FOREWORD

I am pleased to submit to you the Office of the Inspector General's (OIG) Semiannual Report to the Congress, as required by the Inspector General Act of 1978, as amended, Public Law 95-452. This report chronicles the accomplishments of our office for the period October 1, 1995 through March 31, 1996.

During this period, OIG activities resulted in 326 criminal convictions, recovery of more than $9.6 million in fines, judgments, and restitutions, and more than $30 million in recommendations that funds could be put to better use. It is significant to note that we recovered more than double the amount recovered in the last 6-month period, and our recoveries and recommended cost avoidances more than exceeded the OIG's total budget for the reporting period.

I want to thank the Social Security Administration's (SSA) senior management team and Members of Congress and their staffs for the unwavering support provided to us during our first year of operation. In addition, I want to commend the fine work performed by the OIG staff during this period of transition. We look forward to continuing our work together to achieve the highest level of integrity and accountability for SSA's programs and operations.

If you have any questions regarding this report, please call me or have your staff contact Karen Shaffer, Assistant Inspector General for Management Services, at 410-966-8808.

David C. Williams

David C. Williams
Inspector General

SOCIAL SECURITY ADMINISTRATION

OFFICE OF THE INSPECTOR GENERAL

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

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

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

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

Vision

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.

Executive Summary

The Social Security Administration (SSA) directly touches the lives of more people than any other public service entity. Created in 1935, SSA has grown to be an indispensable part of the American way of life. The SSA is responsible for nearly one-quarter of the total U.S. expenditures. Today, SSA pays over $363 billion annually in Old-Age, Survivors and Disability Insurance and Supplemental Security Income (SSI) benefits to more than 50 million beneficiaries each year. These benefits are distributed to retirees, the needy, aged, blind and disabled persons, their spouses and dependent children, and certain surviving family members of deceased insured workers. The SSA continues to pay monthly black lung benefits to a declining number of individuals and their dependents who filed claims prior to 1973, when primary responsibility for the claims was transferred to the Department of Labor. It is vital that the public have confidence and trust in SSA and its programs.

On March 31, 1995, as provided in the Social Security Independence and Program Improvements Act of 1994, SSA became an independent Agency with its own Inspector General. During the past year, both the Agency and the Office of the Inspector General (OIG) have forged a new relationship built upon mutual trust, respect, and recognition of the independence of the Inspector General. In addition, both have been met with challenges in establishing the infrastructure necessary to operate as independent entities. This 6-month period posed particular challenges for the OIG because of the interruption of work caused by two furloughs. In addition, we were operating at a reduced funding level under several Continuing Resolutions and were unable to fill more than 60 vacant criminal investigator positions.

Despite these difficulties, our achievements during this period demonstrate how the OIG is quickly becoming an asset to the Agency. Our efforts resulted in 326 criminal convictions, recovery of more than $9.6 million in fines, judgments, and restitutions, and more than $30 million in implemented recommendations that funds could be put to better use. It is significant to note that the amount we recovered and the cost avoidances we achieved equal four times our total budget authority for the 6-month period.

During this period, we issued 11 audit and evaluation reports. The OIG developed regulations to implement SSA's civil monetary penalty authority for misuse of SSA's symbols and emblems, and for making false statements and representations of material facts to obtain SSA benefits. We investigated our first qui tam action filed under the False Claims Act, which resulted in a settlement of $850,000. The SSA became the first Federal Agency to issue an audited Accountability Report disclosing its financial condition and results of operations. The Accountability Report included the OIG's unqualified audit opinion on SSA's Fiscal Year (FY) 1995 Annual Financial Statements. We made several recommendations to improve SSA's overall financial management.

The OIG is firmly committed to operating in the letter and spirit of the Inspectors General Vision Statement. This statement, issued by the President's Council on Integrity and Efficiency in 1994, calls for OIGs to serve as "...agents of positive change striving for continuous improvement in our agencies' management and program operations, and in our own offices." To that end, the OIG reviews virtually every aspect of SSA's programs and operations, including SSA's financial activities and internal controls. The OIG is building its own organization to reflect this statement and we have created a small support staff to coordinate with SSA for the provision of most administrative services so that we do not duplicate services already available from the Agency. The Agency has been very receptive to our approach to maximize the use of resources, and we have not encountered any instances where this arrangement has infringed upon the OIG's independence.

We are also active in efforts to comply with the National Performance Review recommendations that Inspectors General focus on how to help managers evaluate their management control systems and meet the changing expectations of Government. The OIG employees are working closely with SSA to address a wide array of issues through participation in study groups and task forces.

To ensure that all OIG employees are involved in charting our course for the future, we created a Journeyman Advisory Council to encourage the free flow of information and ideas throughout the organization.

As we enter our second year of operation under independent agency status, we are confident that we will become an even more valuable resource for the Agency. Many of the growing pains inherent in any new organization have been resolved, and we have established an infrastructure that will serve us well in the years to come. We are continuing to work with SSA components to ensure that our Agency sets a high standard for Government excellence.

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Overview of the OIG

The OIG began and ended the reporting period with 241 staff on board. Low attrition was offset by a limited number of critical hires. Our approved staffing level for FY 1996 was 313. Under the series of Continuing Resolutions for FY 1996, our available funding through March 29 was $10,111,300, which did not enable us to fill vacancies including more than 60 criminal investigator positions.

The OIG is organized into four components:

The Office of Investigations conducts and coordinates investigative activity related to fraud, waste, abuse and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and by SSA employees in the performance of their duties. The Office of Investigations also conducts joint investigations with other Federal, State, and local law enforcement agencies.

The Office of Audit conducts comprehensive financial and performance audits of SSA's programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers (CFO) 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 economy, 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 often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency, rather than detecting problems after they occur. During this period, we reorganized our audit resources from geographic entities into issue area teams. Our goal is to build centers of expertise in each of SSA's program areas. We have issue area teams for Enumeration Operations; Initial Claims--Old-Age, Survivors and Disability Insurance; Earnings; Initial Claims--Supplemental Security Income; Field Office Operations; Aliens/Hearings and Appeals; Postentitlement Actions--Old-Age, Survivors and Disability Insurance; State Disability Determination Service Operations; Postentitlement Actions--Supplemental Security Income/Representative Payee; Financial Management; Systems; General Management; and Customer Service.

The Office of Management Services supports the OIG components by providing budget, administrative, facilities and equipment, human resources, information resources management, internal and external communications and planning services, reviewing legislation and regulations, and coordinating other resource management needs.

The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.

