

**SOCIAL SECURITY PROGRAM INTEGRITY
ACTIVITIES**

HEARING
BEFORE THE
SUBCOMMITTEE ON SOCIAL SECURITY
OF THE
COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES
ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

MARCH 30, 2000

Serial 106-38

Printed for the use of the Committee on Ways and Means



U.S. GOVERNMENT PRINTING OFFICE

66-238 CC

WASHINGTON : 2000

COMMITTEE ON WAYS AND MEANS

BILL ARCHER, Texas, *Chairman*

PHILIP M. CRANE, Illinois	CHARLES B. RANGEL, New York
BILL THOMAS, California	FORTNEY PETE STARK, California
E. CLAY SHAW, JR., Florida	ROBERT T. MATSUI, California
NANCY L. JOHNSON, Connecticut	WILLIAM J. COYNE, Pennsylvania
AMO HOUGHTON, New York	SANDER M. LEVIN, Michigan
WALLY HERGER, California	BENJAMIN L. CARDIN, Maryland
JIM McCRERY, Louisiana	JIM McDERMOTT, Washington
DAVE CAMP, Michigan	GERALD D. KLECZKA, Wisconsin
JIM RAMSTAD, Minnesota	JOHN LEWIS, Georgia
JIM NUSSLE, Iowa	RICHARD E. NEAL, Massachusetts
SAM JOHNSON, Texas	MICHAEL R. McNULTY, New York
JENNIFER DUNN, Washington	WILLIAM J. JEFFERSON, Louisiana
MAC COLLINS, Georgia	JOHN S. TANNER, Tennessee
ROB PORTMAN, Ohio	XAVIER BECERRA, California
PHILIP S. ENGLISH, Pennsylvania	KAREN L. THURMAN, Florida
WES WATKINS, Oklahoma	LLOYD DOGGETT, Texas
J.D. HAYWORTH, Arizona	
JERRY WELLER, Illinois	
KENNY HULSHOF, Missouri	
SCOTT McINNIS, Colorado	
RON LEWIS, Kentucky	
MARK FOLEY, Florida	

A.L. SINGLETON, *Chief of Staff*

JANICE MAYS, *Minority Chief Counsel*

SUBCOMMITTEE ON SOCIAL SECURITY

E. CLAY SHAW, JR., Florida, *Chairman*

SAM JOHNSON, Texas	ROBERT T. MATSUI, California
MAC COLLINS, Georgia	SANDER M. LEVIN, Michigan
ROB PORTMAN, Ohio	JOHN S. TANNER, Tennessee
J.D. HAYWORTH, Arizona	LLOYD DOGGETT, Texas
JERRY WELLER, Illinois	BENJAMIN L. CARDIN, Maryland
KENNY HULSHOF, Missouri	
JIM McCRERY, Louisiana	

Pursuant to clause 2(e)(4) of Rule XI of the Rules of the House, public hearing records of the Committee on Ways and Means are also published in electronic form. **The printed hearing record remains the official version.** Because electronic submissions are used to prepare both printed and electronic versions of the hearing record, the process of converting between various electronic formats may introduce unintentional errors or omissions. Such occurrences are inherent in the current publication process and should diminish as the process is further refined.

CONTENTS

	Page
Advisory of March 23, 2000, announcing the hearing	2
WITNESSES	
Social Security Administration:	
Hon. William A. Halter, Deputy Commissioner of Social Security	6
Hon. James G. Huse, Jr., Inspector General, Office of the Inspector General; accompanied by Steve Schaeffer, Assistant Inspector General for Audit	33
SUBMISSIONS FOR THE RECORD	
National Association of Disability Examiners, Lansing, MI, Terri Spurgeon, statement and attachment	49
TREA Senior Citizens League, Alexandria, VA, Michael F. Ouellette, state- ment	51

**SOCIAL SECURITY PROGRAM INTEGRITY
ACTIVITIES**

THURSDAY, MARCH 30, 2000

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON SOCIAL SECURITY,
Washington, DC.

The Subcommittee met, pursuant to notice, at 9:12 a.m., in room B-318, Rayburn House Office Building, Hon. E. Clay Shaw, Jr. (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON SOCIAL SECURITY

March 23, 2000
No. SS-13

FOR IMMEDIATE RELEASE

Shaw Announces Hearing on Social Security Program Integrity Activities

Congressman E. Clay Shaw, Jr., (R-FL), Chairman, Subcommittee on Social Security of the Committee on Ways and Means, today announced a hearing on Social Security Administration (SSA) program integrity activities designed to prevent waste, fraud and abuse in Social Security programs. The hearing will take place on Thursday, March 30, 2000, in room B-318 of the Rayburn House Office Building, beginning at 9:00 a.m.

Oral testimony at this hearing will be from invited witnesses only. Witnesses will include the Deputy Commissioner of Social Security and the Social Security Inspector General. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

In 1999, SSA paid benefits to about 45 million retired and disabled workers and their families and to more than 6 million Supplemental Security Income recipients, totaling almost \$400 billion dollars and making it the largest expenditure in the Federal budget. Any spending of this magnitude is a ripe target for fraud and abuse. As America enters the 21st Century, SSA will also face rapidly increasing workloads within the next decade as the huge Baby Boom generation begins to qualify for benefits.

Accordingly, one of SSA's goals is to bring program management up to the highest standards, with zero tolerance for fraud and abuse. Agency objectives to support this goal include making accurate benefit payments, reducing the backlog of continuing disability reviews, improving accuracy and timeliness in posting earnings, aggressively deterring, identifying, and resolving fraud, and increasing debt collection.

In announcing the hearing, Chairman Shaw stated: "No time is more important than now to ensure Social Security is insulated against waste, fraud and abuse. We need to be certain Social Security is doing everything it can to protect taxpayer funds—especially *before* massive numbers of Baby Boomers start to qualify for benefits. This hearing is part of our ongoing oversight effort to ensure Social Security has smart, aggressive efforts in place to prevent fraud and abuse and is efficiently managing critical Social Security programs."

FOCUS OF THE HEARING:

The Subcommittee will review the adequacy of the Social Security Administration's and Social Security Inspector General's current policies to combat fraud and abuse and prevent wasteful spending in Social Security programs.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record of the hearing *should submit six (6) single-spaced copies of their statement, along with an IBM compatible 3.5-inch diskette in WordPerfect or MS Word format, with their name, address, and hearing date noted on a label*, by the close of business, Thursday, April 13, 2000, to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Social Security office, room B-316 Rayburn House Office Building, by close of business the day before the hearing.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be submitted on an IBM compatible 3.5-inch diskette in WordPerfect or MS Word format, typed in single space and may not exceed a total of 10 pages including attachments. **Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.**

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers where the witness or the designated representative may be reached. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press, and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are available on the World Wide Web at "[HTTP://WWW.HOUSE.GOV/WAYS MEANS](http://WWW.HOUSE.GOV/WAYS_MEANS)".

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman SHAW. Good morning. Today's hearing is on a very important topic, one that we have touched on and talked about for some time now, and that's how to make sure that Social Security is protected against waste and fraud.

This is no small issue and no small challenge for the Social Security Administration. This year, Social Security will provide about \$400 billion in benefits to 45 million Americans. Just getting these payments right is a huge task for the agency.

Then there's fraud. As the author of the federalist Papers put it, if men were angels, no government would be necessary. The same goes for fraud. We wouldn't need to combat it if people were angels. Unfortunately, people are not angels. So we must have smart, aggressive measures to prevent fraud and to recover money that's misspent.

In recent years, this Subcommittee has worked closely with SSA to combat waste and fraud in Social Security programs, including the SSI Program. For example, we passed landmark legislation ensuring checks are not going to the wrong people, preventing prisoners from getting cash benefits, and helping the SSA better recover overpayments. Those efforts are saving literally billions of dollars, contributing to our budget surplus, but more importantly, boosting taxpayers' confidence that their money is being spent as it should.

This hearing will help us assess these efforts and, more specifically, I have four main questions I hope today's hearing will answer: What is Social Security doing to ensure the right benefits go to the right people; what is Social Security doing to prevent fraud; what could Social Security do to improve these efforts; and how can we here on the Committee help?

We have the right people here to help us answer those questions and probably many more questions. With us today is Bill Halter, the Deputy Commissioner of the Social Security Administration, who is making his first appearance before this Subcommittee. We also are pleased to welcome back Jim Huse, Social Security's Inspector General.

We look forward to your testimony. I should also note that we expect to hold hearings exploring in greater detail two issues touched on today: Fraud involving representative payees, and issues relating to Social Security numbers and their misuse. That is an area that I'm very concerned about. As so many people now are asking for your Social Security number, you wonder what they're doing with them or what could possibly happen, but we'll leave that for another day.

Mr. MATSUI.

Mr. MATSUI. Thanks very much, Mr. Chairman.

In view of the fact that we ran until about one o'clock last night, I'm going to show mercy on everyone in this room and submit my statement for the record and welcome Mr. Halter and obviously the Inspector General.

I do want to commend you for holding these hearings. Undoubtedly, we hope to get a lot of information out of this, and perhaps, work on a bipartisan basis in terms of assisting the administration in coming up with some solution on how they can solve their problems.

So again, I look forward to hearing the testimony.

[The opening statement of Mr. Matsui follows:]

**Opening Statement of Hon. Robert T. Matsui, a Representative in Congress
from the State of California**

Thank you, Mr. Chairman for holding this important hearing today.

As we have been discussing in recent hearings, the Social Security Administration faces huge challenges in the coming decades to handle the increase in workload due to the retirement of the baby boom generation. Today's hearing will examine ways

in which SSA can prevent fraud and abuse in order to make the most of its resources to serve the public.

I want to welcome Deputy Commissioner Halter and Inspector General Huse and congratulate both of them on their confirmations last fall. This is the first time that either of them has testified before our Subcommittee since they were confirmed and I want to express my hope that their relationships with the Subcommittee will be long and productive.

Of course, neither Mr. Halter nor Mr. Huse are new to Congressional hearings—Mr. Huse has appeared before Congress on several occasions in the past and Mr. Halter is a former staffer of the Finance and Joint Economic Committees.

In addition, Mr. Halter is no stranger to the Congressional budget process. Prior to his confirmation, he served as a Senior Advisor in the Office of Management and Budget. Given his budgetary experience, I hope he will be able to explain to the Subcommittee how the Republican budget resolution will affect SSA's efforts to meet future service delivery challenges and to maintain program integrity.

The budget resolution that House Republicans passed by a narrow margin last week cuts *non-defense* discretionary spending by \$20 billion in FY 2001 and by \$135 billion over the next five years relative to the current services baseline. This is tantamount to a 6.4 percent cut in purchasing power for FY 2001. By FY 2005, this cut exceeds 11 percent in real terms.

This budget resolution leaves one to wonder how SSA will have the administrative resources necessary to combat fraud and abuse and, at the same time, maintain current levels of service, prepare for future workload increases, and train and hire the employees necessary to replace the impending wave of retiring workers at SSA.

I only hope that this year's Republican budget resolution does not lead to a repeat of last year's appropriations process. For FY 2000, the Congress provided \$6.57 billion for SSA's Limitation on Administrative Expenses (LAE), a level of funding below that requested by both the President and by the Commissioner of Social Security.

As a result, this year SSA will be able to process a quarter of a million fewer disability, retirement, and survivors claims than previously projected and will be unable to conduct over 200,000 Supplemental Security Income (SSI) redeterminations.

If Congress follows the same course of action this year, it would not only impair customer service at SSA in the short-run, but would greatly set back SSA's long-run efforts as well.

Some may argue that SSA can compensate for real cuts in its administrative budget by eliminating wasteful administrative practices. It should go without saying that we should do all that we can to ensure that not a single dime of the federal budget is wasted. Yet, given the magnitude of the cuts in the Republican budget resolution, SSA would have to do more than just trim the fat from its budget. The Republican budget resolution would force SSA to compromise its service to the public.

Clearly we should do all that we can to ensure that only those people who are entitled to Social Security benefits receive Social Security benefits and that the benefits they receive are in the correct amounts.

Maintaining program integrity is a vital part of sound public administration and a major factor in determining the public's view of its government. More importantly, maintaining program integrity means protecting those who may not be able to protect themselves.

For instance, beneficiaries who rely on representative payees to complete financial transactions on their behalf with their Social Security benefits represent some of the most vulnerable members of our society. They are the young, the sick, and the old.

So, when representative payees misuse the funds that have been entrusted to their care, they are not simply defrauding the Social Security Trust Funds—they are harming the very people that Social Security was designed to help.

Consequently, I look forward to hearing from Mr. Halter about the steps SSA is taking to prevent fraud and from Mr. Huse about some of the changes that could be made in the law to improve the Office of the Inspector General's ability to deter, detect, and prosecute those who engage in fraudulent activities.

Thank you, Mr. Chairman.

Chairman SHAW. OK. Mr. Huse, I apologize, I mispronounced your name in my statement.

Mr. Halter.

**STATEMENT OF HON. WILLIAM A. HALTER, DEPUTY
COMMISSIONER OF SOCIAL SECURITY**

Mr. HALTER. Thank you, Mr. Chairman, and thank you for the welcome. As you noted, this is my first time to appear before this Subcommittee, and I'm tremendously happy about doing that. Earlier in my career, I was fortunate to work for the counterpart Committee in the other body, and over the course of that time developed an extraordinary amount of respect for the Ways & Means Committee. So I'm delighted to be here.

Chairman SHAW. You will find us much more friendly. [Laughter.]

Mr. HALTER. I intend to take you up on that, Mr. Chairman.

Thank you, Mr. Chairman, for inviting me to discuss the integrity and the stewardship of the Social Security program.

As you noted in your opening statement, in Fiscal Year 2000, Social Security will pay almost \$400 billion to 45 million beneficiaries, almost one of every four Federal budget dollars spent.

On average, each workday about 100,000 people visit one of our 1,300 field offices and over 240,000 people call our 800 telephone number. Each workday, we process an average of 20,000 initial claims and hold 2,400 hearings 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, Social Security has been a leader. Syracuse University's Maxwell School gave Social Security the only "A" awarded to government agencies for financial management, and we were one of only two Federal agencies to receive an "A" grade overall for management. In addition, Social Security was recently issued the sixth consecutive clean audit opinion on our financial statements by our Inspector General.

Since Social Security became an independent agency—and coincidentally, that occurred 5 years ago tomorrow—we have devoted significant resources to strengthening program integrity. One out of every four dollars in Social Security's administrative budget is for program stewardship and integrity.

Since March 1995, Social Security has sent Congress 35 legislative proposals, most of which addressed program integrity issues. Some of these proposals are still before Congress. Those which you have enacted have given us additional tools to improve program accuracy, to detect, prevent, and collect overpayments, and to prevent fraud. We appreciate very much the efforts of the Ways & Means Committee in this regard.

While always striving for continuous improvement, our payment accuracy is high and our administrative costs low. In fact, the administrative cost of paying retirement benefits is less than 1 percent of yearly benefits paid, and the overall accuracy rate of those payments is 99.8 percent. The administrative cost of paying all Social Security benefits is less than 2 percent of benefit payments in any given year. Of the \$1.8 billion Social Security overpayments identified last year, most occurred because individuals have difficulty in predicting their earnings for the retirement earnings test.

Fortunately, the President will soon sign H.R. 5, the Senior Citizens' Freedom to Work Act of 2000. This historic legislation that

began in this Subcommittee ends the retirement earnings test for individuals aged 65 and older, thus eliminating approximately \$450 million annually—that is two-thirds of the retirement earnings test-related overpayments. While helping individuals remain active and productive might be a more important policy goal, eliminating the leading cause of erroneous Social Security benefit payments is also extraordinarily beneficial.

We would appreciate your support for the President's \$35 million Fiscal Year 2000 supplemental appropriation request to fund one-time costs necessary for the implementation of this legislation, H.R. 5. These funds are necessary to cover a number of different categories of costs, and to pay out \$6 billion in benefits to 900,000 Americans this year as quickly and as efficiently as possible.

The second leading cause of Social Security overpayments is disability cessation, with two major contributors to that type of overpayment.

First, overpayments may result from individuals with disabilities working but not reporting their earnings to the Social Security Administration timely. About \$294 million of the total \$441 million in disability cessation payments last year involved work, and we're taking corrective action. We are, for example, establishing an employment support representative under the Ticket to Work legislation, and we've also increased the monthly amount the disability beneficiary can earn from \$500 to \$700 per month without affecting benefits.

