

**U.S. House of Representatives**  
**Committee on Appropriations**  
**Subcommittee on Labor, Health and Human Services, Education, and Related Agencies**  
**Statement for the Record**  
**Departments of Labor, Health and Human Services, Education, and Related Agencies**  
**Appropriations for 2005**

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

**February 25, 2004**

Good morning, Chairman Regula, Ranking Member Obey, and members of the Subcommittee. It is a pleasure to be here today to discuss the fiscal year (FY) 2005 President's Budget request for the Social Security Administration's (SSA) Office of the Inspector General (OIG). This budget request for \$92 million reflects a modest increase above our current year's funding level and will enable us to maintain our FY 2004 staffing levels and fund associated support costs.

No program touches more lives than Social Security. As stewards of this sacred trust, we continuously strive to keep SSA and its programs efficient and effective, and free from fraud, waste, and abuse. A significant step towards helping us improve our efforts was the recent passage of H.R. 743, the Social Security Protection Act of 2003. This milestone bill, the work of three Congresses, provides new safeguards for Social Security and Supplemental Security Income (SSI) beneficiaries who have representative payees, and will enhance other program protections.

This new legislation will provide significant new authority to our office to protect the Social Security number (SSN), SSA's employees, and the Social Security Trust Funds. This legislation is a significant expansion of OIG's responsibility, and we plan to implement it immediately. I congratulate Congress, and especially Chairman Shaw and Ranking Member Matsui of the Ways and Means Committee's Subcommittee on Social Security, for this comprehensive, diligent effort.

That said, however, whenever Congress enacts a bill with teeth in it, the Committee on Appropriations receives the bill for the dental work. We are determining the budget implications on our operations to enforce these new provisions. Today, I would like to discuss how the proposed funding level will support our ongoing work in four of the top management challenges facing Social Security and how the new mandates and opportunities of the Social Security Protection Act will impact our operations in each of these challenge areas.

### **SSN Integrity and Protection – Homeland Security**

The importance placed on SSNs and the magnitude of SSA's enumeration function provides an appealing target to fraudulently acquires SSNs and use them for illegal purposes. In FY 2003,

SSA issued over 17 million original and replacement SSN cards, and received approximately \$533 billion in employment taxes related to earnings under the SSNs it has issued.

Protecting the SSN and properly posting the wages reported under each SSN is critical to ensuring eligible people receive their benefits correctly. Unfortunately, the SSN is often misused. Criminals can improperly obtain and misuse SSNs, causing innocent individuals years of difficulty. SSN misuse also adds cost to financial and commercial institutions, which is ultimately passed on to consumers. Worse yet, SSN misuse can impact our homeland security by disguising a dangerous felon or a would-be terrorist as a law-abiding citizen. This de facto national identifier may also provide a criminal the identification and seeming legitimacy he or she needs to go about dishonest business, perhaps putting individuals' lives in jeopardy.

SSA needs to strike a balance between serving the public and maintaining SSN integrity. The Agency has a duty to the American public to safeguard the integrity of the enumeration process. Given the magnitude of SSN misuse, we believe SSA must continue to employ and enhance effective front-end controls in issuing SSNs. Likewise, additional techniques, such as data mining, biometrics, and updated systems processes are critical in the fight against SSN misuse. We have made several recommendations and the Agency has taken steps to improve procedures for ensuring SSN integrity and to strengthen its link in the homeland security chain. We continue to conduct audits and reviews of the SSN enumeration business process and participate in a variety of investigative task forces focused on homeland security.

Let me illustrate this issue by highlighting several recent successes.

Our investigators, along with other agencies, broke up a \$4.3 million criminal enterprise that provided Social Security cards and other credentials to undocumented aliens. We found that an SSA employee processed and approved applications of over 1,700 knowingly fraudulent Social Security cards for approximately \$1,000 each. Illegally issued SSNs put the financial integrity of the Social Security system at risk, inhibit the country's efforts to thwart terrorism, permit the potential defrauding of other Federal and State programs, and compromise the safety of American citizens. The SSA employee involved in this scheme lost his job, was sentenced to 71 months in prison, and was ordered to forfeit \$1 million and his residence in Lake Dallas, Texas. Three co-defendants were also sentenced to as much as 63 months in prison, and another was given probation and home confinement.

As part of Homeland Security's Operation Swipe Out, our investigators participated in a large-scale anti-terrorism crime initiative which focused on foreign nationals involved in a criminal enterprise involving credit card fraud, Social Security fraud, immigration fraud, bank fraud, and mortgage fraud. Our investigators determined that the co-conspirators defrauded credit card companies of approximately \$5 million and sent some of the proceeds to banks in Pakistan and Canada. Of 30 defendants, 7 were charged with SSN misuse. The 17 convicted subjects were given sentences ranging from 57 months of incarceration to 2 years' probation, and ordered to pay restitution of over \$1.1 million.