The OIG has offices in the following locations: Boston, Massachusetts; New York, New York; Buffalo, New York; Hartford, Connecticut; Philadelphia, Pennsylvania; Fairfield, New Jersey; Baltimore, Maryland; Atlanta, Georgia; Birmingham, Alabama; Memphis, Tennessee; Miami, Florida; Clearwater, Florida; Chicago, Illinois; Des Moines, Iowa; Cincinnati, Ohio; Detroit, Michigan; Kansas City, Missouri; Clayton, Missouri; Dallas, Texas; Denver, Colorado; San Francisco, California; Santa Ana, California; and San Diego, California.

Summary of Significant OIG Activity During this Reporting Period

During this reporting period the OIG received 2,002 allegations of fraud, waste, and abuse; opened 620 investigations; and obtained 326 criminal convictions as a result of OIG investigations. We focused on assessing our investigative function and developing strategies for leveraging our limited resources by forming partnerships with other Federal, State, and local law enforcement entities. Through these partnerships, we will expand our ability to identify, locate, investigate, and prosecute individuals who have defrauded SSA in a broad range of illegal activities. We began the process to expand our OIG Hotline, required by the Inspector General Act of 1978, to receive allegations of fraud, waste, and abuse in SSA programs and operations.

In addition to strengthening our criminal investigations' function, we developed mechanisms to pursue civil litigation against those who defraud SSA programs. The OIG has been delegated the authority to administer the civil monetary penalty program. We developed regulations to implement our authority to seek civil damages from those who misuse SSA symbols and emblems, or who make false statements and representations of material facts for use in determining initial or continuing rights to SSA benefits. The final regulations were published in the Federal Register on November 27, 1995.

One-third of the criminal convictions obtained this period were the result of schemes to defraud the Old-Age, Survivors and Disability Insurance; the Supplemental Security Income; and the Black Lung programs. To commit fraud, individuals filed false claims, made false statements, or concealed factors affecting initial or continuing entitlement. Unscrupulous individuals also defrauded these programs through theft and forgery of benefit checks, concealing the death of beneficiaries with intent to fraudulently continue receiving their payments, using fraudulent medical records and feigning disabilities.

Although the overwhelming majority of SSA's 65,000 employees are trustworthy and dedicated civil servants, a few corrupt employees can compromise the integrity of the Social Security system and undermine the public's confidence in the Agency's programs. Six criminal convictions were obtained during this reporting period involving dishonest SSA employees. Employee fraud cases usually fall within the following categories: (1) creating fictitious identities; (2) fraudulently issuing and selling Social Security number (SSN) cards; (3) misappropriating refunds during the collection and deposit of overpayments; and (4) abusing access to confidential information.

We have summarized our activities under six categories: Enumeration, Earnings, Initial Claims, Postentitlement Actions, Financial Management, and General Management. The first four categories are the core business processes identified by SSA's General Business Plan for Fiscal Years 1996-1999. The Financial Management and General Management categories include cross-cutting issues that affect all of SSA's operations. Unimplemented OIG recommendations addressing issues in these areas are contained in the Appendices.

1. Enumeration

Enumeration is the process by which SSA assigns original Social Security numbers (SSN), issues replacement cards to people with existing SSNs, and verifies SSNs for employers and other Government agencies. The SSN is primarily used to record earnings covered by Social Security and/or Medicare, to process claims for benefits, and to issue Personalized Earnings and Benefit Estimate Statements (PEBES).

The expanded use of SSNs as identifiers has given rise to the practice of counterfeiting SSN cards, obtaining SSN cards based on false information, and misusing SSNs fraudulently 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. Two-thirds of our criminal convictions this reporting period involved SSN fraud. Some of our significant investigations this period included:

A billing clerk at a family diagnostic medical center in Texas misused SSNs as part of a scheme to file Medicare and private insurance claims, and to defraud credit companies. The woman admitted using false SSNs to establish several bank accounts in order to deposit the fraudulently obtained Medicare payments and private checks totaling $159,700. She pled guilty and was sentenced to 37 months incarceration, 5 years probation, and was ordered to make full restitution to the insurance companies. She also agreed to forfeit $42,096 in seized bank accounts.

Four Georgia individuals pled guilty to charges of SSN misuse, mail fraud, and making false statements on student loan applications. The individuals fraudulently obtained over $180,000 in guaranteed student loans. Sentencing ranged from 4 years probation to 5 months incarceration with 3 years probation. Restitution was ordered in amounts ranging from $11,486 to $50,057.

An SSA service representative was convicted of conspiring with three individuals to sell SSNs to illegal aliens, and was sentenced to 63 months incarceration and 3 years probation. The court also imposed a $2,200 fine. The scheme was discovered when a confidential informant advised the Immigration and Naturalization Service (INS) that authentic SSN cards could be purchased at a convenience store. It was determined that illegal aliens could obtain SSN cards by paying $500 to one of three middlemen. The middlemen would then forward the SSN information with part of the fee to the SSA employee, who would generate the card. This was a joint investigation with the INS.

A Texas man obtained a birth certificate and assumed the identity of a deceased individual to apply for an SSN. He then applied for Retirement and Survivor's benefits and received $8,136 for which he was not eligible. The fraud was

discovered when SSA used a profiling technique which had been recommended by OIG to flag possible false identity situations. The man was sentenced to 10 months incarceration, 3 years probation, and ordered to repay $8,136 to SSA. He had been prosecuted in 1992 for the same offense after fraudulently obtaining over $18,000.

A former SSA employee was sentenced to 3 years probation and fined $1,050 after she misused an SSN for credit purposes. She admitted setting up a false identity while working at SSA. The violation was discovered when she was stopped by police and she presented false identification to an officer.

Two California men pled guilty and were sentenced in separate cases involving the misuse of SSNs to purchase property and file fraudulent bankruptcy claims. Both men were sentenced to 21 months incarceration, and were ordered to make restitution of $225,000 and $1,057,000, respectively. These cases were joint investigations with the Federal Bureau of Investigation.

Three Alabama individuals were sentenced after pleading guilty to charges of mail fraud and forgery. The individuals used fictitious names and SSNs to apply for student loans. One individual was sentenced to 16 months incarceration, 5 years probation, and fined $50. The second individual received the same sentence and was ordered to pay the $50 fine, and was also ordered to make restitution of $95,319. The third individual received a sentence of 12 months incarceration with 5 years probation and was ordered to pay a $50 fine.

An Iowa man who had received benefits was ordered to pay full restitution of $17,512 for using false SSNs and aliases to conceal his resources and assets. The OIG received the allegation from an SSA Ohio office.

2. Earnings

Earnings is the process where each individual's earnings subject to Social Security and Medicare taxes are reported to SSA and posted to individual accounts. Reports of earnings must be filed annually with SSA by employers and self-employed individuals who are required to pay Social Security and Medicare taxes. It is through this process that SSA establishes and maintains a record of an individual's earnings for use in determining an individual's status for entitlement to benefits and for calculating benefit payment amounts.

