



Testimony

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SSA DISABILITY BENEFITS

Antifraud Efforts Need a Comprehensive Strategic Approach

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Chairman Johnson, Ranking Member Larson,
and Members of the Subcommittee:

I am pleased to be here today to discuss the Social Security Administration's (SSA) approach to managing fraud risks in its disability programs. SSA provides cash benefits through two main programs to millions of Americans with disabilities who are unable to work: Disability Insurance (DI) and Supplemental Security Income (SSI). Collectively, payments from these programs were about \$200 billion in fiscal year 2015. Although the extent of fraud in these programs is unknown, high-profile cases have highlighted instances in which individuals fraudulently obtained benefits. For example, according to a report from SSA's Office of the Inspector General (OIG), over 70 individuals in New York pled guilty in 2014 to participating in a conspiracy to obtain at least \$14 million in fraudulent SSA disability benefits. DI and SSI are on the Office of Management and Budget's list of programs designated as high risk for improper payments, which include, but are not limited to, payments made as a result of fraud.

Today, we are publicly releasing a report that addresses SSA's actions to manage fraud risk in its disability programs and the extent to which these actions align with leading practices.¹ My statement highlights the key findings and recommendations from that report. Specifically, my statement discusses SSA's actions for managing fraud risks in its disability programs and the extent to which these actions align with leading practices for (1) establishing an organizational culture and structure conducive to fraud risk management, (2) identifying, assessing, and addressing fraud risks in its disability programs, and (3) monitoring and evaluating its fraud risk management activities.

To identify and examine SSA's actions, we reviewed SSA documents including annual antifraud reports, operational guidance, and prior SSA OIG and GAO reports. We also interviewed SSA officials from across the agency's headquarters including those in the Office of Anti-Fraud Programs (OAFP). In addition, we interviewed staff in all three of SSA's fraud examination units.² To assess SSA's actions, we compared them with leading practices identified in our July 2015 *A Framework for*

¹GAO, *SSA Disability Benefits: Comprehensive Strategic Approach Needed to Enhance Antifraud Activities*, [GAO-17-228](#) (Washington, D.C.: April 17, 2017).

²SSA refers to these units as fraud prevention units.

*Managing Fraud Risks in Federal Programs (Fraud Risk Framework).*³ In addition, we assessed SSA's actions against federal internal control standards such as those related to managing fraud risks.⁴ The report being released today includes further details about our methodology. Our work was performed in accordance with generally accepted government auditing standards.

With respect to the first set of leading practices, we found that SSA has taken steps to establish an organizational culture and structure that are conducive to managing fraud risks in its disability programs, but some efforts are relatively recent. The agency has demonstrated a senior-level commitment to combating fraud in its disability programs and has worked to involve all levels of the agency in setting an antifraud tone. For example, in April 2014, SSA reestablished the National Anti-Fraud Committee (NAFC) to provide support for national and regional antifraud activities.⁵ The NAFC is composed of deputy commissioners from across the agency and other SSA executives who meet at least quarterly, which helps to demonstrate a senior-level commitment to combating fraud—one of the Fraud Risk Framework's leading practices.⁶ The NAFC invites regional staff to its regular meetings and to an annual conference to report on the progress of SSA's antifraud initiatives, which helps involve multiple levels of the agency in setting an antifraud tone. SSA also demonstrated a commitment to combating fraud at all levels of the agency when it implemented the first annual mandatory antifraud training in 2014 for all SSA and Disability Determination Services (DDS) staff. According to SSA officials, 97 percent of SSA employees and all DDS employees except for those on extended leave completed the annual antifraud training in 2016.

SSA further demonstrated a commitment to antifraud efforts when it established the OAFP in November 2014. The OAFP is responsible for coordinating antifraud efforts, developing antifraud policies, and creating and implementing fraud mitigation plans across SSA, among other things.

³GAO, *A Framework for Managing Fraud Risks in Federal Programs*, [GAO-15-593SP](#) (Washington, D.C.: July 2015).

⁴GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

⁵The NAFC was formed in 1996 but met on an ad hoc basis from September 2003 to March 2014.

