

**U.S. Senate**  
**Committee on Governmental Affairs**  
**Permanent Subcommittee on Investigations**

**Statement for the Record**

**Phony IDs and Credentials via the Internet: An Emerging Problem**

**The Honorable James G. Huse, Jr.**  
**Inspector General, Social Security Administration**

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Madam Chair and members of the Subcommittee, I appreciate the opportunity to present this statement for the record for the Hearing on the Sale of False Identification Documents over the Internet. As you know, the Social Security Administration (SSA) Office of the Inspector General (OIG) is charged with preventing and detecting fraud, waste, and abuse in SSA programs and operations. An important part of that effort is protecting the integrity of the Social Security number (SSN) and the Social Security card, both of which are at the forefront of identity fraud issues and the crimes which follow the creation of a false identity. It is because of the importance of the SSN and of the Social Security card as an identification document that this office plays a central role in the enforcement of the Identity Theft and Assumption Deterrence Act of 1998 (Identity Theft Act). It is also why I felt compelled to submit this statement to the Subcommittee.

The sale of false identification documents over the Internet, particularly fraudulent Social Security cards, has quickly become a significant problem. Anyone with a computer and a credit card can obtain, almost instantly, a seemingly genuine Social Security card printed with the name and number of their choosing. This, and the purchase of similar fraudulent documents, is the first step toward establishing a new, fictitious identity, or toward assuming the identity of an existing person.

The establishment of such a false identity frequently leads to other crimes, such as credit card fraud, with a staggering impact on the economy, corporations, and private individuals.

My office is committed to using available resources to combat this problem. Despite the recency of companies profiting from the dissemination of false identification documents, my office has already taken significant steps to address this issue as part of our larger effort to combat identity fraud.

Shortly after the enactment of the Identity Theft Act, we established pilot projects in five cities with the express goal of joining with other Federal, State and local law enforcement agencies to maximize available resources to combat identity fraud. This effort has already proven to be highly successful and we are in the process of expanding to additional cities, as resources become available.

In two of the cities that have Identity Theft pilot projects, we launched an additional initiative specifically aimed at investigating the sale of Social Security cards over the Internet. Using undercover purchases of Social Security cards, Operation Dot Com, is already in the process of

determining which vendors of false identification documents are in fact producing such documents, and which are merely taking money and providing no product at all. Under either scenario, our cooperative efforts with Federal, State and local authorities allows for an expanded jurisdictional approach. This permits us to take action beyond SSA program fraud, and we are already doing so in several cases. Providing details of these cases in this public forum could jeopardize our investigative effort, but we have reason to be very optimistic that we will be able to shut down several important Internet distributors of false identification documents. It is only because we already had identity theft pilot projects in place that we were able to respond so quickly to this new Internet phenomenon.

Unfortunately, the efforts of two pilot projects represent only a drop in the bucket. While we hope to expand our efforts, and further stretch our resources by involving local authorities in our work, our primary commitment must continue to be on fraud that impacts directly on the Social Security Trust Fund. There is no question that the proliferation of fraudulent Social Security cards, like all forms of identity theft, has an impact on those programs and operations, however, it is an indirect impact. It is only when the fraudulent cards are used that they create errors in wage reporting and benefit payments and otherwise wreak havoc with the administration of Social Security programs. We cannot focus on the preliminary act of selling fraudulent cards to the exclusion of those cases that are draining money from the Trust Fund, nor can we ignore our other functions and our commitments to the Agency and to the American people. However, even with the limitations imposed upon us, we will continue to do everything in our power, and make the most of the cooperation of our Federal, State and local law enforcement colleagues, to confront the problem that this Subcommittee is addressing today.

To that end, I would ask that the Subcommittee consider legislative action that would aid in eliminating this illegal activity utilizing e-commerce.

Criminal laws currently on the books did not foresee, and do not adequately address, the sale of false identification documents over the Internet. For example, it is a felony under the Social Security Act to buy or sell a card that "purports to be" a Social Security card issued by the Commissioner. As you know, however, the cards sold over the Internet often carry easily removable stickers identifying them as "novelties." The difficulty in establishing fraudulent intent on the part of buyers or sellers makes prosecution of these cases problematic. Other statutes, such as sections 506 and 1028 of Title 18, which might punish those who sell or buy such cards, also carry intent requirements that make prosecutors understandably hesitant to accept these cases for prosecution. Amendment of a statute such as section 208(a)(7) of the Social Security Act, permitting fraudulent intent to be assumed from the sale or purchase of a fraudulent document, would permit at least the possibility of criminal sanctions.

Even then, overburdened United States Attorneys' Offices may not be able to prosecute such cases, which represent no immediate monetary loss to the government. I would, therefore, propose one additional remedy to this Subcommittee. Section 1140 of the Social Security Act permits my office to impose civil monetary penalties against organizations that use SSA's programs, words or symbols in advertisements in a manner that implies a connection with SSA. In recent months, we have successfully used this statute to impose penalties against, and shut down, two major nationwide direct mail solicitation companies which had been defrauding consumers through the use of SSA's good name in much the same way that the companies under

review by the Subcommittee garner a profit through the unauthorized duplication of Social Security cards.

Section 1140 does not currently address Social Security card misuse, but offers a vehicle by which it could be addressed. By moving out of the criminal arena, and thus removing the intent element, both monetary penalties and injunctive relief could be made available. This would give us a solid means of attacking these fraud-generating companies.

Given present laws and resources, my office is doing everything possible, to eliminate the sale of fraudulent Social Security cards over the Internet, and we are pleased that the Subcommittee is aware of the gravity and scope of the problem. We would welcome the opportunity to work with the Subcommittee to close the legal loopholes that permit this conduct to continue, and to find ways to maximize those resources available to end the proliferation of fraudulent Social Security cards over the Internet.