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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**UNDERPAYMENTS ON PRIOR  
SUPPLEMENTAL SECURITY INCOME  
RECORDS**

**August 2007      A-07-07-17034**

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**AUDIT REPORT**

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## **Mission**

**By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.**

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**The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:**

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- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

**To ensure objectivity, the IG Act empowers the IG with:**

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- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

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## SOCIAL SECURITY

### **MEMORANDUM**

**Date:** August 31, 2007

**Refer To:**

**To:** The Commissioner

**From:** Inspector General

**Subject:** Underpayments on Prior Supplemental Security Income Records (A-07-07-17034)

### **OBJECTIVE**

Our objective was to determine whether the Social Security Administration's (SSA) internal controls were adequate to ensure that underpayments on prior Supplemental Security Income (SSI) records were identified and properly resolved.

### **BACKGROUND**

In 1972, Congress enacted the SSI program under Title XVI of the Social Security Act.<sup>1</sup> The SSI program provides a minimum level of income to financially needy individuals who are aged, blind, and/or disabled.<sup>2</sup> The means-tested nature of the SSI program requires that individuals' needs be matched with their financial circumstances on a monthly basis for purposes of determining benefit eligibility and payment amounts. Individual financial circumstances may change often, requiring SSA to frequently reassess and verify recipients' eligibility and payment amounts.

The majority of SSI underpayments occur because of changes in recipients' non-medical eligibility factors such as income (earned or unearned) or living arrangements. As changes in these factors occur, recipients' SSI eligibility and payment amounts can change from month-to-month. An underpayment occurs when the amount due to a recipient is greater than the amount paid to a recipient during a period of eligibility. In general, an underpayment should be paid to the recipient the month after it is discovered by SSA.<sup>3</sup> Underpayment amounts should first be offset to any existing

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<sup>1</sup> The Social Security Act § 1601, 42 U.S.C. 1381; see also 20 C.F.R. § 416.101.

<sup>2</sup> 20 C.F.R. § 416.110.

<sup>3</sup> 20 C.F.R. § 416.538; see also SSA, POMS, SI 02101.002 – *SSI Underpayments Due – Individual Alive*.

overpayments, even if the recipient is deceased.<sup>4</sup> If no overpayments exist, and the recipient is alive, the underpayment should be paid. If the recipient is deceased, the underpayment can be paid to a spouse or parent if the deceased recipient was living with the spouse or parent at the time of death or within the 6 months immediately preceding the month of death.<sup>5</sup>

When a claimant files for SSI, a supplemental security income record (SSR) is created. The SSR typically remains open as long as the claimant is in current pay status and for up to 12 months when in nonpayment status. SSA terminates SSRs for a variety of reasons such as after the recipient has been ineligible to receive payments for over 12 months or when changes in the recipient's eligibility factors require a new SSR to be established.<sup>6</sup> These terminated SSRs are considered current until a new SSR is established. Once a new SSR is established, the terminated SSR is considered a prior SSR.

SSA instructions state that underpayments on terminated SSRs must be manually controlled by field office (FO) staff to ensure all past due amounts are paid.<sup>7</sup> This means FO staff must manually review prior SSRs to determine if underpayments exist and then take appropriate actions to resolve the underpayments. Accordingly, underpayments will remain on prior SSRs until identified by SSA FO staff.

Our review focused on prior SSRs containing underpayments that were terminated using T31 and T33 codes.<sup>8</sup> Through data analysis, we identified a population of 90,497 prior SSRs with underpayments between \$250 and \$24,999 totaling \$120.4 million. We identified an additional 117 SSRs with underpayments of

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<sup>4</sup> 20 C.F.R. § 416.543.

<sup>5</sup> 20 C.F.R. § 416.542.

<sup>6</sup> SSI recipients can have multiple SSRs. A current SSR is the latest SSR established for a recipient. All other SSRs are considered prior SSRs.

<sup>7</sup> SSA, POMS, SI 02101.020 – *Installment Payments of Large Past-Due Benefits – Individual Alive*.

