



SOCIAL SECURITY

MEMORANDUM

Date: February 26, 2002

Refer To:

To: Martin H. Gerry
Deputy Commissioner
for Disability and Income Security Programs

From: Assistant Inspector General
for Audit

Subject: Assessment of the Electronic Disability Project's Pre-2005 Business Process
(A-14-02-22066)

Our office has completed its assessment of the Pre-2005 Business Process for the Social Security Administration's (SSA) Electronic Disability (eDib) System. We have addressed some of our ideas and concerns through participation in the eDib Steering Committee. However, we would like to take this opportunity to focus on two important concerns regarding the eDib Pre-2005 Business Process and its plans to position the Agency for a fully paperless disability adjudication process from electronic input of evidence in initial claims through all levels of appeal.

We recognize that advances in technology, public expectations, Congress' mandate in the Government Paperwork Elimination Act (GPEA) and Administration policy all require that SSA move expeditiously to adopt electronic processes. As SSA proceeds toward adopting electronic transmission and storing of information, we believe the importance of legal considerations and incorporating effective internal controls increases dramatically. To address these types of concerns, the U.S. Department of Justice has issued a guide titled, *Legal Considerations in Designing And Implementing Electronic Processes, A Guide For Federal Agencies* (the Guide), to assist Federal agencies with the legal considerations in designing and implementing electronic processes into their systems.

The Office of the Inspector General's (OIG) first concern, which we strongly advise that the Agency address, is adhering to the Guide, as much as it is practicable. The Guide explains the legal issues the Agency is likely to face in designing electronic-based processes, examines four overarching legal issues that should be considered with respect to converting any given type of system or operation (availability, legal sufficiency, reliability and compliance with other laws), and discusses general and specific steps agencies should consider in converting to electronic processes.

Our second concern involves the verification of individuals applying for Social Security benefits through teleclaims or the Internet. The OIG expects that in the future, various means, such as digital signature and public key infrastructure will be available for SSA to identify individuals applying for benefits or supplying the Agency information electronically. In today's environment, individuals are increasingly using electronic means to apply for benefits. The benefit application process, including the verification of a claimant, is at the heart of the eDib system. We, therefore, believe that SSA should take the conservative approach to protect the integrity of these processes and ask individuals to prove their identity on a face-to-face basis before payment of benefits, unless the Agency can show that such a policy would not be cost-effective. Furthermore, we believe it is essential for such an important policy to be made based upon a comprehensive analysis of risk.

The table below is a listing of some cases of benefit payment fraud that may have been avoided had SSA required individuals to prove their identity through a face-to-face meeting before payment of benefits began. We have also attached detailed summaries for these cases.

Case Number	Nature of Fraud	Extent of Fraud
HOU-00-00033-H	Title XVI	\$4,608
SNA-99-00913-G	Title XVI and II	\$423,845
5-96-00334-6	Title XVI	\$144,893
MIL-00-00022-H	Title II	\$70,241
CLE-01-0-0001-E	Title II	\$32,723

We believe completion of a risk analysis, related to the decision of proof of a claimants' identity, is not only prudent, but also Federal criteria calls for it. One way the Guide suggests ascertaining the level of risk the Agency should tolerate is to conduct an analysis of the nature of claims taken to determine the level of protection needed and the level of risk that can be tolerated.¹ This suggestion is also found in the Office of Management and Budget (OMB) Guidance of GPEA, which states, "Agency considerations of cost, risk, and benefit, as well as any measures taken to minimize risks, should be commensurate with the level of sensitivity to the transaction."² Furthermore, the Clinger-Cohen Act of 1996, Public Law 104-106, § 5122, calls for a risk analysis to be performed during system development.

We prepared these suggestions in an effort to enhance the eDib systems development process. We gathered our information in Baltimore, Maryland. There is no expectation for the Agency to formally respond to these suggestions. We look forward to our

¹ *Legal Considerations in Designing and Implementing Electronic Processes, A Guide for Federal Agencies*, United States Department of Justice, page 41, November 2000.

