

**PROTECTING SOCIAL SECURITY FROM WASTE,  
FRAUD, AND ABUSE**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON SOCIAL SECURITY  
OF THE  
COMMITTEE ON WAYS AND MEANS  
U.S. HOUSE OF REPRESENTATIVES  
ONE HUNDRED FOURTEENTH CONGRESS

SECOND SESSION

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MAY 18, 2016  
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**PROTECTING SOCIAL SECURITY FROM  
WASTE, FRAUD, AND ABUSE**

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**WEDNESDAY, MAY 18, 2016**

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

The subcommittee met, pursuant to call, at 10:01 a.m., in Room B-318, Rayburn House Office Building, the Honorable Robert Dold presiding.

[The advisory announcing the hearing follows:]



## WAYS AND MEANS

CHAIRMAN KEVIN BRADY

### **Chairman Johnson Announces Hearing on Protecting Social Security from Waste, Fraud, and Abuse**

House Ways and Means Social Security Subcommittee Chairman Sam Johnson (R-TX) announced today that the Subcommittee will hold a hearing on “Protecting Social Security from Waste, Fraud, and Abuse.” The hearing will focus on the challenges facing the Social Security Administration that make the agency vulnerable to waste, fraud, and abuse, including those involving strategic planning, the representative payee program, and information technology. The hearing also will review the tools that Congress provided to fight waste, fraud, and abuse in the Bipartisan Budget Act of 2015. **The hearing will take place on Wednesday, May 18, 2016 in B-318 Rayburn House Office Building, beginning at 10:00 AM.**

In view of the limited time to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

#### **DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:**

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select “Hearings.” Select the hearing for which you would like to make a submission, and click on the link entitled, “Click here to provide a submission for the record.” Once you have followed the online instructions, submit all requested information. ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Wednesday, June 1, 2016**. For questions, or if you encounter technical problems, please call (202) 225-3625.

#### **FORMATTING REQUIREMENTS:**

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission 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.

All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

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.

**Note:** All Committee advisories and news releases are available at <http://www.waysandmeans.house.gov/>



Mr. DOLD. The hearing will come to order. Good morning and welcome to today's hearing on Protecting Social Security from Waste, Fraud, and Abuse. Today we will hear from the Social Security Inspector General on what he sees are the big challenges facing Social Security, and where Social Security can do a better job at protecting taxpayer dollars.

For those of you who may not know, Mr. O'Carroll has served as Social Security Inspector General for the past 12 years and will be retiring at the end of the month. Under his leadership the Office of Inspector General has engaged in a number of antifraud initiatives, including the expansion of the Cooperative Disability Investigations units. Overseeing investigations that have led to the recovery and savings of hundreds of millions of trust fund dollars, the conviction of hundreds of crooks, and has protected Social Security employees from threats of violence against employees and facilities. Mr. O'Carroll we want to thank you for your service to our country and congratulations on a well deserved retirement.

As you know well, hardworking taxpayers fund Social Security Administration and they rightly expect that the Social Security Administration will do all it can to prevent waste, fraud and abuse. So when Americans hear and read in the news about stories of hundreds of millions of dollars, of fraud in Puerto Rico, and New York, or the agency spending over \$300 million on an IT project that has yet to even work, you can't blame them for asking questions. Sometimes Social Security's track record does not inspire all that much confidence.

As members of this subcommittee, it is our job to make sure that Social Security is spending their money in a way that doesn't violate the taxpayers' trust by paying benefits to those trying to cheat the system or wasting funds on projects that don't work. As the longest serving inspector general for the SSA, Mr. O'Carroll knows all about the challenges the agency faces that put tax dollars at risk. For example, and as many of you may know, this subcommittee has raised concerns over the years about Social Security's long-term strategic planning.

Today we will hear that Social Security still does not have a plan that includes specific measurable goals or outlines a strategy to make sure Americans get the service they expect and deserve from Social Security. And this is after they have spent about \$1.5 million on contractors to help them.

Social Security faces some very real challenges that I am afraid are only going to get worse over time and the representative payee program is one of them. A recent study by the Institute of Medicine raised serious questions about Social Security's ability to decide if someone needs a representative payee. Earlier this year the Social Security Advisory Board also raised serious concerns about this program.

Last fall the Bipartisan Budget Act included the biggest changes to Social Security since 1983, and some additional tools to help fight fraud. This includes expanding Cooperative Disability Investigations units to cover every State and new and harsher penalties for those who attempt to defraud Social Security. These tools along with others are a step in the right direction when it comes to protecting taxpayer dollars.



Mr. O'Carroll we thank you for being here today, thank you again for your service to our country. We look forward to hearing your testimony.

I now would like to recognize Mr. Becerra for his opening statement.

Mr. BECERRA. Mr. Chairman, thank you very much.

Mr. O'Carroll, congratulations to you on your service to our country and to the many people who rely on Social Security.

Mr. Chairman, Social Security must work continuously to prove to all those people in America who paid into it, over the years, that their benefits will be there. And that is perhaps why over 80 years Social Security has been able to pay in full and on time to every American who contributed since its inception.

The other thing that Social Security must do is make sure, like any organization, it provides quality service in dispensing those benefits because people have paid through their taxpayer dollars for that.

And finally, as the chairman points out, the last thing we want to see is that the money that people contribute to Social Security into the trust fund is used for the wrong reasons, whether because of fraud, or waste or abuse. And so the Social Security system and all the people, the good people who work for it, including Mr. O'Carroll, have an obligation for the people who are paying their salaries and paying for this to happen to do it the right way.

Over the last decade there are some 10 million more Americans today who are receiving Social Security benefits than there were just back in 2006, 10 million more. And because of the baby boomers that is going to continue to increase for quite some time. More and more Americans are now finally being able to take advantage of the benefits that they paid years and years to be able to earn and receive.

And because Social Security has so many highly skilled employees who are there to provide the services, they have been able to have an on time, in full track record for 80 years. But that line of defense for good customer service and to fight fraud is in jeopardy. I would like to put up some slides.

What we have seen here in this first slide is, it documents what we already know. Inadequate funding of Social Security has taken a toll. Let's go to the next slide.

Mr. O'Carroll—who is about to testify in his written testimony to us—makes a point, as workloads have increased and its own workforce has undergone a retirement wave, the Social Security Administration had to encounter a difficult fiscal climate and resulting in budgetary constraints.

Resources for Social Security overall in its services and operations for more than 160 million Americans who are paying into it, and some 50 to 60 million Americans who are receiving their benefits, those resources have fallen. The severe underfunding is evident here in these slides as you can see.

If you were to take a look at the chart on the left, the funding that Social Security has received overall has fallen over the last 6 years. And if you were to take out the money that Congress has given to do fraud detection, to fight the fraudsters, the cuts would be severe to the overall operations and services that the Social Se-

curity Administration provides to a growing number of people collecting the benefits, which are reflected in the chart to the right. We are providing, as Congress, fewer and fewer resources to an agency that is having more and more people who are putting—making a demand on its services and rightfully so because they paid for them.

Congress is shortchanging Social Security and Americans who paid for that Social Security are watching Social Security move towards a system of mediocrity. Congress is baking in mediocrity, into the Social Security system, if we don't provide the resources to handle a growing number of Americans who expect to get their services.

Now Social Security still does its work at less than 1 percent cost in administration. Put it another way, you won't find a company, an insurance company or any company in America that can say it operates at 1 percent administrative cost. And if you can, please put them before us because we want to learn from them. But Social Security is doing yeoman's work with fewer and fewer resources.

Mr. O'Carroll will testify to some of the activities that Social Security must do, but let's remember a few things. If Social Security has fewer frontline people working for it today, and this chart reflects it, than it had in 2010, to deal with an increase in the number of tens of millions of people who are receiving benefits, some 10 million more people over the last 10 years, it becomes very difficult for those people—a shrinking number of workers—to provide those services.