Last October, we shared with SSA our concern that one of the security features imprinted on original Social Security cards was causing confusion in the employer community and may not be fully understood by SSA employees tasked with assisting these employers. A large employer in

question was particularly reluctant to hire affected employees until the matter was resolved and the Social Security cards in question could be verified as authentic. The Agency agreed with our assessment and took steps to modify the security feature, educate staff on the security features, and assist the employer who experienced trouble with this feature.

Our FY 2005 budget submission will allow us to continue the efforts of our SSN Integrity Protection Team. This integrated team provides a targeted approach, allowing SSA and OIG to more effectively address this issue and provide assistance to SSA, Congress, the public, and other law enforcement.

Specifically, the SSN Integrity Protection Team focuses its efforts on identifying patterns and trends to better target audit work, refer cases for investigation, and ensure efficient and effective liaison with other relevant public and private sector entities. Furthermore, the Team coordinates a number of initiatives under this effort, including (1) cross verification of data, (2) homeland security investigations, (3) the integrity of the enumeration process, (4) unauthorized work in the U.S. economy, and (5) supporting SSA with regulatory and legislative actions. The Team also acts as liaison on projects and initiatives with SSN Misuse task forces, credit bureaus, motor vehicle administrations, the Federal Trade Commission, credit card companies, and other entities.

Mr. Chairman, there is a great deal of illicit money to be made in SSN misuse, and the costs to all of us are very high. We will continue working with Congress to address the threats to SSN integrity and to advocate measures to reduce those threats, participating on anti-terrorism task forces and conducting audits in areas where SSA can strengthen the integrity of the SSN.

## **Improper Payments**

Improper payments are payments that should not have been made, or which were made for incorrect amounts. They include inadvertent errors, payments for unsupported or inadequately supported claims, payments for services not rendered, or payments to ineligible beneficiaries. In FY 2003, SSA issued over \$500 billion in payments to about 53 million individuals. Even the slightest error in the overall process can result in millions of dollars in overpayments or underpayments. Working with SSA, we have made great strides in combating this problem, but much more needs to be done. We will continue to assist SSA in preventing, identifying and recovering improper payments in SSA's programs.

To assist in combating this problem, Congress enacted the Improper Payments Information Act in November 2002, and the Office of Management and Budget (OMB) issued guidance in May 2003 on implementing this new law. Under this law, agencies that administer programs with a significant risk of improper payments estimate their annual amount of improper payments, and report this information in their Performance and Accountability Reports.

We have a number of reviews underway concerning improper payments, such as (1) a review to quantify the amount of fraudulent undetected overpayments in SSA's disability programs, (2) a review to determine whether SSA evaluated earnings for disabled individuals and (3) another review to assess overpayment waivers will be initiated in FY 2004 and continue beyond to address the issue of improper payments.

Current law denies SSI benefits to fugitive felons or those violating probation or parole under Federal or State law. The Social Security Protection Act of 2003 amends Title II of the Social Security Act to deny OASDI benefits to such beneficiaries. We have always believed that criminals fleeing from justice should not have the support of Federal benefits. Therefore, we welcome the newly expanded fugitive felon provisions. Last year, we completed an audit demonstrating that there would be significant potential savings if the fugitive prohibition were extended to the Title II program. As important as these savings are, monies were not provided to fund the mandated expansion of our highly successful Fugitive Felon Program which assists law enforcement with locating criminals, thus making our neighborhoods safer.

## **Management of the Disability Process**

We continue to report the Agency's management of the disability process as a major management challenge for SSA. This includes the Disability Insurance (DI) and SSI programs, which provide payments to individuals based on disability. Our concerns were echoed by the General Accounting Office, when it added Federal disability programs, including SSA's to its 2003 high risk list.

Over the last several years, SSA has tested several improvements for its disability claims process as a result of concerns about the timeliness and quality of service. To date, however, these initiatives have not resulted in significant improvements.

Recently, the Commissioner announced her long-term strategy for improving the Agency's disability process. Through a combination of process modifications and automation, SSA expects to shorten disability processing times. We will continue to evaluate these initiatives to determine their effectiveness and report to you on the Agency's progress once data is available.

One area that has shown great success is our collaborative effort with SSA in the Cooperative Disability Investigations (CDI) Program. The goal of this program is to obtain evidence that can resolve questions of fraud in SSA's disability programs. CDI units are composed of Office of Investigations (OI) special agents and personnel from SSA's Office of Operations, State Disability Determination Services and State or local law enforcement. They use their combined skills and specialized knowledge to combat fraud, waste, and abuse in the disability program. Currently, 18 CDI units operate in 17 States.

