

The National Council of Social Security Management Associations, Inc.

**THE WASHINGTON REPORT
LEGISLATIVE REPORT 06-2000**

April 4, 2000

**HOUSE SUBCOMMITTEE ON SOCIAL SECURITY
HEARING ON SOCIAL SECURITY PROGRAM INTEGRITY ACTIVITIES**

On March 30th the Social Security Subcommittee of the Committee on Ways and Means held a hearing on Social Security Program Integrity Activities. This hearing focused on SSA program integrity activities designed to prevent waste, fraud and abuse in Social Security programs.

Rachel Emmons attended the hearing and the following is a summary of the proceedings.

The following members of the Subcommittee were present at the hearing: Clay Shaw (R-FL); Michael Collins (R-GA); J.D. Hayworth (R-AZ); Robert Matsui (D-CA); and Benjamin Cardin (D-MD).

The witnesses presenting oral testimony for the hearing were:

The Honorable William A. Halter, Deputy Commissioner, Social Security Administration

**The Honorable James G. Huse, Jr., Inspector General, Office of the Inspector General,
Social Security Administration**

The following are items of importance from Deputy Commissioner Halter's testimony:

The Honorable William A. Halter, Deputy Commissioner, Social Security Administration

- Overview
 - In FY 2000, Social Security will pay almost \$400 billion to 45 million beneficiaries, almost one of every four federal budget dollars.
 - On average, each workday about 100,000 people visit our 1,300 field offices; over 240,000 people call our 800-telephone number; an average of 20,000 initial claims are processed; and 2,400 hearings are held before Administrative Law Judges.
 - Each year, we ensure that over 250 million earnings items are correctly credited to workers' accounts.
 - In the field of financial management information, SSA has long been a leader among the Federal Government community.

- The Government Performance Project gave us the only “A” awarded to government agencies in the area of financial management. SSA has also earned an overall grade of “A” (one of two agencies to do so).
- SSA was issued another clean unqualified audit opinion on its financial statements for 1999 from the Office of the Inspector General – for the sixth year in a row.
- The public’s trust in the Social Security program is absolutely critical.
 - \$1 out of every \$4 in SSA’s administrative budget is dedicated to program stewardship and program integrity.
 - Ability to fulfill role as capable stewards of the public trust is dependent on a number of factors, one of which is adequate resources.
 - Since March 1995, SSA has sent Congress 35 legislative proposals – most of which address program integrity issues.
- The administrative cost of paying Social Security benefits is less than 2 percent of benefit payments in a year.
- Leading Causes of Overpayments – in fiscal year 1999, SSA detected \$1.8 billion in Social Security program overpayments – \$1 billion in the retirement and survivors program, and \$800 million in the disability insurance program. Nearly two-thirds of this total overpayment amount occurs for two reasons – the retirement earnings test and disability cessations.
 - The largest portion of Social Security overpayments is caused by the difficulty that individuals have in accurately predicting their earnings for purposes of the retirement earnings test.
 - The President will soon sign H.R. 5, the Senior Citizens' Freedom to Work Act of 2000. The enactment of H.R. 5 will eliminate two-thirds, approximately \$445 million annually, of the overpayments presently caused by the retirement earnings test.
 - SSA will have one-time costs in Fiscal Year 2000 to make benefit adjustments, respond to inquiries, process additional claims, and modify our computer systems. SSA would appreciate support for the President's \$35 million Fiscal Year 2000 supplemental appropriation request to fund one-time costs for implementation of H.R. 5.
 - The second leading cause of Social Security overpayments is disability cessation. Two events can cause overpayments.
 - The first has to do with disability beneficiaries going to work, and the second involves cases in which disability beneficiaries medically recover. These overpayments are often caused by their not reporting earnings to SSA in a timely manner.
 - Under the recently enacted Ticket To Work and Work Incentives Improvement Act of 1999, we are establishing a new position in our field offices called the Employment Support Representative. This individual will explain to beneficiaries with disabilities who are working or want to work how earnings will affect their benefits. They will also monitor the earnings of working disability beneficiaries to ensure that adjustments in benefits are timely thereby avoiding or at least reducing overpayments. Additionally, SSA will fund, in part, community-based planners who will assist disability beneficiaries in understanding the effect of work on their benefits and the requirements to report work and earnings to SSA.
 - Last summer, SSA increased the amount a disability beneficiary could earn from \$500 to \$700 a month without affecting their monthly benefit.