⁶In fiscal year 2016, for example, the NAFC met seven times.

These responsibilities are consistent with leading practices. According to the Fraud Risk Framework, agency managers can show commitment to combating fraud by creating a structure with a dedicated entity to lead fraud risk management activities and coordinate antifraud initiatives across the agency. In addition, leading practices call for the designated antifraud entity to, among other things, serve as the repository of knowledge on fraud risks and controls and lead or assist with trainings and other fraud-awareness activities. Since the OAFP was established, the office has performed several of these activities. For example, the OAFP has taken steps to coordinate antifraud initiatives across SSA by gathering information about progress on the initiatives, and has helped create antifraud training materials for the agency.

Although these and other actions are generally consistent with leading practices in fraud risk management, the OAFP faced challenges during its first 2 years to fully establish itself within the agency. Specifically, the OAFP faced challenges related to a lack of consistent leadership and established institutional relationships. However, recent actions, if sustained, may help to address these challenges:

- *Lack of consistent leadership:* Until recently, the OAFP had not had a permanent leader who provided accountability for the agency's antifraud initiatives. When the OAFP was established, SSA designated the OAFP associate commissioner as the agency's chief fraud prevention officer. According to SSA officials, from the summer of 2015 until September 2016, two Senior Executive Service (SES) candidates served successive 6-month periods as the OAFP's acting associate commissioner. In September 2016, a third SES candidate was appointed as the acting associate commissioner of the OAFP. Upon confirmation as a member of the SES, he became the OAFP's permanent associate commissioner and assumed the role of SSA's chief fraud prevention officer in October 2016, according to SSA officials.
- *Lack of established institutional relationships:* The OAFP is a relatively new, small office that is still building relationships and establishing its role across the agency for which it is charged with overseeing fraud risk management efforts. According to SSA officials, the process of building relationships across the agency will likely require additional time to become more fully implemented. The OAFP is relatively small compared with the size and complexity of SSA's 11 components. In fiscal year 2016, the OAFP had approximately 60 full-time equivalent staff, who were in charge of coordinating antifraud initiatives, among other tasks, across SSA, which employs over 60,000 full-time

equivalent staff, excluding DDS staff. The OAFP is also in the process of overcoming perceptions of mission overlap. For example, according to SSA officials, there were initial concerns about the OAFP's role in identifying potential fraud overlapping with the OIG's role in investigating potential fraud. In August 2015, the Acting Commissioner of SSA approved a memo to components across the agency including the OIG that clarified the function and responsibilities of the OAFP.

With respect to the leading practices for identifying, assessing, and addressing fraud risks—the second area we addressed in our report—we found that SSA has undertaken efforts over the last year to identify fraud risks in its disability programs but has not comprehensively assessed the identified risks. For example, in spring 2016, SSA engaged a contractor to develop a fraud risk assessment methodology that could be refined and updated over time and to conduct a pilot study of fraud risks in SSA's disability programs by applying the risk assessment method. However, this effort was not intended to be a comprehensive fraud risk assessment, according to SSA officials. Leading practices in fraud risk management call for the agency's designated antifraud entity to lead fraud risk assessments and plan to conduct updated assessments on a regular basis. In planning the fraud risk assessment, leading practices call for managers to tailor the fraud risk assessment to the program by, among other things, identifying appropriate tools, methods, and sources for gathering information about fraud risks and involving relevant stakeholders in the assessment process. Fraud risk assessments that align with leading practices involve (1) identifying inherent fraud risks affecting the program, (2) assessing the likelihood and impact of those fraud risks, (3) determining fraud risk tolerance, (4) examining the suitability of existing fraud controls and prioritizing residual fraud risks, and (5) documenting the results.⁷

SSA plans to assess fraud risks, but it is unclear when or how an assessment of its disability programs will occur and whether it will follow leading practices.⁸ SSA's antifraud plans for 2016 to 2018 include an objective to conduct regular fraud risk assessments but do not specify

⁷[GAO-15-593SP](#).

