
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SUPPLEMENTAL SECURITY INCOME
RECIPIENTS WITH AUTOMATED TELLER
MACHINE WITHDRAWALS INDICATING THEY
ARE OUTSIDE OF THE UNITED STATES**

April 2008 A-01-07-17036

AUDIT REPORT



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SOCIAL SECURITY

MEMORANDUM

Date: April 23, 2008

Refer To:

To: The Commissioner

From: Inspector General

Subject: Supplemental Security Income Recipients with Automated Teller Machine Withdrawals Indicating They Are Outside the United States (A-01-07-17036)

OBJECTIVE

Our objective was to determine whether automated teller machine (ATM) withdrawal data can be used to identify Supplemental Security Income (SSI) recipients who may not be eligible for payments because they are outside the United States for more than 30 days.

BACKGROUND

SSI is a nation-wide Federal cash assistance program administered by the Social Security Administration (SSA) that provides a minimum level of income to financially needy individuals who are aged, blind or disabled.¹ Generally, an individual is ineligible for SSI payments for any month throughout which he or she is absent from the United States. Additionally, an individual who re-enters the United States after such absence may not be eligible for SSI payments again until he or she has been continuously present in the United States for at least 30 consecutive days.²

SSI recipients are required to report events and changes of circumstances that may affect their eligibility and payment amounts—including departures from the United States.³ SSA has taken proactive steps to detect unreported residency violations, including

- matching SSI recipient data with the Department of Homeland Security's records of individuals who voluntarily leave or are deported;

¹ *The Social Security Act* § 1601 *et seq.*, 42 U.S.C. § 1381 *et seq.*

² *The Social Security Act* § 1611(f)(1), 42 U.S.C. § 1382(f)(1); 20 C.F.R. § 416.215.

³ 20 C.F.R. § 416.701; 20 CFR § 416.708(m) & (n).

- entering into agreements with a number of States regarding the possible use of State Medicaid Investigators to conduct home visits for SSI recipients;⁴
- conducting redeterminations periodically—generally every 1 to 6 years—to determine whether recipients are still eligible to receive SSI payments; and
- completing an assessment review in which they examined images of SSI checks, looking for any that were endorsed by a financial institution outside the United States.

In July 2003, the Government Accountability Office (GAO) issued a report *SSI: SSA Could Enhance Its Ability to Detect Residency Violations* (GAO-03-724). This report noted that overpayments resulting from residency violations totaled about \$118 million between 1997 and 2001. The \$118 million, however, only represented violations detected by SSA. Further, the report noted that recipients born outside the United States accounted for at least 87 percent of these overpayments. Therefore, GAO recommended that SSA study the feasibility of expanding the type of information the Agency obtains from financial institutions, such as ATM withdrawal records, to help identify SSI recipients who may be accessing their SSI payments outside the United States for extended periods of time.

To accomplish our objective, we obtained a file of all foreign-born, U.S. citizens receiving SSI payments via direct deposit as of May 2006. We selected a random sample of 250 recipients from 1 bank for detailed analysis. For purposes of this audit, we considered the characteristics and findings observed for the selected bank to be representative of any bank providing services to SSI recipients. For each sampled case, we subpoenaed bank statements for a 24-month period. For those with foreign activity spanning more than 30 days, we then requested that SSA's Office of Operations contact the recipients to determine whether they were absent from the United States.⁵ (For additional scope and methodology information, see Appendix B of this report.)

RESULTS OF REVIEW

Of the 250 SSI recipients in our sample, we found that 10 were overpaid \$55,767 because they did not report their absence from the United States.⁶ Based on our sample results, we estimate that overpayments totaling approximately \$226.2 million went undetected because about 40,560 recipients did not inform SSA of their absence from the United States. Additionally, based on our sample results, we

⁴ These States include Arkansas, California, Iowa, Louisiana, Maine, New Hampshire, New Mexico, Oklahoma, South Dakota, Texas, and Wyoming. SSA, *2007 SSI Annual Report*, page 6.

⁵ Under SSA's due process procedures, it had to contact/attempt to contact the recipient before assessing an overpayment and/or stopping payments. 20 C.F.R. § 416.558.