- The second primary cause of disability cessation overpayments is medical recovery. If SSA determines through a CDR that an individual's medical condition has improved, he or she may elect to continue receiving disability benefits during appeal of a medical cessation determination. If the appeal is then denied, these continued benefits are overpayments subject to recovery. These types of overpayments are unpreventable.
- Other Major Causes of Overpayments -- Incarceration or death of beneficiaries.
 - SSA has been involved in efforts employing data matches with prisons and States. The data is being shared with other Federal benefit-paying programs to help reduce their program costs.
 - Social Security benefits are not payable to certain persons incarcerated as a result of a conviction of a crime and certain other confined individuals (for example, those found not guilty by reason of insanity).
 - SSA began matching information with prisons as early as 1974 to prevent the payment of SSI benefits to any individual in a public institution and, in 1986, the matching program was extended to prisoners who were Social Security beneficiaries.
 - Beginning in 1994, SSA expanded its efforts to find ways in which we could obtain data from State and local entities to quickly identify prisoners whose benefits should be suspended.
 - Since 1995, SSA has consistently supported legislation for incentive payments to prisons, and in May 1996, SSA sent a draft bill to Congress, which included a provision for incentive payments. Such incentive payments for SSI cessations were included in the welfare reform legislation that was enacted in 1996.
 - Under the Ticket to Work and Work Incentive Improvements Act of 1999, the requirement that confinement stem from a crime punishable by imprisonment for more than 1 year was eliminated. Also, the incentive payment provisions for prisons reporting incarcerations of beneficiaries that have been applicable in the SSI program were extended to the Social Security program.
 - Under these incentive payments, prisons that report the incarceration of beneficiaries within the first 30 days of confinement can receive \$400 per report, and if they report between the 30th-90th day of confinement, they can receive \$200 per report.
 - Today, SSA gets reports of prisoner confinements from 95 percent of correctional facilities, including the Federal Bureau of Prisons, all State prison systems, and county and local jails. We estimate that savings to the Social Security and Supplemental Security Income program resulting from these efforts will total more than \$3.5 billion during fiscal years 1995-2001. Of this total, \$2.3 billion are savings to the Social Security program.
 - SSA is the Federal focal point for sharing prisoner information. SSA is already sharing prisoner data with the Department of Agriculture and will have matching agreements in effect with the Departments of Veterans Affairs and Education next month. In addition, we are in the process of completing an agreement with the Department of Labor.

- Death Data Matches – In Fiscal Year 1999, we detected \$84 million in overpayments due to death.
 - We get about 95 percent of our death reports from funeral homes, family members, postal authorities and institutions. For the remaining 5 percent, we rely on information from the States. Under SSA-State agreements, States provide death information within 90 to 120 days after the month of death.
 - Two legislative proposals that were in the Supplemental Security Income Program Integrity Act of 1998, which SSA sent to Congress in May 1998, were designed to facilitate and speed up States' reporting of deaths.
 - The first provision, which was enacted in the Foster Care Independence Act of 1999, deems SSA's data privacy standards to meet all State standards for purposes of sharing data.
 - The second provision would have required States to provide death data within 30 days of its receipt. Congress did not adopt this provision.
 - In 1999, SSA entered into a contract with the National Center for Health Statistics and the National Association for Public Health Statistics and Information Systems to start developing a national electronic death registry. The objective of this initiative is to obtain death information from the States within 24 hours of receipt at the State's repository.
- Workers' Compensation Matches – A difficult and often error prone feature of Social Security's disability insurance program involves the provision that requires disability benefits to be offset by workers' compensation benefits also being paid to the beneficiary.
 - Overpayments frequently occur when a final decision on workers' compensation payments is not made until after Social Security disability benefits begin. In addition, the allocation of the offset due to a lump-sum workers' compensation payment involves a manual calculation, which is time consuming and labor intensive.
 - SSA has ongoing, periodic computer matches with Federal agencies to obtain information regarding Federal workers' compensation payments. We are also pursuing matching agreements with other States that will allow us to get both current and historical data about workers' compensation amounts for individual beneficiaries. Unfortunately, one of the issues associated with matching data is that not all States have the workers compensation data in a single database. A large portion of workers' compensation payments is made through insurance companies.
- Overpayment Collections – In addition to detecting the causes of overpayments, we have also concentrated on recovery of those overpayments. In Fiscal Year 1999, SSA collected \$1.2 billion in overpayments--\$900 million in the retirement and survivors insurance program and \$300 million in the disability insurance program. We recovered more than 90 percent of overpayments owed by individuals who continue to be entitled to benefits.
 - Overpaid individuals who continue to be eligible for benefits receive an overpayment notice informing them about the amount of the overpayment. The notice gives the overpaid individual appeal and waiver rights and discusses repayment options. SSA has a much higher recovery rate for debts owed by individuals who are on the benefit rolls.
 - Overpaid individuals who are no longer entitled to Social Security benefits are notified of the overpayment, provided appeal and waiver rights, requested to repay in full, or to contact us to negotiate an installment payment agreement. If the overpaid individual

ignores the bills and notices, SSA's debt collectors call to arrange repayment. If the individual refuses to repay, SSA uses other debt collection tools such as tax refund and other administrative offsets and credit bureau reporting.