One emphasis in this area is to address discrepancies between the SSA's records and those maintained by the Internal Revenue Service. Prior reviews 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 SSN that distorts the true SSN holder's earnings records and income tax records. Some of our significant investigations this period included:

A recipient in California pled guilty to one count of theft of Government funds after he concealed his work activity by using his son's SSN. He fraudulently obtained Disability Insurance benefits amounting to $39,792 from January 1988 through March 1995 due to concealment of his earned income. This case was referred to the OIG by a county District Attorney.

An Ohio man was sentenced to 5 years probation and ordered to maintain a job, pay child support and court costs, and make restitution for past support not paid. The man used the name and SSN of his minor child to work and avoid detection by the National Child Support, Parent Locator Service. The SSA office received information that the man had been arrested in North Carolina and was found to be using the name and SSN of his minor child. The man used the SSN to obtain a State identification card, driver's license, credit cards, a marriage license, and employment, and to open a bank account.

3. Initial Claims

Initial claims is the process where SSA determines an individual's eligibility for and entitlement to benefits. The process begins with an individual's initial contact with SSA 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 SSA administers: outreach and information, intake, evidence collection, determination of eligibility or entitlement, notification of award or denial, and initial payment.

The Old-Age, Survivors and Disability Insurance, the Supplemental Security Income (SSI), and the Black Lung programs may be defrauded by persons who file false claims, make false statements, or conceal factors affecting initial or continuing entitlement. For initial claims, the OIG's emphasis is on timely and accurate payment. Our major concerns in this area are delays in processing disability claims, reliability of disability determinations, benefit computation payment errors, and inadequate internal controls. Some of our significant work during this period included:

The OIG conducted an audit of SSA's management of the Plan for Achieving Self-Support (PASS) provisions under the SSI program. Through the PASS program, blind or disabled individuals are given an opportunity to achieve self-sufficiency by establishing a plan with an occupational objective. The program allows income and resources to be set aside for meeting the occupational objective. These resources and income would otherwise disqualify the applicant for SSI benefits. The OIG found problems in two critical areas: (1) the establishment and development of occupational objectives, and (2) overall case management activity. Our review indicated that SSA was approving PASS plans with occupations that did not meet required guidelines. Also, they were approving spending plans that were not directly related to the occupational objective. Based on some of our recommendations, the SSA has issued

new policy guidance in their Program Operations Manual System instructions for administering the program. The remainder of our recommendations are under consideration and no action has been taken on them as yet. (Social Security Administration's Plans For Achieving Self-Support For Supplemental Security Income Recipients, A-13-93-00426, January 25, 1996.)

In a qui tam action filed under the False Claims Act, charges were made against a New York hospital and a doctor for failure to comply with accepted professional standards and with SSA's rules and regulations governing the consultative examination process. The hospital had contracted with the New York Office of Disability Determinations to supervise and monitor the performance of all consultative examinations conducted by its employees. The doctor was falsifying medical reports. Subsequent to an OIG investigation, the hospital agreed to a settlement of $850,000 and the doctor agreed to pay $25,000. In addition, the doctor will be barred from being a consultant to SSA for 5 years.

A California woman receiving SSI payments made false statements to SSA concerning her marital status. In her initial claim, she reported that she was divorced but renting a room from her ex-husband. After the ex-husband became entitled to Social Security benefits, the woman filed as his spouse. It was established that the couple was married and had never divorced. The overpayment was $83,105. The woman pled guilty to theft of Government funds, was sentenced to 3 years probation, and was ordered to make full restitution to SSA. This case was referred to OIG by SSA.

A disability beneficiary concealed her return to work in Washington D.C. and continued to receive Social Security disability benefits in New York. The investigation established that the woman went to work for the Federal Government just 2 or 3 months after becoming entitled to Social Security disability benefits in September 1987. She received the disability benefits for over 7 years, creating an overpayment of $34,394. She was placed on a 6-month pretrial diversion, whereby she agreed to make full restitution to SSA.

4. Postentitlement Actions

Postentitlement actions are the actions that SSA takes after a claim is processed as an initial award to change a beneficiary's payment status. This process is designed to ensure timely and correct payment of benefits. Examples of these actions include change of address, nonreceipt of checks, change of representative payee, review of payee accounting information, benefit recomputations, overpayment correction and reviews of continuing eligibility or entitlement. Once individuals become entitled to, or eligible for benefits, any changes in their circumstances that may affect where payments should be sent, the payment amount, or continued eligibility must be reflected in SSA's records.

Postentitlement fraud includes the concealment of changes which are material to the beneficiary's/recipient's entitlement. 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. They may also conceal facts affecting the beneficiary's continuing eligibility or entitlement such as incarceration or death. Some of our significant work during this period included:

The OIG followed up on a previous OIG report entitled, "The Social Security Administration Needs to Improve Controls Over the Field Office Processing of Death Alerts," issued October 31, 1990. This report recommended five actions that would improve the timeliness of processing alerts that inform SSA's field offices of potential beneficiary deaths which must be verified. We found that actions taken by SSA in response to this report have reduced the average time taken to resolve the alerts. However, additional changes in two areas would result in further improvements to the process. First, we recommended action to improve compliance with the program instructions. The SSA agreed and has taken action. Second, we recommended that SSA maintain a control log for the receipt and disposition of death alerts. The SSA is looking to implement this concept in an automated system. (Follow-up Audit on Field Office Processing of Death Alerts, A-09-94-00074, February 16, 1996)

The OIG recently joined SSA in an innovative effort to reduce fraud. On February 23, 1996, SSA initiated a pilot program to verify a claimant's U.S. residence for purposes of establishing eligibility or continuing eligibility for SSI payments. The pilot, being conducted in Chula Vista, California, employs a commercial vendor to verify whether a claimant resides at a U.S. address as reported to SSA. The vendor is required to perform at least one on-site visit. After receiving the vendor's report, an SSA official decides if additional personal contacts should be performed. The SSA then uses the information to make a residency determination and, if required, a referral to the OIG if fraud is suspected. During this reporting period, a total of 52 cases had been referred to the vendor for verification, resulting in the denial of 2 initial claims, and the suspension of 27 postentitlement actions. These matters are under review for follow-up action by the OIG if warranted.

A Louisiana man pled guilty to 18 counts of fraudulent receipt of Government funds. This case was referred to the OIG by an SSA branch office that received an anonymous report that the man's mother was deceased. The man hid his mother's death for over 5 years, resulting in an overpayment of $35,862.

