



# Office of the Inspector General

## SOCIAL SECURITY ADMINISTRATION

### MEMORANDUM

**Date:** June 3, 2021

**To:** Andrew Saul  
Commissioner

**From:** Gail S. Ennis  
Inspector General

**Subject:** Follow-up on Transferring Supplemental Security Income Overpayments from Prior Records to the Current Record for Recovery (A-01-17-50226)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration (1) transferred overpayments from terminated Supplemental Security Income records to current records for recovery and (2) took corrective action to recover the Supplemental Security Income overpayments we identified in our 2009 audit.

If you wish to discuss the final report, please call me or have your staff contact Michelle L. Anderson, Assistant Inspector General for Audit, at 410-965-9700.

Gail S. Ennis

cc: Trae Sommer

Attachment

## ***Follow-up on Transferring Supplemental Security Income Overpayments from Prior Records to the Current Record for Recovery (A-01-17-50226)***

Failure to close out an overpayment on a terminated Supplemental Security Income (SSI) record and transfer it to the current record results in a lost opportunity to recover the funds because adjustment of ongoing payments is the most effective method of overpayment recovery. The Social Security Administration (SSA) developed an automatic reconciliation process to transfer overpayments, but field office staff is responsible for manually transferring the overpayment in certain situations. In a similar 2009 audit,<sup>1</sup> we estimated that SSA should have transferred approximately \$9.4 million in overpayments to 3,075 SSI recipients' current SSI records (from a population of 3,705 recipients). We conducted this audit to determine whether SSA (1) transferred overpayments from terminated SSI records to current records for recovery and (2) took corrective action to recover the SSI overpayments we identified in our 2009 audit.

To accomplish our objective, we reviewed applicable criteria and identified 4,482 SSI recipients in current pay status, as of April 2020, with overpayments on terminated SSI records that SSA had not transferred to current records. Of these 4,482, we randomly selected 200 cases for detailed analysis. From our 2009 audit population of 3,705 SSI recipients, we identified 1,574 in current pay status as of November 2019. Of the 1,574, we randomly selected 200 cases to determine whether SSA transferred the SSI overpayments on prior terminated SSI records to current records.

We found that SSA did not ensure staff (a) transferred outstanding overpayments from terminated SSI records to current records for recovery and (b) took corrective action to recover the SSI overpayments for some of the cases we identified in our 2009 audit. We estimate SSA should have transferred approximately \$14.8 million in SSI overpayments to 2,936 recipients' current records for recovery. Had SSA transferred the \$14.8 million, it could have recovered approximately \$8.1 million as of November 2020.<sup>2</sup> In addition, SSA did not transfer approximately \$3.5 million in SSI overpayments we identified for 905 recipients in our 2009 audit for recovery.<sup>3</sup> See Appendix 1 for Background and Appendix 2 for Methodology and Sample Results.

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<sup>1</sup> SSA, OIG, *Follow-Up: Controls over Recording Supplemental Security Income Overpayments, A-01-09-19126* (August 2009). We also completed a similar audit in 2001. See SSA, OIG, *Controls over Recording Supplemental Security Income Overpayments, A-01-00-10005* (May 2001).

<sup>2</sup> We assumed a 10-percent recovery rate from the recipients' monthly SSI payments. Section 1631(b)(1)(B) of the *Social Security Act* limits the rate of recovery to the lesser of 10 percent of the recipient's total monthly income (countable income plus SSI and State supplementary payment) or the recipient's entire monthly benefit. 42 U.S.C. 1383(b)(1)(B) govinfo.gov (2018).

<sup>3</sup> According to *Standards for Internal Control in the Federal Government*, "Management completes and documents corrective actions to remediate internal control deficiencies on a timely basis. These corrective actions include resolution of audit findings." Government Accountability Office, *Standards for Internal Control in the Federal Government, GAO-14-704G*, p. 68 (September 2014).

For example, SSA terminated a recipient's SSI record in August 2017. At that time, the recipient had a \$1,645 overpayment for January 2012 through February 2013. On the terminated SSI record, SSA annotated the outstanding overpayment as transferred. In August 2017, SSA created a new record, but the Agency never transferred the overpayment to the new record for recovery. We referred this case to SSA in July 2020. In September 2020, SSA confirmed the SSI overpayment did not transfer because of an automatic reconciliation exclusion and because staff failed to follow the procedures for transferring the overpayment manually. Had staff transferred the overpayment to the current record, SSA could have recovered \$1,645 from the recipient's September 2017 to November 2020 SSI payments.