<sup>8</sup> SSA uses several codes to terminate SSRs. We focused our review on the T31 and T33 codes because 88 percent of the prior SSRs with underpayments identified in our data analysis were terminated with these codes. The T31 code is used by the system to terminate SSRs when the SSR has been in nonpayment status for 12 consecutive months and payments were made on the SSR (see SSA, POMS SM 01601.805 – *Payment Status Codes in Computation History – LIST* and SM 01801.305 – *Criteria for Terminating Active Master Records*). The T33 code is used to manually terminate SSRs when the SSI system cannot accurately compute a payment or maintain the SSR because of changes in the claimant's living arrangements and/or other eligibility factors (see SSA, POMS SM 01601.805 – *Payment Status Codes in Computation History – LIST* and SM 01801.001 – *Terminations and History Processing - General*).

\$25,000 and greater totaling \$4.3 million.<sup>9</sup> The following table shows the number of SSRs and total underpayment amounts included in our review by dollar range.

Underpayments 1990-2006 by Range			
Number of SSRs	Total Underpayments	From	To
30,007	\$11,176,523	\$250.00	\$499.99
30,338	\$20,989,084	\$500.00	\$999.99
25,977	\$52,018,648	\$1,000.00	\$4,999.99
3,113	\$21,212,722	\$5,000.00	\$9,999.99
1,062	\$15,048,544	\$10,000.00	\$24,999.99
<b>Total</b>	<b>90,497</b>	<b>\$120,445,521</b>	<b>\$250.00</b>
<b>Underpayments 1990-2006 - \$25,000 and Greater</b>			
<b>Total</b>	<b>117</b>	<b>\$4,346,168</b>	<b>\$25,000.00</b>
			<b>and greater</b>

We reviewed a random sample of 250 SSRs that contained underpayments between \$250 and \$24,999. In addition, we reviewed a random sample of 33 SSRs with underpayments \$25,000 and greater. See Appendix B for the scope and methodology of our review and Appendix C for our population and sample results.

## RESULTS OF REVIEW

We found SSA's internal control of relying on FO staff to manually identify and resolve SSI underpayments on prior SSRs is not adequate. The control is not adequate because FO staff did not always perform the necessary actions to identify and resolve the underpayments. Specifically, for our population of 90,497 prior SSRs that contained underpayments between \$250 and \$24,999 totaling \$120.4 million, we project:

- 79.3 percent of prior SSRs have underpayments totaling \$92.3 million that should have been paid to recipients or offset to existing overpayments, and
- 23.1 percent of prior SSRs have underpayments totaling \$27.9 million that are not due to the recipients and need to be removed from the prior SSRs to avoid improper payments or improper offsets to recipients' overpayments.<sup>10</sup>

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<sup>9</sup> All of the SSRs included in our review were terminated between 1990 and 2006 using T31 or T33 codes.

<sup>10</sup> The total percentage of SSRs (79.3 percent plus 23.1 percent) is greater than 100 percent because some SSRs had underpayment amounts that should have been released or offset to existing overpayments and underpayment amounts that are not due to the recipient.

We found that similar conditions existed for SSRs with underpayments of \$25,000 and greater. Specifically, we identified 117 prior SSRs with underpayments totaling \$4.3 million. We reviewed 33 of these SSRs with underpayments totaling \$1.3 million and found that approximately:

- \$1.1 million in underpayments remain on prior SSRs that are not due to the recipients and need to be removed from the prior SSRs to avoid improper payments or improper offsets to recipients' overpayments, and
- \$196,000 in underpayments should have been paid to recipients or offset to existing overpayments.

In addition, we identified \$45.1 million in underpayments on current SSRs. A current SSR is the latest SSR created for a recipient.<sup>11</sup> We did not audit the underpayments on the current SSRs since our review focused only on prior SSRs. However, based on the results of our review of prior SSRs, it is highly probable that the current SSRs also contain underpayments that need to be resolved by SSA.