A recent case illustrates the value of the CDI Program. Our Atlanta CDI Unit investigated a man who concealed his work activities from SSA so he and his wife could continue receiving disability benefits. Our investigators determined that the man had been employed full-time since 1994 as a maintenance supervisor at a nuclear power plant in South Carolina. None of his work activity was reported to SSA. The loss to the disability program as a result of his concealed work activity was \$104,533 for the beneficiary and \$32,564 for his wife. Based on our investigation, the beneficiary and his wife were each sentenced to 21 months in prison and ordered to pay full restitution to SSA.

The new Social Security Protection Act provisions will assist SSA in fighting fraud in the disability area. Specifically, if a claimant is found guilty of committing fraud during a trial work

period, the claimant will be ineligible for benefits. We will work with the SSA to monitor the implementation of these new provisions.

## **Service Delivery**

Service delivery to the American people poses a significant challenge that SSA is compelled to address. The Agency's goal of "service" encompasses traditional and electronic services to applicants for benefits, beneficiaries, and the general public.

We consider electronic service delivery and the integrity of the representative payee process to be the two most significant concerns related to SSA's Service Delivery. The President's Management Agenda calls for improving service delivery through the use of E-government in creating more cost effective and efficient ways to provide services to citizens. Within the next five years, SSA expects to provide E-government services to citizens, businesses and other government agencies that will give them the ability to easily and securely transact most of their business with SSA electronically. With this increased reliance on E-government to deliver service, the Agency will need to ensure that its information systems and networks are accurate, reliable and safeguarded from those who intend to compromise or take advantage of SSA's data. We will continue to review the Agency's progress and stand ready to assist its efforts to improve service delivery.

Another area of concern is the Representative Payee Program. When SSA determines a beneficiary cannot manage his/her benefits, SSA selects a representative payee, who must use the payments for the beneficiary's needs. There are about 5.3 million representative payees who manage the payments for 6.7 million beneficiaries. In managing the representative payee process, SSA must provide appropriate safeguards to ensure they meet their responsibilities to the beneficiaries they serve. To assist SSA in this effort, we completed a number of initiatives to determine whether representative payees had effective safeguards over the receipt and disbursement of Social Security benefits, and to ensure that Social Security benefits are used and accounted for in accordance with SSA policies and procedures.

For example, our investigators in Seattle identified a woman operating an institutional representative payee service since 1996, representing approximately 200 clients. We determined that while operating as a not-for-profit service, the woman embezzled over \$107,000 in funds. In one egregious example, a homeless beneficiary was unaware of his approximately \$15,000 retroactive benefit check, which the representative payee used for herself. She was incarcerated and ordered to pay \$107,292 in restitution directly to 88 victims. SSA contributed greatly in the successful outcome of this investigation.

Additionally, since FY 2001, our audits have identified deficiencies with the financial management and accounting for benefit receipts and disbursements; vulnerabilities in the safeguarding of beneficiary payments; poor monitoring and reporting to SSA of changes in beneficiary circumstances; as well as inappropriate handling of beneficiary-conserved funds and the charging of improper fees. As a result of these audits, we have made 37 recommendations for corrective actions aimed at strengthening the control and accounting of funds by representative payees.

The Social Security Protection Act of 2003 will significantly strengthen the Representative Payee Program and our ability to deal with those whose goal is to take advantage of the clients they are supposed to help. For example, the new provisions make important contributions to reducing fraud loss by providing for the imposition of civil monetary penalties against representative payees who misuse benefits paid on behalf of their clients. The Act also bars fugitive felons or those violating probation or parole under Federal or State law from serving as representative payees. It prohibits a representative payee from collecting a fee for services if it is determined that the representative payee has misused any amount of a benefit for such month, and holds non-government representative payees liable for misuse of funds.

In just one audit we completed last year, we estimated fugitive felons would manage approximately \$19 million in Social Security funds annually if they were not replaced as representative payees. To ensure these new provisions are implemented, we will need to expand our investigative and legal workload. Again, however, we will need your support, because these significant potential savings do not translate into enforcement dollars.

## **Conclusion**

For our part, we will continue to function as a key management tool and law enforcement arm for SSA. We will use the precious resources allocated to us to keep working with the Agency to improve its operations and efficiency. We exist to prevent fraud, waste, and abuse in SSA's programs and to pursue those who try to take advantage of SSA's programs and operations.

In FY 2003, our investigators reported over \$ 356 million in investigative accomplishments through SSA recoveries, restitution, fines, settlements, and judgments and projected savings. As part of our civil monetary penalty program, our attorneys reported nearly \$1.25 million in penalties and assessments. And finally, our auditors issued 97 reports with recommendations identifying over \$1 billion in Federal funds that could be put to better use and \$57 million in questioned costs. We return up to \$20 for every dollar invested in our operations.

I look forward to working with Congress and the Commissioner to help SSA meet these and other challenges. Thank you, and I would be pleased to answer any of your questions.