An Ohio man pled guilty and was sentenced to 2 years probation, 6 months home detention, and was ordered to make restitution to SSA of $59,618 after he cashed checks issued on behalf of his mother after her death in 1987. The man was the representative payee for his mother, who was a disability beneficiary. When SSA sent a letter regarding the mother's disability, the man's wife, who did not know he had been cashing the checks, called SSA to question why they were concerned about

the disability of someone who had been dead for years. The man was ordered to pay $20,000 of the required restitution within 10 days of his sentencing. This case was worked jointly with the U.S. Secret Service.

An Ohio woman was sentenced to 3 years probation and ordered to make restitution to SSA in the amount of $18,929 after pleading guilty to theft of Government funds. The woman lived with her grandfather until his death in May 1991. They also shared a bank account into which the grandfather's Social Security check was deposited. She failed to notify SSA of her grandfather's death and converted the benefits to her own use. This violation was discovered through SSA's State death match procedures and was jointly investigated with the U.S. Secret Service.

A Georgia woman, who was the representative payee for her father, pled guilty to charges of making false statements and theft of Government funds. She failed to report to SSA that her father died in November 1987 and continued to receive and convert his benefits to her own use. She was sentenced to 4 months in a halfway house, 4 months home detention, 3 years probation, community service, and was ordered to make full restitution to SSA of $31,170.

A former elected township treasurer in Michigan was sentenced to 1 year probation for making false statements regarding his work activity. The man was receiving disability benefits and had informed the SSA that he had resigned from his position, when in fact he still held the position. This false statement resulted in an overpayment of $39,163.

A 65-year old New York woman was sentenced to 3 years probation and ordered to make full restitution of $92,559.80 for cashing her mother's Social Security checks for 14 years after her mother's death. The violation was discovered as a result of the Social Security's centenarian project which requires a face-to-face visit once a beneficiary reaches 100 years of age.

Two Colorado men were sentenced to repay $27,843 and $21,123 respectively for concealing their salary payments so they could receive retirement and disability benefits. A former employee of their business reported the violation.

A Michigan man was indicted for making a false statement to SSA. His disability benefits were terminated because of work activity. He subsequently changed his tax status and advised SSA that he had stopped working. The investigation revealed that he had not stopped working and had been overpaid $39,163. He pled guilty and was sentenced to 1 year probation. Restitution was not ordered pending SSA's administrative efforts to recover the money.

5. Financial Management

The OIG reviews SSA's financial activities including SSA's accounting systems and financial operations. We also perform financial statement audits under the CFO Act. The OIG also participates in interagency financial management efforts through the President's Council on Integrity and Efficiency and the President's Management Council. Strong financial management is critical to achieving a high level of performance and maintaining accountability for Government resources. Our activities during this period included:

On December 8, 1995, we issued our audit of SSA's Fiscal Year (FY) 1995 Financial Statements. The SSA was the first Federal agency to issue an audited Accountability Report disclosing its financial condition and results of operations. The Accountability Report included the OIG's unqualified audit opinion on SSA's FY 1995 financial statements. We found that the year-end accrued benefit liability for the Old-Age, Survivors, and Disability Insurance program did not include $1.4 billion of Medicare premiums expected to be withheld from benefit payments on October 3, 1995. As a result of our finding, SSA adjusted its FY 1995 Financial Statements to reflect the accrual. We also recommended that SSA require supervisory review of the accrued benefit liability calculation and provide clear written instructions for determining the amounts used to calculate the accrued benefit liability.

We noted that SSA systems which generate the Agency's accounts receivable data continue to constitute material weaknesses under the reporting criteria of the Federal Managers' Financial Integrity Act. The SSA's overpayment systems cannot identify how much is owed or collected. To compensate for these systemic problems, SSA uses an alternative method for deriving the accounts receivable balance reflected in its financial statements. (Audit of SSA's FY 1995 Financial Accountability Report, A-13-95-00604, December 8, 1995)

We conducted a financial audit of administrative costs claimed by the Colorado Department of Human Services, Disability Determination Service (DDS). We found that: (1) $12,084,883 in administrative costs claimed by the DDS for the period October 1, 1993 through September 30, 1994 were allowable under the Disability Insurance and SSI programs; and (2) the DDS had effective internal controls over the accounting and reporting of administrative costs claimed. We also reviewed the DDS performance and how it ranked in comparison to national averages. We found that the Colorado DDS continues to improve. (Financial Audit of Administrative Costs Claimed by the Colorado Department of Human Services, Disability Determination Service, A-08-95-00829, November 3, 1995) (Performance Review of the Colorado Disability Determination Services, A-08-95-00832, March 1996)
We also reviewed the administrative costs reported by the Mississippi Department of Rehabilitation Services, Office of DDS. We found that DDS officials had not properly reduced the costs reported to SSA for the 3 years ended June 30, 1993, for reimbursement received from the State Medicaid agency which exceeded its costs of

performing disability determinations on Medical Assistance Only (MAO) cases for that agency. The OIG recommended that DDS officials refund $362,681 to SSA for the difference between the reimbursements received from the Medicaid agency and the costs of processing the MAO cases. (Audit of Administrative Costs Reported by the Mississippi Department of Rehabilitation Services, Office of Disability Determination Services, A-04-94-06008, January 3, 1996)

6. General Management

Part of SSA's core business process involves the dissemination of information about the programs SSA administers and the processes and procedures used in administering these programs. Under this heading SSA includes extensive public information activities as well as data exchanges with other agencies and the statistical and other program data SSA provides to support research and policymaking throughout the Government and in the private sector.

The quality of public service provided by SSA and the integrity of the SSA programs are significantly dependent upon SSA's automated systems. The OIG has been reviewing selected systems activities since the beginning of SSA's modernization effort in the 1980's. Particular areas of emphasis are systems vulnerable to fraud, controlled access to and safeguarding of data, software development and maintenance, adequacy of systems capacity, and associated security risks of new technology. Significant activities during this reporting period included:

The SSA funds automated disability claims processing systems in State DDS agencies. These agencies make the medical decisions on applications for disability benefits. The SSA is funding interim data processing needs while it develops and implements a comprehensive reengineered system. An OIG audit of this interim funding recommended that SSA encourage States requesting new systems or system upgrades to consider commercially developed personal computer-based claims processing software. It also recommended that States work closely with commercial software vendors to identify personal computer software applications that can be developed as more cost-effective alternatives to minicomputer-based software applications. The SSA agreed with these recommendations and is taking corrective action. (The Social Security Administration's Interim Efforts to Automate State Disability Determination Services Agencies, A-13-93-00416, October 11, 1995)

A former SSA service representative in Pennsylvania was sentenced to 3 years probation, 6 months electronically monitored home confinement, and mandatory drug treatment as a result of her guilty plea to theft of Government funds. She was ordered to pay restitution of $18,683. The employee manipulated the critical payment system to generate $24,849 in replacement checks to her aunt who resides in a nursing home. The violation was discovered when the nursing home questioned letters explaining payments that the beneficiary never received.