And so Mr. Chairman, it is important—next slide please—as you can see backlogs grow. Next slide—wait times for appeals for people who paid into the system grow. The next slide. And people making calls to Social Security for services must wait longer. It is not the way we should operate. We have to make sure that Social Security can have the resources it needs to provide the services to people who paid into the system.

Mr. Chairman, with that, I will yield back the balance of my time.

Mr. DOLD. Thank you, Mr. Becerra.

As is customary any member is welcome to submit a statement for the hearing record, but before we move on to our testimony today I want to remind our witness to limit your oral statements to 5 minutes. Obviously your entire statement will be placed into the record for the hearing.

Without objection, all the written testimony will be made a part of the hearing record. So we have one witness today, seated at the table is Patrick P. O'Carroll, Jr., Inspector General of the Social Security Administration. Mr. O'Carroll, you are recognized for your oral testimony.

**STATEMENT OF THE HONORABLE PATRICK P. O'CARROLL, JR.,  
INSPECTOR GENERAL, SOCIAL SECURITY ADMINISTRATION**

Mr. O'CARROLL. Good morning Chairman Dold, Ranking Member Becerra, and members Black, Renacci, Kelly, Smith, Larson and Mr. McDermott. I regret that Chairman Johnson could not make it today. I am happy to be here.

Last August a 38-year old teacher's aide received her last Social Security disability check after 8 years of collecting them for a bad back, a condition that never existed. A disability examiner stopped payment based on evidence from our Cooperative Disability Investigations unit in Baltimore in one of its very first cases. This woman told SSA she couldn't drive or take care of herself because of a back disorder and depression. She even used a walker at a medical exam. However, CDI observed her walking, working, driving, and actively living her life with no sign of back pain or mental problems. She soon admitted she didn't deserve the benefits. That one case saved us all about \$100,000, probably much more given her young age. The Baltimore CDI unit exists because of this subcommittee, so on behalf of the taxpayers I thank all of you.

During my tenure as Inspector General, you have demanded rigorous oversight that has helped make Social Security better for all of us. So today as always I am pleased to appear before you for what is probably my last time. Thank you for asking me to share my observations gleaned from a decade of overseeing Social Security's programs and operations.

Despite the many things that we have accomplished together, much work remains. All of us will likely rely on Social Security at some point and SSA has a long tradition of serving citizens and meeting their needs. But that mission must never outweigh the agency's responsibility to be a good steward of the \$2.5 billion it pays out each and every day.

I want to share three ways that SSA can achieve this balance. First, the agency must prioritize program integrity and look for innovative ways to identify improper payments and fraud. Thanks to your subcommittee, the Bipartisan Budget Act contains a provision increasing the cap on SSA's program integrity spending and it allows SSA to use those funds to work CDRs, open new CDI units and hire special assistant U.S. attorneys. I am pleased that the act authorizes SSA to access employer data about disability applicants' wages.

For years we have seen potential from many other data matches, government agencies, and third party sources that will reduce payment errors and identify fraud proactively. This has been a personal crusade of mine as IG and I hope to continue my work on this issue even after I retire.

Second, SSA must modernize and secure its information systems. One of its first efforts to modernize the Disability Case Processing System or DCPS has come under serious scrutiny. We have already issued two reviews on DCPS to inform the subcommittee about its challenges. And we have two ongoing DCPS audits that will shed more light on a process that has not been very transparent.

SSA must also do more to remediate the significant deficiency and internal controls and information security that we have reported over the past 4 years. In an environment where high profile data breaches have occurred at other agencies, we must ensure the same does not happen at SSA.

Third, SSA must maintain its antifraud momentum and support OIG efforts. In 2014 we arrested over 100 people, many of them retired New York City police officers and firefighters, in a single disability fraud scheme, totaling \$30 million dollars. After you held a

hearing on that case you asked SSA for a plan to address disability fraud. In response, the acting commissioner asked us to expand CDI. And now you have given SSA a mandate in the Bipartisan Budget Act to further expand CDI to all 50 States.

We have opened 12 new CDI units in less than 2 years, an impressive feat of collaboration and cooperation. We have also saved taxpayer money as a result with dozens more cases like the teacher's aide that I discussed at the beginning.

Finally, the recent arrests of attorney Eric Conn and Judge David Daugherty demonstrate our commitment to pursuing third party facilitators, people who violate the public trust by exploiting their knowledge of the system for personal gain.

Our efforts to identify and dismantle these schemes will save taxpayers many millions of dollars and increase public confidence in the integrity of SSA's programs. As I prepare to step down, I know OIG will continue to protect Social Security from fraud, waste and abuse. Acting Inspector General Gale Stone and her outstanding staff will work with you and the agency to provide independent oversight of these vital programs.

It has truly been an honor to serve the American public in this capacity. Thank you for asking me to be here today and for your commitment to improving Social Security. And I will be happy to answer any questions.

[The prepared statement of Mr. O'Carroll follows:]

Good morning, Chairman Johnson, Ranking Member Becerra, and Members of the Subcommittee. Thank you for asking me to be here today, to share my thoughts on how best to protect Social Security from waste, fraud, and abuse. I will share observations based on my 12 years overseeing the Social Security Administration's (SSA) programs, and recommend areas for continued monitoring by the Office of the Inspector General (OIG) as well as this Subcommittee. This timely topic should be of concern to every American, since all of us—or someone we care about—will rely on Social Security at some point in our lives.

During my tenure as Inspector General, I am proud that we have maximized our return on investment while providing effective oversight of the full range of SSA's complex programs and nationwide operations. While I certainly cannot recount every one of the thousands of valuable recommendations we have made, upon reflection it becomes clear that most of them fall under one of three overarching trends that emerged or intensified during this time:

- SSA experienced an increase in the number of disability and retirement claims due to factors beyond the agency's control, including the aging of the baby boom generation; more women participating in the workforce; and a significant economic downturn.
- As workloads have increased and its own workforce has undergone a retirement wave, SSA has encountered a difficult fiscal climate and resulting budgetary constraints. This situation has demanded innovative and efficient ways to best use its limited resources.
- Technology has fundamentally changed the way the American people and the Federal Government do business. As government agencies have struggled to adapt to the demands of the Information Age, outside threats have made it clear that no system is immune to attack. Moreover, criminals who used to steal paper checks from mailboxes have moved into cyberspace with new fraud schemes targeting Social Security beneficiaries.

These changes have presented SSA with serious challenges that it must address to successfully meet its critical mission going forward. SSA must:

- balance its goal of providing excellent service that meets the needs and expectations of its customers with the need to be a good steward of public funds;
- modernize and secure its information systems and processes within a robust strategic planning framework that ensures successful outcomes; and
- identify and prevent disability fraud using mechanisms provided for in the *Bipartisan Budget Act* as well as other innovative tools.

Each of these challenges encompasses multiple issues that warrant continuing attention and reassessment, which I will outline below.

#### **Balancing Service and Stewardship**

According to SSA, in fiscal year (FY) 2015, the agency made more than \$900 billion in payments to more than 60 million Americans and their families. Given that many people depend

on those funds for meeting their basic needs, SSA must continue striving to get the right benefit to the right person at the right time.

In particular, SSA must place a very high priority on ensuring that the most vulnerable members of our society are paid the benefits they are due, and that those benefits are being used to meet their needs. SSA appoints representative payees for those who are determined to be incapable of managing their own benefits. Representative payee program oversight is a crucial responsibility for SSA, because often those who need a representative payee do not have anyone else with their best interests in mind. About 8 million vulnerable children and disabled or elderly individuals currently have representative payees. With such a large population, SSA must find innovative ways to monitor payees, and identify and quickly take action on suspected benefit misuse, including reporting it to OIG for criminal investigation. Investigating suspected organizational and individual representative payee fraud is a top priority of my office, as it can often involve physical or other types of abuse against the beneficiary, as well as other financial crimes.