Second, disability cessation overpayments also occur if Social Security, through a continuing disability review, or CDR, finds that a medical condition has improved and a person elects to continue receiving disability benefits during their appeal.

If the appeal is denied, these continued benefits are overpayments, which last year totaled nearly \$147 million. We do, however, have a recovery rate on those overpayments of approximately 46 percent. These overpayments that occur because an individual exercises his right to continue disability benefits during appeal are in essence unpreventable.

Our annual CDR reports to Congress showed that CDRs undertaken in the first 3 years of the 7-year plan are estimated to have saved the disability insurance, SSI, Medicaid and Medicare Programs nearly \$6 billion by the end of 2002, with the overall savings-to-cost ratio of about 12 to 1. Of those savings, \$3.2 billion are in Social Security's Title II program.

Further, it is estimated that over the life of our 7-year plan, the overall savings-to-cost ratio will be at least 6 to 1, and, in fact, we believe it will be significantly better than that.

Another area of overpayments concerns incarcerated individuals not entitled to receive benefits. Today, the Social Security Administration gets reports of prisoner confinements covering 99 percent of inmates. We have made substantial progress in ensuring that incarcerations are reported timely and that benefits are suspended promptly. We estimate that resulting savings to Social Security and SSI will total more than \$3.5 billion during Fiscal Years 1995 to 2001, and of this amount, \$2.3 billion are savings to Social Security.

Last fiscal year, we detected \$84 million in overpayments due to death. About 95 percent of our death reports come from funeral homes, family members, postal authorities, and financial institutions. For the remaining 5 percent, we rely on information from the States. Last year, we began to develop a national electronic death registry to obtain death information within 24 hours of receipt at the States' individual repositories.

Social Security is also required to offset disability benefits for worker's compensation benefits to the same individual. Overpayments can occur when a final decision on worker's compensation is not made until after Social Security benefits begin. We have ongoing periodic computer matches with Federal agencies to obtain information regarding Federal worker's compensation payments, and we now have limited online access with nine States to check initial claims and, importantly, we are pursuing matching agreements with other States.

In addition to our efforts to detect overpayments, we have also concentrated on recovery of those overpayments. Our goal is an annual average increase of 7 percent in debt collections. Last fiscal year, we collected over \$1.2 billion in Title II debt, an 8-percent increase and, thus, achieved our goal.

Now I would like to shift to a discussion of program fraud. Fraud, as opposed to the previously described overpayments, is an intentional act of deception such as knowingly making a false statement in order to obtain benefits.

One of Social Security's five strategic goals is making our program management the best in the business with a zero tolerance for fraud. We are devoting \$1.7 billion to program integrity and antifraud initiatives in this fiscal year, and this includes funding for our Office of the Inspector General, continuing disability reviews, SSI redeterminations, representative payee monitoring, annual earnings posting, and debt collection. All of these activities are extraordinarily resource-intensive. Reductions in the resources budgeted for Social Security would affect our program integrity plans, and likely would result in unprevented and undetected fraud and overpayments.

I want to emphasize that Social Security and Disability Determination Services employees are our biggest assets in the fight against fraud. A recent survey found that 96 percent of Social Security employees viewed having zero tolerance for fraud and abuse to be a very important job responsibility for them.

Again, we would like to thank the Subcommittee for its efforts to maintain integrity of the Social Security program. We are committed to our role as stewards of the trust fund and look forward to this Subcommittee's support to ensure that Social Security is adequately funded in order to maintain quality program management.

I want to thank you for the opportunity to testify today, and I would certainly be happy to take any questions that you may have.

[The prepared statement follows:]

Statement of Hon. William A. Halter, Deputy Commissioner of Social Security

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to discuss the integrity of the Social Security program and the Social Security Administration's (SSA) stewardship of the program. Since SSA became an independent agency—5 years ago tomorrow coincidentally—we have devoted significant resources and attention to strengthening and maintaining the integrity of the Social Security program.

I'd like to briefly outline the size and scope of the Social Security program. In Fiscal Year 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 one of our 1,300 field offices and over 240,000 people call our 800-telephone number. Each workday we process an average of 20,000 initial claims and hold 2,400 hearings 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, administered by the Syracuse University's Maxwell School of Citizenship and Public Affairs, gave us the only "A" awarded to government agencies in the area of financial management. SSA has also earned an overall grade of "A," only one of two agencies to do so. In addition, 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. Even a perception of program integrity problems can threaten this trust. Because of the importance of this issue, \$1 out of every \$4 in SSA's administrative budget is dedicated to program stewardship and program integrity. We must remain vigilant if we are to fulfill our role as capable stewards of the public trust but SSA's ability to do so is dependent on a number of factors, one of which is adequate resources.

This testimony provides an overview of how accurate we are in Title II payments, the major causes of errors, our overpayment recovery successes and the many initiatives we've undertaken to improve payment accuracy. Our efforts currently underway to enforce a zero tolerance for program fraud and abuse are also briefly described.

OVERVIEW

Since March 1995, SSA has sent Congress 35 legislative proposals, most of which address program integrity issues. While some of these proposals are still before Congress, those that have been enacted have given SSA additional tools to improve program accuracy, to detect, prevent, and collect overpayments, and to deter fraud.

I thank the Subcommittee and the full Ways and Means Committee for your efforts in providing SSA the tools for this vital job. We will continue to seek Congress' help in providing us with additional tools and sufficient resources to maintain public confidence in the Social Security program, which protects virtually all Americans in their retirement or in the event of disability, or loss of a family wage earner.

OVERALL PAYMENT ACCURACY

The administrative cost of paying Social Security benefits is less than 2 percent of benefit payments in a year. The payment accuracy rate for the retirement and survivors insurance benefits was 99.9 percent for Fiscal Year 1999. When we include the disability insurance program, the accuracy rate is 99.8 percent. That is, for every \$100 in program benefits, only twenty cents is either overpaid or underpaid. The accuracy rate for Social Security benefits has remained consistent over the past 10 years generally at 99.8 percent to 99.9 percent.

Another way to look at our effective and efficient management of the Social Security program is the consistency with which we detect overpayments. Over the past 10 years, the percentage of overpayment detection has consistently run between 0.4 and 0.5 percent of Social Security benefit outlays.

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.

Retirement Earnings Test

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. In Fiscal Year 1999, overpayments related to the retirement earnings test totaled \$670 million.

The President will sign shortly, H.R. 5, the Senior Citizens' Freedom to Work Act of 2000. This historic piece of legislation, which began in this Subcommittee, eliminates the earnings test for individuals at or above the normal retirement age, currently 65 years. The enactment of H.R. 5 will eliminate two-thirds, approximately \$445 million annually, of the overpayments presently caused by the retirement earnings test. While certainly not as important a policy goal as helping individuals remain active and productive, eliminating the leading cause of erroneous Social Security benefit payments is a beneficial side effect of the legislation.

Social Security will implement this legislation as quickly as possible after the President signs the legislation. However, with the passage of this legislation, 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. We are working on a priority basis to ensure individuals receive all benefits due them as quickly as possible. In addition, our goal is to send benefits automatically so that beneficiaries do not have to take action on their own to receive higher payments. We would appreciate your support for the President's \$35 million Fiscal Year 2000 supplemental appropriation request to fund one-time costs for implementation of the Senior Citizens' Freedom to Work Act of 2000. These funds are necessary to cover SSA's one-time costs to implement this important legislation and to pay out \$6 billion in benefits this year as quickly and efficiently as possible.

Disability Cessations

The second leading cause of Social Security overpayments is disability cessation. Two events related to disability cessation 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.

Overpayments due to individuals with disabilities working are often caused by their not reporting earnings to SSA timely. By the time the earnings are recorded, they may be past the point at which their benefits should have stopped, resulting in overpayments. About \$294 million of the total \$441million in disability cessation overpayments last year involved work. We are taking a number of actions to make sure that beneficiaries know the importance of reporting their earnings and that the earnings are posted timely to their SSA record.

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. Among other duties, this individual will be responsible for explaining to beneficiaries with disabilities who are working or want to work how earnings will affect their benefits. In addition, employees in this new position will 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 timely.

Last summer, SSA increased the amount a disability beneficiary could earn from \$500 to \$700 a month without affecting their monthly benefit. Although it is too early to say with certainty that this higher amount will result in fewer overpayments caused by work, we anticipate that this will be the case.

The second primary cause of disability cessation overpayments is medical recovery. A provision in the 1984 disability amendments provides that if SSA determines through a continuing disability review (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 subsequently denied, these continued benefits are overpayments subject to recovery. Last year we estimated disability cessation overpayments due to benefit continuation totaled nearly \$147 million. All overpayments that occur because an individual exercises his or her right for continued disability benefits during appeal are unpreventable.

SSA is required by law to conduct periodic Continuing Disability Reviews. The CDR process allows SSA to ensure the integrity of the disability insurance program by detecting beneficiaries' medical improvements and preventing benefit payments to individuals who are no longer disabled. In 1996, with the support of the Administration, Congress authorized an adjustment to the cap on discretionary spending for processing CDRs. As a result of this cap adjustment, SSA was able to implement

a 7-year CDR plan covering 1996–2002. It is important to note that the growth in the amount of disability benefit overpayments is due almost wholly to our increased CDR efforts that actually result in future program savings.

As detailed in our annual CDR reports to Congress, the CDRs undertaken in the first 3 years of the 7-year plan are estimated to result in total savings to the disability insurance, SSI, Medicaid, and Medicare programs of nearly \$6 billion by the end of 2002. The ratio of program savings to the administrative costs of CDRs is very impressive. It is estimated that over the first 3 years of the CDR plan, the overall savings to cost ratio was about 12 to 1. Further, it is estimated that over the life of our 7 year plan, the overall savings to cost ratio will be at least 6 to 1.

OTHER MAJOR CAUSES OF OVERPAYMENTS

In addition to our stewardship efforts involving CDRs, SSA has undertaken significant initiatives over the past several years to prevent and detect Social Security program overpayments due to incarceration or death of beneficiaries. SSA has been involved in efforts employing data matches with prisons and States. In addition, the data collected are being shared with other Federal benefit-paying programs to help reduce their program costs.

Another area of data matching for detecting and preventing Social Security overpayments involves workers' compensation payments. As you know, Mr. Chairman, this is an extremely complicated provision of the Social Security program, and we are working to improve our administration of this issue. Although these data matches are not yet as extensive as those involving prisons and State death records, we anticipate that such matches will help us with our program stewardship responsibilities.

Prisoner Matches

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 Supplemental Security Income (SSI) benefits to any individual in a public institution and, in 1986, the matching program was extended to prisoners who were Social Security beneficiaries. However, these early matches did not produce information quickly enough to prevent significant amounts of overpayments.

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. By the end of 1995, SSA had established reporting agreements with more than 3,500 incarceration facilities.

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. With the support of this subcommittee last year, 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. These provisions are effective for incarcerations that begin on or after April 1, 2000. 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. These reports cover 99 percent of the inmate population in the United States. With the support of these Federal, State, and local entities, SSA has made substantial progress in ensuring that incarcerations are timely and accurately reported and that benefits are suspended promptly. In December 1999, there were approximately 45,000 individuals who were not receiving Social Security benefits because they were incarcerated. 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. This allows for more efficient use of Government resources and assists all Federal benefit paying agencies in enforcing statutory requirements to reduce, suspend, or terminate these

benefits. 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. When SSA receives a report of a previously unreported death from the State, an alert is issued to the field office to independently verify that the individual is, in fact, deceased, before benefits are stopped.

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. SSA expects 10 States per year to implement electronic State death registries based on States' readiness to adopt electronic processing.

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. For purposes of checking initial claims, SSA now has on-line access, at least on a limited basis, with nine States. This on-line capability allows us to get correct workers' compensation information immediately when adjudicating the claim. 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.

While we have not yet been as successful in matching workers' compensation data as we have with, for example, prison data, we will continue to explore data matches as a way to detect and prevent Social Security overpayments caused by workers' compensation payments.

While we rely on such data matches to protect the integrity of our programs, nothing is more important in the operation of our programs than ensuring that the public has confidence that the information placed in our trust is secure. This is a cornerstone of our philosophy. In fact, the very first regulation is issued by the new SSA in 1935 dealt with the confidentiality of its records.

SSA uses state-of-the art encryption software that protects data sent to us and systems firewalls that protect access to our databases. We are constantly reevaluating the security features necessary to protect the information we receive and maintain.

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. Based on a study conducted in the 1990's, we estimate that 60 percent of the overpayments in any given year will be recovered within 7 years. And, I would note that we recover more than 90

percent of overpayments owed by individuals who continue to be entitled to benefits. Our stewardship responsibilities require that we recover as much of the debt owed as possible. Our goal is to achieve an annual average increase of 7 percent in debt collections over the 5-year period from Fiscal Years 1998–2002. In Fiscal Year 1999, we met our goal for both the Title II and Title XVI programs. Our collections for Title II were \$1.2 billion, an 8 percent increase. In the Title XVI program, we collected \$640 million, an 18.7 percent increase.

How does SSA go about recovering the debt that we are owed?

The collection process is different, depending on whether individuals are continuing to receive benefits or not receiving 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. Options include a full refund of the overpayment immediately, or withholding overpayments from ongoing monthly benefits. 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. For those who establish installment agreements, SSA sends automated bills and notices requesting repayment. 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 planning to implement administrative wage garnishment and federal salary offset. We also are planning to use 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, the majority of which have been described above. 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. While there is no indication of widespread fraud associated with our processes, we will continue to strengthen

our ability to prevent, detect, and investigate fraud and to penalize those who misrepresent or omit facts in order to obtain benefits for which they are not eligible.

One of SSA's five strategic goals is "to make SSA program management the best in the business with zero tolerance for fraud." This wide-ranging zero tolerance 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. All of these efforts are resource intensive, and reductions in resources budgeted by SSA would affect our 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. Often, it is field office and

DDS employees who are able to uncover suspicious or fraudulent schemes. 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. Fostering an exchange of information between disability decision-makers and investigators, the CDI process enhances the potential for identifying overpayments and denying fraudulent initial applications, and ensures timely investigation and termination of benefits when fraud is detected during CDRs. In addition, the CDI teams investigate and pursue criminal prosecution of doctors, lawyers, and other third parties who commit fraud against the disability program. 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. In fact, direct payment is prohibited to beneficiaries who are legally incompetent, children under age 15 and for those disabled beneficiaries where alcoholism or drug addiction is a contributing factor material to the determination of disability.

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 who are the most vulnerable of our population without abusing this responsibility. 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. The OIG has pledged to work with us to improve all aspects of monitoring this program.

Finally, because administrative actions alone are not sufficient to ameliorate problems, we sent to Congress on February 22, a set of legislative proposals for that would provide additional safeguards for beneficiaries with representative payees and we urge the Subcommittee to give these prompt attention. 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 in order to establish a new credit record and stop the fraud from continuing.

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, which I mentioned earlier, 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.

CONCLUSION

Again, we would like to thank the Subcommittee for its efforts over the years to maintain the integrity of the Social Security program. We wish to continue and build on quality management of the Social Security program by developing new administrative procedures to prevent and detect overpayments and fraud. We will also continue to develop legislative proposals to send to Congress whenever we see a situation that cannot be remedied administratively.

We are committed to our role as stewards of the trust fund and will strive to improve public confidence in the Social Security program. Quality stewardship and program integrity often involve labor intensive efforts. We look forward to this Subcommittee's support to ensure that SSA is adequately funded in order to maintain quality program management.

Thank you for the opportunity to testify today. I will be happy to answer any questions that you may have.

Mr. COLLINS [presiding]. Thank you, Mr. Halter.

Mr. Hayworth, do you have any questions?

Mr. HAYWORTH. I thank you, Mr. Collins.

Bill, welcome.

Mr. HALTER. Thank you, sir.

Mr. HAYWORTH. And just one question. Let's pick up at the end of the testimony, talking about evaluating Social Security Administration employees and that they responded 96 percent of them, or 96 percent of the work force view zero tolerance for fraud as important to their jobs.

Now, there seems to be a bit of a disconnection, because we understand an employee evaluation, taking a look at employee performance, apparently the efforts to combat fraud don't really count or they're not part of the formal evaluation.