The OIG also conducts customer service related evaluations and management improvement evaluations and audits. Some of our significant efforts during this period included:

We followed up on recommendations made in a previous OIG report recognizing that SSA has taken significant actions in response to recommendations made in the original report on SSA's network services. In addition, the OIG recommended the following: (1) expand the use of telephone automation nationwide; (2) improve the use of automated responses for routine transactions; (3) expand the use of "gating" (routing calls to an answering source based on the subject matter) and teleservice representative specialization; and (4) expand the number of employees available for part-time telephone answering duties. The SSA management responded that, although internal surveys have disclosed a high percentage of callers on its network are satisfied with telephone services, it recognized the need to improve access to the network and agreed with all of the OIG recommendations as a means for further improvement. (Improving Service on Social Security Administration's "800" Telephone Number Network, A-09-94-00056, December 8, 1995)

We also reviewed SSA's current process for measuring waiting time and reviewed the practices used by 12 public agencies and private sector organizations that serve customers face-to-face. The OIG concluded that it is important for SSA to continue to monitor field office waiting times, because waiting time has been shown to have a direct effect on customer satisfaction. However, because of the weaknesses in the current methodology used by SSA, the data collection is costly and not all of the data is used. The OIG strongly urged SSA to consider using a simplified methodology. (Monitoring Field Office Waiting Time: A Consultative Report, OEI-02-95-00110, December 8, 1995)

At SSA's request, the OIG performed a survey of SSA's fraud referral process to evaluate the effectiveness of the pathways of fraud referrals from SSA components to the OIG, and feedback on referrals from the OIG's Office of Investigations. The OIG found that the program fraud referral process needs to be strengthened to fulfill SSA's goal of increasing the prevention and detection of fraud, waste and abuse. The survey report includes a number of suggestions to improve the program fraud referral process. (Pathways for Suspected Fraud Referrals, A-05-96-00001, February 28, 1996)

The OIG began work on its twelfth annual Social Security Client Satisfaction Survey during October 1995. The questionnaire was revised to obtain more feedback on specific service features and to determine their relative importance to the SSA population. Also, a simplified version of the previous questionnaire will be used to maintain comparability to earlier results. The report is expected to be released in May 1996.

OIG Participation in Study Groups and Task Forces

The National Performance Review recommended that Inspectors General focus on how to help managers evaluate their management control systems and meet the changing expectations of Government. We are working closely with SSA to meet this goal and are addressing a wide array of issues through participation in study groups and task forces.

The prevention and detection of fraud is one of our key priorities. We are involved in defining issues and assigning responsibility for a number of fraud-related tactical plans proposed by SSA. In cooperation with SSA, we have established National and Regional Fraud Committees as a joint effort aimed at improving all aspects of fraud prevention, detection, and prosecution. Committee members will address a myriad of issues to eliminate fraud, waste and abuse in SSA programs. We are also working on a joint initiative to participate with other Federal agencies in establishing a clearinghouse of information identifying fraudulent activity by individuals and third parties with governmentwide access for data entry and query purposes. Access to information about known fraudulent activity in other Federal programs would help SSA prevent processing fraudulent claims.

The use of electronic means to transfer information and benefits remains a key concern for the OIG because of privacy, security, and data integrity issues. We are assisting SSA in developing procedures for obtaining electronic medical evidence for processing Disability Insurance claims. We are also working with the Office of Management and Budget (OMB) on fraud prevention techniques and audit and investigative responsibilities. The OIG's active participation has assisted in establishing internal control standards to prevent counterfeiting of cards to be used in providing Electronic Benefits Transfer (EBT) services. The OIG's participation on this task force will prove to be an invaluable resource to the implementation of this service delivery technology. As a member of SSA's Electronic Service Delivery Steering Committee, we are 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.

We participate in an SSA staff level work group to develop Agency performance measures required by the Government Performance and Results Act. Due to our longstanding involvement in financial statement auditing, our representatives are serving in key roles in an interagency task force to implement the audit requirements of the Government Management Reform Act (GMRA). In FY 1997, the Federal Government will issue its first audited Federal financial statement. To prepare for the audit, we are working under the guidance of the General Accounting Office, the OMB, and the Department of the Treasury's Financial Management Service to develop the GMRA audit requirements and to identify related obstacles and issues.

The OIG is also an active participant in the President's Council on Integrity and Efficiency. The Inspector General serves as Chairman of the Professional Development Committee, which presents a series of educational forums for the Inspector General community. These forums cover a wide variety of technical and management topics and provide free 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.

LIST OF REPORTS ISSUED DURING THIS PERIOD

Date Issued	Title	Report Number
10/11/95	The Social Security Administration's Interim Efforts to Automate State Disability Determination Service Agencies	A-13-93-00416
11/03/95	Financial Audit of Administrative Costs Claimed by the Colorado Department of Human Services, Disability Determination Service	A-08-95-00829
12/08/95	Improving Service on Social Security Administration's "800" Telephone Number Network	A-09-94-00056
12/08/95	Monitoring Field Office Waiting Time: A Consultative Report	OEI-02-95-00110
12/08/95	Audit of SSA's FY 1995 Financial Accountability Report	A-13-95-00604
01/03/96	Audit of the Administrative Costs Reported by the Mississippi Department of Rehabilitation Services, Office of Disability Determination Services	A-04-94-06008
01/24/96	Potential Duplicate Billings for Consultative Examinations: An Advisory Report	OEI-06-92-00180
01/25/96	Social Security Administration's Plans for Achieving Self-Support for Supplemental Security Income Recipients	A-13-93-00426
02/16/96	Follow-up Audit on Field Office Processing of Death Alerts	A-09-94-00074
02/28/96	Survey Report: Pathways for Suspected Fraud Referrals	A-05-96-00001
03/29/96	Performance Review of the Colorado Disability Determination Service	A-08-95-00832

RESOLVING OIG RECOMMENDATIONS

The following chart summarizes SSA's responses to OIG'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 Amendments of 1988.