Earlier this month, we issued an audit report finding that SSA had made \$78 million in direct payments to individuals under one benefit program while paying \$136 million to their designated representative payees under a different benefit program. This finding raises questions either about those individuals' capacity to serve as their own payee, or whether they appropriately used the funds provided directly to them. We recommended, and SSA agreed, that the agency should assess whether to develop a systems alert for payee discrepancies, and should match records from the two benefit programs to quickly identify discrepancies.

SSA has, as a steward of taxpayer funds, a responsibility to ensure that it is spending those funds in the most efficient and effective way possible. I have made a priority of assessing SSA's efforts to fulfill this responsibility and find areas for improvement. For example, we recently issued an audit report in which we found that SSA was spending much more money to collect low-dollar overpayments than the value of the overpayments themselves. We recommended that SSA re-evaluate this collection process to ensure it expends resources on activities that result in the greatest return on investment. We estimate that implementing our recommendation could save taxpayers over \$3 billion. SSA agreed with our recommendation, and has said it has a multi-year plan to enhance its overpayment collection processes with a significant IT investment.

SSA must balance program integrity workloads with the need to process initial claims. We understand that achieving this balance requires difficult fiscal choices by both SSA and its appropriators in Congress. However, according to SSA, at the end of FY 2015, there was a backlog of more than 726,000 full medical continuing disability reviews (CDR). In FY 2016, SSA planned to conduct 908,000 full medical CDRs. We believe SSA should allocate the resources needed every year to initiate CDRs as soon as they come due, to reduce that backlog and prevent its recurrence. This is the best way for SSA to identify those who are no longer disabled and stop their payments timely.

Finally, during my tenure as Inspector General, I have encouraged SSA—and OIG—to pursue computer data matches that can improve payment accuracy and identify government waste and fraud more quickly and efficiently. In particular, we have long recommended that SSA verify information that is self-reported by applicants and beneficiaries, using other government data and third-party sources. Indeed, the agency has begun matching beneficiary information against Medicare data to identify those who may be deceased, based on an OIG recommendation.

However, we have cited other potential data matches that could do more to improve payment accuracy in the Old Age, Survivors, and Disability Insurance program. For example, we have made recommendations related to unreported Federal Employees' Compensation Act payments and pensions that are not covered by Social Security, which may affect disability or retirement benefit amounts. A previous OIG report noted that beneficiaries whose non-covered pensions are not known to SSA could receive about \$870 million in overpayments over their lifetimes; SSA is currently pursuing a legislative change to address this issue.

### **Information Technology Security, Modernization, and Planning**

To meet the challenges described above relating to payment accuracy and customer service, SSA must invest in its information technology infrastructure to support current and future workloads. Regardless of what SSA's business process looks like in 20 years, having the proper infrastructure to support it will be critical. I am proud of OIG's efforts to monitor and assess the planning and construction of SSA's National Support Center, which will soon replace its National Computer Center as the primary repository of the agency's data and systems hardware. Still, to run its large and complex benefit programs, SSA maintains a number of legacy systems that are more than 30 years old. We believe it is important for the agency to work toward modernizing those systems to reflect current technology that can better support future workloads and lower operating and maintenance costs going forward. Therefore, I was pleased to see SSA's response to a draft GAO report issued just last week, *Federal Agencies Need to Address Aging Legacy Systems*, stating that modernization was a "significant priority for our budgeted (IT) resources."

Unfortunately, one agency initiative to modernize its systems has come under scrutiny due to questions over its planning and development. SSA awarded a contract in 2010 to develop the Disability Case Processing System (DCPS) to replace all State disability determination agencies' separate systems. In 2014, a contractor hired by SSA determined that despite spending \$288 million on the project, DCPS faced schedule delays and limited functionality. In May 2015, SSA discontinued spending on the original DCPS project, and in October 2015 decided to develop a new system. Between FY 2008 and 2015, SSA invested \$356 million in DCPS, but has not produced a viable product. In fact, many of these tax dollars represent "sunk costs" for which SSA—and U.S. taxpayers—will realize no benefit.

We have two ongoing reviews of DCPS, due to be issued soon, assessing SSA's analysis of alternatives to DCPS and the costs incurred during this process. OIG will continue to monitor this project closely, to help inform the Subcommittee and ensure that SSA can eventually achieve DCPS' stated goals improving consistency and timeliness of initial claims processing across the country.

Not only must the agency modernize its systems, but it must work to ensure that its systems—current and future—are secure from attack or disruption. Recent breaches at government agencies have underscored the importance of securing the voluminous sensitive data that SSA holds for nearly every U.S. citizen, living and deceased, including medical and financial records. Unauthorized access to, or theft of, SSA data can result in significant harm and distress to potentially hundreds of millions of Americans. It is, therefore, imperative that SSA make protecting its networks and information a top priority.

Since FY 2012, our contractor has identified weaknesses in SSA's information security program that, when aggregated, constitute a significant deficiency under the *Federal Information Security Management Act of 2002*. Some of these weaknesses include:

- lack of a comprehensive organization-wide risk management strategy;
- weaknesses in network security controls indicating that SSA did not always timely remediate configuration-related vulnerabilities; and
- numerous issues with logical access controls, which resulted in inappropriate and/or unauthorized access.

We have reported similar problems in previous reports, but these weaknesses continue to exist, partly because new controls did not completely address the risks, and because management oversight and governance were not sufficient. SSA must make all efforts to address the weaknesses we have repeatedly identified.

My office has long held that SSA would make progress in both systems modernization and security if it had a comprehensive strategic planning process with measurable, achievable, and specific outcomes. A robust strategic planning process would allow SSA to determine what systems changes it needs to focus on to provide the greatest return on investment and benefit for its current and future customers. Improving long-range planning would also allow SSA to ensure that program integrity workloads (such as CDRs) are balanced against processing initial claims, by predicting workload trends and responding proactively to those trends.

Finally, SSA needs thoughtful, comprehensive strategic planning for customer service as well as information technology, given the rapidly changing expectations of the public. As we recently reported to the Subcommittee, the agency's *Vision 2025*, released in FY 2015, described its three priorities for the next 10 years—superior customer experience, exceptional employees, and innovative organization—but did not include specific, measurable goals or outline the strategy needed to implement the proposed vision. SSA has said it will issue its strategic plan next year for FYs 2018-2022 and has said the plan will include specific, measurable goals. However, we believe SSA needs to undertake longer-range planning, optimally 20 years into the future, to plan adequately based on demographic realities, fiscal projections, and technological capabilities.

#### **Identifying and Preventing Fraud, Waste, and Abuse**

Thank you for your efforts to include several Social Security-related provisions in the *Bipartisan Budget Act of 2015*; they will help both SSA and OIG identify and prevent more waste, fraud, and abuse in Social Security programs. First, the mandate to expand our Cooperative Disability Investigations (CDI) program to cover all 50 States is a hard-won recognition of the success of this program to prevent billions of dollars of fraud loss over nearly 20 years. This program has an estimated return on investment of \$18 for every \$1 invested in its operations. I believe its success lies largely in the cooperative nature that combines expertise and resources across agency and jurisdictional lines. SSA, OIG, State disability determination agencies, and State or local law enforcement agencies work in units located across the country to investigate suspicious disability claims and provide evidence to improve the accuracy of claims decisions.

OIG has worked closely with SSA as it has renewed its efforts to address fraud and increase anti-fraud awareness over the past two years. As part of this effort, in FY 2014, we began to establish additional CDI units in the wake of two major disability fraud investigations in Puerto Rico and



New York City. The *Bipartisan Budget Act* mandate has encouraged SSA to allocate even more resources to the program and allowed us to pursue law enforcement partners in more locations. We are currently working to secure law enforcement partners in new CDI units in Washington, D.C., Baltimore, and Birmingham, Alabama, and we just announced our next unit will be located in South Dakota.