- Although we believe that the provisions described above are the most effective and productive tools for recovering overpayments, we are also planning to implement administrative wage garnishment; federal salary offset; private collection agencies; and interest charging as methods for recovering overpayments.
- Anti-Fraud Initiatives – The distinction between overpayments and fraud is very important. Social Security overpayments occur for a number of reasons – program fraud, on the other hand, is an intentional act of deception, such as knowingly making a false statement in order to obtain benefits.
 - In spite of our continued efforts to protect U.S. taxpayers by ensuring that only individuals who are eligible for benefits receive only amounts due them, some individuals attempt to obtain benefits fraudulently.
 - One of SSA's five strategic goals is "to make SSA program management the best in the business with zero tolerance for fraud." This effort is coordinated through the National Anti-Fraud Committee, which includes SSA senior staff and the Office of the Inspector General. In addition to developing its own anti-fraud initiatives, the National Committee oversees and supports Regional Anti-Fraud Committees, which were set up to coordinate anti-fraud strategies in each of SSA's 10 regions. The Regional Committees include regional commissioners and other senior SSA and OIG staff as well as managers of SSA district offices.
 - Independent agency status gave SSA its own Office of Inspector General. This staff has more than doubled in size between 1996 and 2000 and now includes over 500 employees. OIG plays a vital role in the stewardship of the Social Security program and has partnered with SSA on numerous program integrity and anti-fraud initiatives.
 - Another provision enacted last year in the Foster Care Independence Act of 1999 requires the Commissioner to report annually on the funds needed for prevention of fraud. SSA's management plan includes goals directly related to this issue. SSA will devote \$1.7 billion to program integrity and anti-fraud initiatives in Fiscal Year 2000. These budget items include funding for SSA's Office of Inspector General, continuing disability reviews, SSI redeterminations, representative payee monitoring, annual earnings posting, and debt collection. Reductions in resources budgeted by SSA would affect program-integrity plans and likely would result in unprevented and undetected fraud and overpayments.
 - Employees in 1,300 local field offices and 54 Disability Determination Services are our biggest assets in the fight against fraud. Their commitment in maintaining the integrity of the Social Security program is unswerving. We will continue to train them in anti-fraud practices and seek additional tools to make their anti-fraud commitment more effective. As an indication of Social Security employees dedication to the agency's anti-fraud efforts, a recent survey found that 96 percent of the Social Security workforce viewed having zero tolerance for program fraud and abuse to be a very important part of their jobs.
- Cooperative Disability Investigations Teams – SSA and our Inspector General have set up investigative units --called "Cooperative Disability Investigations" (CDI) teams--consisting of

an IG special agent, two investigators from a State or local law enforcement agency, and two DDS and/or SSA personnel.

- The purpose of this initiative is to provide greater investigative support to the State DDSs so that they may make more accurate decisions on disability claims. There are currently seven CDI units operating throughout the United States.
- As of February 2000, the CDI units have processed 2,231 case referrals and developed evidence to support 699 denials for a projected program savings of nearly \$37 million. This reflects overpayment detections, some of which include fraud. This is more than 10 times the project's costs so far. In addition the project has produced more than \$11.7 million in related State program savings. As a result of these efforts, we expect to see increases in employee morale and public confidence as SSA has another proactive tool in the fight against fraud.
- Representative Payees – SSA has broad authority to appoint representative payees for those beneficiaries who are incapable of managing or directing the management of their funds.
 - There are 4.7 million Social Security beneficiaries who require representative payees. Family members serve as representative payees for over 90 percent of the beneficiaries requiring them. The remaining 10 percent are institutions, government agencies, financial organizations, and fee-for-service organizations. The vast majority of representative payees provide much needed help to beneficiaries. Unfortunately, there have been some instances of misuse by representative payees. The amount of benefits misused by payees is a small percentage of benefits paid, an estimated \$3 million per year.
 - To improve our ability to detect and prevent such problems, we have developed a plan for increased monitoring of organizational payees. Among other steps, we are visiting fee-for-service payees 6 months after their initial appointment as payee, requiring these payees to annually show proof of current bonding or licensing, and conducting site reviews.
 - On February 22nd, we sent Congress a set of legislative proposals that would provide additional safeguards for beneficiaries with representative payees.
 - Included in this package is a provision that would permit SSA to reissue benefit payments in all cases when an organizational payee is found to have misused a beneficiary's funds.
 - This would enable SSA to provide prompt relief to beneficiaries victimized by unscrupulous representative payees.
 - On September 28, 1999, SSA sent to Congress a draft bill entitled the Civil Monetary Penalty Extension Act of 1999, that would extend the civil monetary penalty provisions to representative payees that misuse benefits.
- Social Security Number (SSN) Fraud – SSA issues about 16 million new and replacement cards in a typical year and there are nearly 300 million numbers currently issued. The expanded use of the Social Security number (SSN) as a personal identifier for everything from opening a bank account to listing of newborns as dependents on tax returns has given rise to obtaining SSN cards based on false information.
 - SSA has identified three basic types of fraud related to the Social Security number - when someone illegally obtains a new number or uses someone else's number illegally; when someone establishes an entirely new identity using illegal documents; or identity theft, when someone assumes another person's identity.