### **UNDERPAYMENTS BETWEEN \$250 AND \$24,999 ON PRIOR SSRs**

We reviewed a random sample of 250 prior SSRs that contained underpayments between \$250 and \$24,999.<sup>12</sup> Based on our review, we project that 79.3 percent of prior SSRs have underpayments totaling \$92.3 million that should have been paid to recipients or offset to recipients' existing overpayments. In addition, 23.1 percent of prior SSRs have underpayments totaling \$27.9 million that are not due to the recipients and need to be removed from the prior SSRs to avoid improper payments or improper offsets to recipients' existing overpayments.

### **UNDERPAYMENTS TOTALING \$92.3 MILLION SHOULD HAVE BEEN PAID TO RECIPIENTS OR OFFSET TO EXISTING OVERPAYMENTS**

Based on our analysis of sampled SSRs, we project that 79.3 percent of prior SSRs have underpayments totaling \$92.3 million that should have been paid to recipients or offset to recipients' existing overpayments. Of these underpayment amounts, we project:

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<sup>11</sup> For these SSRs, no subsequent SSRs were established after the SSRs were terminated. Therefore, these SSRs are not considered prior SSRs but rather, current SSRs.

<sup>12</sup> SSA reviewed 232 of the 250 sample SSRs and generally agreed with our analysis of the underpayments. We included the results of SSA's review in this report as appropriate. We did not provide SSA with the remaining 18 SSRs in our sample because the underpayments on these SSRs had already been paid to the recipients or offset to overpayments on subsequent SSRs.

- \$73.9 million should be paid to recipients.
- \$14.3 million could be offset to existing overpayments.
- \$4.1 million cannot be paid because the recipients are deceased and had no spouses or parents to whom the underpayments could be paid.

Given that 79.3 percent of the prior SSRs had underpayments that should have been either paid to recipients or offset to existing overpayments, SSA's internal control of relying on FO staff to manually identify and resolve underpayments is not adequate. In fact, the results of our review indicate that FO staff did not review prior SSRs for outstanding underpayment amounts when establishing new SSRs. Or, if the FO staff did review the prior SSRs they did not take the necessary actions to properly resolve the underpayments. As a result, the underpayments remained on the prior SSRs.

SSA needs a better internal control for identifying and resolving underpayments on prior SSRs. The optimum control would be systems-related. For example, SSA's current system cannot automatically transfer underpayments from prior SSRs to subsequent SSRs. If SSA's system could automatically transfer underpayments from a prior SSR to a current SSR, the underpayments could be more easily identified by FO staff and resolved. Another improved internal control would be a system process that electronically alerts FO staff that underpayments exist on prior SSRs. Such an alert would help alleviate the current problems associated with relying on FO staff to manually identify underpayments on prior SSRs.

During our review, we found that some of the projected \$92.3 million classified as underpayments that should have been paid to recipients or offset to existing overpayments may have been created in error and were not actually due to recipients.<sup>13</sup>

However, because of administrative finality rules, SSA may have to pay the underpayments to the recipients.<sup>14</sup> Specifically, if SSA does not identify and correct an underpayment that was created in error within the 2-year administrative finality period, it

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<sup>13</sup> We did not quantify the amount of the \$92.3 million that may have been created in error.

<sup>14</sup> Administrative finality is the concept that decisions of eligibility to receive payments and payment amounts become final and binding on both parties immediately, unless they are timely appealed or later reopened and revised for special reasons. See SSA, POMS, SI 04070.005 - *Title XVI Administrative Finality Definitions*.

may have to pay the underpayments to the recipients.<sup>15</sup> Therefore, it is very important that SSA verify the accuracy of an underpayment on prior SSRs within 2 years of the date the underpayment was created.