Now, we're going to hear from the IG a little bit later. His testimony, specifically on page 3 if you want to take a look at that, discusses this issue.

Let me ask this in a positive vein. Viewing the situation, wouldn't it be better to include efforts to combat fraud as part of performance evaluations for employees?

Mr. HALTER. Congressman, I think that's a very good idea and one that we will certainly take back and look at. I believe that at this point, we do consider that, but I will circle back and make sure that, in fact, we do on an ongoing basis.

Mr. HAYWORTH. Well, if you could follow up, and if it's OK with you, I would love to hear from you within say a week's time, if you could give us either the evaluation performance questionnaires or perhaps the proposed wording that would be included in job performance for employees, I think that's a positive way to start, and just to see if, in fact, it does come up, because what we're hearing from some folks is that apparently this has not been included in the criteria, and they obviously feel it's important, and you in your testimony bring that up. So if you could follow up with us in writing on that and what steps you propose to take if, in fact, it's not formerly part of the evaluation process, I would be very eager to hear about that.

Mr. HALTER. I would be delighted to do that.

[The following was subsequently received:]

With respect to employee performance evaluations relating to anti-fraud efforts, we are submitting for the record an example of the documentation used in employee evaluations. This particular example is a position description for a generalist claims representative position, which is a field position. One of the many key elements to the requirements of the job and job performance identified in the attached position description is "[p]rotects the integrity of SSA programs through identification, investigation, and resolution of potential program abuse situations." Also note that other elements are listed that relate to program integrity and support efforts to prevent fraud.

Attachment

Social Insurance Specialist (Claims Representative) GS10511#3C361

AMENDED 2/27/78, 8/7/80, 6/24/91, 4/1/92, 3/30/95, 12/6/95

Duties

This is the keystone position in the Social Security Administration through which the major operating objective of bringing direct personal service to the public is achieved. The incumbent:

- Conducts interviews to obtain, clarify, and verify information about individual applicants' initial and continuing eligibility for retirement, survivors, disability, black lung, health insurance benefits, and eligibility for supplemental security income payments, including State supplements where required;

- Examines evidence to evaluate its validity and acceptability in establishing entitlement to benefits, and, when necessary, takes the required developmental action to insure that all available relevant evidence has been obtained. Assists the applicant in securing evidence, and prepares special determinations of fact to resolve evidentiary discrepancies;

- Finally adjudicates and finally authorizes for payment, without subsequent review, claims for benefits and eligibility to all programs administered by SSA and finally disallows, without subsequent review, a full range of all types of SSI claims, RSDHI claims lacking in insured status, RSDHI claims previously denied, disabled widow's benefits claims not meeting the prescribed period;

- Makes final reconsideration decisions on disability insurance and disabled widows cases involving reaffirmations of initial or subsequent denials of benefits not involving medical issues;

- Conducts interviews, develops, investigates, and resolves postentitlement actions, including SSI redeterminations, which may involve suspension, resumption, or termination of eligibility or payments;

- Provides technical guidance to other employees involved in the claims process;

- Assists individuals in filing for administrative appeals in matters concerning entitlement to benefits or coverage under the various programs;

- Conducts case reviews, informal and formal conferences to reconsider initial decisions and posteligibility decisions affecting an individual's eligibility, continuing eligibility, or amount of payment under the supplemental security income program and makes final decisions on nonmedical issues in SSI reconsiderations;

- Determines finally if applicants for or recipients of disability insurance benefits and disability payments under the SSI program are engaging in substantial gainful activity;

- Recognizes the need for and approves the selection of representative payees for individuals unable to handle their own benefits;

- Protects the integrity of SSA programs through identification, investigation, and resolution of potential program abuse situations;

- Provides referral services to individuals needing the services of other programs or organizations;

- Participates in training sessions both as student and instructor;

- Authorizes advance SSI payments and requests onetime payments as necessary;

- As assigned and as necessary contributes to the office information/public relations programs by making public speeches and assists in public information projects; informs superiors of trends in public reaction to social security programs;

- Protects the rights of individuals by assuring that claimants and/or their personal representative understand the claimants' legal rights and obligations under the Act and its relationship to other social welfare and benefit programs;

- Develops, investigates, and resolves discrepancies in earnings and determines amounts to be posted or deleted from individual records;

- Determines whether income is wages or selfemployment income and whether it is covered income under the Social Security Act; and

- Performs other duties as assigned and assumes new responsibilities dictated by legislative or policy changes.

Job Requirements

- Understanding of the philosophy, principles, objectives, and specific provisions of all programs administered by SSA and the relationship of these programs to others which are related.

- Knowledge of State laws involving descent, welfare payments and social service programs, Medicaid, workman's compensation, etc., and various Federal laws, such as parts of the Internal Revenue Code, Railroad Retirement Act, laws concerning

veterans' benefits, Immigration and Nationality Act, and others having a relationship to SSA programs.

—Knowledge of the SSA-integrated data processing system and the ability to use the systems input and output methodology, forms, and data, as well as the ability to recognize and resolve systems input alerts, edits, and rejects.

—Ability to communicate with individuals for the purposes of obtaining information, motivating individuals to appropriate courses of action, and conveying an understanding of complex requirements of particular programs. -Ability to evaluate evidence and the facts of situations, draw sound conclusions, and explain the basis for the conclusions.

Difficulty of Work

Assignments cover the communicative, adjudicative, final authorization, and SSI reconsideration functions through the full range of claims and postentitlement activities.

Subjects and issues covered in interviewing work cover the complete range of substantive issues and procedural matters of the various social insurance programs and the black lung and supplemental security income programs. The development and adjudicative functions involve quasilegal matters which must be related to the individual circumstances of each applicant.

The incumbent must carefully evaluate all facets of the claims being finally authorized.

Informal and formal conference interviews in SSI reconsideration cases may be extremely sensitive. Due to the legal tenor of the conference interview, the incumbent must be able to deal with all issues with a high level of expertise.

The guidelines consist, principally, of the legal regulations and procedural requirements of the various social insurance, black lung, and supplemental security income programs. These guides are numerous, extensive, and complex. Their application to distinctive cases and circumstances requires judgment and insight in applying the requirements to the needs of the individuals concerned. Work is performed under the general supervision of a district manager, assistant district manager, branch manager, or operations supervisor.

Responsibility

The work performed is a vital part of the functions through which the organization directly informs members of the general public about the concerned programs and extends benefits of these programs to them.

The communicative functions are normally not subject to review. The technical adequacy of information provided is assured through occasional spot checks or observations made by the supervisor, through complaints made by claimants as to the service provided, or through a review of applications, records, letters, or other documents originated by the representative on an intermittent basis. Neither the interviews conducted nor the claims adjudicated and authorized are segregated as to type or level of difficulty.

The representative is expected to resolve, without benefit of supervisory consultation, all but the most unusual problems; such as, those which may be precedent setting, of a delicate public relations nature, or unresolved policy issues. Technical assistance is available from the supervisor, however, it is normally expected to be requested only where precedent decisions or policy are not available.

Claims that are finally authorized are not subject to a subsequent review. A sample of cases may be evaluated through the SSA quality appraisal system either during processing or at the end of line after payment is effectuated. SSI reconsideration decisions are subject to review only through the SSA appeals process.

Personal Relationships

These relationships are important in that much of the work consists of conducting interviews. Coverage of the programs is so general that all segments of the general public will be encountered as potential applicants, beneficiaries, claimants, legal representatives, employers, and sources of information. In the interviews, the purposes include eliciting specific items of information, explaining substantive and procedural requirements, and interpreting program concepts. Interviews must be conducted in a tactful and courteous manner.

Other

The incumbents' official duty station may be a district office, branch office, or other established field facility. Duties assigned may also be performed in contact stations, other temporary locations, or in institutions, hospitals, or other locations as designated by supervisors.

Let me also take this opportunity to indicate to you several of the things that we are doing on an ongoing basis to inform our employees about the priority of this matter.

We have, as you know, a number of internal communications devices that we use to communicate with our employees—monthly publications, electronic communications and so forth—and we have incorporated a focus on fraud in each of those publications.

We deal with it at a senior management level continuously. I'm working with our IG and our senior staff to ensure that we have the appropriate amount of resources devoted to this effort. So there are a number of things that we're doing, and I would be happy in my response to your first question to also include those just to give you a better sense of what we're up to.

Mr. HAYWORTH. And as, Bill, is often the case, when you explain this to me, it leads to another question that—

Mr. HALTER. Sure.

Mr. HAYWORTH.—just occurs. We had testimony from the Commissioner the other week and, indeed, in the Full Committee room although it was our Subcommittee meeting there, commensurate with existing Federal law arising out of Executive Orders and perhaps some previous Congressional measures, there are employees within the Social Security Administration whose central duty is do nothing but deal with collective bargaining. Are there likewise employees within the Social Security Administration who do nothing but handle fraud cases? Is there a fraud task force or a protection—

Mr. HALTER. Absolutely. In fact, there is. We have a national antifraud task force which is co-chaired by the person who is testifying after me, our Inspector General, Jim Huse, and our Deputy Commissioner for Finance and Administration, Yvette Jackson.

In addition to that, Congressman, we have ten regional antifraud Committees that are co-chaired by our Regional Commissioners. In fact, just to follow up on your question, there are a large number of employees within the Inspector General's Office who focus on nothing but fraud.

Mr. HAYWORTH. Do we have a number specifically on—

Mr. HALTER. I would be happy to provide that for you, but it is definitely in the hundreds, if not higher.

[The following was subsequently received:]

Combating fraud, waste and abuse is a key Agency initiative in the Fiscal Year 2000 Government Performance and Results Act Annual Performance Plan that emphasizes SSA's ongoing responsibility and commitment to combat fraud and recover overpayments. To "make SSA's program management the best in business, with zero tolerance for fraud and abuse" is one of SSA's five goals identified in the Agency's Strategic Plan.

Safeguarding the public's investment in the programs we administer is a primary responsibility of SSA. For example, nearly 520 employees in our Office of the Inspector General (OIG) audit our programs, conduct field investigations and staff our hotline. Another 143 employees in our operations components have the primary responsibility of overseeing security and investigating potential fraud. Virtually all of the 40,000 employees who routinely interact with the public are actively involved in the prevention and detection of overpayments and fraudulent activities. Their activities support SSA's stewardship responsibilities and ensure that only those individuals who meet eligibility requirements receive benefits. Examples of SSA's efforts

to maintain program integrity include continuing disability reviews, SSI non-disability redeterminations, earnings enforcement, prisoner reporting, fugitive felon projects, and the nonagerian project.

Other high profile anti-fraud initiatives underway include the establishment of a National Anti-Fraud Committee chaired by the Inspector General and the SSA Deputy Commissioner for Finance, Assessment and Management. We also have ten very active Regional Anti-Fraud Committees chaired by the Regional Commissioners and the OIG Special Agents.

We have established seven Cooperative Disability Investigative (CDI) units across the country. These units combine the resources and talents of our OIG agents with State law enforcement officers and SSA and State Disability Determination Service employees to prevent fraud from occurring.

More importantly, we view our stewardship efforts as the collective responsibility of all SSA employees. We will devote an estimated \$1.7 billion this fiscal year to these efforts, or nearly 25 percent of our total administrative budget, and the equivalent of more than 18,000 full-time employees.

SSA has a number of initiatives underway to communicate with our employees and the general public that SSA acts aggressively to prevent and detect fraud. These initiatives include the dissemination of information about fraud and SSA's position of zero tolerance for fraud through various internal media such as the *Central Office Bulletin* (a newsletter for central office employees); *Commissioner's Broadcasts* (e-mail messages to all SSA employees); an anti-fraud column in OASIS (a monthly magazine publication for all SSA employees); and regional newsletters published by Regional Anti-Fraud Committees in each of our ten regions. External communications include items in the *SSA/IRS Reporter* (a quarterly publication sent to employers) and *Social Security Online*, which provides information on fraud issues to Internet users.

In addition, SSA and OIG have developed and distributed a training videotape to all SSA offices that includes scenarios depicting fraud based on real-life situations; the new fraud referral process; an explanation of how the Anti-Fraud Hotline works; and SSA and OIG employees who have played a role in the fight against fraud.

Mr. HAYWORTH. That would be great. The Commissioner sent by some language or sent me a letter last week, and I know we have certainly employees who number in the hundreds who deal with collective bargaining.

In terms of priorities, in a perfect world, Bill, do you believe that employees dealing with no issues save collective bargaining are as important to your process as those who deal with fraud, or would it be better for employees to spend their time rooting out fraud and waste and mismanagement rather than dealing on a full-time basis with collective bargaining issues?

Mr. HALTER. Well, in fact, I think as you know, Congressman, we are under a legal mandate to have a number of employees who are, in fact, dealing with partnership issues, labor/management relations and so forth, so while we are certainly focused on fraud and, as I mentioned to you, we spend \$1.7 billion on program integrity efforts each year, approximately 25 percent of our budget, there is a much, much smaller amount of resources that's devoted to labor/management partnership issues and the issues that you're addressing there, and those resources have been fairly stable. In fact, in the last 3 years, they have come down a bit. This last year, we had an increase, a very small increase because we were renegotiating our contract with our labor unions, our National contract, but the proportion is vastly more resources are devoted to fraud efforts than they are to labor/management partnership efforts.

We've got an extraordinary amount of continuing disability reviews that are underway, and, of course, that is devoted to program

integrity. We have—in the last 4 years through the efforts of the Appropriations Committee and the Congress, the number of staff that are working in the Inspector General's Office has more than doubled. We have received—and Jim Huse can talk about this in great detail, but we have devoted substantially more resources to this area in the last few years, and we are going to continue to have it be one of our five major strategic goals. So this is very important to the agency.

Mr. HAYWORTH. Thank you, sir.

Thank you, Mr. Collins.

Mr. COLLINS. Thank you, Mr. Hayworth.

Now we'll go to Mr. Matsui, the Ranking Member, Democratic side.

Mr. MATSUI. Thank you, Mr. Chairman.

You need, obviously, the resources in order to cut out fraud, abuse and waste and all that. I did notice that a few weeks ago when the Republican budget passed, we saw essentially a cut of about \$20 billion in Fiscal Year 2001, which would come to about a 6.4 percent cut from the baseline, and, of course, by 2005, 5 years from now, it would be about 11 percent cut in real terms.

How will that affect your ability to deal with the issue of fraud, abuse, waste, which is the subject of this hearing; and second, if, in fact, you had to make choices, and I would imagine there is very little slack in your budget at this particular time, where would you make the decision between processing existing claims, to make sure that beneficiaries get their checks in a timely fashion so they don't fall behind on the rent payments or food, and the issue of maintaining program integrity, again which is the subject of this hearing? How would you make that determination of where your lack of resources should be pulled from?

Mr. HALTER. Right. Well, to answer your first question Congressman Matsui, there would be extraordinarily deleterious effects on our ability to engage in program integrity initiatives if the budget cuts of that magnitude were put into place.

As you undoubtedly know, 75 percent of our budget goes for salary for our people, and these program integrity activities are incredibly resource-intensive. So if we had, just to pull a number out of the air, a 10 percent cut in our resources, it would have a very dramatic and sharp effect on our service levels and our program integrity efforts.

To your second question about how we would allocate these cuts in these efforts, the magnitude of the cut that we're talking about there would be such that we would have to cut our efforts, I believe, in virtually every arena.

Now, as a service organization, obviously we would be focused as much as we possibly could be on maintaining our service levels, but the fact is, with a budget cut of that magnitude, the cuts would have to occur in virtually every activity.

As I mentioned earlier in my testimony, the payoff of these program integrity efforts is measured in the 6-to-one to 10-to-one to 12-to-one sort of benefit-to-cost ratios. So when you pull out that amount of resources that's going into these efforts, you can have and you can forecast a tremendous effect on the integrity of our programs. Financially, this would be something that, you know, if

those are the cards that we are dealt, we'd have to play them, but it's certainly not the kind of game we would like to be in.

Mr. MATSUI. Penny wise, pound foolish.

Mr. HALTER. Absolutely.