- To prevent issuing a new number for fraudulent purposes, SSA maintains a "disallowed file" that contains information on every person whose application for an SSN was denied because he or she submitted fraudulent documentation. This database currently holds over 94,000 items and grows by an average of 10,000 items a year.
- SSA's Comprehensive Integrity Review Process alerts field offices when multiple Social Security cards have been sent to the same address over a short period. The office then investigates to determine whether the alert reflects any fraudulent activity.
- To prevent someone from establishing a new identity using illegally obtained birth documents, SSA links the SSN to the birth certificate by working with hospitals and State departments of vital statistics to facilitate enumeration at birth facilities. We are also planning changes that will suspend the issuance of SSN cards in cases involving children under 18 when the parent's age is questionable until an investigation has been conducted.
- Every application for an SSN is also checked against SSA's Death Master File to ensure that there is no death indicator on file for the individual or SSN.
- To prevent identity theft, SSA employees who process SSN applications receive ongoing training on document authenticity that includes birth certificates and Immigration and Naturalization Service documents. In cooperation with the Department of State, we are developing a program of "enumeration at entry" which would provide SSNs at the point that a non-citizen enters the country and is eligible for a number.
- If identity theft is discovered, SSA helps the victim reconcile any discrepancies that may have resulted from earnings being posted to an incorrect file. In certain cases, we assign a new SSN to the victim.
- While there are significant criminal penalties for SSN fraud, there are no provisions that authorize SSA to impose civil penalties for these offenses. The Civil Monetary Penalty Extension Act of 1999 would establish civil monetary penalties for offenses involving fraudulent application or misuse of numbers and Social Security cards.
- Fraud Deterrence
 - In May 1998, SSA sent a proposal to Congress, the SSI Program Integrity Act of 1998, that authorizes SSA to impose specified periods of ineligibility for Social Security benefits on any individual who knowingly provides SSA with false or misleading information in order to qualify for benefits. This responds to situations where criminal or civil penalties may not be feasible. We are pleased that Congress enacted this provision in the Foster Care Independence Act of 1999.
 - In addition, the Administration fully supported another fraud deterrent provision in the Foster Care Independence Act of 1999 that bars representatives and health care providers from the OASDI and SSI programs if they were found to have helped commit fraud. The penalty is for 5 years, 10 years, and permanent exclusion for the first, second, and third offenses respectively.

The following questions were put forward by the members of the Subcommittee:

Rep. Hayworth: Evaluating employees – 96% view preventing fraud as an integral part of their job – Wouldn't it be better to include efforts to combat fraud as part of employee performance reviews?

Deputy Commissioner Halter: Yes – I'll follow up on that – it's a very good idea.

Rep. Hayworth: I would like to see this in 1 week – I would like to see the actual employee performance evaluation form or see the steps you are taking to get this incorporated into the form.

Deputy Commissioner Halter: I can tell you what we are already doing – we have newsletters and deal with this issue at a senior management level on a continuous basis.

Rep. Hayworth: Aren't there some employees within the SSA who deal only with collective bargaining? Are there employees who deal only with fraud?

Deputy Commissioner Halter: There are 10 regional committees; Deputy Commissioner Yvette Jackson (Office of Finance, Assessment and Management); and Inspector General Huse and his staff.

Rep. Hayworth: Are employees who deal with collective bargaining more important than those who deal with fraud?

Deputy Commissioner Halter: There is a legal mandate for employees dealing with collective bargaining. There are less resources devoted to this than to dealing with fraud. There are vastly more resources devoted to fraud, for example: CDRs; and the number of staff in the IG's office has more than doubled. Dealing with fraud is also one of our five major strategic goals.

Rep. Matsui: Let's talk about resources. In FY 2001 there was a \$20 billion cut in the Republican budget. How does this affect your ability to deal with fraud? How will you decide priorities?