⁶ We found these 10 individuals were ineligible for SSI payments for an average of 17 months because they were absent from the United States. We also found cases with potential income and/or resource violations, which were forwarded to SSA's Office of Operations for further development under a separate audit, *SSI Recipients with Excess Income and/or Resources* (A-01-08-18022).

estimate SSA will continue to not detect approximately \$100.5 million each year to recipients who are absent from the United States if action is not taken by the Agency.⁷

SSI RECIPIENTS WHO WERE ABSENT FROM THE UNITED STATES – WITH OVERPAYMENTS

We found 10 recipients were overpaid because their absence from the United States went undetected by SSA.⁸ Of these 10 recipients, 4 were assessed overpayments totaling \$21,784.⁹

For example, we found foreign activity on the bank statements of one SSI recipient for the period August 2005 through June 2006. The last redetermination SSA had scheduled and processed for this individual was in May 2003. At our request, SSA contacted the individual and determined the individual, in fact, had been absent from the United States for the time period and was therefore overpaid \$6,184. Subsequently, SSA assessed an additional overpayment of \$5,984 because of eligibility violations unrelated to residency requirements, resulting in a total overpayment of \$12,168. The individual returned to the United States in June 2006 and was again eligible to receive SSI payments.¹⁰

SSI RECIPIENTS POSSIBLY STILL ABSENT FROM THE UNITED STATES

Six recipients did not respond to SSA's contact attempts and, as a result, the Agency suspended their payments. Assuming these six individuals were outside the United States—and had been since the foreign ATM activity appeared on their bank statements—we estimate they may have been overpaid as much as \$33,982.¹¹ Further, because SSA stopped the monthly payments to these individuals, we estimate it saved about \$14,856 that otherwise would have been paid over the next 12 months.¹²

⁷ This estimate is based on our finding that 10 cases were overpaid \$24,773 during the last 12-month period for which we obtained bank statements—March 2006 to February 2007.

⁸ Of the remaining 240 recipients in our sample, 228 did not have foreign transactions on their bank statements; 7 had some foreign transactions, but they appeared to indicate the recipients had been outside of the United States for less than 30 consecutive days; 4 died before we could solicit their bank statements; and 1 individual's bank statements were not available for us to review.

⁹ As of January 2008, three recipients had returned to the United States, re-established their eligibility for SSI payments, and were subsequently overpaid \$9,757, while one recipient was still outside the country and overpaid \$12,027.

¹⁰ SSA will recover this overpayment by withholding \$50 a month from the recipient's monthly payment. Therefore, it could take over 20 years for this overpayment to be fully collected.

¹¹ Because SSA was unable to contact the recipients, the Agency could not determine the precise periods during which they were outside the United States. It is possible that these recipients left the United States before the dates we first identified foreign activity on their bank statements.

¹² Of the six cases, SSA suspended three before we completed our audit, while the other three were suspended as a result of our findings.

For example, we found foreign activity on the bank statements of one SSI recipient for the period March 2005 through March 2007. The last redetermination SSA had scheduled and processed for this individual was in October 2004. At our request, SSA attempted to contact the individual to determine whether the person was absent from the United States. The individual did not respond to SSA's contact attempts, and, as a result, the Agency suspended his SSI payments. If the recipient was outside the United States—and had been since the foreign activity appeared on his bank statements—we estimate the individual was overpaid as much as \$7,617.

ISSUES RELATED TO BANK STATEMENT ANALYSIS

To obtain the financial information of SSI recipients, the Office of the Inspector General issued subpoenas pursuant to the *Right to Financial Privacy Act*.¹³ The whole process—from obtaining and analyzing the data to SSA taking action on the cases—lasted from January through December 2007.

The process of collecting and manually analyzing paper bank statements was a labor-intensive process. The Bank provided us paper bank statements (not electronic), and, as a result, we had to analyze an average of 90 pages per SSI recipient.¹⁴

We paid \$4,303 for the bank statement data we obtained.¹⁵ However, based on our review, \$75,745 in overpayments was found—resulting in a cost-benefit ratio of \$17 to \$1.¹⁶ We believe SSA may achieve greater savings in the long-term if it could automate the process of obtaining and reviewing electronic bank information. Therefore, we did not include the personnel costs associated with our analysis in our cost-benefit ratio.

¹³ See 12 U.S.C. § 3401, *et seq.* SSA has authority, pursuant to § 1631(e)(1)(B) of the *Social Security Act*, 42 U.S.C. 1383(e)(1)(B), to require that SSI applicants and recipients allow the Agency permission to access their individual financial records. As set forth in SSA's regulations, 20 C.F.R. § 416.207, SSA requires that SSI applicants and recipients allow the Agency permission to access their individual financial records to become/remain eligible for SSI payments.