Mr. MATSUI. In terms of the whole issue of union activities, I believe the Commissioner responded on March 29th of this year when he was asked a question about Social Security employees and their permanent full-time union activities, my understanding is for the Fiscal Year '99, there's only 134 individuals in your entire agency that engages in full-time union activities, which comes to .268 percent of your entire work force, which is probably much less than the private-sector big companies like Boeing or IBM and others.

It's also my understanding, and I was here then in 1982, that President Reagan, a Republican President, was the one who signed the agreement with the Social Security Administration and the American Federation of Government Employees. Jack Svahn, who is actually from California, a friend of mine, was the one who was the administrator at the time and actually signed that agreement on, I believe it was June 11, 1982.

Are those facts correct in terms of what I just stated?

Mr. HALTER. Congressman Matsui, they are exactly correct. This level of engagement with our labor partners has been codified, as you noted, since 1982, and in fact it's been going on since 1962. So this is not new, and the number that you mentioned of 134 full-time employees is exactly accurate.

We report this, as I'm sure you're aware, each year to the Congress, to the Chairman of the Appropriations Committee, and I'd be happy to provide for the record that report as well as some other information that outlines why we're doing this and the fact that we are, in fact, legally bound to do it. We also can provide you information that indicates the payoff from those sorts of activities and provide that for the record, as well.

[The following was subsequently received:]

January 14, 2000

The Honorable C.W. (Bill) Young
Chairman
Committee on Appropriations
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I am writing to provide you with data on the actual expenses for union representational activities at the Social Security Administration (SSA) in fiscal year (FY) 1999. This information is to be provided annually as requested by the House Appropriations Committee in Report 105-205 and is consistent with reports provided by SSA for many years.

In FY 1999, there was a slight increase in the hours of official time spent on union activities. This increase of 3.4 percent over FY 1998 is largely due to the Agency's renegotiations of its National Collective Bargaining Agreements with the American Federation of Government Employees and the National Treasury Employees Union. As a result, total expenses in FY 1999 increased by \$1.1 million over the FY 1998 level. As required by the FY 1999 Appropriation Act, P.L. 105-277, the Social Security trust funds are being reimbursed, with interest, from the general fund of the Treasury for the portion of these expenses attributable to the trust funds.

As a result of negotiations with our unions, for which official time was used, SSA was able to implement on a timely basis numerous initiatives aimed at improving customer service. These included a major revamping of our disability hearings and appeals process; a process for obtaining customer feedback about our service deliv-

ery; increased emphasis on assisting beneficiaries to return to work; and an alternative dispute resolution process to deal with Equal Employment Opportunity complaints in a more efficient and cost-saving manner.

I hope the enclosed fact sheet is of use to you and the members of your committee. If there are any questions about this issue, your staff may contact Ms. Yvette Jackson at (410) 965-2910.

Sincerely,

KENNETH S. APFEL
Commissioner of Social Security

Enclosure

Social Security Administration

Report Concerning Official Time for Union Activities

The Conference Committee Report accompanying the Department of Labor, HHS, Education and Related Agencies FY 1998 appropriations (Report 105-205) addressed the subject of support of union activities. The Committee requested that all departments and agencies report on expenditures for union activities. Consistent with that report and longstanding SSA practice, FY 1999 information for SSA is included in the table below:

Official Time for Union Representation Activities (Dollars in millions)	Fiscal year 1999
Hours of official time spent on union activities	384,165
Employees who used official time	1,739
Employees who spent 100% of their time on union activities	134
Dollar Value of Official Time (e.g. salary and benefits)	\$11.2
Travel and Per Diem	0.6
Office Space, Telephones and Supplies	0.6
Arbitration Expenses	¹
Total Expenses	\$12.4

¹ Less than \$50,000

Federal Service-Labor Management Relations Statute and SSA labor contracts with the American Federation of Government Employees (AFGE), the National Federation of Federal Employees (NFFE) and the National Treasury Employees (NTEU) obligate the Agency to certain costs, such as salaries, travel and per diem expenses, office space, telephones and arbitration costs for union representational activities conducted on official time. Official time is not granted for internal union business (such as soliciting membership, conducting elections, or collecting dues). Consistent with P.L. 105-277 and P.L. 106-113, the Social Security trust funds are being reimbursed, with interest, from the general fund of the Treasury for the portion of these expenses attributable to the trust funds.

Union Official Time at the Social Security Administration

- Federal law specifically addresses payment of official time by Federal agencies. SSA is in full compliance with these laws, which have been in existence for over 20 years. Authority to pay for official time derives from Section 201(g)(1) of the Social Security Act and the Federal Labor-Management Relations Statute (5USC7131).
- In 1962, President John F. Kennedy issued an Executive Order that established a framework for Federal agencies to bargain with unions over working conditions and personnel practices. This and subsequent Executive Orders were codified in the "Civil Service Reform Act of 1978," which established official time as an integral part of Federal-labor management relations and the Federal sector collective bargaining process.
- The first national collective bargaining agreement that covered official time was the June 11, 1982 agreement between SSA and the American Federal of Government Employees during the Reagan Administration. The bargaining agreement recognized agency payment of official time from both the trust funds and general revenues

- SSA—like other Federal agencies and many firms in the private sector—pays the salaries of employees who participate in SSA related official union activities. Such labor-management relations activities include bargaining and grievance procedures. SSA does not pay for the following activities under any circumstances: internal union activities, such as soliciting membership, conducting elections, collecting dues, or partisan political activities.

- All SSA administrative expenses are allocated from the trust funds and general revenues under the law. Official time is allocated in the same proportion as other administrative expenses. As required by the FY 1999 Appropriations Act, P.L. 105-277, the Social Security trust funds are being reimbursed, with interest, from the general fund of the Treasury for the portion of these expenses attributable to the trust funds. Union represented employees work on all SSA administered programs, including Social Security and Supplemental Security Income, as well as Medicare.

- Currently, 134 employees perform full-time official union duties, which equates to 0.268 percent of the represented workforce.

- In March 1998, SSA released a report (attached) on the effects of the union/management partnership on organizational performance. The report identified over 1,500 initiatives that were initiated or enhanced through partnership efforts. Many of these initiatives have been tied to improvements in customer service (e.g., SSA's 800-number service); improvements in the quality of work life for employees (e.g., developmental programs); and decreases in operational cost through the reduction of formal litigation (e.g., the decrease in unfair labor practice charges—167 in 1999, down from 467 in 1990).

- The reduction in unfair labor practice charges saves taxpayer dollars. The Government Accounting Office previously estimated the cost to the Federal Government to fully process one unfair labor practice as in excess of \$28,000. For example, the reduction in charges from 467 in 1990 to 209 in 1995 represents a potential savings of over \$7 million per year.

- A recent survey identified about 400 new initiatives undertaken through SSA's union/management partnership, bringing the total to almost 2,000. The survey established that the current partnership focus continues to be on operational efficiency, customer service, quality of work life and employee empowerment.

Mr. MATSUI. Mr. Chairman, if I may just follow up with one last question. Thank you.

In terms of the union activities, I would imagine, and you may not have these numbers on hand right now, but most of these activities are to help the employees in terms of perhaps benefits that the employees may feel that he or she was entitled to and didn't receive, or perhaps disciplinary type actions, and so you would be able to go through a due-process.

Mr. HALTER. That's correct.

Mr. MATSUI.—We're talking about what the daily activities are about, is that correct, —

Mr. HALTER. That is correct, sir.

Mr. MATSUI.—in terms of ensuring that the integrity of the work force remains in place.

Mr. HALTER. That is absolutely correct, sir. Also, helping us and working with us to improve the management of the Social Security Administration. That is to say we seek and we work with our labor partners to put together management and administrative improvements and to get those implemented as timely as we possibly can, and this obviously has the effect of improving our service levels over time, and also delivering a higher quality product to the American people at lower cost.

Mr. MATSUI. Thank you.

Thank you, Mr. Chairman.

Mr. COLLINS. Thank you, Mr. Matsui.

Mr. Halter, I noticed in your statement about the Syracuse University's Maxwell School gave you an "A" rating. I would concur with them for the agency that I've dealt with as a Member of Congress.

Mr. HALTER. Thank you, sir.

Mr. COLLINS. And I think it comes, too, from the efforts by the Commissioner and you and others on this staff, as he reported to us in the previous hearing we had about a week or so ago about how he has had to make decisions, leadership decisions and to set priority, and I think that is the reason you're graded and awarded such a high rating, and also in the area of financial management.

Now, in reference to the reduction in budget, the Commissioner also stated that by eliminating or repealing the earnings limit, that it would probably free up somewhere around 800 employees. I'm sure that he will make again leadership decisions that will set priorities as to how those 800 employees will be better service to the agency. Do you not agree with that?

Mr. HALTER. Absolutely, sir.

Mr. COLLINS. In reference to the number of union members today, how does that compare or do you have the numbers to compare that to five, 10 years ago?

Mr. HALTER. I would be happy to submit those to you for the record, sir. My understanding with respect to the last several years is that, again, with the exception of this past year when we were renegotiating the national contract, that the amount of resources devoted to this area has actually trended down.

But we would be happy to provide you for the record with those numbers. I don't have the 10-year figures with me today.

[The following was subsequently received:]

For each year during 1990-1993, there were approximately 80 SSA employees working full time on union activities. In 1994 and 1995, the number increased to 145 employees. In 1996, there were 148 employees working full time on union activities. And, in 1997, 1998, and 1999, the numbers were 141, 131, and 134, respectively.

Mr. COLLINS. If I recall, some of the previous years of the last few years, the last three or 4 years, it was kind of a peak in that cost and a lot of resources, extra resources were required to meet the obligations for the union participation.

A couple of questions, one in particular dealing with fugitives, felons or parole/probation violators, the IG recommends that they be prohibited from receiving Social Security checks as we have done with SSI. What is your opinion on that?

Mr. HALTER. We would be delighted, Congressman, to work with this Committee on that proposal. It certainly seems to have a tremendous amount of merit, and I would be anxious to see if we could work something out with this Subcommittee as we roll forward.

Mr. COLLINS. Very good.

You, in your opening portion of your statement, you mentioned that the agency has actually sent about 35 legislative proposals to Congress. What do you recommend in prioritizing those that

haven't been adhered to? How would you prioritize the other proposals?

Mr. HALTER. I'm very glad that you asked that question, Congressman, because I don't want to leave the impression that the Congress has left that many around unenacted. In fact, there are only a couple of provisions from the previous Congress, and then there are several proposals that we sent up this year with respect to representative payees.

So I think each of these has merit, and there are just a few provisions that are left to enact. We would be happy to work with you on a bipartisan basis. I think, not to be presumptuous here, but I think you will find that these proposals have a great deal of support on both sides of the aisle, and I think it's just a question of getting it done.

[The following was subsequently received:]

I appreciate your interest in the legislative proposals that SSA has sent to Congress since we became an independent agency on March 31, 1995. Most of the proposals have been enacted, and many of them provide additional means for SSA to maintain and improve the integrity of both the Social Security and Supplemental Security Income (SSI) programs.

We thank the Ways and Means Committee for its support of these significant and valuable legislative provisions, most recently those enacted in the "Foster Care Independence Act of 1999" and the "Ticket to Work and Work Incentives Improvement Act of 1999." One provision that was sent to Congress on May 4, 1998, in the "Supplemental Security Income Program Integrity Act of 1998" that was not enacted, but is still needed, would require States having contracts with SSA for provision of death data to provide the data within 30 days of its receipt. This provision would prevent overpayments and eliminate potential fraud situations in both the Social Security and SSI programs.

While Congress and the Administration have done much to improve the integrity of the Social Security and SSI programs over the past 5 years, we still have more to do. To this end, we have sent two bills to Congress that address the issues of Social Security number misuse and misuse of benefits by representative payees. Copies of the draft bills are being submitted for the record (attached).

On September 28, 1999, SSA sent to Congress the draft bill, the "Civil Monetary Penalty Extension Act of 1999." Under the provisions in the bill, civil monetary penalties would be imposed on individuals for offenses involving fraudulent application for or misuse of Social Security numbers and Social Security cards, and on individuals who misuse the funds paid on behalf of beneficiaries while serving as representative payees.

SSA sent another draft bill to Congress on February 22, 2000, designed to provide additional safeguards for beneficiaries with representative payees. SSA's proposal would provide for immediate reissuance of benefit payments in all cases when an organizational payee is found to have misused the benefits. The proposal also would require certain bonding and licensing for non-governmental organizational payees. In addition, the draft bill would provide that a fee-for-service organizational payee would not be eligible for a fee for months in which the individual's benefits were misused, and provide that misused benefits would be considered overpayments subject to current SSA overpayment recovery authority against the organizational representative payee.

I hope that you and other members of the Ways and Means Committee will agree that these proposals have merit and would provide important program integrity improvements. We urge Congressional action on the proposals during this session.

Attachment

The Honorable J. Dennis Hastert
Speaker of the House
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

Enclosed for the consideration of the Congress is a draft bill to provide additional safeguards for Social Security and Supplemental Security Income beneficiaries with representative payees.

Currently, about 6.5 million Social Security and Supplemental Security Income program beneficiaries rely on representative payees to manage their monthly benefits. A representative payee can be either an individual, such as a parent, or an organization. Certain qualified organizations, known as “fee-for-service” organizations, are permitted to charge a fee from the beneficiary’s payment for their representative payee services. In most cases the amount of the monthly fee can be no more than \$28.

When any payee has been determined to have misused an individual’s benefits, the Social Security Administration (SSA) can reissue the benefits only in cases where negligent failure on SSA’s part to investigate or monitor the payee resulted in the misuse. In virtually all other cases, the individual loses his or her funds unless SSA can obtain restitution of the misused benefits from the payee. Currently, SSA can seek restitution only through civil processes if the representative payee refuses to return the misused funds.

One provision in this bill would require SSA to reissue benefit payments (including any respective fees) in all cases when an organizational payee is found to have misused a beneficiary’s funds without either a finding of negligence or restitution from the organizational payee. Requiring re-issuance of such misused benefit payments, including fees, would provide additional protection to the most vulnerable of beneficiaries—those who have no family or friends willing or able to be a payee.

This new authority would enable SSA to restore promptly benefits that have been misused by a beneficiary’s representative payee, thereby avoiding the hardship that can be caused by such a loss. And while no longer necessary to restore the lost benefits, SSA would, through all available avenues of legal recourse, continue to seek restitution of the misused funds from the former representative payee.

In addition to this change, the legislative proposal would include other provisions designed to increase the safeguards for beneficiaries with representative payees:

- Require non-governmental fee-for-service organizational payees to be bonded and licensed, provided that licensing is available under State or local law. (The requirement under current law is bonding or licensing.) This proposed requirement would add further safeguards to a beneficiary’s funds. State licensing provides some oversight by the State into the organization’s business practices, and bonding provides some assurance that a surety company has investigated the organization and approved it for the level of risk associated with the bond. The proceeds from redeemed bonds would reduce the costs to the program when re-issuing benefits in cases of representative payee misuse.

- Provide that when an organization has been found to have misused an individual’s benefits, the organization shall not qualify for the fee from that individual’s benefits for months the payee misused the funds. Requiring payees to return the fees charged for periods of misuse is reasonable because the payee was clearly not properly performing the service for which the fee was paid. Permitting the organization to retain the fees is tantamount to rewarding the payee for violating his or her responsibility to use the benefits for an individual’s current and future needs.

- Provide that misused benefits (including any respective representative payee fees) would be treated as an overpayment to the payee and, therefore, subject to current SSA overpayment recovery authority. Although SSA has been given expanded authority in the recovery of overpayments (such as tax refund offset, referral to contract collection agencies, notifying credit bureaus, and administrative offset of future federal benefit/payments), these tools cannot be used to recoup benefits misused by a representative payee. Providing that benefits misused by any representative payee would be an overpayment to the payee would provide SSA with additional means for recouping the misused payments. The proposal would also permit re-issuance of the benefits to the beneficiary (unless already re-issued by SSA). This change would improve the protection of all beneficiaries with payees, not just those with organizational payees.

This package of changes would bolster other efforts that SSA is initiating to help prevent misuse by organizational payees—including a program that provides for triennial ongoing onsite reviews of all fee-for-service payees, onsite reviews of randomly selected fee-for-service payees and other volume payees, annual verification that bonding or licensing continues to be met, and a review after 6 months for all new fee-for-service payees.

An enclosure to this letter provides a section-by-section summary.

