

Testimony of

The Honorable James Huse

Inspector General
Social Security Administration
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Good morning Chairman Graham, Senator Biden, and members of the Committee. Thank you for the opportunity to discuss with you today some of the scams perpetrated against the nation's seniors, and some of the actions my office has undertaken to detect them or prevent them from occurring in the first place.

For over sixty years, the words "Social Security" have held special meaning for elderly Americans. So when mail arrives at their doorsteps with the official Social Security seal, or references to "Social Security," many seniors respond reflexively. Today I will describe some of the investigations we have conducted into organizations and individuals that misuse Social Security Administration's (SSA) name and exploit this special bond between SSA and its beneficiaries.

These cases represent one of our highest investigative priorities, and I would like to describe three significant cases that have received our attention over the past year. These cases are brought under authority of Section 1140 of the Social Security Act, which provides the Commissioner with authority to impose significant civil monetary penalties. The Commissioner delegated that authority to my predecessor in 1995.

First, an individual in Texas was producing mass mailers containing what are referred to as "lead cards" for the insurance industry. These cards, enclosed in mailers that advertise such products as private burial insurance, urge seniors to fill out the card with their personal information and return the card to the sender. We all receive junk mail, and don't hesitate to throw it in the trash. But when the recipient is a senior--and this individual targeted seniors--and when the outside of the mailer contains the words "Social Security Benefits Update," as these did, most seniors will open the mailer. These mailers are designed to elicit a belief that the recipient, by filling out the card with sensitive personal data, will receive important information about Social Security benefits. Instead, their information is sold as an insurance lead to a private company, for purposes of soliciting the sale of private insurance.

Working with the United States Attorney for the Northern District of Texas, our attorneys issued a civil monetary penalty and obtained an injunction against this individual. A search of his business premises revealed that he was sending out tens of thousands of these mailers each week. The court order we obtained froze his financial accounts, allowed for the interception and opening of his mail, and essentially shut down his business. Shortly thereafter, a settlement was reached in which a penalty was paid to the Social Security trust funds and the individual's business was closed permanently.

In San Antonio, another individual was running a company that sent similar lead cards to seniors. The San Antonio mailers depicted the company's logo--a stylized image of the U.S. Capitol--and were otherwise designed to resemble official government documents. On the back of many of the mailers were listed the titles of a number of official Social Security informational brochures that the company offered free of charge. While the company alleged that this was a public service, it was in fact a ruse intended to mislead seniors into thinking that they were giving their personal information to the SSA, not to a private lead card company.

A civil monetary penalty was imposed, and has since been upheld by the Departmental Appeals Board of the Department of Health and Human Services and by the Commissioner of Social Security.

Most recently, our imposition of a penalty in excess of half a million dollars against a national political action organization was upheld by an Administrative Law Judge. The organization's political mailers were contained in envelopes bordered in red and white stripes, with the words "Social Security Alert" repeated 36 times, and the words "Urgent--Social Security Information Enclosed" in prominent bold typeface. The organization took the position that they did not intend to mislead seniors into believing that the mailers originated with the SSA, and further alleged that the mailers would not have a misleading effect.

The Administrative Law Judge disagreed, upholding the imposition of the half-million dollar penalty.

These cases are only our most recent and most noteworthy. Our efforts in this area extend back to 1995, and the reduction in complaints from seniors is a testament to our success in this area. In our criminal investigative work, we consistently find examples of senior citizens being victimized by unscrupulous identity fraudsters and the like. We will continue to do everything in our power to protect seniors from being victims of these types of scams and those who would misuse their identity and Social Security benefits.

Thank you, and I would be happy to answer any questions.