In FY 2015, the CDI program contributed to projected savings of \$400 million to SSA, as well as savings for other Federal, State, and local assistance programs. As we move forward with expansion, we will continue to investigate disability applications at the front end to prevent fraud loss before it ever occurs, but we will also encourage referrals of post-entitlement claims to CDI units as well. Those referrals, which can involve work concealment as well as medical improvement, are more likely to result in criminal prosecution and recovery of funds for SSA. Widening the scope of CDI to increase the percentage of post-entitlement cases is a more efficient use of our resources and those of our law enforcement partners, to pursue as many allegations of disability program fraud as we possibly can.

The *Bipartisan Budget Act* also recognizes the impact of third-party facilitator fraud schemes on the integrity of SSA's disability programs. I am gratified that the end of my tenure as Inspector General has coincided with the indictments and arrests of individuals in connection with an alleged conspiracy in West Virginia and Kentucky to submit fraudulent disability claims on a large scale. Working with SSA, the Department of Justice, and other Federal law enforcement agencies, our investigation has revealed a potentially huge breach of the public trust. We need to do our utmost to ensure that similar schemes are not occurring and that we can quickly identify or prevent them altogether in the future. Amending the *Social Security Act* to increase civil and criminal penalties for facilitator fraud—as well as increasing penalties to reflect inflation and including the criminal charge of conspiracy—will go a long way in deterring this type of fraud. In addition, we are working with SSA to establish a predictive analytics program that will use risk factors to identify claims at a high risk for fraud, so we can develop and evaluate them further.

I am also pleased that SSA has expanded the Special Assistant United States Attorney (SAUSA) initiative, in which agency attorneys are detailed to the Department of Justice to prosecute primarily Social Security fraud cases that might otherwise not be prosecuted. SSA currently has 25 SAUSAs across the country, and they have been a tremendous asset to our criminal investigators as they look for avenues to see their cases result in criminal charges and convictions. We would like to see more SAUSAs as resources allow.

Finally, we believe SSA must continue promoting the integrity and protection of its primary identifier, the Social Security number (SSN). SSA established the SSN solely to administer its own programs; however, in many ways it has become the key to financial life in the United States. As such, it has become a valuable commodity for identity thieves. We recently recommended that SSA remove full SSNs from all of its mailed notices, and the agency agreed, but stated, "there are a multitude of complexities that may affect our ability to quickly change our notice structure and format." The agency has decided to remove SSNs "on a flow basis" as resources allow and other changes to notices are made. However, given that other agencies have already undertaken similar efforts—the Department of Defense has removed SSNs from military identification cards, and the Department of the Treasury has removed them from government checks—we continue to believe SSA should move quickly to remove SSNs from all documents that could find their way to people who could misuse that valuable information.

**Conclusion**

I am honored to have served as Inspector General for Social Security for 12 years, leading an outstanding workforce of auditors, investigators, attorneys, and support personnel who are committed to providing oversight of and helping improve the United States' largest and most important public assistance program. The Office of the Inspector General has a critical role as watchdog to ensure that SSA effectively manages this critical safety net for the benefit of all Americans. In this role, we serve both those individuals who benefit from SSA's programs and all taxpayers who place their trust in SSA to be a good steward of their funds.

Under the next generation of leadership, I am confident that SSA OIG will continue to help ensure the integrity of the Social Security system—the integrity of payments going out and of the infrastructure underpinning the claims and payment processes. This office will also continue to focus on the role that technology and planning must play in identifying and preventing waste, fraud, and abuse.

Thank you again for the invitation to testify, and thank you for your longstanding support of OIG's efforts and your interest in addressing these critical issues facing SSA. I am happy to answer any questions.



Mr. DOLD. Mr. O'Carroll, thank you for your testimony. I want to remind members that again we will have 5 minutes for questioning each. I will start that time.

So, Mr. O'Carroll, again thank you for your service to our country in the Social Security Administration. As your time as the I.G. is coming to close, I certainly know that protecting taxpayer resources is a priority of yours and certainly of ours. If we can take a look at, and just have you expand on, your top three things that we can be doing or that the Social Security Administration should be doing to save taxpayer dollars without compromising service to the public.

Mr. O'CARROLL. Well, a number of issues on that, Mr. Chairman. First, and the biggest one I think we are all concerned about, is the IT security of Social Security. That is something that is a high priority of this committee, and a high priority of my organization. We have been watching all the other breaches of government agencies on it. We have been trying to identify what vulnerabilities there are at SSA, plug those holes up, and give advice to SSA. Anyway that is right at the top of it.

The next one we have been talking about, which is what the Budget Act recommended, is that we need to be proactive. SSA needs to be proactive in its stewardship. And what we are doing is expanding the CDI program, which has been something that, I guess we generated out of this committee at the very beginning of my term. It is extremely effective; it is at the front end; it is before fraud is committed. It is a partnership of us, SSA and the States. It is very effective, works very well and sends a signal that we don't tolerate fraud of SSA's programs.

Mr. DOLD. In your testimony you also discuss the Disability Case Processing System or the DCPS, and some of the concerns that you have with regard to this program. Can you talk to us a little bit more about what DCPS is supposed to do, the current status of the project and how much Social Security has spent thus far to date?

Mr. O'CARROLL. Yes, Mr. Chairman. DCPS is of great concern to us and the committee. We have been pretty much hand in glove with the committee in the oversight of SSA and the development of this system. And if people remember, it's about 6 years in process. Within the last year—the SSA has gone off in a different direction in the development of it. A portion of the \$300 million that has been put into this project is being saved. And at the same time, a new form of development is being used to start this new system on it. And that is where we have our concerns.

Our concern with it is that they're using pretty much a new type of development system to develop this processing system. And what happens with it is—I have got to say from our standpoint as auditors, it gives us concern. It is called Agile. And what it does, is that it inserts developers in with the users. It is very responsive. It is being used in the public sector. However, our major concern with this thing is the scope. This will probably be one of the biggest governmental Agile projects there is. One of the other parts of it is that as it develops, working with the user on it, it pretty much is a fluid process. And where we are concerned with it is that normally with an audit what you do is, you contract with the con-

tractor. They will say they will make a delivery on a certain date. If that date isn't met, then you go back to the contractor and you readjust your procurement.

With this type of a thing, there aren't any real specific deliverable dates. What we are trying to do now is work with SSA, and have our auditors along to try to go along with the process on it, and see if there are ways that we can identify, sort of milestones along the way for deliverables. Because I am pretty sure a year from now if this product doesn't come out, the first thing you are going to ask us is, Where did it go astray? What we need to do is start coming up with some guideposts along the lines of it.

And what I have got to tell you is, it is not just us that are concerned with it. It is as I said the first time for a massive government project like this. MacKenzie is a contracting company that went out, took a look at this thing, and they have said they have some concerns; one on the scope, the size of it, and deliverable dates. So they too have concerns like we do.

So I think it is one of those things that needs oversight by the committee, bringing SSA in frequently. We would like to be along with those meetings on it. Getting updates on it will help. And we assure you that we are doing two more status reports on it as we speak. We will keep informing along the way.

Mr. DOLD. So as you mentioned, this is the first time the Agile method is being used on such a large scale project?

Mr. O'CARROLL. It is.

Mr. DOLD. Are you optimistic that this is going to work? And you also mentioned in your testimony that you believe it will save \$300 million? Or what is—

Mr. O'CARROLL. I didn't say that. The agency has indicated that there will be cost savings coming from it. We haven't been able to identify that.

Mr. DOLD. And can you give me just kind of an overall cost estimate of what you think this is going to run?

Mr. O'CARROLL. Well, that is one of our other major concerns on it. We don't know, because there are two ways. One is the core that is being done. It is being identified in terms of what the costs are going to be for the core. But the problem that we foresee with it is the personalization. Each of the States out there after they get the core, will then personalize it as much or as little as that State needs. In each of those cases, that is another cost out there that's hard to be able to ascertain. We don't know what the core is going to be and what each of the States is going to be asking for. So again, that is where our concerns are on it. It is hard to get any specifics.