We urge the Congress to give the enclosed draft bill its prompt and favorable consideration.

We estimate that the draft bill would affect direct spending and receipts; therefore, it is subject to the pay-as-you-go requirement of the Omnibus Budget Reconciliation Act of 1990. We estimate that the draft bill's effects on direct spending would be negligible.

We have been advised by the Office of Management and Budget that there is no objection to the submission of this draft bill to the Congress from the standpoint of the Administration's program.

I am sending an identical letter to the Honorable Al Gore, President of the Senate.

Sincerely,

KENNETH S. APFEL
Commissioner of Social Security

Enclosures

A BILL

To amend the Social Security Act to provide additional safeguards for beneficiaries with representative payees under the Old-Age, Survivors, and Disability Insurance program or the Supplemental Security Income program.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. AUTHORITY TO RE-ISSUE BENEFITS MISUSED BY ORGANIZATIONAL REPRESENTATIVE PAYEES.

(a) OASDI Amendment.—Section 205(j)(5) of the Social Security Act is amended by inserting after the first sentence the following new sentence: “In any case in which a representative payee that is an organization (regardless of whether it is a ‘qualified organization’ within the meaning of paragraph (4)(B)) misuses all or part of an individual’s benefit paid to such representative payee, the Commissioner of Social Security shall certify for payment to the beneficiary or the beneficiary’s alternative representative payee an amount equal to the amount of such benefit so misused. The provisions of this paragraph are subject to the limitations of paragraph (6)(B).”

(b) SSI Amendment.—Section 1631(a)(2)(E) of such Act is amended by inserting after the first sentence the following new sentence: “In any case in which a representative payee that is an organization (regardless of whether it is a ‘qualified organization’ within the meaning of subparagraph (D)(ii)) misuses all or part of an individual’s benefit paid to such representative payee, the Commissioner of Social Security shall make payment to the beneficiary or the beneficiary’s alternative representative payee of an amount equal to the amount of such benefit so misused. The provisions of this subparagraph are subject to the limitations of subparagraph (F)(ii).”

(c) Effective Date.—The amendments made by this section shall apply to any case of benefit misuse by a representative payee with respect to which the Commissioner makes the determination of misuse after December 31, 1999.

SEC. 2. BONDING AND LICENSING REQUIREMENTS APPLICABLE TO NONGOVERNMENTAL ORGANIZATIONAL REPRESENTATIVE PAYEES.

(a) OASDI Amendment.—Section 205(j)(4)(B) of such Act is amended by striking “is bonded or licensed in each State in which it serves as a representative payee” and inserting “provides a bond that meets the requirements specified by the Commissioner of Social Security and is licensed in each State in which it serves as a representative payee (provided that licensing is available in such State).”

(b) SSI Amendment.—Section 1631(a)(2)(D)(ii)(I) of such Act is amended to read as follows:

“(I) provides a bond that meets the requirements specified by the Commissioner of Social Security and is licensed in each State in which it serves as a representative payee (provided that licensing is available in such State); and.”

(c) Effective Date.—The amendments made by this section shall take effect on the first day of the thirteenth month beginning after the date of the enactment of this Act.

SEC. 3. FEE FORFEITURE IN CASE OF BENEFIT MISUSE BY REPRESENTATIVE PAYEES.

(a) OASDI Amendment.—Section 205(j)(4)(A)(i) of such Act is amended—

(1) in the first sentence, by striking “A” and inserting “Except as provided in the next sentence, a”; and

(2) by inserting immediately before the second sentence the following new sentence: “A qualified organization may not collect a fee from an individual for any month with respect to which the Commissioner of Social Security or a court of competent jurisdiction has determined that the organization has misused all or part of the individual’s benefit, and any amount collected by the qualified organization for such month shall be treated as a misused part of the individual’s benefit for purposes of paragraphs (5) and (6).”

(b) SSI Amendment.—Section 1631(a)(2)(D)(i) of such Act is amended—

(1) in the first sentence, by striking “A” and inserting “Except as provided in the next sentence, a”; and

(2) by inserting immediately before the second sentence the following new sentence: “A qualified organization may not collect a fee from an individual for any month with respect to which the Commissioner of Social Security or a court of competent jurisdiction has determined that the organization has misused all or part of the individual’s benefit, and any amount collected by the qualified organization for such month shall be treated as a misused part of the individual’s benefit for purposes of subparagraphs (E) and (F).”

(c) Effective Date.—The amendments made by this section shall apply to any month involving benefit misuse by a representative payee in any case with respect to which the Commissioner makes the determination of misuse after December 31, 1999.

SEC. 4. LIABILITY OF REPRESENTATIVE PAYEES FOR MISUSED BENEFITS.

(a) OASDI Amendment.—Section 205(j) of such Act is amended by redesignating paragraphs (6) and (7) as paragraphs (7) and (8), respectively, and inserting after paragraph (5) the following new paragraph:

“(6)(A) If the Commissioner of Social Security or a court of competent jurisdiction determines that a representative payee that is not a State or local government agency has misused all or part of an individual’s benefit that was paid to such representative payee under this subsection, the representative payee shall be liable for the amount misused, and such amount (to the extent not repaid by the representative payee) shall be treated as an overpayment of benefits under this title to the representative payee for all purposes of this Act and related laws pertaining to the recovery of such overpayments. Subject to subparagraph (B), upon recovering all or any part of such amount, the Commissioner shall certify an amount equal to the recovered amount to such individual or the individual’s alternative representative payee.

“(B) The total of the amount certified to such individual or the individual’s alternative representative payee under subparagraph (A) and the amount certified under paragraph (5) cannot exceed the total benefit amount misused by the representative payee with respect to such individual.”

(b) SSI Amendment.—Section 1631(a)(2) of such Act is amended by redesignating subparagraphs (F), (G), and (H) as subparagraphs (G), (H), and (I), respectively, and inserting after subparagraph (E) the following new subparagraph:

“(F)(i) If the Commissioner of Social Security or a court of competent jurisdiction determines that a representative payee that is not a State or local government agency has misused all or part of an individual’s benefit that was paid to such representative payee under this paragraph, the representative payee shall be liable for the amount misused, and such amount (to the extent not repaid by the representative payee) shall be treated as an overpayment of benefits under this title to the representative payee for all purposes of this Act and related laws pertaining to the recovery of such overpayments. Upon recovering all or any part of such amount, the Commissioner shall make payment of an amount equal to the recovered amount to such individual or the individual’s alternative representative payee.

“(ii) The total of the amount paid to such individual or the individual’s alternative representative payee under clause (i) and the amount paid under subparagraph (E) cannot exceed the total benefit amount misused by the representative payee with respect to such individual.”

(c) Effective Date.—The amendments made by this section shall apply to benefit misuse by a representative payee in any case with respect to which the Commissioner makes the determination of misuse after December 31, 1999.

**A Bill to Provide Additional Safeguards for Beneficiaries with
Representative Payees**

SECTION-BY-SECTION SUMMARY

Authority to Re-issue Benefits Misused by Organizational Representative Payees

Section 1 would require the Commissioner of Social Security to re-issue title II and title XVI benefit payments (including any fees paid to the representative payee) when an organizational payee is found to have misused a beneficiary's funds. This re-issuance would be without regard to whether there has been negligent failure by the Commissioner to investigate/monitor the payee. (Current law requires the re-issuance of benefits in cases of misuse by an individual or organizational payee when there has been negligent failure by the Commissioner to investigate/monitor the payee.) This change would be effective for any case in which the Commissioner makes a misuse determination after December 31, 1999.

Bonding and Licensing Requirements Applicable to Nongovernmental Fee-for-Service Organizational Representative Payees

Section 2 would require non-governmental fee-for-service organizational payees to be bonded and licensed, provided that licensing is available. The bonding/licensing requirements would be promulgated in regulations issued by the Commissioner. (Current law requires bonding or licensing.) This change would be effective on the first day of the thirteenth month after the date of enactment.

Fee Forfeiture in Case of Benefit Misuse by Representative Payees

Section 3 would provide that in cases in which the Commissioner or a court of competent jurisdiction determines that an organization has misused an individual's benefits, the organization shall not qualify for the fee from that individual's benefits for months the payee misused the funds. This change would be effective for any case in which the Commissioner makes a misuse determination after December 31, 1999.

Liability of Representative Payees for Misused Benefits

Section 4 would provide that for all non-governmental representative payees, any misused benefits (including any respective representative payee fees, but excluding any amount repaid by the representative payee) would be treated as an overpayment to the payee and, therefore, subject to current overpayment recovery authorities. Any amounts recouped through overpayment recovery actions would be re-issued to the beneficiary or his/her alternative payee (unless already re-issued under the provisions of section 1 or under the restitution provisions relating to negligent failure). This change would be effective for any case in which the Commissioner makes a misuse determination after December 31, 1999.

The Honorable J. Dennis Hastert
Speaker of the House
United States House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

Enclosed for the consideration of the Congress is a draft bill "To Authorize Application of the Civil Monetary Penalty Authority to Representative Payees who Convert Benefits and Other Individuals Who Misuse Social Security Cards or Numbers." Upon enactment, the bill would be cited as the "Civil Monetary Penalty Extension Act of 1999."

In addition to paying benefits to eligible individuals under the Social Security and Supplemental Security Income (SSI) programs, the Social Security Administration (SSA) also maintains a record of wages and self-employment earnings earned by all workers since the beginning of the program in 1937. This record contains the employment history of about 300 million individuals, including the 150 million individuals currently in the active workforce.

Fundamental to the integrity of this record is the assignment of Social Security numbers (SSN). In order to be assigned an SSN, an individual now must provide SSA with evidence of citizenship or lawful immigration status, proof of age, and evidence that satisfactorily establishes the individual's identity.

While there are significant criminal penalties for SSN fraud, there are no provisions that authorize the Commission or Social Security impose civil penalties for these offenses. The purpose of this legislative proposal is to establish civil monetary penalties, which the Commissioner can impose, for offenses involving fraudulent application for or misuse of SSNs and Social Security cards.

In addition, the proposed bill would provide for civil monetary penalties for individuals who, while serving as a Social Security or Supplemental Security Income beneficiary's representative payee, misuses the funds paid on behalf of the beneficiary. While such misuse is subject to criminal penalties, this legislative proposal would provide SSA with an additional means for dealing with misuse by representative payees. As with the criminal penalty, the civil monetary penalty would be in addition to SSA's recovery of the misused funds.

An enclosure to this letter provides a section-by-section summary.

We urge the Congress to give the enclosed draft bill its prompt and favorable consideration.

This draft bill would affect direct spending and receipts; therefore, it is subject to the pay-as-you-go requirement of the Omnibus Budget Reconciliation Act of 1990. We estimate that the draft bill's effects on direct spending and receipts would be negligible.

We are advised by the Office of Management and Budget that there is no objection to the submission of this draft bill to the Congress, and its enactment would be in accord with the program of the President.

I am sending an identical letter to the Honorable Al Gore, President of the Senate.

Sincerely,

KENNETH S. APFEL
Commissioner of Social Security

Enclosures

A BILL

To amend the Social Security Act to authorize application of the civil monetary penalty authority to representative payees who convert benefits and other individuals who misuse social security cards or numbers.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Civil Monetary Penalty Extension Act of 1999."

SEC. 2. EXTENSION OF THE CIVIL MONETARY PENALTY AUTHORITY.

(a) In General.—Section 1129(a) of the Social Security Act is amended—

(1) by striking "(A)" and "(B)" and inserting "(i)" and "(ii)," respectively;

(2) by striking "(a)(1)" and inserting "(a)(1)(A)";

(3) by striking "(2)" and inserting "(B)"; and

(4) by adding at the end the following new paragraph:

"(2) Any person (including an organization, agency, or other entity) who—

"(A) having received, while acting in the capacity as representative payee pursuant to section 205(j) or section 1631(a)(2), a payment under title II or title XVI for the use and benefit of another individual, converts such payment, or any part thereof, to a use that such person knows or should know is other than for the use and benefit of such other individual; or

"(B) uses a social security account number that such person knows or should know has been assigned by the Commissioner of Social Security (pursuant to an exercise of authority under section 205(c)(2) to establish and maintain records) on the basis of false information furnished to the Commissioner of Social Security by any individual; or

"(C) falsely represents a number to be the social security account number assigned by the Commissioner of Social Security to any individual, when such person knows or should know that such number is not the social security account number assigned by the Commissioner of Social Security to such individual; or

“(D) knowingly alters a social security card issued by the Commissioner of Social Security, or possesses such a card with intent to alter it; or

“(E) knowingly buys or sells a card that is, or purports to be, a card issued by the Commissioner of Social Security, or possesses such a card with intent to buy or sell it; or

“(F) counterfeits a social security card, or possesses a counterfeit card with intent to buy or sell it; or

“(G) discloses, uses, or compels the disclosure of the social security account number of any person in violation of the laws of the United States

shall be subject to, in addition to any other penalties that may be prescribed by law, a civil money penalty of not more than \$5,000 for each such violation.”

(b) Conforming Amendments.—

(1) Section 1129(b)(3)(A) of such Act is amended by striking “charging fraud or false statements.”

(2) Section 1129(c)(1) of such Act is amended by striking “and representations” and inserting “, representations, or actions.”

(3) Section 1129(e)(1)(A) of such Act is amended by striking “statement or representation referred to in subsection (a) was made” and inserting “violation occurred.”

(4) Section 1129(l) of such Act is amended by inserting “assignment of a social security account number or” after “application of an individual for.”

(c) Effective Date.—The amendments made by this section shall be effective with respect to violations committed after the date of the enactment of this Act.

Civil Monetary Penalty Extension Act of 1999

SECTION-BY-SECTION SUMMARY

Short Title

Section 1 would provide that the Act may be cited as the “Civil Monetary Penalty Extension Act of 1999.”

Application of Civil Monetary Penalty Authority to Misuse of Social Security Numbers and Cards and to Misuse of Benefits by a Representative Payee.

Section 2 would expand the authority for imposing civil monetary penalties to offenses involving fraudulent application for or misuse of the Social Security Number and Card and misuse of Social Security or Supplemental Security Income benefits received by a representative payee on behalf of another individual.

Mr. COLLINS. Good. I would concur.

Another question in the area of the administrative law judge. I have heard from several and their concern and dissatisfaction with the way things are handled through the administrative law judge procedures I think is what has led them to do what they have done most recently in organizing, and that seems to be where, in the area of disability, where you have quite a bit of payments that are overpaid or fraudulently paid or expensive.

What are we looking at toward helping administrative law judges in fulfilling their duties and requiring those who counsel applicants to perform timely and in a way that would help not only the applicant, but would also help the agency?

Mr. HALTER. Let me answer that question broadly first and then come back to the specifics.

With respect to the hearings and appeals process generally, we have initiated a number of reforms. We are prototyping some reforms at this point. We have, in addition, just in recent weeks, made a managerial decision to devote additional resources to the appeals process.

So this is certainly an area, Congressman, where we’re devoting a good amount of senior management attention, trying to get the

performance in this arena in line with what you would like and certainly with what we would like in the way of performance.

With respect to the specifics, which you and I briefly talked about before the hearing, I would like to come back to you and work with you and your staff on what your ideas are in that area and see if there are things that we can do administratively to help.

Mr. COLLINS. Good, because it is an area, you know, that many have voiced concern about, the lack of assistance in their office, the lack of necessary equipment in their office. Some have even had to go out and buy their own PCs. You know, there's just a lot of concern, and I think that's what's led to the organizing.

Commissioner, we thank you. Pass our regards on to the Commissioner himself. Thanks for the job you do, and I again say that in the Georgia and the Atlanta region, we couldn't ask for better service. They respond, they respond timely, and we appreciate that.

Mr. HALTER. Congressman, I am delighted to hear that, and you can be assured that this afternoon, I will pass that along to our regional office in Atlanta. Thank you very much.

Thank you, Congressman.

Mr. COLLINS. Thank you. And my only concern is in the area of the administrative law judge.

Mr. HALTER. Thank you, sir. We'll work with you on that.

Mr. COLLINS. Next we will hear from the Inspector General, Hon. James G. Huse, Jr.

Welcome, Mr. Huse. Your testimony will be—the full testimony will be entered into the record, and we would be glad to take your opening remarks.