Deputy Commissioner Halter: If enacted, these budget cuts would be very bad. 75% of our budget is for salaries – cuts would have a dramatic effect on service levels. We would have to cut efforts in every area.

Rep. Matsui: This whole issue regarding union activities – in FY 1999 weren't there 134 individuals (.268% of the entire SSA workforce) devoted entirely to union activities? Wasn't it President Reagan who signed this agreement with SSA? Aren't most of these activities to help the employees – due process activities, integrity of the workforce, etc?

Deputy Commissioner Halter: You are absolutely correct. They also help us to improve the management of the Agency, improve service levels, and produce a higher level product at a lower cost.

Rep. Collins: I concur with the Syracuse study and commend the efforts of the Commissioner and his staff. The Commissioner has had to make priorities. In reference to the reduction in budget – passage of H.R. 5 will free up 800 employees – will he then reset priorities?

Deputy Commissioner Halter: Yes, he will.

Rep. Collins: How do current union numbers compare to the past – say 10 years ago.

Deputy Commissioner Halter: I will provide that number for the record.

Rep. Collins: What about felons and parole violators being prohibited from receiving funds?

Deputy Commissioner Halter: I think that has a lot of merit and look forward to working with the Committee.

Rep. Collins: The 35 legislative proposals – How would you prioritize them?

Deputy Commissioner Halter: There are only a couple left from last year. I would like to work with you on a bipartisan basis to get them done.

Rep. Collins: The Administrative Law Judges have concerns with how things are handled (overpayments). How are we looking at helping them?

Deputy Commissioner Halter: We are working on a number of reforms, decision at management level for additional resources for the appeals process. As far as the specifics, I will be happy to come back and work with you and your staff.

Rep. Collins: The ALJs have stated they have a lack of assistance and a lack of equipment.

The following are items of importance from Inspector General Huse's testimony:

The Honorable James G. Huse, Jr., Inspector General, Office of the Inspector General

- Since 1995, the Office of the Inspector General (OIG) has made great strides in preventing and detecting fraud, waste, and abuse with the support of the Agency.
 - In every year since Fiscal Year (FY) 1996, our investigative accomplishments and audit recommendations surpassed the dollar amount of our appropriation. In FY 1999 alone, two of our investigative projects identified over \$64 million in overpayments and projected savings to the Government which when coupled with our audit work and other investigative results exceeded our appropriations by over \$300 million.
- Instances where our work has been extremely effective and with your help we can achieve even greater results:
 - Cooperative Disability Investigations Projects – Disability fraud is a major focus of our work and we continue to identify individuals whose actions undermine the integrity of this program.
 - As part of our aggressive program to attack fraud, we joined with SSA in a cooperative effort to pilot Cooperative Disability Investigations (CDI) projects in FY 1998.
 - These teams combine the resources and talents of our special agents with State law enforcement officers and SSA and State Disability Determination Service (DDS) employees in order to combat disability fraud.
 - Currently, we have seven investigative units operating in Atlanta, Baton Rouge, Chicago, New York City, Oakland (California), Salem (Oregon), and St. Louis.
 - In FY 1999, with a budget of less than \$2 million, the five original CDI pilots produced an estimated savings to the Agency of over \$20 million, making our return on investment close to \$10 to \$1.
 - There is some effort underway to devolve this process to local control. I am very concerned that these projects become a permanent baseline activity and remain under Federal control, since huge Federal benefit expenditures are at risk.
 - Fugitive Felon Program – Our office provides the lead in implementing the Fugitive Felon Program under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. Section 202(a) of this law amended the Social Security Act to make a person ineligible to receive SSI benefits during any month in which the recipient is:
 - Fleeing to avoid prosecution for a crime which is a felony under the laws of the place from which the person flees; fleeing to avoid custody or confinement after conviction