During automatic reconciliation of overpayments, most overpayments transfer to current records. However, the system has a number of exclusions that prevent automatic reconciliation, and SSA staff needs to take manual actions, which do not always occur.

SSA does not plan to update its SSI systems to address the exclusions that prevent automatic reconciliation of overpayments. The reason, according to SSA, is that they are highly complex to automate, they involve a small universe of cases, and therefore the effort would not be cost-beneficial. SSA stated, "After the . . . [August 2009] audit, we funded a project to address the exclusions in 2010. As a part of that process, we built the weekly reconciliation process, which selects specific records for transfer. During that effort, we examined each exclusion and determined it existed for a sound reason."

Because the estimated \$14.8 million we identified is a small fraction (0.33 percent) of the \$4 billion in outstanding SSI overpayments, we concur with SSA's assessment that the exclusions to the automated reconciliation process are valid, and we do not recommend any further improvements to SSA's automated process. However, we do recommend SSA:

1. Review the remaining cases we identified for our current population and 2009 audit population that have outstanding overpayments on prior terminated SSI records and take corrective action to transfer the overpayments to current records for recovery.
2. Issue a reminder to staff to follow its policy to manually process SSI overpayments that are not automatically transferred to the current record.

SSA agreed with the recommendations; see Agency Comments in Appendix 3.

## BACKGROUND

The Social Security Administration (SSA) creates a Supplemental Security Income (SSI) record for each recipient, but, if the recipient becomes ineligible for SSI, SSA suspends payments. After 12 consecutive months in non-payment status, the SSI record can terminate. If the individual becomes eligible for payments again, SSA creates a new SSI record.

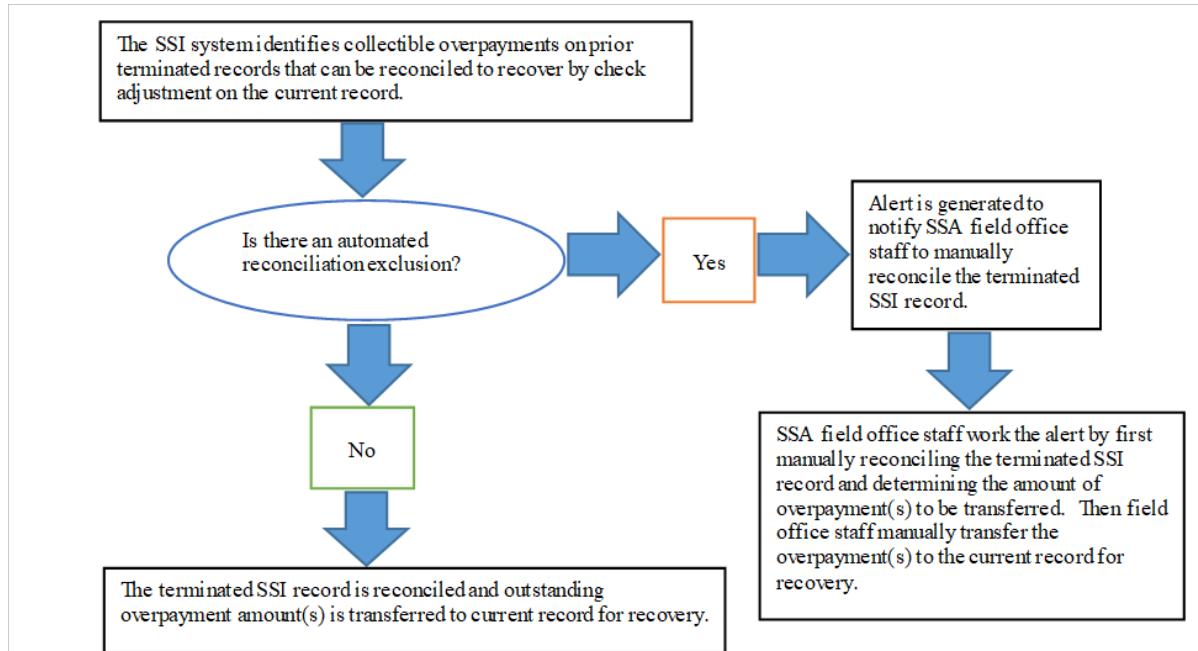
In July 1999, SSA started transferring overpayments through an automated reconciliation process, but the field office staff is still responsible for identifying whether the automated reconciliation process or manual processing should be used.<sup>1</sup> For manual processing, SSA staff must determine the correct overpayment amount to be transferred, balance and close out the overpayment on the terminated record, and transfer the overpayment information to the current record for recovery.