Mr. DOLD. Okay. Thank you. Mr. Becerra you are recognized.

Mr. BECERRA. Thank you, Mr. Chairman.

Again, Mr. O'Carroll, thank you for the work you have been doing. And I am going to continue to probe on this issue, because I think you need the resources to go out there and do the fraud detection act. I remember visiting with you in our Los Angeles bureau that you have out there. Your team is excellent, they are doing yeoman's work. They wish they had more resources and more personnel because they knew that if they had the time they probably could ferret out some of the folks who are trying to take ad-

vantage of that Social Security money that other people have paid. So thank you for everything your team has done. Please not only applaud them, tell them we hear them. We are trying to get more resources to do their work.

I want to call your attention to the slide that I mentioned earlier, because it points out on the left side, the left chart, how Social Security has received less funding over the years, which makes it tough. The one exception of course, that we put up there, is in the light blue. That is the money for you to do those investigative projects to go after folks. Now you just mentioned that last year we gave you the authority to expand to 50 States. How many States were you in before when we said go to 50 States?

Mr. O'CARROLL. About that point there, we are right in the low 30s, so we are up in the high 30s, into the 40s. Just about at 40 now.

Mr. BECERRA. Good. And I remember when you came to Los Angeles I think you were barely at around 20.

Mr. O'CARROLL. Yes.

Mr. BECERRA. Twenty States that had an investigative team to go out there and detect fraud. So now you are up to 40 and with this money you will probably get to go to the 50 States, which is what we need to do. We don't want to stop Social Security recipients from getting their money simply because we don't have enough fraud detection in that State to prevent that.

Would you be able to expand to 50 States if we cut—that light blue chart, the column there that gives you that extra money—would you be able to go to 50 States?

Mr. O'CARROLL. No. Well, two things on it. One is that we are very dependent on SSA for the funding of the CDI units as we expand. My cost of a CDI unit is the lead investigator. SSA picks up all the other costs. As you are saying, those costs are balancing out with other things and the costs decline. It will decline on that—

Mr. BECERRA. Could you expand to 50 States if you didn't get those extra resources?

Mr. O'CARROLL. Probably not. Again, it is at SSA's behest that we are going to do it.

Mr. BECERRA. Yes. In other words, to do your good work, to hire the quality people, you need the resources?

Mr. O'CARROLL. Uh-huh.

Mr. BECERRA. And so, what makes it difficult for the Social Security Administration is if Congress continues to shortchange Social Security's ability to do its work, whether in fraud detection or in basic service. Let me go to the next chart that I showed previously.

There you go. Now there is a hidden backlog that is growing and growing. And while you have extra money to do the fraud detection, there are a whole bunch of services out there where we are not providing the adequate funding to get the job done. And it could be something as simple as making sure someone's bank account change is adequately addressed so we don't have any potential fraud in the future. Or someone gets correct information about their Medicare account. Or someone repays an overpayment that they got from Social Security that should not stay with them. Or perhaps they were underpaid and now Social Security has to give

them a little bit back. All of those things are being delayed because the Social Security Administration has lost about 10 percent of its workforce and it has gained about 10 million new people to service in about the last 10 years.

Let's go to the next chart: Appeals. You are familiar with this because so much of the fraud occurs with people who apply for Social Security benefits and don't deserve it. Yet you have a whole bunch of folks who do deserve, who are waiting now, in the hundreds of days, to have their appeal for benefits heard, to get them. And this is what happens when—in late 2006, 2007, 2008, 2009 we started to provide more resources to bring down that backlog. But 2010 the cuts started, 2011 cuts, 2012, 2013, 2014, 2015. Finally 2016 we gave a little bit more. You can see what happens when you don't provide the resources.

And so, Mr. O'Carroll, I think all of us want to make sure that you can do your work because you have to be the front line. If someone gets through that door for the wrong reasons, it is going to take us a while to find them and capture them and get them off the rolls. But if you could do your work well, and that is why you got that extra money now to go to 50 States, then we have one level of protection. But we need to make sure that all the good people of Social Security have the resources they need to make sure the services are properly performed. If we could go to the next chart.

No one wants to wait three times as long to have their phone call answered, even if they are not trying to do any kind of fraud. They are just trying to get their services. But if there aren't personnel doing that because they had to help your fraud detection unit get the information they need, then all of a sudden people are waiting on the phone a long time. And so this is a matter of making sure our priorities are straight. People paid for their Social Security benefits, they earned them. We should make sure they have the services that go with them. Thank you.

Mr. DOLD. Thank you, Mr. Becerra.

Mr. O'CARROLL. May I add one comment on that, Mr. Chairman? A couple of things: one is that, Mr. Becerra, we talked about in the past that line on the first chart, the increase in the light blue there, that isn't to my advantage on that type of thing. That represents different tasks that have been placed on SSA, CDRs specifically, that are very expensive. They go up. I have to say as you are taking a look at the size of SSA going down, I can put a chart up of the OIG and it will mirror that exactly. I have 10 percent less people than when I started. And amongst other things, different demands are being made on SSA for antifraud activities and stewardship, which we applaud. We think it is well worth it and the return to the taxpayer is good. But, by the same token too, we need more resources. SSA needs resources too. That is the balance that each of us as managers make.

And in my case what I am doing is that by expanding CDI, it is getting me into the States. It is helping us with antifraud. It is not costing the taxpayers.

Mr. BECERRA. Thank you.

Mr. DOLD. Mr. Smith, you are recognized.

Mr. SMITH of Nebraska. Thank you, I would refrain from suggesting that all things are solved when more money is spent. I would hope that we could focus on technology and innovation, but that is not my question here today.

In September 2015, you had an evaluation of SSA's listing of impairments. You had indicated that the SSA is making progress on updating its listings, but hasn't updated some of the listings in decades. When were the mental impairments listings last updated?

Mr. O'CARROLL. Mr. Smith, the last time of our work on this thing was in 1985. And we have noticed that SSA has the intention of updating it. We were told, one day, possibly April or May of this year, an update is coming out. It has not come out as of yet. So we are talking about pretty much 20 years of old data.

Mr. SMITH of Nebraska. Right. Now the SSA recently released a proposed regulation that would deny second amendment rights incidentally to certain individuals with disabilities who receive Social Security benefits. Which listings will they be using to make this determination?

Mr. O'CARROLL. They will be using those same 1985 disability listings, specifically the one for mental disability, which is 12.0.

Mr. SMITH of Nebraska. Okay. So the Social Security Administration repeatedly failed to meet even the self imposed and recommended deadlines to update the listings. And some listings have not been updated since the 1980s as you indicated. Certainly this is unacceptable. And now the Social Security Administration will be using these outdated listings to make judgments about some people's second amendment rights. Is that accurate?

Mr. O'CARROLL. That is correct. That is the direction things are going in, yes.

Mr. SMITH of Nebraska. So the Social Security Administration has recently proposed using the need for representative payee as a determining factor for whether an individual should be denied his or her second amendment rights. Mr. O'Carroll, your office has identified concerns with the Social Security Administration's capability determination process used to assess whether an individual needs a representative payee. Can you describe the way the capability determination process works, and discuss some of the issues that you have found?

Mr. O'CARROLL. Yes, Mr. Smith. A couple of those on it—and I might add that we don't have much work done on this thing.—What's been coming up in this program is fairly new so we are still trying to work our way through it. But of major concern at the moment is the way SSA develops. I have got to say there are two issues on it, besides the second amendment issue. We have a lot of concern over the rep payee program in general. We have done a lot of work on it. It's one of those things, a subjective decision on the part of the claims rep from SSA as to whether or not it appears a person can handle their own personal issues and whether they need assistance. And oftentimes that is going to be just whether or not they can pay bills, whether they are able to feed themselves, and issues along those lines.