- for a crime which is a felony under the laws of the place from which the person flees; or violating a condition of probation or parole imposed under Federal or State law.
- In Fiscal Year 1999, we identified over 7,000 fugitives receiving SSI payments illegally with estimated savings of \$27 million to the Government. However, delays in establishing computer matching agreements and problems with data compatibility have impeded our ability to reach the program's full potential.
 - Under current law, fugitives continue to be entitled to receive Old-Age, Survivors, and Disability Insurance (OASDI) benefits under title II of the Social Security Act. Even though the OASDI program is an entitlement program, we believe that SSA should not pay OASDI benefits to fugitive felons because these funds may finance a potentially dangerous fugitive's flight from justice. Additionally, we believe that the expansion of fugitive non-payment provisions to the OASDI program would allow SSA to present a consistent message to the public that fugitives will not receive any type of benefit from SSA.
 - The following areas deal with programs and operational issues where the OIG will work closely with SSA to ensure progress and success.
 - Representative Payee Program
 - It is important to recognize that most representative payees are family members of beneficiaries, and do not abuse the responsibilities entrusted to them. It is imperative that SSA provide appropriate safeguards to ensure that representative payees meet their responsibilities and use funds appropriately.
 - Since 1996, our audits have identified numerous weaknesses in the monitoring and accountability of representative payees, and our ongoing investigative work provides examples of representative payees who have taken advantage of vulnerable individuals.
 - Recent media attention has also highlighted alleged wrongdoings of institutions that serve as representative payees, such as the Aurora Foundation that was the subject of a television news magazine segment in January 2000, entitled "When Nobody's Looking."
 - To address this issue, SSA has proposed legislation to provide additional safeguards for beneficiaries with representative payees, particularly in cases when representative payees have misused benefits.
 - SSA has also asked us to assist them in addressing prior audit findings and the other longstanding issues in order to make improvements to the representative payee program. I will assist SSA by:
 - Providing our expertise and guidance to SSA staff during on-site reviews of select representative payees;
 - Conducting periodic audits of the representative payee program, including Agency and representative payee compliance with policies and procedures; and
 - Evaluating, on an ongoing basis, the need for revised policies and procedures and recommending improvements to the representative payee program.
 - There are also legislative enhancements that can be made to our Civil Monetary Penalty (CMP) authority.

- The Commissioner of Social Security has delegated to the OIG authority to impose administrative penalties and assessments against individuals, to including representative payees, who make false statements to obtain or retain benefits.
 - This improves our ability to ensure that individuals who commit this type of fraud against SSA are penalized, even if such individuals are not prosecuted criminally.
 - Our investigative work has revealed that gaps exist with our CMP authority. SSA has proposed legislation that OMB has submitted to Congress that would enhance this effort. I believe this legislation can be broadened to further strengthen the effectiveness of the CMP program.
- Fraud Prevention and the Impact on Employees – SSA has a difficult balance to maintain between providing "World Class Service" to its customers and enforcing its "Zero Tolerance for Fraud" commitment. In some instances, the implementation of these goals can conflict with each other.
 - Although SSA employees are trained in fraud prevention and are required to comply with certain procedures designed to prevent fraud, their performance is measured in terms of customer service. This is an issue that the Agency will continue to deal with as it recognizes customers expect service to be the top priority.
 - Further, SSA employees are often faced with difficult situations as they come into contact with the public each day. Our experience has shown that some employees instinctively know when they are presented with false documents. However, employees are sometimes reluctant to question individuals because of fear of violence or retaliation by the individual. We have initiated Employee Threat pilots to assess the need for OIG involvement in such matters.
 - Our efforts so far have revealed that as a Federal law enforcement organization, we need to improve our ability to address threats made against SSA employees. This would instill in SSA's employees a vastly improved peace of mind, and strengthen the OIG's ability to protect these employees.
- Finally, I would like to highlight the following areas that have been of interest to this Subcommittee.
 - Social Security Number Misuse – Our office appreciates that this Subcommittee has recognized how large a problem Social Security Number (SSN) misuse and identity theft are and that you will hold separate hearings on the matter.
 - Given the inherent connection between SSN misuse and fraud, I do not believe that I can testify on SSA stewardship without mentioning our increased focus on identifying controls to prevent and detect SSN misuse.
 - The expanded use of the SSN as a personal identifier has given rise to the practice of counterfeiting SSN cards; obtaining SSN cards based on false information; and using a SSN belonging to another to obtain benefits and services from Federal programs, credit card companies, retailers, and other businesses.
 - Our audits and investigations to date have identified trends in SSN misuse, and I look forward to providing more details on our SSN misuse initiatives and our overall approach for combating identity theft at a future hearing.
 - Systems Security and Critical Infrastructure Protection -- As agencies become more dependent on electronic data, special consideration must be given to protect the

transmission, storage, and processing of this sensitive data from cyber and/or physical threats.