¹⁴ SSA began a test project in 2005 to detect unreported bank accounts and measure the reasonableness of automating the financial account verification process by contracting with a third-party vendor to assist in verifying SSI recipients' resources. SSA found that there was value in receiving this electronic bank data, yet the Agency's budget was not sufficient to support a nation-wide implementation for the project.

¹⁵ We were charged \$11 per hour for research and \$0.25 per statement page, which was in accordance with the *Right to Financial Privacy Act* and Federal regulations, as established by the Board of Governors of the Federal Reserve System (12 C.F.R. § 219.3).

¹⁶ This includes (a) \$61,822 in overpayments to 10 recipients in our sample whose absence from the United States had not previously been reported to SSA, (b) \$7,701 in overpayments to the spouses of 3 recipients who were also absent from the United States, and (c) \$6,222 in overpayments in 3 cases that were not related to residency violations, but were detected when the Agency reviewed the cases at our request.

CONCLUSION AND RECOMMENDATION

Despite SSA's efforts to identify residency violations, we estimate a substantial number of violations have not been detected, resulting in millions of dollars in overpayments. Specifically, we estimate that overpayments totaling approximately \$226.2 million to about 40,560 recipients went undetected because SSA was unaware the recipients were absent from the United States.

The Agency relies considerably on individuals self-reporting their absences from the United States. However, because reporting such events may result in ineligibility for SSI payments, there is no incentive for recipients to report them to SSA. Therefore, we believe SSA should explore alternatives that might help it detect unreported residency violations.

Since the process of collecting and manually analyzing paper bank statements was a labor-intensive process, we recommend that SSA:

1. Assess the feasibility of obtaining electronic bank statement information to include transaction-level data so that foreign transactions may be identified and investigated for possible residency violations.

AGENCY RESPONSE

SSA agreed with the recommendation. (See Appendix C.)



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope, Sampling Methodology and Results

APPENDIX C – Agency Comments

APPENDIX D – OIG Contacts and Staff Acknowledgments

Appendix A

Acronyms

ATM	Automated Teller Machine
C.F.R.	Code of Federal Regulations
GAO	Government Accountability Office
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

Scope, Sampling Methodology and Results

To accomplish our objective, we:

- Reviewed applicable sections of the *Social Security Act* and other relevant legislation, as well as the Social Security Administration's (SSA) regulations, rules, policies, procedures, and relevant reports.
- Reviewed prior Office of the Inspector General audits and Government Accountability Office reports.
- Obtained a file of all 1,014,185 foreign-born, U.S. citizens receiving Supplemental Security Income (SSI) payments via direct deposit as of May 2006. We then sorted the population by count of SSI recipients under each bank institution (see Table 1).

Table 1: Total Population by Bank

Bank	Number of Recipients	Percent of All Recipients
Bank A	253,696	25%
Bank B	118,021	12%
Bank C	82,618	8%
Bank D	48,734	5%
Bank E	45,542	4%
Sub-Total (Top 5 Banks)	548,611	54%
All Other Banks ¹	465,574	46%
Total (All Banks)	1,014,185	100%

- Selected one of the top five banks from our population, Bank D, for further review. For audit purposes, we considered the characteristics and findings observed for Bank D to be representative of any bank providing services to the population of approximately one million recipients. Of the 48,734 SSI recipients with direct deposit at Bank D, we selected a random sample of 250 for detailed analysis.
- For each sampled case, we subpoenaed bank statements from Bank D for the period March 2005 through February 2007. We examined the transaction history section of the bank statements and identified any reference to a foreign address on any type of transaction, specifically automated teller machine transactions. If a

¹ Each bank had less than 4 percent of the total population of SSI recipients.

transaction with a foreign address was found, we further examined the bank account history to find situations where foreign addresses were found in the transaction activity for a period of more than 30 days, based on the posted transaction dates.

- For each case in which foreign activity was found on the bank statements, we requested that SSA's Office of Operations contact the recipients to determine whether they were absent from the United States.