So there is not a scientific decision on it. It is one of pretty much personal opinion. And oftentimes what has been happening is that there are more and more people that are needing it and especially

as we are noticing with the expansion of the aged into the beneficiary force. There it is going to be more and more needed.

So anyway, our biggest concern is that the level of decision on it is more in terms of just being able to take care of yourself, not whether or not you can have the right to carry a gun.

Mr. SMITH of Nebraska. Okay. I appreciate that and I know that a lot of effort is being made to do the right thing. I would hope, and I want to support those types of efforts. But I also am very careful, especially as it relates to constitutional rights.

Rewinding just a bit from your comments about the fraud that was determined. What followed the determination of that fraud that occurred?

Mr. O'CARROLL. Which fraud that occurred? I am sorry, Mr. Smith.

Mr. SMITH of Nebraska. I think the teacher's aide that you mentioned.

Mr. O'CARROLL. Oh. What happened with those is that—and again I guess the beauty of the cooperative disability investigations unit is that in those units we have disability examiners in place with us—when they have a suspicion that somebody is not actually as disabled as they claim they are, they turn it over to the unit. So what happened before with the lady is that it was brought to our attention, and we investigated it. In this case here it was presented for prosecution.

Mr. SMITH of Nebraska. So then prosecution took place with a conviction?

Mr. O'CARROLL. It is still in process. In fact, this one is a fairly recent one so I am not even too sure where it is in the process. But we did present it to a U.S. attorney.

Mr. SMITH of Nebraska. With a conviction, what might happen?

Mr. O'CARROLL. With a conviction on it we would probably be taking a look at a significant fine and up to 10 years in prison.

Mr. SMITH of Nebraska. Thank you.

Mr. DOLD. Thank you, Mr. Smith. The gentleman from Connecticut, Mr. Larson, you are recognized.

Mr. LARSON. Thank you very much, Mr. Chairman, and thank you for conducting this hearing. Mr. O'Carroll, thank you for your incredible service to your country and the responsible job that you are doing; making sure that we are focusing on fraud, abuse and waste and weeding that out. It is essential, especially to a program.

As Mr. Becerra pointed out, it is the most efficient and effective government program, but it cannot be sustainable if all the pieces aren't working. And actually what we have here is an insurance issue. Social Security is an insurance problem. And there is fraud in insurance. Fraud needs to be weeded out, and we need inspectors to do that, just like the private sector provides.

They say, insurance program. Why? Because this is funded through something we call FICA, the Federal insurance contribution program. Whose contribution? Yours: the people of this country. And yet the last time we have done anything with this program was in 1983. Can I see a show of hands in the audience of anyone's whose insurance premiums have gone up since 1983? Of course they have, all across the board. But we have not addressed that issue at all in Congress. We have shied away from it.



While in private, everybody knows that when you pay into a system, especially a system that sees all the baby boomers coming through, we have got to make adjustments. I maintain and I hope we have a hearing on this because I think there is an easy pragmatic solution; a bill that we have out there that increases the benefits of Social Security by 2 percent. It says that no one can retire into poverty. It makes the new level 125 percent of poverty, going to CPIE. It is something the AARP has long advocated. You would have adequate funding. The expenses that the elderly incur would actually be based on their cost a/k/a medical devices, doctor visits, pharmaceuticals, heating and cooling their homes.

And also, how about giving the elderly a tax cut that will only go right back into the economy? Because again, the last time we touched this program significantly was in 1983 so that you are taxed on your Social Security. If you are single and make more than \$25,000 and if you are a married couple and make more than \$32,000, that is a disgrace. And people are out there working because they have to, or some even if they don't have to because they desire to be out there and work.

We enact a proposal in which 11 million seniors will get a tax cut immediately. The big question then is, how do you pay for this? Well, we have two ways to pay for this. We say we should scrap the cap, but following the change that this committee made in the tax law, we should start at \$400,000. \$400,000 means that that would impact four-tenths of 1 percent of the American people. They will receive more in benefits, but they would pay more.

As you all know, Bill Gates, for example, stops paying into the Social Security fund at noon on January 1st. And so there is a certain fairness to it all. But the most important thing that we can do is increase this fund by 1 percent. It hasn't been touched. If your insurance company told you, look, your insurance rates are only going to go up by 1 percent this year, everyone would go through a sigh of relief. We have not taken that stance, a very pragmatic, and simple, and straightforward way that doesn't increase the national debt. It doesn't create a burden on anyone.

But you might say, well even 1 percent—of course, as you know congressman, when the employer pays half, and the employee pays half, and we have self funded people—still can be a large expense. Okay, let's phase that in over 25 years. That means the increase to preserve the program will be .05 percent; .05 percent, in order to preserve the most efficiently run government program. As Mr. Becerra pointed out, any insurance company would die to have a loss ratio in this area of efficiency, less than 1 percent. And this proposal, I am saying, is the only one that is actuarially sound as we are required by law to make sure that we produce a program that is 75 years solvent. This will take us into the next century.

.05 percent for someone making \$50,000 a year is 50 cents a week; fifty cents a week to save Social Security, to make sure that it's adequately funded so that we end this discussion once and for all in the committee, and that millennials will know that yes, this program's going to be there for them, for 50 cents a week if you are making \$50,000. That to me is a pragmatic solution.

Thank you for your service. I hope the committee and I hope my colleagues, who I know are interested in solving this problem, on

the other side, will grant us a hearing on what I think is a very pragmatic, straightforward solution to Social Security.

Mr. DOLD. Thank you, Mr. Larson. And I think there was something about a Starbucks cup there that you forgot to mention?

Mr. LARSON. Well, I did. It is just if you want to know—thank you for bringing that up. Usually I have gone all across the country and actually I raise this up every time. Bob, thank you so much.

This is usually a big hit, because I say to every single elderly group where I am from, what do you think this costs? They all know. They go, \$4.50. I go, That is right or 9 weeks of Social Security payments; 9 weeks of Social Security payments if you are making \$50,000 a week.

And that is what it amounts down to. When people say there is a pragmatic way where both tax cuts can be achieved, no one ends up retiring into poverty, especially women who have worked and paid their quarters and who get the short end of the stick—I was going to use other language, but—with Donald Trump maybe I could use this language. But I will rephrase it—

Mr. DOLD. The next cup of coffee is on you.

Gentleman from Ohio, Mr. Renacci you are recognized.

Mr. RENACCI. Thank you, Chairman Dold. And I want to also thank Chairman Johnson for calling this hearing to allow Mr. O'Carroll to have the opportunity really to discuss the challenges, the future challenges facing the Social Security Administration.

I want to thank you, Mr. O'Carroll, for your testimony and for agreeing to testify in front of the committee today. Additionally, I want to thank you for your many years of public service and your last 10 years of service as Inspector General for the Social Security Administration. It is really appreciated.

I have heard from numerous constituents in northeast Ohio who have been impacted by fraud or attempted fraud with Social Security, specifically Social Security numbers. Social Security numbers play a vital role in daily life of every American. Attempts to defraud and steal the identities of Americans, especially senior citizens is a concern that I now share with—I know I share with many of my colleagues.

I also had my identity stolen. My Social Security number was stolen. A tax return was filed. So I do have some history with it as well. That is why I am concerned when the government puts the personal information of millions of Americans at risk by sending out so many documents. I have been committed to protecting Americans from identity theft; stopping the use of Social Security numbers when it just isn't necessary. In fact last year, we were able to pass into law the Johnson-Doggett legislation ending the use of Social Security numbers on Medicare cards. So it is definitely my concern when I learn Social Security includes—many of the Social Security letters and filings include—Social Security numbers on so many documents. So I kind of want to, while you are here, ask you some questions about that.

So what is Social Security's plan to stop mailing out Social Security numbers? Is there some plan? Something that is being looked at or potentially that could be done?