STATEMENT BY HON. JAMES G. HUSE, JR., INSPECTOR GENERAL, OFFICE OF THE INSPECTOR GENERAL, SOCIAL SECURITY ADMINISTRATION; ACCOMPANIED BY STEVE SCHAEFFER, ASSISTANT INSPECTOR GENERAL FOR AUDIT

Mr. HUSE. Thank you, sir.

Good morning, Mr. Chairman and Members of the Subcommittee. Thank you for the opportunity to address you on Social Security program integrity issues. Today, I want to briefly summarize my statement for the record.

Since 1995, actually 5 years this week, since independence, we have made great strides in preventing fraud, waste and abuse with the support of the agency and this Subcommittee. It is with great pride that I state that every year since Fiscal Year 1996, our investigative accomplishments and audit recommendations have far surpassed the dollar amount of our appropriation.

We continue to focus our efforts on innovative projects that address SSA's program integrity. One example is our cooperative disability investigations project, which combines the resources and talents of our special agents with state law enforcement officers and SSA and State Disability Determination Service employees to prevent fraud from occurring.

Last fiscal year, our five original CDI teams returned about ten dollars for every dollar invested. There is some effort underway to devolve this process to local control, and I feel strongly that this project needs to remain under Federal authority and become a per-

manent baseline activity because of the huge Federal dollars at risk.

Another successful venture is our fugitive felon project. We have taken the lead in implementing the provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. This law made fugitives ineligible to receive SSI benefits when fleeing justice or violating probation or parole.

In Fiscal Year 1999, we identified over 7,000 fugitives receiving SSI payments illegally, with estimated savings of \$27 million to the United States.

Under current law, fugitives are entitled to receive old-age, survivors, and disability insurance benefits, which sends an inconsistent message to the public. Even though fugitives have paid into the Social Security trust funds, we believe that SSA should not pay benefits to them because these funds could finance a dangerous fugitive's flight from justice.

We are also seeking ways to assist SSA in balancing world-class service imperatives to its customers while enforcing its zero tolerance for fraud.

In some instances, the implementation of these goals can conflict with each other. SSA employees are often faced with difficult situations as they come in contact with the public. Our experience has shown that some employees instinctively know when they are presented with false documents or other evidence, but may be reluctant at times to question individuals because of fear of violence or retaliation.

We have determined that as a Federal law enforcement organization, we need to improve our ability to address threats made against SSA employees and we have initiated projects in this area.

I do not believe that I can testify today on program integrity without mentioning Social Security number misuse. Our office appreciates that this Subcommittee has recognized how large the problem of SSN misuse is, and that you will hold separate hearings on this matter.

There are several other areas that we continue to monitor in our work at SSA. These include the Agency's efforts to improve its representative payee program, efforts to reduce the size of its earnings suspense file, and other efforts to improve payment accuracy and improve access to online data. We are also working in partnership with the agency to ensure that appropriate safeguards are in place to protect SSA's critical infrastructure and address system security issues. I have provided you with more details on these areas in my statement for the record.

I would like to take this opportunity to thank this Subcommittee for its commitment to excellence in overseeing SSA's programs. I am confident that with your continued support, we will be able to continue to not only protect the integrity of SSA's programs, but improve them as well.

I'll be happy to answer any questions now or provide you with any additional information at a later date.

[The prepared statement follows:]

Statement of the Hon. James G. Huse, Jr., Inspector General, Office of the Inspector General, Social Security Administration; accompanied by Steve Schaeffer, Assistant Inspector General for Audit

Good morning Chairman Shaw and members of the Subcommittee, thank you for the opportunity to address you on Social Security Program Integrity Issues. 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. It is with great pride that I can state that 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.

Today, I would like to present instances where: 1) our work has been extremely effective and with your help we can achieve even greater results; 2) areas where the Social Security Administration (SSA) needs to strengthen the oversight of its programs and operations; and 3) an update on other stewardship areas that are of interest to this Subcommittee.

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. This innovative project has proven to be an effective means of preventing fraud from occurring. 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, Public Law (P.L.) 104–193 that was enacted on August 22, 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 important areas deal with programs and operational issues where the OIG will work closely with the Agency to ensure progress and success.

Representative Payee Program—The representative payee program provides benefits to the most vulnerable members of society—the young, the elderly, and the disabled. For those individuals that are incapable of directing or managing their benefits, SSA has the authority to appoint representative payees. It is important to recognize that most representative payees are family members of beneficiaries, and do not abuse the responsibilities entrusted to them. However, given the extreme vulnerability of some of SSA's customers, 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 pledged my full support, and 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.

Also, to strengthen our ability to meet this pledge, there are legislative enhancements that can be made to our Civil Monetary Penalty (CMP) authority. The Commissioner of Social Security has delegated to the OIG authority under section 1129 of the Social Security Act 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. In light of this, we 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 briefly 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 in gaining insight on any patterns or trends that may identify the root cause of wage reporting problems, 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: 1) place a higher priority on efforts to reduce the size and growth of this file; and 2) 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. SSA acknowledged that WC cases are error prone, and in response, SSA has agreed to pursue WC data matches in the States where it currently has on-line access and in other States concentrating on the ten largest WC States. 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.

I would like to take this opportunity to thank the Subcommittee for its commitment to excellence in overseeing SSA's programs, and recognize the support that we receive from SSA for our anti-fraud efforts. I am confident that with your continued support we will be able to forge ahead to protect the integrity of SSA's programs which are so vital to so many Americans.

I will be happy to answer any questions now, or provide you with any additional information at a later date.

Chairman SHAW [presiding]. Mr. Huse, I have two staff-prepared questions that I would like to ask you. The first one is, what is the role of the SSA employee in preventing the waste, fraud and abuse? Are SSA employees engaged in the battle to prevent waste, fraud and abuse? And to follow up on that, what changes do you suggest to help them become more involved?

Mr. HUSE. Thank you, Mr. Chairman.

The SSA employee is our frontline in this war on fraud, waste and abuse. They are at the point where fraud is detected, they bring these allegations back to us for resolution. Without their commitment, without their zeal, we wouldn't even have an anti-fraud program that had any substance to it.

But SSA's employees also have tremendous, as you all know, customer service imperatives that weigh on these. These drive, in times of diminished resources, their efforts. As we ask them to conduct these antifraud activities, we need to be sure that these workloads are measured and are included into the calculations of the agency's workload measurement system, and I believe that this is an area that needs some improvement.

Second, as we ask our employees, especially in these days, to go out and deal with those who may be cheating or stealing from the United States, we need to protect them with the same protections that other Federal employees have in other service organizations, such as the Internal Revenue Service. Under current law, SSA's employees do not have any protection for threats or intimidation made to them in the conduct of their duties.

Last, I think that when you take both of these together, there needs to be some type of manner in personal performance assessment where employees are recognized for their integrity activities as well as their customer service activities. Whether this takes the form of monetary rewards, which some may find troubling in terms of quotas, or in other types of employee recognition, I think it's important to institutionalize those things.

Chairman SHAW. Yes. It would be kind of tough to do this. It's kind of like giving the policeman a percentage of the traffic ticket he writes. That would be a very bad thing to do. But it is troubling.

I think there should be some accountability and recognition of employees that do a good job; however, the ones that are denying

benefits that are actually due, those people are not good, either, because they're dealing with the most fragile among us.

Mr. HUSE. Right. I don't suggest that. What I'm—

Chairman SHAW. No, I know you're not.

Mr. HUSE. All right.

Chairman SHAW. I know you're not. I know you're not suggesting that, but it's sort of a fine line that they have to walk.

The second question I have is, what additional tools do you need to better combat the fraud and abuse? You spoke in your testimony of the amount that is returned for the amount spent. You're suggesting that we might spend more and stop more fraud?

Mr. HUSE. Well, that would be a quick and easy answer, but I'll try to make it a little bit more correct.

Certainly some more investment in these activities would help us. First of all, I think that what would help us a great deal is that the top priority is to improve our ability to address these threats against our frontline employees in conducting their vigilant activities and rooting out fraud, waste and abuse.

For our Office of the Inspector General, to move us from our present authority to conduct investigations to statutory law enforcement authority inside the Social Security Act I think would be a key step in recognizing that we're an abiding process and a key function within Social Security. To expand some of our civil monetary penalty authorities that we have now and that are very robust and are paying off where we would include omissions from statements, representative payee misuse, and false statements made in the enumeration business process, the process of getting Social Security numbers, I think these would be big incentives and tools that we could use to better shore up the integrity.

One area that is difficult for us, and as Bill Halter explained earlier, we have a world of diminishing human resources—I mean, that's the nature of government today. We in the Office of the Inspector General, when we have received resources from this Subcommittee and from appropriators, we have to compete for those FTE within the agency ceilings, so that for every criminal investigator or auditor that stands up to this fraud, waste and abuse effort, SSA loses a resource that they truly need, too, to provide better customer service and vigilance in the context of their work. Perhaps if we were freed from the, you know, the obligation of being within the agency's FTE caps, that would help us.

We need to strengthen and increase these cooperative disability investigation teams, these little task forces we have across the United States. We have seven of them up and going now in critical locations. The return on investment on these is tremendous. For every dollar we spend, we save ten.

What these teams do is they knock ineligible and inappropriate applicants for disability benefits away prior to establishing the—prior to effectuation of the benefit, so all of the later costs that accrue are, you know, are saved, especially in terms of the appellate process and all of the other problems that are imbedded in the disability benefit. These are a terrific savings, and they're rather innovative in the sense that we're in a preventative role rather than in an enforcement role.

We need to make some minor adjustments to existing law to allow the Social Security Administration legal authorities to have restitution as a piece that the courts can order in adjudicating our fraud cases.

Some effort could be made to exempt us from the restrictions of the Computer Matching Act as we try to create computer matching agreements with the States in executing our fugitive felon projects and other matching projects that focus on those people who are cheating.

Chairman SHAW. Could you expand on that fugitive felon provision? Run over that again for us, please.

Mr. HUSE. Well, in the Welfare Reform Act, it made it illegal for anyone fleeing from justice to continue to receive the Supplemental Security Income benefit.

Chairman SHAW. Yes, sir. But you spoke of the old-age benefit.

Mr. HUSE. Well, that's another piece of that, and thank you for bringing it because I might have forgotten that. We would like to see that extended to Title II also, as well as Title XVI. Now, I know that that's a different issue because—

Chairman SHAW. It's a current benefit, yes.

Mr. HUSE. These are people who, you know, receive that benefit after earning the right to that, but perhaps even if the law only included suspending their benefits while they're in a fugitive status—anything—we believe that there is some significant savings in there.

Chairman SHAW. Well, being a fugitive, it would imply that they're on the run.

Mr. HUSE. Exactly.

Chairman SHAW. What, do they tell you guys where to send the check?

Mr. HUSE. Well, in today's real criminal justice system, you don't even have to be on the run. Most local, state and even Federal law enforcement is so overloaded that fugitives tend to stay outside of the system until some imperative—

Chairman SHAW. Still walk out to the mailbox, right?

Mr. HUSE. That's right. That's right.

But we have had some success with this program, and it does benefit local and state law enforcement as well as the Social Security Administration in cleaning up some of these, you know, fugitive indices which, you know, they go on for forever.

I don't know if I answered your question, but—

Chairman SHAW. I think so.

Mr. HUSE. OK.

Chairman SHAW. Mr. Matsui.

Mr. HUSE. The last tool I wanted to ask for was that the Office of the Inspector General be granted an independent Freedom of Information Act authority. Right now, our Freedom of Information authority is vested in the agency rather than in our own, and this makes it difficult sometimes for us to feel that we truly are independent. People who bring us information and bring us cases always have to keep in mind that at some point, the agency might release that information back to whomever. So it's an issue that isn't only unique to Social Security.

Chairman SHAW. But you have independence within the agency to go where you want to go and study what you want to study, don't you?

Mr. HUSE. I do, but once that is done and there is a record, that record can be released by the agency if it so chooses, which is a—there's kind of a contradiction in law there, and I think it does impinge somewhat on the true intention for independence in the conduct of investigative and audit activities, but it's one of these anomalies, but it still exists.

Chairman SHAW. Mr. Matsui?

Mr. MATSUI. Thank you, Mr. Chairman.

Thank you, Mr. Huse.

I want to discuss the representative payee issue. I have some familiarity with this because we had the notorious case in Sacramento of Dorothea Puente. I don't know if you have heard of her. But this goes back to the mideighties, I believe, or the early 'eighties, and she was a representative payee for a number of tenants living in kind of a group housing situation in downtown Sacramento. In fact, she came to our office complaining that she wasn't getting Social Security disability checks on time once, and I think our staff even may have helped her, then we got a Christmas card from her. So we have a relationship with this situation. But unfortunately, they found about I think six or eight bodies that were buried in the backyard of her home.

I think, subsequent to that, we then kind of cleaned up the law a little bit by the bonding requirements and a few other things, and we had discovered through the hearing process when this and other problems had arisen in the early 'eighties that bartenders were representative payees to people that were frequenting the bars, and so it was pretty much out of control, and we have tightened it up, but obviously the problem still exists, and you referred to one such situation in your testimony, the Aurora Foundation.

I guess, you know, if it's a nursing home, it might make sense, the administrator of the nursing home, because there's some benefit that's received, and at least you can maintain that. There's a reporting requirement now. An individual generally, unless it's a parent-child situation, can't be a representative payee in most cases.

But how do we really deal with this issue, because I think it's still out there, it's an ongoing problem. Aurora apparently defrauded, what, 146 beneficiaries. They had been operating without a bond or a state charter since the midnineties, and the total amount, we understand, is \$213,000 that was obviously taken from the 146 beneficiaries.

One question I have is were these beneficiaries made whole or did the Social Security Administration thereby lose out, or how did this all come together? And perhaps you can make some recommendations on how we really deal with this kind of ongoing, continuous problem.

Mr. HUSE. I will be glad to do that. I think, if I could just start with setting the representative payee situation in a broad context and then narrow it down to some specifics, this is one of these great workload issues at Social Security. I'm going to make a general statement here. After being the IG, if you add in my acting

time, for a couple years, there is more work at Social Security than there are resources to accomplish it. That's a fact. So there are tradeoffs.

The rep payee area is one where we get into a deferred workload situation. In other words, these reports that come from these individual rep payees that indicate their individual stewardship over their duties, which are mostly voluntary, aren't probably reviewed in as timely a manner in the context of a business process, and that allows some of the situations to develop.

As a result of the notoriety with some of these very provocative cases, Aurora being the most recent example—it's been in the national media—Social Security, the administration itself, is reviewing the entire rep payee system, and I have pledged the Office of the Inspector General to join with the agency in that effort, which is kind of an extraordinary setaside from our normal role.

We are going to target the different institutional rep payees that look like they need a review and from this learn if there isn't a better way to manage this process. So that's on the positive side.

On the investigative side, we have made any kind of a report or allegation of any kind of a rep payee issue an instant top priority, and we have seen over the existence of this Office of the Inspector General, the last 5 years, a growing increase in the numbers of these cases. Part of the weakness in that is that we absolutely need rep payees to take care of these needy beneficiaries. There is no other way to manage dispensing these benefits. But there really isn't a robust process of determining exactly whether people are fit to do this or not because these people are for the most part volunteer—

Mr. MATSUI. If I may just interrupt, one of the problems is that the beneficiary usually isn't as capable as most people,—

Mr. HUSE. That's correct.

Mr. MATSUI.—so they don't even know how—

Mr. HUSE. No.

Mr. MATSUI. They don't even know how to make a complaint to anyone.

Mr. HUSE. They don't. And all of the current review work and the work we'll do with the agency focuses in on how we can better manage this process of actually determining who does this work and how do we keep some kind of level of review over how they're accomplishing it.

But the bottom line is, we absolutely need to have rep payees. I mean, there's no way, without these people—and for the most part, 96 percent of them are good people who do good things for others.

In any case, we're pledged to the effort of trying to find some solution to this, and I would be pleased to come back and report on our progress any time you wanted us to do that.

Mr. MATSUI. I don't want to take too much time, but last is, will you make—and maybe SSA—some legislative recommendations to the Chairman of the Committee?

Mr. HUSE. The Commissioner has some—well, first of all, we have a minor legislative suggestion that we be given some civil money penalty authority to go after those rep payees who fail us but whose conduct falls short of a criminal prosecution. But the

Commissioner, I believe, has advanced some proposed legislation that I think would be very helpful also, particularly in the issue—in the area of making the victims whole when one of these situations occurs.