However, we found that SSA is not verifying the accuracy of underpayments on prior SSRs within 2 years of the date the underpayment was created. Specifically, of the 250 sampled prior SSRs we reviewed, 186 SSRs contained underpayments that were beyond the 2-year administrative finality period. Therefore, even if some of these underpayments were created in error and were actually not due to the recipients, SSA may still have to pay the underpayments to the recipients.<sup>16</sup>

### **UNDERPAYMENTS TOTALING \$27.9 MILLION ARE NOT DUE TO RECIPIENTS AND SHOULD BE REMOVED FROM PRIOR SSRS**

Based on our analysis of sampled SSRs, we project that 23.1 percent of prior SSRs have underpayments totaling \$27.9 million that are not due to the recipients. Of these underpayment amounts we project that:

- \$14.5 million in underpayments appear to have been created in error and are not due to the recipients. Underpayments that are in error occur because of clerical mistakes, omission of evidence, and a variety of other reasons. These underpayments need to be removed from the prior SSRs to avoid potential improper payments or improper offsets to existing overpayments.<sup>17</sup>

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<sup>15</sup> Pursuant to SSA policy, Administrative Finality Rules do not apply to the payment of underpayments to recipients. In fact, underpayments should be paid to the recipient or offset to existing overpayments regardless of the amount of time that has elapsed between the date the underpayment occurred and the date it was discovered by SSA. See SSA, POMS, SI 04070.070C – *SSA Overpayment-Underpayment Development*. However, an underpayment created in error and not due to the recipient does not have to be paid if good cause exists. Good cause exists to change an underpayment decision if new and material evidence is furnished; a clerical error has been made; or there is an error on the face of the evidence. See SSA, POMS, SI 04070.010 – *Title XVI Administrative Finality – General Reopening Policies*.

<sup>16</sup> *Supra* notes 14, 15.

<sup>17</sup> The SSRs containing these underpayments appeared to have good cause to correct the underpayment amounts. Therefore, the underpayments are not subject to the administrative finality rules discussed in the previous section of this report.

- \$13.4 million in underpayments was paid to recipients or manually offset to overpayments but the underpayments were not removed from the prior SSRs. These underpayments need to be removed from the prior SSRs to avoid improper payments or improper offsets to existing overpayments.<sup>18</sup>

As previously discussed in this report, SSA's internal control of relying on FO staff to manually identify and resolve underpayments is not adequate. Given that 23.1 percent of the prior SSRs in our sample contain underpayments that are not due to recipients indicates that FO staff did not review prior SSRs for outstanding underpayment amounts when establishing new SSRs. Or, if the FO staff did review the prior SSRs they did not take the necessary actions to properly resolve the underpayments. As a result, the underpayments remained on the prior SSRs.

### **SSI UNDERPAYMENTS \$25,000 AND GREATER**

We identified 117 SSRs with underpayments \$25,000 and greater totaling \$4.3 million. We reviewed 33 of these SSRs with underpayments totaling \$1.3 million and found that:<sup>19</sup>

- Approximately \$1.1 million, or 84 percent, of the underpayments were not due to the recipients. Specifically,
  - ✓ \$626,000 of the underpayment amounts appear to have been created in error and are not due to the recipients. These underpayments need to be removed from the prior SSRs to avoid potential improper payments or improper offsets to existing overpayments.
  - ✓ \$450,000 of the underpayment amounts was paid to the recipients but the underpayment amounts were not removed from the prior SSRs. These underpayments need to be removed from the prior SSRs to avoid improper payments or improper offsets to existing overpayments.
- Approximately \$196,000, or 15 percent, of the underpayments should have been paid to recipients or offset to existing overpayments. Specifically,
  - ✓ \$169,000 of the underpayment amounts could be paid or offset to existing overpayments; and

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<sup>18</sup> We found an instance where the FO paid an underpayment on a subsequent SSR. However, during our audit, the FO paid the underpayment again on the prior SSR that contained the underpayment. The system did not recognize the duplicate payment and no overpayment was recorded. SSA was not aware of this improper payment until we brought it to the FO's attention during our audit. This provides further illustration of the need for better internal controls.

<sup>19</sup> SSA reviewed all 33 of the sample SSRs and generally agreed with our analysis of the underpayments. Based on its review of these SSRs, SSA is taking corrective action to resolve the identified underpayments. We included the results of SSA's SSR review in this report as appropriate. At its request, we provided a list of all 117 SSRs to SSA.

- ✓ \$27,000 cannot be paid because the recipient is deceased and had no spouse or parent to whom the underpayment could be paid.
- Approximately \$13,000, or 1 percent, of the underpayments was paid correctly on the prior SSRs.