Mr. O'CARROLL. Yes. And like you, I applaud the fact that one of our first, or one of my first under my watch, issues was identity

theft and the misuse of the SSN and the publication of the SSN. We pretty much, first through this committee, brought it to the attention of the military, and then we brought it to the attention of HHS and then Medicare. And now internally we have been taking a look at SSA. We audited all the forms that are going out. We identified which forms are using the SSN still, brought them to the attention of SSA, and made the recommendation that it be taken off. And SSA has responded that the number they use is so core in their business process that it is difficult to do.

So what we are asking the agency to do is to come up with timelines in terms of which ones they can take off and to start being able to tell us and the committee when they are going to stop using them on documents. But it is probably going to take a while.

Mr. RENACCI. Thank you. I also know that when tax returns are filed, when a W-3 is filed—we now have it so that people get their W-2 at the end of January. And hopefully next year most companies are going to actually under law, have to file with the Social Security Administration their W-2 information. But I know there is a delay even there, in getting it to the IRS. What are some of the things that Social Security Administration will do to try to move those documents a little quicker if possible to the IRS to match up this information?

Mr. O'CARROLL. I will tell you Congressman, we haven't worked on that one yet. So I really can't make a comment on it. But what I can do is we will take a look at it and get back to you.

Mr. RENACCI. I would appreciate that. These are the issues that I know affect identity theft. And again, I want to thank you for what you have done. I appreciate your work and dedication to our country and your service. I yield back.

Mr. O'CARROLL. Thank you very much.

Mr. DOLD. Thank you, Mr. Renacci. The gentleman from Washington, Dr. McDermott, you are recognized.

Mr. MCDERMOTT. Thank you, Mr. Chairman. Mr. O'Carroll, first I have a question about death reporting. Are all States required to report to you deaths that occur within the State?

Mr. O'CARROLL. Yes, they—by me, meaning SSA, they do report to SSA. However, the way they report is different in terms of some using the electronic death reporting method, which is extremely accurate and quick. The ones still using the paper ones—which I think is now probably about 10 States are still doing paper—those are usually not as accurate. There are a lot of issues with them.

Mr. MCDERMOTT. Issues being that you send out checks to people who have passed away. You are continuing to send checks?

Mr. O'CARROLL. Correct. Our biggest concern of that one is the timely notification of SSA of a death and the accuracy of it. You also don't want to be reported as dead when you are alive.

Mr. MCDERMOTT. You require States to report electronically to you, can you?

Mr. O'CARROLL. No, it is not mandatory. So what has happened is that there is a lot of encouragement for it. HHS is the primary agency and they have been pushing the States to do it. But there are a few States—in many cases it is going to be on the electronic systems in the State and bringing that State up to a standard so

that they can transmit electronically. But we are making the recommendation based on our finding that the accuracy level is so much better when it is electronic than when it is manual. We really encourage it.

Mr. MCDERMOTT. From health research, it is a lot better. And HHS is getting the data directly electronically. They can do a lot more research in terms of what is happening in the country medically.

Mr. O'CARROLL. Absolutely.

Mr. MCDERMOTT. And so I was wondering how many States you are saying. You are saying there are about 10 States that still are not?

Mr. O'CARROLL. Yes.

Mr. MCDERMOTT. I would ask if you would send us a list who they are that are dragging their feet on this, so that we have an idea where these are coming from.

Mr. O'CARROLL. Yeah. An example of that would be New York State that is not doing it electronically yet. New York City, the biggest contributor in the State, is. So it is spotty and we can give you a list of those.

Mr. MCDERMOTT. Okay. Thank you.

The other thing, thing about waste, fraud and abuse—my understanding is that in 2015 your office received about 150,000 complaints and that you opened 8,400 investigations and only 2,200 resulted in indictment, a conviction or information in lieu of indictment and that the civil monetary penalties amounted to 343. Now if I—I take this because they are the figures we got from—

Mr. O'CARROLL. Semiannual.

Mr. MCDERMOTT [continuing]. In your office. Tell me why you only offered—opened 8,400 cases out of 150,000? Is that simply resources, or is it that you looked at them and said, this case isn't worth opening. There is only \$50 here, or there is only \$1,000. Do you have some cut off? Does it have to be \$1 million worth before we open an investigation, or \$50,000, or \$10,000? How do you make that screening to open 8,400 cases?

Mr. O'CARROLL. Boy, I am glad you asked that question. We are probably the largest hotline in government for fraud allegations being made. Yes, we get 150,000 plus allegations a year. Two things: a number of things kind of go into what we call the waterfall. How it comes down from the initial information and it eventually becomes a case. Hopefully an arrest is made.

A couple of things go into it, one is the accuracy of the information that we are getting. Oftentimes we are getting calls on the hotline where a person will call up and say, my next door neighbor is in the backyard doing manual labor and I know they are on disability. We really can't do anything with that, you know, unless we have specific information on who the person is, what their Social Security numbers is, and other type of information. So the first step is validating the information coming in.

Next step on it is that we have to start figuring out whether we have representation in that location where it is. Some States we have one agent for the entire State. That is where we start getting into the resources.

Mr. MCDERMOTT. So your hotline records the name of the next door neighbor.

Mr. O'CARROLL. Uh-huh.

Mr. MCDERMOTT. But then they ask, do you know his Social Security number? They say, no. That one never would be opened.

Mr. O'CARROLL. Agreed. If they don't know that information or—also what is happening oftentimes is, believe it or not, we still say the hotline; we talk about telephone calls being made. But to be truthful, Congressman, the biggest issue now is often times electronic. So we are getting a lot of stuff over the web. And when that is coming in one way information, we don't have the chance to go back to get secondary information from them.

So if that initial response that we get doesn't have enough information in it we can't, we oftentimes can't do anything. But if it is really significant—

Mr. MCDERMOTT. In our offices, we have a legislative correspondent. We send back emails to people. You never send an email back and say, could you give us more information or can you give us information in this category, so we can actually know who it is we are looking at next door?

Mr. O'CARROLL. Well, where we run into difference from you is that when they contact your office they want to be re-contacted. When people contact us, most of the time they want anonymity. That is where our problems are. They don't want us to know who they are, for fear that—yeah, so the neighbor sees the car out in front of the house and figures their neighbor informed on them. So those are all the issues.

I can talk for a long time on this one.

Mr. DOLD. The gentleman from Pennsylvania, Mr. Kelly, you are recognized.

Mr. KELLY. Thank you, Chairman. Mr. O'Carroll, good to see you again and thank you so much for dedicating your life. I am sure there are/were things you could have done that may have been more pleasant, more profitable, but thanks for doing what you have done.

I admit, there is a misconception out there in the general public that we have these cushy jobs. When I get back home, I tell people, yeah, we only work a half day; it is either the first 12 hours or the second 12 hours. So I know everybody in your agency does the same thing.

You know, when we met the other day someone said, the percentage of fraud is 1 percent. Is that a realistic figure?

Mr. O'CARROLL. No.

Mr. KELLY. No, okay. So we agree it is not realistic. And I would just say from being in the private sector, in addition to putting in 6.2 percent of my pay, I also matched everybody that I worked with every day, to have some type of mutual success. So from an employer standpoint, it was signing checks, and it was 12.4 percent.

Just so we understand, Social Security is made up by people who work. 6.2 percent of the associate's paycheck matched by 6.2 percent of the business owner's. That is 12.4 percent out of every paycheck up to \$118,500. So I think on Mr. Gates is probably, Mr. Lar-

son, probably about 7:30 in the morning. So I don't think it would be noon.

But when it comes to fraud and we have talked about this, in the private sector fraud is totally unacceptable because it puts you out of business. Realistically we are nowhere near 1 percent fraud on this, are we?