- SSA's systems are critical to customer service delivery. Technology is rapidly changing in this new electronic age, especially in the use of the Internet to conduct business. As technology and its use advances, we need to be sure that the appropriate safeguards are in place to protect SSA's critical infrastructures, and to ensure that SSA can continue to serve its customers by using technology to its advantage.
- Recognizing that this mission goes far beyond our traditional audit and investigative roles, I established a Critical Infrastructure Division within the OIG and entered into a partnership with SSA to focus on its critical infrastructure protection program.
 - Within a few months this partnership resulted in the development of incident response procedures that include immediate referrals to OIG of any systems penetrations or inappropriate activity.
 - We will continue to support the Agency's critical infrastructure initiatives, as well as continue our audits and investigations aimed at identifying vulnerabilities in SSA's control structure, establishing preventive measures, and investigating perpetrators.
- Suspense File – Each year, SSA receives about 216 million wage reports from about 6.5 million employers.
 - One of the long-standing issues at SSA has been the large number of wage records that are posted to the "Suspense File" because the records cannot be associated with a valid SSN.
 - This file has accumulated 212 million wage items representing about \$265 billion in reported wages since 1937 when the file was created. Since 1990, this file has grown by an average of 5 million wage items representing \$17 billion, annually.
 - This file affects SSA's operations in that wages that cannot be associated with an employee's earnings record can affect the employee's future Social Security benefits.
 - This suspense file also affects SSA's operating costs. SSA estimates that it costs less than 50 cents to post a correctly submitted wage item to an individual's earnings record, but it costs an average of \$300 to correct an item once it is in the suspense file.
 - To aid the Agency we conducted an audit in FY 1999 entitled *Patterns of Reporting Errors and Irregularities by 100 Employers with the Most Suspended Wage Items*. We identified several patterns and reporting errors including unassigned SSNs, duplicate mailing addresses, SSNs used two or more times, and consecutively numbered SSNs.
 - The Agency noted in its comments to our report, that SSA has no compliance authority in these matters and relies on the efforts of the Internal Revenue Service (Internal Revenue Service) for its cooperation and support. Indeed, the main thrust of SSA's key initiative in this area is dependent on the IRS.
 - We recently issued another report entitled *The SSA's Earnings Suspense File Tactical Plan and Efforts to Reduce The File's Growth and Size*. In this report, we recommend that SSA:
 - Place a higher priority on efforts to reduce the size and growth of this file.
 - Examine the file for potential indicators of fraud, waste and abuse.

- In the future, we are planning to analyze the overall contents of the Suspense File in the hope of providing more definitive information and recommendations to SSA management and the Congress.
- Workers' Compensation – Some individuals who qualify for disability insurance (DI) benefits under title II of the Social Security Act may also be eligible for cash benefits under State Workers' Compensation (WC) programs.
 - By law, SSA offsets WC benefits from individuals' DI benefits with the intent to prevent a situation in which disabled individuals could receive more in total disability benefits than they were earning prior to becoming disabled.
 - We have completed a series of audits in this area and have found this offset provision to be extremely error-prone and difficult to administer.
 - These offset cases are complex in nature and administratively burdensome. They often require manual computations and frequent follow-up because of changes in WC payments or status.
 - Also, similar to the SSI program, the current process is heavily reliant on voluntary reporting by beneficiaries.
 - Our audits recommended a number of procedural changes to improve SSA's control over WC offset cases as well as a proactive approach by SSA to obtain State WC data.
 - We noted there were problems with compatibility of State data and, in some instances, State laws prohibited the release of data.
 - In addition, SSA established a WC workgroup that is devising a comprehensive plan to improve payment accuracy. Thus far, SSA has obtained on-line access to State WC data in nine States.
- Deceased Beneficiaries – Each year, SSA terminates benefits for about 1.9 million individuals because of death.
 - Relatives, friends, and funeral homes report about 90 percent of all deaths.
 - The other deaths are reported by States and Federal entities (5 percent), postal authorities (4 percent) and financial institutions (1 percent).
 - Our investigations involving deceased beneficiaries have steadily increased from 336 in FY 1997 to 552 in FY 1999. This year we have already logged in over 320 investigations at the halfway point for the year.
 - Our Office of Audit initiated reviews of our investigative data to determine if systemic weaknesses exist in SSA's current death reporting processes. In this work, we will explore ways that SSA can improve its ability to obtain timely death information.

The following questions were put forward by the members of the Subcommittee:

Rep. Shaw: Are additional tools necessary? If more are extended, will it stop fraud?

Inspector General Huse: Certainly more investment would help us. More frontline employees; expand civil monetary authorities related to false statements and representative payees. One area that is particularly difficult is the world of diminishing human resources. We have to compete for FTEs within the Agency ceilings. If we were free from the FTE caps it might help. We could strengthen the CD Task Force teams and

prevent costs before reaching the appellate process. This would mean a terrific savings – we would have a preventative role rather than an enforcement one. It could allow SSA to have more authority. It would also help if we could be exempt from computer matching agreements.

Rep. Shaw: Could you run over the Fugitive Felon Act?

Inspector General Huse: It is illegal for those fleeing from the law to receive SSI.

Rep. Shaw: They are on the run and they tell you where to send the check?