⁸In April 2015, SSA's OIG recommended that SSA conduct a fraud risk assessment. Specifically, the OIG recommended that SSA take a risk-based approach to combating fraud, weighing the qualitative and quantitative impacts of various fraud risks on the organization's reputation, finances, and operations. SSA agreed but, as of January 2017, had not yet addressed the recommendation.

which programs will be included. In addition, it is uncertain when or how SSA will conduct these assessments because the plans do not describe interim steps or specific time frames. Further, it is not clear which agency stakeholders will be involved in the process or what specific tools, methods, and sources SSA will use to gather information about fraud risks. SSA's plans state that it will use information produced by its data-analytics system to assist with its risk assessments but this data-analytics system is in the early stages of development and it may be years before the system produces information on disability fraud schemes and trends that could be incorporated into a fraud risk assessment.⁹ According to a senior OAFP official, the risk-assessment effort is on hold because the OAFP is focusing its staff resources on developing its data-analytics system. However, information on the relative likelihood and impact of fraud risks identified through a fraud risk assessment can help ensure that the data-analytics system is appropriately targeted and that the OAFP's resources are focused on SSA's most significant fraud risks.

Moreover, although SSA has several control activities that seek to prevent, detect, and respond to fraud in its disability programs, it has not developed and documented an antifraud strategy to guide its design and implementation of these activities and help ensure it has sufficient and appropriate controls in place to mitigate its most significant fraud risks, as called for in leading practices. SSA's antifraud activities include, among other things, specialized units that investigate potential disability fraud and antifraud communications to the public. In addition, after large-scale fraud schemes in SSA's New York region highlighted the possibility that third parties could facilitate fraud against SSA, the agency established fraud examination units in 2014 to help detect these types of fraud schemes in the future. SSA has other program integrity activities that can help detect potential fraud in its disability programs, although these activities were not designed for this specific purpose. For example, SSA performs analytics to prevent and detect suspicious online transactions, such as unusual direct deposit requests.¹⁰ According to SSA officials, in fiscal year 2016, SSA reviewed over 29,000 suspicious online transactions and referred 1,460 of those transactions to the OIG. Some of

⁹As noted in our Fraud Risk Framework, managers can use data on fraud schemes and trends from monitoring and detection activities—such as data-analytics systems—to help identify fraud risks. Managers may also conduct interviews, hold brainstorming sessions, or use surveys to gather information on fraud risks. [GAO-15-593SP](#).

¹⁰Individuals receiving certain SSA benefits—including retirement and DI—can use SSA's online services to start or change direct deposit of their benefits, among other things.

these transactions may involve disability benefits. SSA has reported on the status of its antifraud initiatives and has a plan that includes high-level goals and objectives for managing fraud risks. However, it is unclear if SSA's antifraud initiatives are targeting the most significant fraud risks in SSA's disability programs because SSA has not developed or documented an antifraud strategy that aligns antifraud activities to its most significant fraud risks.

With respect to the leading practices for monitoring and evaluating activities—the third area we addressed in our report—we found that SSA monitors its antifraud activities for its disability and other programs through the OAFP and NAFC, but the metrics SSA uses do not enable effective monitoring and evaluation. According to SSA documents, the OAFP is responsible for monitoring SSA's antifraud activities and establishing performance and outcome-oriented goals for them. The OAFP receives updates from the components that are responsible for each antifraud initiative and has shared these updates with the NAFC through periodic meetings and with Congress through reports about SSA's antifraud initiatives. However, we found that SSA does not track most of its antifraud initiatives via outcome-oriented metrics to help the agency regularly measure progress in achieving targets. Of the 17 ongoing initiatives listed in SSA's 2015 antifraud initiatives report, we found that 10 had metrics that were not outcome-oriented, and 4 did not have any metrics. For example, the percentage of staff trained in fraud detection and prevention methods (an output) is listed as a metric of the antifraud training initiative, but SSA does not evaluate the outcomes associated with those trainings such as the change in particular behaviors following the trainings (e.g., the number of referrals to the OIG about schemes covered during the trainings). In addition, the 2015 report lists the fraud examination units and fraud case reviews as initiatives but does not include metrics for either. Further, the majority of antifraud initiatives do not provide targets against which to measure performance and track progress relative to a baseline.