TABLE I: REPORTS WITH QUESTIONED COSTS[1]

		Number	Dollar Value	
			Questioned	Unsupported
A.	For which no management decision had been made by the commencement of the reporting period.	6	$0	$288,154
B.	Which were issued during the reporting period:	2	$362,681	$677
	Subtotals (A+B)	8	$362,681	$288,831
Less:				
C.	For which a management decision was made during the reporting period:	3	$0	$195,583
	(i) dollar value of disallowed costs	3	$0	$195,583
	(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	5	$362,681	$93,248
E.	Reports for which no management decision was made within 6 months of issuance	3	$0	$92,571

1 Single Audit Report on New York for the Year Ending March 31, 1989 - (A-02-90-07542 - 10/15/90)
Single Audit Report on New York for the Year Ending April 1, 1989 - (A-02-91-15572 - 7/30/91)
New York State Department of Social Services Office of Disability Determination Services for the Period Ending March 31, 1991 - (A-02-93-19670 - 2/5/93)
Audit on Florida Department of Labor and Enforcement Security - (A-04-93-03025 - 9/30/93)
State of Oregon - (A-10-94-26730 - 12/21/93)
Audit on the Administrative Costs Claimed by the State of Rhode Island and Providence Plantations Disability Determination Service - (A-01-94-02005 - 8/3/95)
Colorado Disability Determination Service - (A-08-96-38764 - 11/24/95)
Mississippi Department of Rehabilitation Services - (A-04-94-06008 - 1/3/96)

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

TABLE II: REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE[2]

		Number	Dollar Value
A.	For which no management decision had been made by the commencement of the reporting period.	15	$439,113,335
B.	Which were issued during the reporting period:	0	$0
	Subtotals (A + B)	15	$439,113,335
Less:			
C.	For which a management decision was made during the reporting period:		
	(i) dollar value of recommendations that were agreed to by management	4	$30,664,000
	(a) based on proposed management action	4	$30,664,000
	(b) based on proposed legislative action	0	$0
	Subtotals (a + b)	4	$30,664,000
	(ii) dollar value of costs that were not agreed to by management	1	$32,500,000
	Subtotals (i + ii)[3]	4	$63,164,000
D.	For which no management decision had been made by the end of the reporting period	11	$375,949,335

2 Payments Under the Disability Determination Program for Medical Appointments Broken By Applicants For Disability Insurance and SSI Benefits - (A-01-87-02004 - 12/29/87)
Undeliverable Notices Need to Be Better Controlled - (A-13-88-00035 - 9/5/89)
Using Computerized Files to Detect Unreported Marriages - (A-09-87-00052 - 4/20/88)
Collection of Nonresident Alien Taxes for Retroactive Periods - (A-13-86-62658 - 6/10/88)
Develop Cost Standards for Disability Determination Services - (OAI-06-88-00820 - 8/1/88)
Abandonment of Reclamation Actions for Incorrect Title II Payments - (A-04-89-03021 - 12/22/89)
Suspended Payments Need to Be Resolved Timely - (A-13-89-00027 - 9/26/90)
Follow Up on the Audit Collection of Nonresident Alien Taxes for Retroactive Periods - (A-13-90-00041 - 2/21/91)
New Cards for New Brides - (OEI-06-90-00820 - 2/28/91)
Review of Child Dependents' Dates of Birth on the Master Beneficiary Record for Title II Beneficiaries - (A-01-92-02001 - 3/23/93)
Audit of Work-Related Payment Cessations for Disabled Beneficiaries - (A-13-92-000231 - 9/14/93)
Efforts to Address the Backlog of Medical Continuing Disability Reviews for Disabled Beneficiaries - (A-13-93-00405 - 2/9/95)
Overpayments to SSI Recipients in Nursing Homes - (A-07-91-00376 - 3/16/92)
Revoking Penalties Under Good Cause Policy - A-13-91-00208 - 11/92)
SSA Field Office Visitor Workload - (OEI-05-92-00043 - 8/95)
Review of the Social Security Administration's Management of Claims Filed under the Federal Employees' Compensation Act (A-13-92-000236 - 5/95)

3 One report contained two recommendations. Management agreed with one recommendation and did not agree with the other. Consequently, this report is shown under both categories.

APPENDICES

APPENDIX A

Implemented Recommendations to Put Funds to Better Use

The following schedule quantifies actions taken in response to 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 who track and monitor OIG recommendations. Total savings for this period amount to more than $30 million.

OIG REPORT	SAVINGS IN $ THOUSANDS
Overpayments to SSI Recipients in Nursing Homes (A-07-91-00376) Issued March 1992	22,000,000
Revoking Penalties under Good Cause Policy (A-13-91-00208) Issued November 1992	5,600,000
SSA Field Office Visitor Workload (OEI-05-92-00043) Issued August 1995	2,500,000
Review of the Social Security Administration's Management of Claims Filed under the Federal Employees' Compensation Act (A-13-92-00236) Issued May 1995	564,000

APPENDIX B

Implemented
Program and Management Improvement Recommendations

This schedule represents recent OIG findings and recommendations which will result in substantial nonmonetary benefits. The benefits relate primarily to effectiveness rather than cost-efficiency.

OIG RECOMMENDATIONS	DATE IMPLEMENTED
As a follow-up to a previous report issued on SSA's network services, the OIG recommended the following: (1) expand the use of telephone automation nationwide; (2) improve the use of automated responses for routine transactions; (3) expand the use of "gating" (routine calls to an answering source based on the subject matter) and teleservice representative specialization; and (4) expand the number of employees available for part-time telephone answering duties. (Improving Service on Social Security Administration's "800" Telephone Number Network - A-09-94-00056 - 12/8/95)	Ongoing
The OIG recommended in a memorandum dated May 10, 1995 that for large Automatic Earnings Reappraisal Operation (AERO) underpayments, SSA should provide a breakdown of the retroactive payment by year for tax purposes starting with 1984. Current SSA policy for SSA form 1099 Benefit Statements only identifies retroactive payments for the previous 4 tax years and lumps the remaining tax years together. The SSA agreed starting September 18, 1995 to include in the "Notice of Changes in Benefits" letter, a breakdown by year for those AERO underpayments over $30,000. The payment breakdown will provide the beneficiary the necessary information for preparing income taxes.	September 1995

OIG RECOMMENDATIONS	DATE IMPLEMENTED
The SSA should encourage States requesting new systems or system upgrades to include in their analysis of alternative solutions commercially developed personal computer-based claims processing software that will operate on an industry-standard token ring local area network. States should work closely with commercial software vendors to identify personal computer (PC) software applications that can be developed as alternative solutions which are more cost-effective than minicomputer-based software solutions. (The Social Security Administration's Interim Efforts to Automate State Disability Determination Service Agencies - A-13-93-00416 - 10/11/95)	Ongoing
The SSA should develop, maintain and widely disseminate a software package for detecting invalid SSNs patterned after Project Clean Data. The Enumeration Verification System capacity has been expanded to process daily volumes of 3 million items. (Project Clean Data - OEI-12-90-02360 - 2/8/91)	November 1995
Because of the potential cost implications of field office failure to maximize opportunities for overpayment avoidance by using manual notices of planned action in the Supplemental Security Income program, OIG recommended that SSA initiate a review to determine the extent of the problem. (Delayed Notices of Planned Action - OEI-04-90-02160 - 8/28/91)	February 1996
The SSA should expeditiously seek congressional guidance on the proper method for certifying wages so that proper revenue amounts are credited to the trust funds. (Audit of the Social Security Administration's Internal Accounting Controls and Compliance with Laws and Regulations for the Fiscal Year Ended September 30, 1993 - A-13-93-00408 - 2/15/94)	March 1996

APPENDIX C

Significant Audits from Prior Reports

This schedule represents prior Reports to the Congress which have not yet been fully implemented.