Inspector General Huse: We've had some success with the program and it benefits local and state law enforcement. The IG should be granted independent Freedom of Information Authority. Right now the Agency can release information.

Rep. Matsui: Discuss the representative payee issue (referred to Dorothea Pollenta case – responsible for tenants living in housing authority, whose bodies were later found buried in her yard; bartenders acting as representative payees for patrons; the Aurora Foundation). The law has been cleaned up some, there are now some reporting requirements – but how do we deal with this issue? Does the SSA lose out? Were the beneficiaries ever made whole?

Inspector General Huse: There is a great workload issue at the SSA. There is more work than there are resources. The representative payee is a deferred workload situation. They aren't reviewed in a timely manner. The SSA is reviewing the entire representative payee program. I've pledged my office to assist them in this effort – learn if there is a better way to do this.

The representative payee issue has become an instant top priority at the IG. We need the representative payees to take care of needy beneficiaries. There is no process to screen them – they are usually volunteers. The beneficiaries are very needy – they don't know how to screen the representative payees or even how to make a complaint if there is a problem.

For the most part these volunteers are good people who do good things for others.

Rep. Matsui: Will you or the SSA make some legislative suggestions?

Inspector General Huse: In the form of the Civil Monetary Penalties – the SSA could make the victims whole if something occurs. The problem is that if the Agency declares themselves negligent it obviates the chances of criminal prosecution.

Rep. Collins: Do you have figures on issues of fugitives and felons – what the SSA could save?

Inspector General Huse: We have some rough estimates. \$60.0 million if we had Title II authority similar to that enacted for Title XVI.

Rep. Collins: What about matching lists?

Inspector General Huse: The law mandates matching take place. This requires negotiation and federal/state agreement on process – it must then be cleared through OMB. The intent of anti-fraud efforts are very different, we need to carve them away from computer matching.

Rep. Collins: Do you have suggestions on how to simplify?

Inspector General Huse: I would be happy to submit those for the Record.

Rep. Collins: What about the Suspense File?

Inspector General Huse: The critical audit work is nearly done. We have compiled the top 100 companies that have improper wage and earning records. This projects a much better picture. It also helps reveal the effect of the underground economy – illegal workers. There are also different systems of keeping records in place. We are now more able to identify the fraud issue underneath.

Rep. Collins: Is there a problem with Social Security numbers and the Earned Income Tax Credit (EITC)?

Inspector General Huse: There are fraudulent schemes out there – they get the Social Security numbers to get the EITC.

Rep. Collins: There is a lot of concern with this.

Rep. Shaw: Is there a tie in between IRS to see if the FICA taxes and the EITC figures match up?

Inspector General Huse (referred question to member of his staff): The IRS and the SSA exchange data between 941s and W2s. The IRS has the responsibility to collect the taxes. The SSA receives the figures whether the IRS collects the taxes or not.

Rep. Shaw: Unfortunately the EITC has the highest areas of fraud. We need to nip this in the bud. We need to see if we need legislation for the connect between the Agencies.

Rep. Collins: Is there verification of the FICA taxes being collected?

Inspector General Huse: I feel that recommendation should probably come from the IRS.

Rep. Collins: So you don't feel there shouldn't be a recommendation?

Inspector General Huse: There should be a recommendation, but it doesn't need to come from me.

Rep. Cardin: The Supplementary Appropriation is on the floor now – it continues to grow. The LAE has restricted the IG's work and level of service at the SSA – we need more resources and less fraud. I hope that our Subcommittee can work with the Appropriations Committee and the IG to come up with reasonable requests to improve integrity. We need to set priorities for more resources.

Inspector General Huse: We need to expand on CD teams. It makes dollar sense. We combine local law enforcement, the IG, the Agency and state reviewers. We need to push the “cheats” away from the benefits at the front end.

In the Social Security number misuse area – Government Performance and Results Act – we need to find a way to get reports to Congress in a more timely manner.

Rep. Cardin: I hope the Subcommittee can be more aggressive in securing resources.

Rep. Collins: How about investigating W.C. shifting to Disability? Is it possible to investigate prior to the shift?

Inspector General Huse: We have a lot of audit work done. There are tremendous overpayments on the W.C. issue. We are trying to improve the exchange of data.

Rep. Shaw: What incentive is there for states to provide timely information?

Inspector General Huse: More benefit to the Federal Government. Much of the Social Security data is not returned because of the Privacy Act. It is a complicated process and raises questions of whether W.C. should be figured into the equation at all – maybe it should be disconnected.

Rep. Collins: Isn't the benefit really to the insurer (to shift quickly to W.C.)?

Inspector General Huse: We are making costly decisions.

Copies of the witnesses' written statements are available. Please contact us if you have any questions or would like copies.

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