During the automated reconciliation process, SSA's Modernized SSI Claims System determines the amount of outstanding overpayment(s) on the terminated SSI record and posts an entry on the terminated record indicating the overpayment(s) was reconciled and transferred. On the current SSI record, the Modernized SSI Claims System creates an entry related to the outstanding overpayment(s) from the prior record to set up recovery. There are certain exclusions to the automated reconciliation process. For example, SSA's automated reconciliation process will not transfer the overpayment if there is also an underpayment on the prior terminated SSI record. When automated reconciliation is not available to reconcile an overpayment on a terminated record, the Modernized SSI Claims System will generate an alert for SSA staff to resolve it manually. See Figure 1.

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<sup>1</sup> SSA, POMS, SI 02220.011, B (December 3, 2012).

**Figure 1: SSA Process for Transferring Overpayments to Current Records for Recovery**



## METHODOLOGY AND SAMPLE RESULTS

### Methodology

To accomplish our objective, we:

- Reviewed applicable sections of the *Social Security Act* and Social Security Administration's (SSA) regulations, rules, policies, and procedures.
- Reviewed prior Office of the Inspector General reports related to Supplemental Security Income (SSI) overpayments.
- Identified a population of 4,482 individuals who (1) were receiving SSI payments as of April 2020 with SSI overpayments on terminated SSI records that appeared to not have been transferred to current records for recovery, (2) had an SSI overpayment decision date of January 1, 2010 or later, and (3) had a total outstanding overpayment amount of \$500 or greater.
- Randomly selected and reviewed a sample of 200 cases from our population of 4,482 recipients to determine whether SSA transferred the outstanding overpayments on terminated SSI records to current records.
- Identified 1,574 recipients from our 2009 audit population of 3,705 recipients who were in current pay status as of November 2019.<sup>1</sup>
- Randomly selected and reviewed a sample of 200 cases from our population of 1,574 recipients to determine whether SSA took corrective action (that is, transferred overpayments on terminated SSI records to current records for recovery) after our 2009 audit.
- Referred cases from both samples to SSA for review.
- Analyzed information from SSA based on its review of sample cases where it appeared the Agency did not transfer the overpayment from the prior record to the current record.
- Analyzed information SSA provided in response to our questions related to its processing of SSI overpayment cases.
- Estimated, for both samples, the number of recipients who did not have outstanding SSI overpayments transferred to current records and estimated the amount of overpayments not transferred.

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<sup>1</sup> We removed from this audit population the 200 sample cases from our 2009 audit, along with any recipients not in current pay status for SSI payments as of November 2019. For our 2009 audit population, we identified 3,705 individuals who (1) were receiving benefits as of January 2008 with overpayments on terminated SSI records not transferred to current records, (2) had an overpayment decision date of January 1, 2001 or later, and (3) had a total outstanding overpayment amount of \$500 or greater. SSA, OIG, *Follow-up: Controls Over Recording Supplemental Security Income Overpayments*, A-01-09-19126, p. B-1 (August 2009).

- Estimated, for our current sample, the amount SSA could have recovered—assuming a 10-percent recovery rate from monthly SSI payments—had it transferred the SSI overpayments on prior terminated records to current records for recovery.

We assessed the significance of internal controls necessary to satisfy the audit objective. This included an assessment of the five internal control components, including control environment, risk assessment, control activities, information and communication, and monitoring. In addition, we reviewed the principles of internal controls associated with the audit objective. We identified the following component and two principles as significant to the audit objective.

- Component 5: Monitoring
  - Principle 16: Perform monitoring activities
  - Principle 17: Remediate deficiencies

The entities audited were SSA field offices under the Office of the Deputy Commissioner for Operations and the Office of Benefit Information Systems under the Office of the Deputy Commissioner/Chief Information Officer for Systems. We tested the data obtained for our audit and determined them sufficiently reliable to meet our objective.