Right now, without a finding of negligence, there's no way to, for example, for the Aurora Foundation beneficiaries, for them to receive the benefits that were taken from them. Yet, finding agency negligence is a difficult issue for us because automatically, if the agency declares itself negligent, we obviate any possibility of a criminal prosecution of the people involved or seriously damage the possibility of a criminal prosecution. So you're in a very difficult area there. That legislative proposal is crucial that the Commissioner is advancing.

Chairman SHAW. Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

Mr. Matsui, I believe those who are buried in the backyard should be denied benefits, but let's not mess with their right to vote, let's continue to send them absentee ballots. [Laughter.]

Mr. COLLINS. You had some figures, I believe, on the issue of fugitives, felons and SSI. Do you have any figures of how much the Social Security Administration can save on benefits in that same area by denying benefits to fugitives, felons or parole or probation violators?

Mr. HUSE. For Title II their, the old-age and survivors disability insurance, we have a rough estimate. We're doing some audit work now that will bring specificity to your question, but right now, had we had the same authority for Title II that came out of the Welfare Reform Act as we did for Title XVI, we believe there's about \$60 million in there that we would have been able to save over the last 3 years, and that's rough, and we're trying to bring that down to a better figure. I'll be pleased to report that when that work is done, but about \$60 million dollars.

Mr. COLLINS. You mentioned too efforts to work with States on matching lists. I believe in the welfare reform and the child support recovery provisions, we did put in provisions that would allow batching of lists for those who are incarcerated. Is this something in the same area you're talking about, a matching list of felons—

Mr. HUSE. It's pretty much the same issue. What happens, though, is while the law mandates the matching to take place, we get involved with trying to overcome the difficulties that are imbedded in the Computer Matching Act, which requires all kinds of negotiation and process, which, if you're familiar with the Computer Matching Act, that means the state entity and the Federal agency have to agree on a process, then that process is cleared that to the Office of Management and Budget, and this is very time consuming, and very administratively intense.

Now, there are reasons for that, because, you know, the Congress intended that there not be willy nilly—you know, a wholesale electronic big brother in this country, but I think you—

Mr. COLLINS. No, the big brother is the computer over at the White House. [Laughter.]

Mr. HUSE. But the intent of these antifraud efforts I think are very different, and if we could carve those away from the requirements of the Computer Matching Act, we would save all kinds of

dollars in getting these things done. We're doing them, but the process of ramping up takes forever. I mean, it's really a slow process. And the savings are so palpable, you just hope you can get it done timely.

Mr. COLLINS. Well, do you have any recommendations of how we could simplify that and yet not violate the intent of the law?

Mr. HUSE. I would be happy to provide a better answer to that on the record as a follow-up to this.

Mr. COLLINS. Very good.

One other area that I have some interest in reading your report is in the suspense file and how the suspense file over the years has grown, especially in the last 10 years, by the number of items that have been entered into the suspense file at a rate of 5 million items a year, representing about \$17 billion annually, and the difference in cost of entering and then correcting.

I see where you're hopefully going to do something in the future about this. Will you explain that?

Mr. HUSE. We have some critical audit work that's nearly done where—and we have done a considerable amount of work the last 2 years in this particular area. But we have taken the top 100 companies, business entities that have improper wage and earnings records entered into the suspense file and we have gotten underneath those reasons why they add that data to the suspense file, and we'll project from that a much better picture of what's going on there.

We have some suspicions that will be borne out by this work. I think in recent years some of this are the effects of the underground economy and illegal workers. There are also other reasons, such as the different systems of keeping these records. But essentially, the driver today, with all that the Social Security Administration has done to make wage and earning reporting easier, there has to be, you know, an identity fraud issue underneath this, quite frankly. We're going to talk more about that at the later hearing.

Mr. COLLINS. Do you see any relation between the invalid Social Security numbers in relation to the EITC? There seems to be a lot of problem in EITC.

Mr. HUSE. Exactly.

Mr. COLLINS. Those kind of go together.

Mr. HUSE. They do go together. In fact, we had a very provocative case in Los Angeles several years ago where an individual obtained 1,400 separate identities with 1,400 fraudulently obtained Social Security numbers just so he could get the earned income tax credit as part of his fraudulent scheme.

Mr. COLLINS. I know I have a friend that works in a small town bank in south Georgia, and it was about this time last year that one Friday, they almost had to shut the doors of the bank because of the number of people coming in cashing EIC checks. Some of them were children. And there is a lot of concern there.

Well, good luck with that. I think that's an area that really needs to be cross-checked with each other.

Thank you, Mr. Chairman.

Chairman SHAW. Yes. I just want to follow up. I think you've raised a point, but I want to raise it with an exclamation point.

Is there any tie-in between the Internal Revenue Service checking to see that FICA taxes had been paid upon the claimed wages by EITC beneficiaries? I ask that because one of the problems that we have is that the Internal Revenue Service is set up in such a way to catch people for underpaying, not for overreporting, and the EITC fraud is caused by overreporting one's income, getting the earned income tax credit.

Does the Internal Revenue Service talk to the Social Security Administration to compare to be sure that FICA taxes have properly been paid on those wages?

Mr. HUSE. I'm going to look to my staff here. Steve?

Chairman SHAW. Come up to the table.

Mr. HUSE. This is Steve Schaeffer. He's our Assistant Inspector General for Audit.

Chairman SHAW. OK.

Mr. Schaeffer.

Mr. SCHAEFFER. The IRS and SSA exchange data between the 941s, which are prepared by—which come into IRS from businesses, and the W-2s which come into SSA, and they do a matching and try to reconcile the differences between those two amounts. But IRS by statute, has the responsibility to collect all taxes, whether they're FICA taxes or Federal income taxes, and by law, the Social Security Administration receives the amount of FICA taxes that should be collected whether or not IRS actually collects those taxes or not. So from Social Security's perspective, the monies are going into the trust funds whether or not IRS actually collects those taxes or not.

To my knowledge, there is no interplay between SSA and IRS as to whether or not the amount of FICA tax that is actually collected for this EITC credit is correct.

The Office of the Actuaries and the Office of Tax Analysis in Treasury, you know, periodically go over their modelling estimates of how much taxes are going to be generated by the economy to make sure that their modeling scheme is correct in what they're estimating as the appropriate amount of FICA taxes to be collected is correct.

Chairman SHAW. Unfortunately, the earned income tax credit, which is a very good law in many regards, it's also the area where we have the highest instances of fraud, and it's really too bad because it's giving the whole program a very bad, and unless we can get to it and nip this stuff in the bud.—I think maybe we should make this a part of a future hearing, is to see where that connection is and whether we do need legislation in this area or whether we just need common sense of two agencies cooperating with each other to go after this stuff.

Mr. HUSE. Mr. Chairman, I think some of the work we'll do on the suspense file will actually clear some of this up, because, you know, really, as you know, the suspense file isn't about money, it's about wage and earnings items, and the trust funds have already been replenished or added to. Inside why this growth occurs in these erroneous wage and earnings records is a lot of stories, and I think this will come out as we deliver this report.

Chairman SHAW. Yes?

Mr. COLLINS. As a follow up, Mr. Chairman, do I hear any kind of recommendation here that there should be a verification of the FICA taxes being collected prior to any EIC payments?

Mr. HUSE. You know, that would be probably a recommendation that should come from IRS rather than from the IG at Social Security. I think I would feel safe just allowing our reports to speak for themselves there.

Mr. COLLINS. You don't deny that should be a recommendation?

Mr. HUSE. I don't deny it, but I'm not going to make it, either. [Laughter.]

Mr. COLLINS. Thank you.

Chairman SHAW. An EITC amendment could be just simply inserting a phrase in the existing statute, "FICA wages" rather than just "earned income".

Mr. HUSE. Right.

Chairman SHAW. And that could be what should do. But I think we really need to look into this, because I think that whole EITC is a little bit in danger because of the fraud, and it's going to get worse because people are learning more and more how to game the system.

Mr. HUSE. The electronic world will make it much easier, Mr. Chairman. It already does, you know, to make false identity—

Chairman SHAW. Well, but even with electronics, you've got to ask the right questions.

Mr. HUSE. That's true.

Chairman SHAW. Ben, did you have something?

Mr. CARDIN. Thank you, Mr. Chairman.

As this hearing is taking place on the floor of the House, we're taking up the supplemental appropriation bill. It's interesting to point out it started at \$4 billion. By the time it got out of the Appropriations Committee, it grew to \$8 billion. Today, by the time it gets out of the House, it will be \$12 billion, and by the time it gets out of the U.S. Senate, it will be much more than \$12 billion, and by the time it gets out of conference, it will be even more than that.

I mention that because I just want to emphasize some of your testimony where you indicated that because of limited resources, you've got to make very difficult decisions. We have the limitation on administrative expense that has restricted not only the IG's work, but also the ability to provide service at SSA, which does affect the integrity of the system. There's no question about it, that if we had more resources in administration, we would have less fraud, and if you had more resources, you could do a better job with the integrity of the system.

Mr. Chairman, I mention that because I would hope that our Subcommittee, in a bipartisan way, would work with the appropriators and with our colleagues at every opportunity we have, whether it's during the normal appropriation process or during the supplemental appropriation process, work with the IG and come up with reasonable requests that can improve the integrity of the system, because I do think our colleagues on the Appropriations Committee in the House look to this Committee for guidance as to where resources should be placed in order to improve the integrity of the system.

So my question is basically if you had some more resources, where would your priorities be? Where do you think are the most important areas that you would like to be able to be more aggressive, but because of the choices you have to make, it's difficult to have those services performed?

Mr. HUSE. First of all—and I thank you for that question—I would like to expand our work on this, these cooperative disability teams, because I think it's a common sense approach to a problem in terms of fraud in the disability programs area that makes dollar sense in terms of diminishing resources.

Here you combine the good effects from local law enforcement, the State Disability Determination Services, our people in the OIG, and then the professionals from the agency, in little task forces that save dollars rather than ending up with complicated cases to prosecute or difficult appellate issues in the disability appeals area. We push those cheats away from the benefit on the front end. That, to me, is smart government.

So I would like to expand those. I would like to have one of those in every one of our States, and I really believe that that would save us all kinds of money.

I would also like to take some resources and do some more work in the SSN misuse area as it relates to identity fraud. Those Social Security Administration business processes that deal with issuing those numbers need to be safeguarded, and we have to make difficult choices, and right now we're only able to deal with the most provocative and difficult cases that mostly come to us from the Congress. We don't have the resources to spend a lot on this particular area.

We have a government Performance and Results Act charge that easily indicates to me to bring the kind of information that Congress needs to make timely decisions. We need to find a more timely way of getting these reports done and up here, and I need to re-uscitate then evaluation and inspection process that does that. If GPRA is important, we need to put more into it.

Those are pretty much the major changes I would make.

Mr. CARDIN. I thank you for that response.

Mr. Chairman, I would hope that we could work and try to—it's our responsibility to make sure you have the resources and you use the resources properly. I would hope that this Subcommittee would be more aggressive and more active in this area.

Thank you, Chairman.

Chairman SHAW. Yes, Mr. Collins.

Mr. COLLINS. In reference to Mr. Cardin's question and your answers toward disability and these small task forces that preview these applicants looking for those who are fraudulent—when I say fraudulent, it's not—they're not qualified for the benefits. Is there any way or do you do any of those type investigations on those who are on workmen's comp and are shifting to disability?

I know in your testimony, in one of the testimonies—it must have been the Commissioner—that part of the funds that they find each year are after someone shifts from workman's comp to disability, and then they find out that they're really not eligible. Is there any way of doing that prior to the shift? Because I have a sense that sometimes the workman's comp insurer would rather

they be on Social Security disability than on their workman's comp disability.

Mr. HUSE. Well, the worker's comp—we've done a lot of audit work on the overpayments—

Mr. COLLINS. Is that after the fact or before?

Mr. HUSE. Well, the problem is that we end up making a tremendous amount of overpayments because of worker's comp issues, and really, the problem is one of receiving data timely from the States. Now, the agency has many efforts to try and improve this exchange of data, but quite frankly, those goals are still out ahead, and we've seen over time that some of these—the connectivity of these local worker's comp databases with ours—it's a bridge that still has to be built.

Mr. COLLINS. What incentives do the States have to provide this timely?

Mr. HUSE. Well, there isn't really much benefit to the States; it's more of a benefit to the Federal Government so that the—and that's part of the issue, too. A lot of Social Security's data isn't really returned and exchanged because it's guarded by the Privacy Act. So it's a real negotiating position that it puts SSA in to try and get States interested in exchanging this data anyway, because it helps us. But what it results in is the right payment at the right time if you had the data to make the decision. It doesn't get there at the right time, and as a result, we have a very complicated process where these benefits, because they're supposed to be administered timely, are paid, and then later adjusted.

It really begs the question whether worker's comp ought to be figured into the equation at all, whether the costs of administering this over the long-term are worth it, whether you should just disconnect the two. And I think we—our future work will speak more to this issue, because the overpayment situation is a difficult one.

Mr. COLLINS. Well, the real benefit is to the insurer because if they can shift them from their benefit program to the Federal benefit program,—

Mr. HUSE. Right.

Mr. COLLINS.—then it is a cost to the benefit program, to Social Security, but—

Chairman SHAW. But the insurer is on the hook regardless of what SSI does.

Mr. COLLINS. Once they shift them, the benefit comes from Social Security.

Mr. HUSE. Well, that's true. I think the insurer pays the worker's comp either way. You know, where the adjustment comes is on the Federal side. Our benefit shrinks depending upon the size of the worker's compensation payment. So we hold all the cards, but we don't have the data to make—what we're doing now is we're making some very costly collection situations, debt collection situations and adjustment situations.

Mr. COLLINS. But oftentimes the insurer will get a settlement from the injured if they are able to shift them to disability.

Mr. HUSE. That's true, over time. But—

Mr. COLLINS. And saves a lot of money in the long run if they would have had to stay on their program.

Mr. HUSE. True.

Chairman SHAW. Well, you found a way to collect from the prisoners, so have at it. [Laughter.]

Mr. COLLINS. I've seen those same insurers shift it back to the employer, too.

Mr. HUSE. Yes.

Mr. COLLINS. Thank you.

Chairman SHAW. Mr. Huse, thank you very much.

Mr. HUSE. Thank you, Mr. Chairman.

Chairman SHAW. And thank you all for being with us this morning. Thank you.

The hearing is adjourned.

[Whereupon, at 10:35 a.m., the hearing was adjourned.]

[Submissions for the record follow:]

Statement of Terri Spurgeon, President, National Association of Disability Examiners

Chairman Shaw and members of the Subcommittee, thank you for this opportunity to present the viewpoint of the National Association of Disability Examiners (NADE) on the Social Security Administration's program integrity activities. We appreciate your vigilant oversight of the Social Security program and willingness to obtain input from our Association and others with expertise in, experience with, and understanding of the issues facing the Social Security and Supplemental Security Income (SSI) programs at this time.

NADE is a professional association whose purpose is to promote the art and science of disability evaluation. Our members, whether they work in the state Disability Determination Service (DDS) agencies, the Field Offices, SSA Headquarters, OHA Offices or in the private sector, are deeply concerned about the integrity of the Social Security and Supplemental Security Income (SSI) disability programs. Simply stated, we believe that those who are entitled to disability benefits should receive them; those who are not, should not.

As we have stated in previous testimony presented to this Subcommittee -and again quoting Robert J. Myers, former Chief Actuary and Deputy Commissioner of Social Security, “. . . Proper administration of an insurance system—whether social insurance or private insurance—requires that administrative expenses should be neither too low nor too high. In the latter case, the funds available for benefits would be eroded. In the former case, inadequate service would be provided. *In fact, in some instances weak administration could mean improperly excessive benefit payments due to fraud and abuse.*” (emphasis added). We continue to urge the Congress to work with the Social Security Administration to provide sufficient resources to effectively administer the disability program, including appropriate staffing levels, ongoing training (for all components) and clear and complete instructions when program changes are promulgated. **All of these are essential if we are to effectively administer the disability program and minimize fraud, waste and abuse.**

Our members have a unique opportunity to observe and assist in the process of detecting fraud and abuse within the system. For years our members have been concerned with the growing public perception that there was rampant abuse. All too often we dealt with the phone call from a member of the public pointing out that their next door neighbor was collecting disability benefits while they were able to do all kinds of things, such as fixing up their houses or working on their cars and so on.