² OMB Circular Number A-130, Appendix II, § 3, *Implementation of the GPEA*.

continued participation in the eDib Steering Committee. If you have any questions or comments, please call me or have your staff contact Kitt Winter, Director, Data Analysis and Technology Audit Division, at (410) 965-9702. Members of the eDib steering committee may contact Ms. Winter directly or Al Darago at (410) 965-9710.



Steven L. Schaeffer

Attachment

cc:

James G. Huse, Jr., Inspector General

Patrick P. O'Carroll, Assistant Inspector General for Investigations

Kathy Buller, Counsel to the Inspector General

Lenore Carlson, Chair, eDib Steering Committee

Ellen Baese, Director, Management Analysis and Audit Program Support Staff

Examples of Cases Involving Benefit Payment Fraud

Case Example 1 – Woman Sentenced for Receiving SSI Benefits Under Two Identities After Her Scheme is Detected by Fingerprint Check

On February 16, 2000, Annie Randle, aka: Agnus Rue, age 66, of Galveston, Texas, was charged in an indictment in Galveston County, Texas, with Felony Theft. This investigation was initiated based on a referral from the Texas Department of Health and Human Services (TDHS), Office of the Inspector General, advising that it appeared that Annie Randle and Agnus Rue were the same person. TDHS OIG advised that during the Lone Star Card application process Annie Randle and the individual purporting to be Agnus Rue were fingerprinted. The TDHS computer system indicated that Annie Randle's and Agnus Rue's fingerprints were the same.

A joint investigation by SSA OIG OI and TDHS OIG confirmed that Annie Randle had been receiving SSI benefits under two identities, resulting in a loss, totaling \$4,608. On October 19, 2000, Annie Randle was arrested in Pensacola, Florida, and extradited back to Galveston, Texas, to answer to the charges in the indictment.

As a result of her guilty plea, Randle was sentenced on July 19, 2001 and placed on 10 years Community Supervision, ordered to perform 120 hours of community service, and ordered to continue having her monthly SSI payments reduced \$53 per month until the outstanding restitution, totaling \$4,307.06, is repaid to the Social Security Administration. (Case #: HOU-00-00033-H)

Case Example 2 - Woman Sentenced for Receiving SSA Benefits (Title II and XVI) Under 3 Identities

On May 21, 2001, before the honorable United States District Court Judge Robert J. Timlin, Jean M. WHITELEY (84 years old) was sentenced to six months home detention, five years probation, 60 hours of community service, a \$300 special assessment fee and ordered to repay the Social Security Administration \$423,845.45.

On September 10, 1999, the SSA/OIG/OI initiated an investigation of WHITELEY based on a referral from Assistant District Manager (ADM) Nancy Brown of the Palm Springs SSA office. More specifically, the referral indicated that as a result of the MEDMATCH project (a joint project with the SSA and California Department of Health Services), the Palm Springs SSA office determined that WHITELEY was fraudulently collecting SSA benefits under more than one identity. Subsequent investigation revealed that WHITELEY received SSA Widows' Insurance Benefits (WIB) benefits under the alias of Anna K. Whiteley since 1981, Supplemental Security Income (SSI) benefits under the alias Ann Jeanette Oliver since 1982 and SSI benefits under the alias of Jean L. Whiteley since 1987. The investigation also revealed that since 1988, WHITELEY received SSI benefits (aged) on her deceased husband's fraudulent identity.

On November 9, 1999, SSA/OIG/OI Special Agents executed a federal search warrant at WHITELEY'S residence in Desert Hot Springs, California. Items seized pursuant to the search warrant indicated that WHITELEY used the aforementioned three aliases to fraudulently receive SSA WIB and SSI benefits. In addition, items seized indicated that WHITELEY used

the aliases to fraudulently apply for federal bankruptcies, California State Renter's Tax Credits, County Home Energy Assistance and Rural Housing Assistance from the United States Department of Agriculture (USDA).