SSA recognizes the importance of monitoring, but it is unclear how it plans to evaluate its antifraud activities and adapt them if necessary. We have previously reported that agencies may face challenges measuring outcomes of fraud risk management activities in a reliable way. These challenges include the difficulty of measuring the extent of deterred fraud, isolating potential fraud from legitimate activity or other forms of improper

payments, and determining the amount of undetected fraud.¹¹ However, as described in the Fraud Risk Framework, managers can gather additional information on the short-term or intermediate outcomes of some antifraud initiatives, which may be more readily measured than ultimate benefits. For example, although SSA does not have a metric to monitor the fraud examination units or to evaluate their effect on fraud, it is possible for SSA to identify more immediate outcomes such as the number of potential fraud patterns that the units uncover while reviewing disability claims that may involve third-party fraud.¹² Although SSA's antifraud strategic plan for 2016 to 2018 highlights the importance of monitoring to help strengthen fraud risk management activities, it does not include specific steps for monitoring its antifraud initiatives. Identifying performance metrics, including baselines and targets as appropriate, and requiring additional information from the responsible components on progress made would help the OAFP and NAFC better monitor whether SSA is achieving its antifraud goals. Without this information, the OAFP and NAFC may not be able to determine whether SSA's antifraud activities are operating effectively or determine whether changes are necessary.

In conclusion, although many of SSA's actions are consistent with leading practices and demonstrate a commitment to managing fraud risks, gaps exist in the agency's fraud risk assessment, corresponding strategy design, and monitoring of antifraud activities. Despite some foundational efforts such as piloting a method for conducting future assessments, until it conducts a thorough, systematic assessment of its fraud risks, SSA will lack robust information on the risks that may most affect the integrity of its disability programs. As a result, SSA may be using its resources to combat fraud schemes that are unlikely to materialize or that have a relatively minimal effect on SSA's finances or reputation. Although SSA plans to assess fraud risks, it is unclear when an assessment of its disability programs will occur and whether it will reflect leading practices. Absent a comprehensive fraud risk assessment that aligns with leading practices and is regularly updated, SSA will not be equipped to address the fraud schemes that are considered to be the most significant before they occur. Similarly, without developing, documenting, and implementing

¹¹ [GAO-15-593SP](#).

¹² In addition to reviewing disability claims to help uncover potential fraud schemes, the fraud examination units reevaluate disability claim decisions that could have been tainted by known fraud schemes.

a comprehensive antifraud strategy that builds on a comprehensive risk assessment, as called for by leading practices, SSA cannot ensure that its antifraud control activities are targeted to its fraud risks, and therefore may be using its resources for program integrity efforts inefficiently. Further, without establishing outcome-oriented metrics and then regularly reviewing progress toward meeting these goals, the OAFP will not be able to determine whether the agency's antifraud control activities are working as intended.

In the report that we publicly released today, we make several recommendations to address gaps in SSA's management of fraud risks. Specifically, we recommend that the Acting Commissioner of SSA direct the OAFP to take the following four actions for its disability programs:

- lead a comprehensive fraud risk assessment that is consistent with leading practices, and develop a plan for regularly updating the assessment;
- develop, document, and implement an antifraud strategy that is aligned to its assessed fraud risks;
- work with components responsible for implementing antifraud initiatives to develop outcome-oriented metrics, including baselines and goals, where appropriate for antifraud activities; and
- review progress toward meeting goals on a regular basis, and recommend that the NAFC make changes to control activities or take other corrective actions on any initiatives that are not meeting goals.

In reviewing a draft of the report, SSA agreed with our recommendations and emphasized its commitment to preventing and detecting fraud.

Chairman Johnson, Ranking Member Larson, and Members of the Subcommittee, this concludes my prepared remarks. I would be happy to answer any questions that you may have at this time.

GAO Contact and Staff Acknowledgments

For further information regarding this testimony, please contact Seto J. Bagdoyan, (202) 512-6722 or bagdoyans@gao.gov. In addition, contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this testimony are Cindy Brown Barnes (Director), Tonita Gillich (Assistant Director), Holly Dye, Erin Godtland, Joel Green, and Erin McLaughlin.

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