For too long that was a phone call we would listen to and try to provide the person with an outlet for their concern by directing them to the nearest Social Security field office even though we knew there was little, if anything, that would or could be done about it.

We strongly support SSA's joint efforts with the Office of Inspector General (OIG) and the DDSs to create a growing number of program integrity/anti-fraud units that are focused on disability program issues. Such initiatives combine the knowledge and talents of OIG, SSA and DDS staff for a more visible and effective front-line defense for program integrity. While the vast majority of applicants for disability benefits are not out to defraud the program every disability examiner is aware of at least some level of questionable activity on the part of some applicants and/ or their representatives. Chairman Shaw has pointed out that, “We wouldn't need to combat fraud if people were angels. Unfortunately, they're not.” Our members have worked directly with staff from the OIG to report situations in which we believe

there is an attempt to defraud SSA. We have also found the OIG very receptive to those calls that used to just frustrate our members and staff at the SSA field offices. The fraud hot-line is a great place to refer the phone callers that we talk with who have concerns about the activities of other members of the public who are receiving benefits illegally.

Individuals applying for Social Security or Supplemental Security Income disability benefits are among the most vulnerable of this country's population. Many are poorly educated, do not speak English or have poor life coping skills. These individuals are often victims of those who are out to defraud the program. OIG and the anti-fraud units are not only cost-effective, they provide valuable protection to the victims of those who are defrauding the program.

While the anti-fraud units are an invaluable tool in identifying and combating fraud, program integrity also requires consistent and accurate disability decisions at all levels in the adjudication process. This has been an issue of ongoing concern for our members. There is a pervasive public perception that "everyone" is denied disability benefits twice and their claim is allowed only when they reach the Administrative Law Judge (ALJ) level. The Disability Process Redesign plan issued in 1994, with its emphasis on "Process Unification" and the "One Book" initiative, was intended to simplify the adjudication process and to address the growing disparity between DDS and ALJ decisions; to bring DDS decisions and ALJ decisions closer; to allow more claims earlier in the process (at the DDS level) and reduce the number of ALJ reversals. The "One Book" initiative specified that all policies were to be issued as Rulings, binding on both the DDSs and the ALJs. Extensive joint training was conducted in an effort to increase communication between the DDSs and the Hearing Offices and to assure that all adjudicators would hear the same message. *Unfortunately, this joint training, necessary to maintain the process unification effort, has not been continued.*

Various elements of the Disability Process Redesign plan were piloted across the country and in March 1999 Commissioner Apfel announced that a new process, combining several elements of that plan, would be prototyped in 10 states. This new process includes the elimination of the reconsideration level of appeal; increased claimant contact with the DDS decision maker; a claimant conference (contact with the claimant—generally by telephone—to complete the record and explain the process if a fully favorable decision can not be made on the claim) and increased emphasis on subjective complaints such as pain and fatigue. Except as mandated by law (mental impairment claims being denied and SSI childhood claims) physician sign-off is not required. Although DDS staff physician input is available, it is the disability examiner who is responsible for assessing credibility and determining the claimant's ability to perform work related activity. The precepts of Process Unification are an integral part of this new process.

While NADE fully supports the principle that a claim should be allowed (if appropriate) as early in the process as possible we do have some concerns about the increased reliance on self reported subjective complaints when assessing an individual's ability to return to work.

Pain and fatigue are legitimate restrictions and must be considered in any disability decision. However, assessing these complaints, and the extent to which they limit an individual's ability to function, assessing credibility, and assuring uniform and consistent decisions, requires trained and experienced staff and a strong, nationally consistent quality assurance review process. Unfortunately, the reality is that nearly 50% of all disability examiners have less than two years of program experience. This increasing lack of experience creates many problems for the DDS's and SSA, not the least of which is that efforts to combat fraud are often limited by the lack of sufficient resources to train new personnel in anti-fraud issues. The training budgets for most DDS's are pushed to the limit just to keep up with their increasing number of new hires as more and more experienced DDS personnel leave. The combination of inexperience and lack of resources to maintain an efficiently trained staff is magnified by SSA's fragmented and inconsistent quality assurance review process. This Association has commented previously regarding the quality assurance issue and we have also addressed our concerns to SSA, offering the expertise of our members should the Commissioner agree with our position that SSA's quality assurance review process should be revised. To date, SSA has disagreed with our position, maintaining that their quality assurance review process does not need any revision or refinement. Unfortunately, SSA's position is unrealistic and contributes to a growing lack of confidence in the program. DDS decisions are not reviewed consistently across Regions and DDS and ALJ decisions are not reviewed under the same standard. This subcommittee has asserted in its own prior comments that, "Maintaining program integrity is a vital part of sound public administration and a major factor in determining the public's view of its government. More importantly,

maintaining program integrity means protecting those who may not be able to protect themselves.” We wholeheartedly agree with this assessment. **However, we wish to make clear the central point that program integrity cannot be maintained without extensive, ongoing training for all adjudicators and clear and consistent messages from the quality assurance review process.**

Securing the medical, vocational and lay evidence to assess credibility, fully document subjective complaints and accurately evaluate functional restrictions is currently a complex, time-consuming process. It will be even more so in the future as SSA continues its revision of the medical listings that will place more emphasis on the claimant’s functional abilities, and proceeds with a national roll out of its new disability claims process. These two events will increase the responsibility on disability examiners to devote more of their time and energy to address these very subjective issues of pain and claimant credibility. Congress and SSA must realize that these increases in time and resources that must be devoted to each case must be matched with increases in personnel and financial resources to adequately and accurately address such issues.

We are including an attachment with our testimony that serves to highlight the problem with claimant initiated fraud. In this case, the CE provider to the DDS, quite by accident, discovered the claimant was a fraud. This example does highlight one of the problems that will become even more common as the public’s perception that committing fraud is easy and carries little or no risk of punishment. Again, we commend SSA and its OIG staff for their initiatives to combat fraud. It is real and the problem will only get bigger unless we invest sufficient time and resources to combat the problem now. The public must be made to perceive that fraud will be detected and will be punished. Cuts in SSA’s administrative budget will not help this situation. A poorly trained and inexperienced DDS staff will not help this situation.

Consistent and accurate initial disability decisions are essential to restoring and maintaining program integrity and public confidence in the disability program. Equally important are the continuing disability reviews (CDRs). Individuals who are no longer disabled should not be receiving benefits simply because resources are not available to conduct reviews. We commend Congress and SSA for the progress made in reducing the backlog of CDRs. This initiative has resulted in significant program savings. It makes sound financial sense for Congress to continue to appropriate resources so that the CDR backlog can be brought up to date and kept current.

We believe that SSA is taking a number of positive actions to address the issues of fraud and abuse. There are other areas within the system where we believe additional actions could be pursued. Unfortunately, budget cuts and downsizing of SSA staff in recent years will make it extraordinarily difficult to pursue these actions without additional resources.

Thank you for the opportunity to present this statement for the record. We remain committed to assist in any effort to improve the Social Security and Supplemental Security Income programs.

[An attachment is being retained in the Committee files.]

**Statement of Michael F. Ouellette, Director of Legislative Affairs, TREA
Senior Citizens League**

TSCl Members

[In District]

Representative E. Clay Shaw Jr., Chairman	4,000
Representative Robert T. Matsui, Ranking Member	2,980
Representative Sam Johnson	1,842
Representative Michael Collins	2,133
Representative Rob J. Portman	3,070
Representative J. D. Hayworth	5,247
Representative Jerry Weller	3,776
Representative Kenny C. Hulshof	3,549
Representative Jim McCreery	1,713
Representative Sander M. Levin	3,480
Representative John S. Tanner	2,357
Representative Lloyd Doggett	1,944
Representative Benjamin L. Cardin	2,915

Mr. Chairman, The TREA Senior Citizen League (TSCL) appreciates the opportunity to submit testimony to your committee concerning Social Security Administration (SSA) program integrity designed to prevent waste, fraud and abuse in SSA programs. In this regard, TSCL appreciates the opportunity to offer a number of insights and recommendations for the subcommittee's consideration. In doing so, TSCL will present a number of specific proposals intended to provide cost savings within selective SSA programs in order to provide funding that may offer Social Security recipients a number of enhancements currently proposed in legislation.

TSCL is a nonprofit, issues advocacy organization representing over 1.5 million members and supports and is dedicated to serving its members by defending and protecting their earned retirement benefits. The League is registered to conduct grassroots fundraising, public education and lobbying activities in nearly every state, and does not solicit nor accept any money from the federal government. For your information, over 39,006 of our members are constituents of this subcommittee's members. TSCL sincerely thanks the members of this subcommittee on the decision to hold an oversight hearing designed to identify and rectify any policies or procedures associated with SSA programs either are or potentially may be targets of waste, fraud and abuse. Savings achieved by the resolution of identified problem areas will be of significant benefits to SSA as it attempts to meet the increasing workloads and economic demands, within the next decade as the "baby boom" generation begins to qualify for benefits. Additionally, achieved savings could very well assist the SSA to face up to the challenges posed by legislative efforts to provide Social Security "Notch" Reform and create a fairer senior COLA based on the Consumer Price Index-Elderly (CPI-E) calculation method.

INTRODUCTION

Mr. Chairman, approximately 45 million Social Security recipients and 6 million Supplemental Security Income (SSI) recipients depend on benefits paid by SSA. Benefits from both programs totaled about \$400 billion in 1999. Spending of this magnitude makes it a prime target for fraud and abuse.

The exact scope of the problems of inaccurate and improper payment of benefits is not known. Inaccurate Social Security retirement benefit payments can result from errors in an individual's work/earnings record especially when wages fail to be recorded properly. This can result in lower benefit payments, which may be difficult if not impossible to correct by the time a worker retires. Failing to correct mistakes has been estimated to cost \$10 to \$15 per month per mistake in lost benefits. Over the years this mounts to a substantial amount of money.

Waste, fraud and abuse, particularly within the Social Security Disability (SSDI) and Supplemental Security Income (SSI) programs results in billions in improper payment to ineligible individuals, while the truly needy go without. The General Accounting Office has estimated that **each individual** who obtains SSI benefits improperly costs the federal government an **estimated \$122,000** in SSI and Medicaid benefits over the next 10 years. By weeding out the improper payments, SSDI and SSI financial resources can be directed to helping those truly in need. Studies show that only 40 percent of eligible elderly Americans currently receive SSI. This fact negatively impacts particularly on women and minorities who are more likely to have received lower earnings over their working years. While such benefit abuse goes on, the financial hardships being reported and faced today by truly needy older Americans remain.

Accurate Benefit Payments

TSCL applauds the SSA's new policy of mailing Personal Earnings and Benefits Estimate Statements to all workers. This practice gives individuals the opportunity to check the accuracy of work and earnings credited to their record and allows the opportunity to correct errors in a timely manner. TSCL supports the ongoing provision of funding to continue the mailings of these statements.

TSCL also recognizes the steps the SSA has taken to make it easier to correct records when an individual has evidence of covered earnings. The process however remains very slow, due in part by the increase in corrections generated by the statement mailings. TSCL supports the funding of adequate administrative staff and information technology to facilitate more timely correction and updates of worker earnings records.

Improper Payments Due To Waste Fraud and Abuse

The importance of reducing improper payments due to waste fraud and abuse can be illustrated by Medicare's example. The Health Care Financing Agency (HCFA) has been able to reduce their improper payment rate from 14 percent to 8 percent

over three years. This positive action has resulted in billions of dollars in savings to the Medicare Trust Fund. In order for SSA to achieve similar targeted and maintain the momentum established by HCFA, TSCL readily supports:

- Elimination of the backlog of continuing disability reviews to ensure that only those who are eligible receive benefits. Billions of dollars in disability payments too often go to people who earn too much or are too healthy to qualify for benefits.
- Improvement in information technology used by the SSA to verify that economic eligibility data of disability applicants and beneficiaries is up-to-date and accurate.

Measures to Combat Fraud and Abuse

What TSCL finds most troubling is the failure to halt certain recurring patterns of fraud and abuse with the SSI program. For example:

(1) In 1998 more than half of the 180 members of one huge Georgia family were removed from SSI after collecting more than \$1 million in benefits. An analysis of those terminations found that 88 percent had "medically improved," although it was not clear if their conditions actually improved or if there was nothing medically or physically wrong in the first place. Psychological evaluation showed one in three recipients faked a disability during the review. Those cases cost \$431,000 in SSI benefits over three years. More than half of the cases related to mental retardation with 33 percent showing physical and emotional disorders and 14 percent attention deficit or hyperactivity disorders. The Inspector General for SSA put part of the blame on a local doctor saying he approved dubious disability claims and the SSA for using him as a qualifying physician.

(2) In June 1998, police in Washington state arrested "Uncle" Nairith Kong who is believed to have helped at least 50 refugees from South East Asia to fraudulently obtain at least \$1 million in SSI benefits, while pocketing \$3,000 in bribes from each.

(3) Investigations along Mexican and Canadian borders confirm that foreign nationals are collecting SSI payments through post office boxes on the U.S. side of the borders. In one El Paso, TX, case, 165 Mexican residents were crossing the border about \$3 million in SSI payments until cut off.

(4) In September 1999, the General Accounting Office (GAO) reported that SSI remains vulnerable to fraud and abuse by unscrupulous medical providers and middlemen who coach applicants to fake disabilities to become eligible for benefits. TSCL is particularly concerned that SSA is not doing enough to combat this type of fraud. TSCL is also disturbed by GAO reports, which state that SSA initiates to combat potentially fraudulent cases are limited by staff reluctance to routinely implement them. SSA staff is reported to perceive that these actions conflict with other agency performance goals or are not convinced of their effectiveness. Still other staff believes that certain procedures expose them to potential legal liability.

The Inmate Bounty Program

TSCL points to the success of the bounty system that pays city, county and state jail systems to report inmate information. The efforts of the program have been extremely successful. So far correctional facilities have received about \$10 million from the program and the government have saved \$75.4 million in benefit payments.

Conclusion

In closing, TSCL wishes to thank the member of this subcommittee for holding hearing on this extremely important oversight responsibility. Nothing infuriates older Americans who are dependent on the solvency of the Social Security program more than widespread reports of waste, fraud and abuse within a system that has its shortcoming and on which they hold such a high level of dependency. TSCL believes that successful attempts at combating waste fraud and abuse would send a strong message that such efforts must be continued in the future of Social Security could very well depend on continued success and the implementation of additional mechanisms to protect the program. Continued combative efforts may give the Congress the levels of funding needed to pass legislation that would.

- Provide relief to a group of Social Security recipients who were born in 1917 through 1926 who have been receiving less in their retirement benefit due to the changes that were made in 1977 to the Social Security benefit formula. These "Notch" babies, as they are referred to, consequently have less in disposal income than many of their contemporaries and are facing much more severe financial hardships than others. The passage of H.R. 148 or H.R. 568 could greatly assist these "Notch" victims by providing a \$5,000 settlement paid at a rate of \$1,200 annually for 4 years.

- Provide Social Security recipients with an annual Cost-of-Living Adjustment (COLA) based on CPI-E calculations that accurately reflect or take into account the

buying habits of seniors. Senior citizens are affected differently than other consumers by changes in the cost of certain goods or services. Passage of H.R. 1422, The Consumer Price Index for Elderly Consumers Act, would be another major step in the right direction to help ease the financial devastating situations older Americans currently face.

- Provide for the expansion of the SSI outreach program to make it possible for older Americans to be able to take advantage of this important program and compensate for their limited Social Security benefit.

Mr. Chairman, TSCL suggests that the insecurity caused by program integrity shortfalls that spawn practices of waste, fraud and abuse within the Social Security system creates an environment of stress than take a real toll on the health and welfare of older Americans. Seniors simply must be given assurances that their earned retirement benefits will remain intact instead of living in constant dread and fear of loss. The very fact that the subcommittee is moving to protect their benefits in order to meet their needs, means a great deal to older Americans and their families. Again, TSCL appreciates the opportunity to present a number of views on behalf of its over 1.5 million members and supporters to this subcommittee.

Thank You.