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 implement OIG recommendations which would correct software design and procedural errors that caused over $159.5 million in benefit underpayments, strengthen internal controls over the integrity of these processes, and identify and pay underpayments to all current and noncurrent beneficiaries who were due benefit increases which were not received. The SSA concurred with all OIG recommendations and has convened a work group to address the recommendations. Currently, policies and procedures have been developed for paying underpayments due and SSA is in the process of making payments to resolve these cases. The OIG is continuing to monitor these actions.

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
The SSA should expand use of the mailer process for 1.2 to 1.4 million beneficiaries overdue for a continuing disability review (CDR) as recorded on the Master Beneficiary Record in 1993. This would augment savings and help SSA comply with legal requirements that it review the medical conditions of all disabled beneficiaries. It would also allow SSA to prevent the payment of disability benefits to ineligible individuals, and use the correct number of overdue CDRs when forecasting future resource needs and the ongoing cost of not performing CDRs. The SSA is also taking the following actions: continuously refining the profiling system and improving the efficiency of the process as experience is gained with completed CDRs; continuing to conduct CDRs on children with growth impairments as the diaries mature; planning to introduce a "scannable" automated method of processing mailers early in FY 1996 which will: (1) increase the SSA's capability of reviewing mailer responses; and (2) after scanning, use decision logic to determine whether a case should be: rediaried, reviewed to determine if a full medical review or rediarying is needed, or be scheduled for a full medical CDR. In 1996, SSA plans to conduct 400,000 reviews, of which 350,000 are periodic reviews and 230,000 are full medical CDRs (these numbers include Supplemental Security Income cases discussed above).

Identifying Disabled Beneficiaries Working Under Another Social Security Number - A-13-92-00235 - 9/9/94
The SSA should implement a computer match to identify cases where disabled beneficiaries may be working under different SSNs. The SSA agreed that a computer match would enhance existing controls and is examining the feasibility of implementing one.

Testing Equipment Used for Peripheral Vision Disability Assessments - A-13-93-00429 - 8/15/94
The OIG recommended that SSA allow the use of currently available and widely used, automated peripheral vision testing devices for disability assessments. The SSA agreed with the intent of OIG's recommendation and is moving forward to expand the use of automated testing.

Progress by the Social Security Administration in Implementing Its Debt Management System (Report Number 6) - A-13-93-00403 - 6/1/94
The SSA should develop a plan detailing how the debt management system software modernization effort will be integrated with SSA modernization initiatives for RSI/DI postentitlement. The SSA agreed with OIG's recommendations and is in the process of implementing corrective actions.

Obtaining Medical Evidence Contributes Significantly to Claims Processing Delays - A-13-92-00106 - 2/9/94
The SSA should develop indicators to uniformly measure the performance of alternatives for processing medical evidence of record. The SSA concurred and is taking corrective action. Data collected from SSA regions involving alternative methods for processing disability claims, including obtaining medical evidence, will be linked with SSA's Disability Process Redesign Plan. The collected data will be used to measure the performance of alternative methods of acquiring medical evidence of record.

Audit of the Effectiveness of Title II Disability Work Incentives - A-13-92-00223 - 2/12/93
The OIG recommended that SSA provide a subsequent trial work period to low-earning beneficiaries as an incentive to remain employed. This recommendation will be developed and further enhanced through employment proposals being developed as part of a strategy to increase the employment of current and potential disability beneficiaries to promote self-sufficiency.

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 filing cases when the beneficiary dies prior to the date of entitlement month. Implementation of this recommendation will be accomplished under the Title II Redesign Automated Data Processing Plan.

Audit of Work-Related Payment Cessations for Disabled Beneficiaries - A-13-92-00231 - 9/14/93
The SSA needs to take steps to stop disability payments in a timely manner and prevent overpayments when disabled beneficiaries complete a trial work period. The SSA generally agreed with the recommendations but did not agree to shorten from 60 days to 30 days diaries for receipt of statements describing work. A pilot test of field office capability to effectuate suspension and termination actions was operating successfully. National implementation is expected June 1996.

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 improve the automated SSN records correction system controls; improve security over sensitive documents; ensure that SSN records correction workloads are processed in a timely manner; and better monitor the processing of emergency SSN requests. The SSA is in the process of implementing the recommendations.

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 because of Workers' Compensation and public disability benefit payments in all States. This proposal was not included in the President's FY 1996 budget. However, SSA included a proposal to rescind reverse offset in the package of legislative proposals sent to Congress in November 1995.

Audit of the System of Internal Controls for the Modernized Enumeration System - A-13-90-00045 - 4/12/93
The SSA needs to improve controls for taking and entering SSN application information. Among other things, OIG recommended that the INS certify work eligibility of aliens applying for SSNs. The SSA generally agreed with OIG's recommendations. The SSA has initiated discussions with INS about ways to provide one-stop services to foreign-born customers that need SSNs.

Review of Child Dependents' Dates of Birth on the Master Beneficiary Record of Title II Beneficiaries - A-01-92-02001 - 3/25/93
The SSA should review the universe of child dependents with incorrect dates of birth; identify and collect overpayments; create mandatory edits to preclude processing a claim when dates differ on the payment record and SSN record; and modify alert verification processes to better identify date of birth discrepancies. The SSA agreed with this concept, but is studying quantitative and cost issues before agreeing to implement.

Work Incentives for Disabled SSI Recipients - OEI-09-90-00020 - 2/4/92
The Commissioner of SSA should take the lead in organizing efforts to identify and study ways to encourage employers to hire severely disabled workers. The SSA believes that coordination of Agency efforts is a good idea, but that it should not assume the lead for such a governmentwide effort. However, SSA has initiated several pilots to test different approaches to encourage the disabled workers to return to work.