On January 28, 2000, a Federal Grand Jury indicted JEAN M. WHITELEY on a fourteen-felony count criminal indictment in United States District Court, Los Angeles, California. WHITELEY was indicted on twelve counts of 18 USC Section 1343-{Wire Fraud} and two counts of 18 USC Section 152-{Bankruptcy Fraud}. Subsequently, WHITELEY plead guilty to three counts of the aforementioned.

The loss to the SSA is approximately \$423,845.45. The loss in fraudulent bankruptcy filings by WHITELEY is approximately \$160,000. (Case #: SNA-99-00913-G)

Case Example 3 – Man Found to Be Receiving SSA Benefits (Title II and XVI) Under 6 Different Identities

An 83 year old Michigan man defrauded SSA by receiving Supplemental Security Income (SSI) Aged benefits and Social Security retirement benefits under six different identities in addition to receiving SSI Aged under his true name. The man began receiving the benefits under assumed identities in 1992 and continued until 1996, when his scheme was uncovered. The total amount of loss to SSA was approximately \$144,893. Due to the age of the defendant, the U.S. Attorney's Office for the Eastern District of Michigan declined to prosecute. SSA has recovered approximately \$55,000 and will continue their efforts to recoup the remaining amount from the defendant. (Case: 5-96-00334-6)

Case Example 4– Man Convicted for Fraud Related to Receiving SSI Under One SSN While Working and Concealing Assets under Two Other SSNs

A Milwaukee, Wisconsin man was sentenced to 24 months incarceration in the Bureau of Prisons for Mail Fraud. In addition, he must serve three (3) years of supervised release, and pay restitution to the SSA, State Medicaid, and State of Wisconsin SSI in the amount of \$70,241 (\$38,919 to SSA, \$23,235 to Medicaid and \$8,086 to the State). The defendant had obtained three different Social Security numbers and he was receiving SSI under one SSN while working and concealing assets under the other two SSN(s). The investigation revealed that while the defendant was reporting to the SSA that he was disabled and unable to work, he was in fact operating and managing a grocery store earning wages of more than \$25,000 per year. After the defendant closed his store, he filed for unemployment benefits. He certified to the state that he worked 70 hours per week at a rate of \$600 per week and that he was able bodied and was available to work full time. At the time the defendant was receiving his unemployment benefits, he certified to the SSA that he had not received any public assistance payments.

Soon after the defendant began receiving SSI benefits, he purchased another grocery store and he was intricately involved with the day to day operations of the store. The investigation revealed that gross sales amounted to an average of \$20,000 per month. In addition, he certified to the federally administered food stamp program that his new store made over \$250,000 in gross sales in a given year. (Case #: MIL-00-00022-H)

Case Example 5 – Man Sentenced for Fraudulently Obtaining Title II Benefits Under His Deceased Brother’s Identity

On May 23, 2001, Mr. Peter Collins appeared in the United States District Court for the Northern District of Ohio for the purpose of sentencing. Mr. Collins had previously pled guilty to one count of violating Title 18 USC 641 in this same court. Judge Peter Economus sentenced Mr. Collins to a period of 6 months' home confinement and 3 years' probation. Collins was also fined \$1,100 and ordered to make restitution in the amount of \$28,243 to SSA.

This case was initiated when the North Olmsted, Ohio Police Department discovered that Mr. Collins had two Ohio Driver Licenses listing two separate SSNs. One of the SSNs was assigned to Mr. Collins and the other was assigned in the name of his deceased brother who had died in 1943. SSA assigned the latter SSN in 1963, after the brother's death. SSA made RSI payments in the amount of \$32,723 between 1993 and 1998 to Mr. Collins in the name of his deceased brother. Mr. Collins admitted to fraudulently obtaining an SSN and Title II RSI payments from SSA using his deceased brother's identity. Mr. Collins was employed full-time while collecting these SSA payments and earned substantial wages under his true SSN. It was later determined that Mr. Collins had cashed \$28,243 of the SSA checks. The remaining \$4,480 had been returned to SSA by the U.S. Postal Service who had been unable to deliver the checks due to a change of address.