We conducted our review between June 2020 and January 2021 in Boston, Massachusetts. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Sample Results

- Population: 4,482
- Sample Size: 200

**Table 1: SSI Overpayments Not Transferred to Current Records for Recovery**

Description	Number of SSI Recipients	Total of SSI Overpayments
Sample Results	131	\$662,441
Point Estimate	2,936	\$14,845,298
Projection Lower Limit	2,676	\$11,717,591
Projection Upper Limit	3,180	\$17,973,005

Note: All projections were calculated at the 90-percent confidence level.

**Table 2: SSI Overpayments SSA Could Have Recovered**

Description	Recovered Overpayments
Sample Results	\$360,857
Point Estimate	\$8,086,806
Projection Lower Limit	\$6,952,017
Projection Upper Limit	\$9,221,595

Note: All projections were calculated at the 90-percent confidence level.

Table 3 compares our current audit to our 2009 audit. The average overpayment not transferred to the current record for recovery was higher in the current audit than in the prior audit (\$5,057 versus \$3,056). However, the average SSI payment increased from \$498.75 in 2009 to \$565.69 in 2019.<sup>2</sup>

**Table 3: Current Audit Compared to 2009 Audit**

Description	Current Audit	2009 Audit
Population	4,482	3,705
Projected Number of Recipients with Overpayments Not Transferred to Current Records for Recovery	2,936	3,075
Projected Overpayments Not Transferred to Current Records for Recovery	\$14.8 million	\$9.4 million
Average Overpayment Not Transferred to Current Record for Recovery	\$5,057	\$3,056
Median Overpayment Not Transferred to Current Record for Recovery	\$2,361	\$2,083
Highest Amount of Overpayment Not Transferred to Current Record for Recovery	\$42,492	\$15,250
Lowest Amount of Overpayment Not Transferred to Current Record for Recovery	\$516	\$29

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<sup>2</sup> SSA, *Annual Statistical Supplement to the Social Security Bulletin*, 2020, Table 7.A5 (February 2021).

Of the 200 sample cases we reviewed, we determined 131 recipients had outstanding overpayments on prior terminated records not transferred to current records for recovery. For the 131 recipients, one recipient's overpayment was coded as automated reconciliation, and the remaining 130 recipients' overpayments were coded as manual reconciliation. See Table 4.

**Table 4: Type of Reconciliation Used for Overpayment on Terminated Record<sup>3</sup>**

OIG Case Conclusion	Automated	Manual	Total
Overpayment Not Transferred to Current Record	1 (2%)	130 (84%)	<b>131 (66%)</b>
Overpayment Transferred to Current Record	7 (15%)	18 (12%)	<b>25 (12%)</b>
Overpayment Determined to be Not Valid	38 (83%)	6 (4%)	<b>44 (22%)</b>
<b>Total</b>	<b>46 (100%)</b>	<b>154 (100%)</b>	<b>200 (100%)</b>

For the one overpayment coded as automated reconciliation but not transferred to the current record, a systems error occurred during the automated reconciliation process. The case did not meet the exclusion criteria. SSA informed us this is a very rare situation, and the Agency is not aware of any efforts to address this issue.

For the remaining cases, the field office technicians did not complete the manual process of moving the overpayments to the current records. According to SSA, “Absent documentation from the technician, we cannot state for certain if the technician attempted to process the manual transaction . . . or speculate as to why someone did or did not do something.” The cases occurred throughout the United States and were not specific to a particular region or field office.

- Population of 2009 Audit: 1,574
- Sample Size: 200

**Table 5: SSI Overpayments Not Transferred to Current Records**

Description	Number of SSI Recipients	Total of SSI Overpayments
Sample Results	115	\$448,150
Point Estimate	905	\$3,526,941
Projection Lower Limit	816	\$2,928,546
Projection Upper Limit	991	\$4,125,335

Note: All projections were calculated at the 90-percent confidence level.

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<sup>3</sup> We calculated the percentages based on the total for each column.

## AGENCY COMMENTS



## SOCIAL SECURITY

Office of the Commissioner

### MEMORANDUM

Date: May 19, 2021

Refer To: TQA-1

To: Gail S. Ennis  
Inspector General

A handwritten signature in blue ink that reads "Scott Frey".

From: Scott Frey  
Chief of Staff

Subject: Office of the Inspector General Draft Report "Follow-up on Transferring Supplemental Security Income Overpayments from Prior Records to the Current Record for Recovery"  
(A-01-17-50226) – INFORMATION

Thank you for the opportunity to review the draft report. We agree with the recommendations.

Please let me know if we can be of further assistance. You may direct staff inquiries to Trae Sommer at (410) 965-9102.