Unreported Workers' Compensation - OEI-06-89-00900 - 11/14/91
The SSA should expedite current negotiations and consider expansion of information exchange agreements with several States. A pilot exchange should be conducted to determine the most efficient method of obtaining Workers' Compensation (WC) information. If the pilot proves to be cost-effective, SSA should seek legislation to require States to identify WC recipients. The SSA has attempted to negotiate WC information exchanges with several States since the mid-1980's. Each time the States were either unable or unwilling to enter into a matching agreement. The OIG believes that SSA should continue to pursue means to obtain unreported data. However, SSA believes that it should not expend further resources to pursue WC matching agreements.

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.

Better Controls over Correspondence Process Would Help Post More Earnings to Wage Earner's Accounts - A-13-89-00040 - 4/1/91
The SSA should implement OIG recommendations that would substantially improve SSA's capability for correcting name and SSN errors for reported earnings. The SSA has implemented most of the recommendations. The remaining recommendations will be resolved by full implementation of the earnings modernization system.

New Cards for New Brides - OEI-06-90-00820 - 2/28/91
The SSA should actively pursue the acquisition of computerized marriage records from States having this capability. The SSA agreed with this concept, but is studying quantitative and cost issues before agreeing to implement. Milestone dates are provided for the anticipated processes: 1) Obtain additional information from at least a sample of the 30 Bureaus of Vital Statistics with centralized data bases - August 15, 1995; 2) Prepare match agreement and select participating States for five possible pilots - September 1996; 3) Submit as a budget initiative (February 1997) to obtain resources needed to resolve issues and, as appropriate, set up pilots. Budget decision expected April 30, 1997 (if not approved, stop); 4) Resolve outstanding issues February 1998 (if issue resolution does not support doing pilot, stop); 5) Negotiate and begin pilots by August 1998 (if pilots do not show promise, stop); 6) Study pilots, decide whether to expand by August 1999 (if pilots do not show promise, stop); and 7) Negotiate with additional States - to be completed by February 2000.

Follow-up on the Audit of the Collection of Nonresident Alien Taxes for Retroactive Periods - A-13-90-00041- 2/12/91 - Expedite the development and implementation of procedures and system modifications needed to use automated systems to identify and collect retroactive alien taxes. This project has been deferred 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, in direct deposit cases where the beneficiary is placed in suspense status, institute stronger controls to ensure that timely action is taken to resolve these suspensions so that SSA can either terminate or reinstate payments. System changes, including identification of cases and generation of controlled alerts, have been included in an approved tactical plan to implement recommendations made in a study of suspended cases. However, no resources were devoted to the plan in the FY 1994/FY 1995 budget.

Abandonment of Reclamation Actions for Incorrect Title II Payments - A-04-89-03021 - 12/22/89
The SSA should conclude an agreement with the Department of the Treasury (Treasury) regarding abandonments. Accounting procedures for abandoned reclamations need to be improved. The SSA staff met several times with Treasury staff who are responsible for developing its new modernized system. The SSA has made it clear to Treasury that enhancements to the existing reclamation process are critical in the modernization payment and reconciliation system which is expected to become operational in 1996. The SSA's successful implementation of the new automated clearing house transaction standard, the death notification entry (DNE), on April 2, 1993, coupled with its implementation of a memorandum of understanding (MOU) with Treasury in July 1993, resulted in a substantial decrease in the number of reclamations being generated. The DNE 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 MOU 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.

Develop Cost Standards for DDSs - OAI-06-88-00820 - 8/1/88
The SSA should adopt the reimbursement method for laboratory fees used by Medicare for use by the DDSs. The SSA had been considering a proposed rulemaking which would apply the Medicare laboratory fee schedule for use by DDSs, but deferred action until more experience was gained using a new consultative examination regulation. However, recent feedback on the regulation indicates that there is not enough information to implement the Medicare fee schedule. The SSA has worked to reduce the costs of laboratory fees by encouraging negotiated agreements and contacts between DDSs and consultative examination (CE) providers under the disability reengineering process. The SSA plans to expand contracting with large health care providers to furnish CEs.

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. The SSA's Office of Systems Requirements led an intercomponent workgroup in the development of a comprehensive business plan analysis (BPA). The BPA outlines the scope, data and functionality of the project that will automate the taxation process for both prospective and retroactive cases. The data administrator (DA) is conducting meetings with the workgroup to discuss the method of calculating tax liability for cases containing overpayments and to present the DA's proposal. The BPA 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
Periodically obtain computerized marriage data from the States identified in this report (Hawaii, Illinois, Maine, Michigan and Wisconsin) and match those files with the MBR to identify cases of unreported marriages. The Office of Program and Integrity Reviews (OPIR) sent 53 questionnaires in mid-November 1993 to poll individual States to determine which of them would have compatible marriage data to SSA's benefit payment rolls and which were receptive to the idea of a match. Final selection of five representative States for the purpose of conducting a pilot has yet to be finalized. To ensure that the States selected are the best candidates possible, OPIR 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. This data, combined with the information provide via the original questionnaires (and verified by phone with contacts in the various States) should enable SSA to choose the best States for the pilot. In addition to the pilot effort, SSA is in contact with the National Center for Health Statistics (NCHS) to ascertain whether it could provide information on unreported marriages from all the States. Dealing with the NCHS permits SSA to obtain the data from a single source in an automated form. Although NCHS is missing some key identifiers, the organization has expressed an interest in working with SSA on this effort. If NCHS can move in this area, SSA may be able to conduct the pilot with that organization instead of with the five individual States.

Recover SSI Benefits through Income Tax Refund Offset - OAI-12-86-00065 - 2/1/88
The SSA should take administrative action to recover certain SSI overpayments through income tax refund offsets (TRO). The SSA has implemented TRO to recover Old Age, Survivors and Disability Insurance overpayments. Expansion of TRO to SSI debt is currently under review.

Payments Under the Disability Determination Program for Medical Appointments Broken by Claimants of Disability Insurance and Supplemental Security Income Benefits - A-01-87-02004 - 12/29/87

The SSA should pursue a policy through regulatory change that would preclude paying for broken consultative examination (CE) appointments. The CE regulation was published in the Federal Register on August 1, 1991. The SSA deferred action on this recommendation until it acquired experience using the new CE regulation. In September 1994, SSA published its final plan for a new disability claim process. This plan gives primary emphasis to obtaining medical information from treating sources, using simplified procedures and more incentives for timely cooperation. The SSA will consider contracting with large health care providers to furnish CEs for specified geographic locations. The recommendation will be addressed in the context of implementing the new disability claims process. In the meantime, many States have either stopped paying for broken appointments or now pay in only limited circumstances.

APPENDIX D

Investigative Statistics

October 1, 1995 - March 31, 1996				
Complaints Received	**Opened Investigations**	**Closed Investigations**	**Criminal Convictions**	**Funds Recovered[1]**
2,022	620	519	326	$9,667,912

1 Recovered through fines, judgments, restitutions and recoveries.