discuss the method of calculating tax liability for cases containing overpayments and to present the data administrator's proposal. The business plan analysis will be followed by the systems design alternative phase of the systems development life cycle. The Title II redesign will provide for expansion of the alien tax withholding data. Activities are being managed and monitored. The Office of Systems cannot provide a target date for implementing this recommendation because this project has been deferred due to resource constraints.

Using Computerized Files to Detect Unreported Marriages, A-09-87-00052, 4/20/88

The SSA should periodically obtain computerized marriage data from the States identified in this report (Hawaii, Illinois, Maine, Michigan and Wisconsin) and match those files with the Master Beneficiary Record to identify cases of unreported marriages. The Office of Program and Integrity Reviews sent 53 questionnaires in mid-November 1993 to poll individual States to determine whether State data is consistent with information contained in SSA's benefits records and also determine which States were receptive to the idea of a match. Final selection of representative States for the purpose of conducting a pilot is underway. To ensure that the States selected are the best candidates possible, the Office of Program Integrity and Reviews has obtained and reviewed statistical data from the Office of Research and Statistics regarding the number and categories of both Title II and Title XVI recipients in each State. The SSA is in contact with the National Center for Health Statistics to ascertain whether it could provide information on unreported marriages from all the States. Dealing with the National Center for Health Statistics permits SSA to obtain the data from a single source in an automated form. Although the National Center for Health Statistics is missing some key identifiers, the organization has expressed an interest in working with SSA on this effort. If the National Center for Health Statistics can provide more information, SSA may be able to conduct the pilot with this organization instead of with the individual States. The SSA is completing an electronic computer match agreement to facilitate data acquisition and comparison of State and Title II and Title XVI recipients.

Loopholes Affecting the Wage Base Will Lower Social Security Benefits for Some Workers and Cost the Social Security and Hospital Insurance Trust Funds Billions, A-05-86-62602, 12/2/87

This audit recommended that SSA require salary reduction agreements established under Internal Revenue Code cafeteria plans be included in the definition of wages for Federal Insurance Contributions Act purposes. SSA rejected this recommendation June 14, 1988.

Appendix C

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Investigative Statistics

October 1, 1996 - March 31, 1997				
Allegations Received	Opened Investigations	Closed Investigations	Criminal Convictions	Funds Reported
6,923	2,307	788	395	\$11,501,367

4
3
2
1

3
2
1

How to Report Wrongdoing

The OIG maintains a toll-free Hotline through which it receives allegations and complaints relative to SSA operations nationwide. The Hotline offers a convenient means for you to provide information on suspected fraud, waste and abuse. If you know of current or potentially illegal or improper activities involving SSA programs or personnel, we encourage you to call our Hotline number at:

1-800-269-0271

or

you may send a fax to: **(410)-597-0118**

or

Mail to:

Office of the Inspector General

Attention: Hotline

P.O. Box 17768

Baltimore, Maryland 21235