Mr. O'CARROLL. Well, that is as we talked about last week. What we would like is a baseline in order to be able to see if, you know, different efforts that are being done by us and SSA are being effective. It would be I guess useful to be able to establish a number on it. But I think it is also about going on record that no other benefit program yet has established its fraud rate. So it would be unlike business where businesses have an understanding of what a rate is. I look often times at what the fraud rate is in the insurance industry and wonder whether it would be the same in a benefit program. But I do—our concern is that we know it is more than 1 percent, but don't have a specific number.

Mr. KELLY. But without a baseline we don't know. We know the huge difference between a private entity running a business, and the government running a business. When a private entity is not able to control fraud, it goes out of business. In a government entity, all we do is throw more money at it. Somehow hardworking American taxpayers are going to have to find a way to cough up more money, or we are going to have to find a way to extract more money from them.

But when it comes to fraud, the programs themselves—look at just credit card fraud. You look around the country and this is almost getting back to an old thing. When they caught John Dillinger, they asked him, so why do you rob banks? He said, because that is where the money is. I would think the same thing with these programs. They are so easy to break into. It is so easy to go ahead and do this. While there are some penalties—only if you are caught and run through the process and are actually convicted—we are making it so easy for people to do it. It is really, you can't stop it because it is so easy to do. That is my perception.

I have been in a private, family owned business my whole life. We would not be here, 63 years later, if we were able to not worry about where money was being stolen from; just go collect more. So the model changes very dramatically. I have—Mr. Larson, we are on the same page, from its very inception and conception, Social Security was designed in a particular sense in a particular way. It has morphed into something far different.

And I think when you look at the population of beneficiaries—I know we want to take care of people, especially the most vulnerable and those the most at risk—but I think we have developed into a program that just can't say no. And then wonder why we are not able to do it. A tremendous burden is put on the private sector to continue to fund this program, which is at great risk right now. If we don't get this fixed, the insolvency problem will take care of itself. We will be insolvent. We do have the ability to extract more money from taxpayers. We do have the ability to throw money at problems. I am not sure we have the political will to do what is right.

So again, I don't want to take up all our time. In fact, we are done. I sincerely appreciate what you have done. You and I have had conversations, on about a year from now, where you will be. I wish I was going to be there with you. I am not going to be. Still I want to sit down and talk with you, because I think that the real fixes are here. The question is, do we have the stomach to actually do what is necessary to keep this program into effect?

There are too many people that I represent that absolutely rely on Social Security being solvent for the retirement age. The golden years are not turning into golden years for them. They are turning into more worry. So I appreciate everything you have done.

Mr. Chairman, thank you for holding this [hearing.] Mr. Larson, is the cup half full or half empty?

Mr. LARSON. It better be half full.

Mr. KELLY. You and I are going to work together on this Social Security thing. I appreciate it. Thank you.

Thanks, Mr. Chairman. I yield back.

Mr. DOLD. The gentleman yields back. The gentleman from South Carolina, Mr. Rice, is recognized.

Mr. RICE. Mr. Chairman, the Inspector General was kind enough to come and meet with me in my office about a lot of these issues last week so I am going to yield.

Mr. DOLD. The gentleman yields back. The gentlelady from Tennessee, Mrs. Black, you are recognized.

Mrs. BLACK. I thank the gentleman for yielding.

Thank you so much, Mr. Chairman, for allowing me to sit in, although I am not a member of this subcommittee I have been in the past. I just really appreciate your service as has already been said.

Mr. O'Carroll, I know as has been said by my colleagues from Pennsylvania, there are probably other areas that you could have made a whole lot more money in, perhaps you would even have as much hair as on this picture in our notebook, but we really, really do appreciate you coming before us and helping us to make sure that our taxpayer dollars are used in the best way that we can. I know the constituents in my district really appreciate it when I can tell them that we are overseeing the money they give to the Federal Government.

And so I go to this question in response: a recent GAO report on Social Security Administration stated that IT modernization is a significant priority for the agency. In fact, the President's budget actually requested \$300 million in mandatory funding to modernize the SSA's IT system.

Given that SSA has already spent well over \$300 million on the disability case processing system, and is still not yet operational, how confident are you that the proposed \$300 million will cover the entire modernization project as the budget claims?

Mr. O'CARROLL. Well, Congresswoman, we have great concerns. That is probably one of the reasons why I am here and why we have been coming before the committee on this issue. We have been saying all along that, you know, the modernization of IT of SSA is extremely important. It is extremely expensive and extremely difficult. It is going to require a lot of oversight.

And part of that oversight is taking a look at this one project that we have many concerns about. I have got to say, you know,

monthly meetings with, the oversight committees to, you know, update them on what is going on with it; this is a step in the right direction. The biggest thing, you know, for me and where I am sitting right now is that, as with any administration on it, we are at the end of this administration. You know, no one knows how to predict what is going to be happening in the future, but a lot of the different plans and processes and everything else at SSA could be, you know, set back, with administration changes.

So it is going to be, I guess, incumbent on this committee to keep the IT modernization of SSA in the forefront. And what we will do as the IG is continue to make recommendations of what they need to do and have meetings during any of the transitions that are coming. We will explain what our concerns are and what goals should be for the agency. We do have significant concerns.

Mrs. BLACK. And if you were to give a suggestion to this oversight committee, what one suggestion would you give that you would say to us; this is what we want you to be looking at and holding them accountable?

Mr. O'CARROLL. Well, I have got to applaud the committee in terms of, you know, Chairman Johnson, Ranking Member Becerra. This committee has been very focused on IT. Of course, what we have seen, and I mentioned in my testimony, is the concern that the keys to the castle of all information for American citizens is at SSA. A breach of SSA would be catastrophic in terms of the reputation of this organization.

So for that reason, the modernization of SSA, bringing in all the new forms of IT security is very important. My thought on it is that—which is happening is—I would say monthly meetings with SSA; to look at, one, the projects that they have ongoing, and two, the future. Explain what is needed on it so that this committee can go forward in terms of doing—predicting where SSA's needs are going to be, because IT is the future.

The other one for me that I have woven throughout my testimony and everything else, one of the other big issues is going to be data matching, which again, goes back to IT. Many of the things that, as Congressman Kelly was talking about. If we have data matches out there, we don't necessarily need investigators or need to know numbers of what the fraud number is or anything else. If we can start using the information out there to make sure that the right people are getting the money, making sure that the people are alive when they are getting their checks, that type of information, a lot of that can be done without actual people on the ground. It can be done with data matching. And that is going to be a robust good IT system at SSA.

Mrs. BLACK. Thank you, and I yield back.

Mr. DOLD. The gentlelady yields back.

Mr. O'Carroll, thank you so much for coming before us today. I think you can hear from just the questions that we need the Inspector General to make sure that we are safeguarding Social Security. Frankly, this is a program so many of constituents across the country rely upon, and we need it to be solvent. We need to make sure that this is around and stronger tomorrow than it is today. Your office plays a key role in that.



So as we look at, obviously, IT and cybersecurity and the like, the concern is the hundreds of millions of dollars that we spent. We want to make sure that, yes, we are getting that protection and we want to make sure that those dollars are put to good use.

So I do share my colleague's concern with regard to making sure that we are doing the proper investments, to make sure Social Security is around in the long haul. But you also have, obviously, an obligation on your end to make sure that those dollars are being spent wisely and are looked after.

Medicare; we had Medicare actually before the committee, the oversight committee. They actually put their fraud rate at 12 percent. We think it might be higher than that. That works out to be about \$60 billion annually; a little over \$1 billion a week. So obviously, when people see those types of things, they get concerned because we can be using those dollars elsewhere.

So again, just going back to thank you for the service that you have done, the work that you are doing. We know that you want to prevent waste, fraud, and abuse as well. And I want to again thank you for a long and illustrious career. We certainly thank you for your service to our country. With that, this committee stands adjourned.

[Whereupon, at 11:05 a.m., the subcommittee was adjourned.]