We conducted our audit in Boston, Massachusetts, between March and December 2007. We tested the data obtained in our audit and determined them to be sufficiently reliable to meet our objective. The entities audited were SSA's field offices under the Deputy Commissioner for Operations. 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 our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

SAMPLE RESULTS AND ESTIMATES/PROJECTIONS

Table 2: Population and sample size	
All foreign-born, United States citizens receiving SSI payments via direct deposit as of May 2006	1,014,185
Population Size (that is, recipients above with direct deposit at Bank D)	48,734
Percent of recipients with bank accounts at Bank D	5
Sample Size (that is, recipients sampled from the population of Bank D customers)	250

Table 3: Number of SSI Recipients with Undetected Residency Violations	Results and Projections to Bank D	Estimate in All Banks
Identified in Sample	10	
Point Estimate	1,949	40,560
Projection Lower Limit	1,068	
Projection Upper Limit	3,257	

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

Table 4: Amount of Undetected SSI Overpayments Resulting from Residency Violations	Results and Projections to Bank D	Estimate in All Banks
Identified in Sample	\$55,767	
Point Estimate	\$10,870,967	\$226,231,618
Projection Lower Limit	\$3,958,364	
Projection Upper Limit	\$17,783,569 ²	

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

Table 5: Amount of SSI Overpayments SSA Could Fail to Detect Due to Residency Violations Each Year	Results and Projections to Bank D	Estimate in All Banks
Identified in Sample	\$24,773	
Point Estimate	\$4,829,095	\$100,496,485
Projection Lower Limit	\$1,912,495	
Projection Upper Limit	\$7,745,695 ³	

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

² The spread between the lower and upper limits of this projection is from about \$4 million to \$18 million. We determined both large and small dollar findings exist, as the 10 findings for this projection range from \$926 to \$13,449. The mean of our 10 findings is \$5,577 and the median is \$3,931.

³ The spread between the lower and upper limits of this projection is from about \$2 million to \$8 million. We determined both large and small dollar findings exist, as the 10 findings for this projection range from \$312 to \$5,670. The mean of our 10 findings is \$2,477 and the median is \$2,083.

Appendix C

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: April 15, 2008 **Refer To:** S1J-3

To: Patrick P. O'Carroll, Jr.
Inspector General

From: David V. Foster /s/
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "Supplemental Security Income Recipients with Automated Teller Machine Withdrawals Indicating They Are Outside the United States"
(A-01-07-17036)—INFORMATION

We appreciate OIG's efforts in conducting this review. Our response to the recommendation is attached.

Please let me know if we can be of further assistance. Staff inquiries may be directed to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at (410) 965-4636.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL'S DRAFT REPORT,
"SUPPLEMENTAL SECURITY INCOME RECIPIENTS WITH AUTOMATED
TELLER MACHINE WITHDRAWALS INDICATING THEY ARE OUTSIDE THE
UNITED STATES" (A-01-07-17036)**

Thank you for the opportunity to review and comment on this draft report. We agree that identifying recipients who are ineligible for Supplemental Security Income (SSI) due to residency violation is a difficult, but necessary, task in the effective stewardship of our program.

However, we believe the benefit-to-cost ratio of 17:1, on Page 4 of the report, is overstated. The report acknowledges that personnel costs were *not* included in the benefit-to-cost calculation. The 17:1 ratio is based solely on the amount of detected overpayment and the cost of reimbursing the financial institutions for providing financial account transaction data. The report does not take into account: 1) that historically, only about 60 percent of SSI debt is recovered; 2) that in addition to the personnel costs (including overhead and benefits) associated with requesting financial account transaction data, processing and analyzing the responses, and verifying/developing whether there was a residency violation, there are also personnel costs associated with developing and recovering the resultant overpayments; and 3) the costs associated with having an outside contractor involved in the process, especially in the conversion of hardcopy transaction data into electronic format. The influence of these factors on a benefit-to-cost analysis can be considerable and should be presented.

Recommendation 1

Assess the feasibility of obtaining electronic bank statement information to include transaction-level data so that foreign transactions may be identified and investigated for possible residency violations.

Comment

We agree and will analyze the feasibility of obtaining electronic bank statement information that includes transaction-level data. We plan to complete the analysis no later than June 2008.

Appendix D

OIG Contacts and Staff Acknowledgments

OIG Contacts

Judith Oliveira, Director, Boston Audit Division, (617) 565-1765

Jeffrey Brown, Audit Manager, (617) 565-1814

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Acknowledgments

In addition to those named above:

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Kevin Joyce, IT Specialist

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