As previously discussed, SSA relies on FO staff to identify underpayments on prior SSRs and ensure underpayments are resolved. However, this control is not working because FO staff did not always perform the necessary actions to identify and resolve the underpayments.

### **CURRENT SSRs TERMINATED WITH OUTSTANDING UNDERPAYMENTS**

We identified \$45.1 million in underpayments on 43,702 current SSRs. A current SSR is the latest SSR created for a recipient.<sup>20</sup> We did not audit the underpayments on the current SSRs since our review focused on prior SSRs. However, based on the results of our review of prior SSRs, it is highly probable that the current SSRs also contain underpayments that should be resolved by SSA.

### **CONCLUSION AND RECOMMENDATIONS**

We found SSA's internal control of relying on FO staff to manually identify SSI underpayments on prior SSRs is not adequate to ensure that underpayments are identified and properly resolved. The controls are not adequate because FO staff did not always perform the necessary actions to identify and resolve underpayments on prior SSRs. We project that 79.3 percent of prior SSRs have underpayments totaling \$92.3 million that should have been paid to recipients or offset to existing overpayments. Another projected 23.1 percent of prior SSRs have underpayments totaling \$27.9 million that should have been corrected but remain at risk of being improperly paid to recipients or offset to existing overpayments.

We found similar internal control weaknesses exist for identifying and resolving the underpayments of \$25,000 or greater on prior SSRs totaling \$4.3 million. Additionally, \$45.1 million in underpayments on current SSRs were identified and it is highly probable that these SSRs also contain underpayments that should be resolved by SSA. SSA needs a better internal control for identifying and resolving underpayments on prior SSRs. The optimum control would be systems-related. For example, SSA's current system cannot automatically transfer underpayments from prior SSRs to subsequent SSRs. If SSA's system could automatically transfer underpayments from a prior SSR to a current SSR, the underpayments could be more easily identified by FO staff and resolved. A system process that electronically alerts FO staff that underpayments exist

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<sup>20</sup> These SSRs were terminated 1990 or later with underpayments \$250 and greater. For these SSRs, no subsequent SSR was created after the SSR was terminated with the T31 or T33 code. Therefore, these SSRs are not considered prior.

on prior SSRs would also help alleviate the current problems associated with relying on FO staff to manually identify underpayments on prior SSRs.

We recommend SSA:

1. Implement a risk-based approach to review and resolve the prior and current SSRs with underpayments identified in this review.
2. Periodically remind staff to review prior and current SSRs for outstanding underpayments when establishing new SSRs and conduct refresher training on the proper handling of underpayments on prior SSRs including the application of administrative finality rules.
3. Implement system changes that ensure underpayments on prior and current SSRs are more easily identifiable by FO staff.

## **AGENCY COMMENTS**

SSA agreed with all of our recommendations. The full text of SSA's comments is included in Appendix D.



Patrick P. O'Carroll, Jr.

# **Appendices**

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**APPENDIX A** – Acronyms

**APPENDIX B** – Scope and Methodology

**APPENDIX C** – Population and Sample Results

**APPENDIX D** – Agency Comments

**APPENDIX E** – OIG Contacts and Staff Acknowledgments

## ***Appendix A***

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### **Acronyms**

C.F.R.	Code of Federal Regulations
FO	Field Office
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Income Record
U.S.C.	United States Code

# **Scope and Methodology**

To accomplish our audit objectives we:

- Reviewed sections of the Social Security Act and the Social Security Administration's (SSA) regulations, rules, policies, and procedures pertaining to Supplemental Security Income (SSI) underpayments.
- Interviewed SSI specialists to obtain an understanding of how underpayments should be processed and recorded on the Supplemental Security Income Record (SSR).
- Obtained a data file of prior SSRs containing underpayments.
  - ✓ Selected a stratified random sample of 250 SSRs for T31 and T33 codes terminated 1990 or later with underpayment amounts between \$250 and \$24,999 from the above data file. See Appendix C for our population and sample results.
  - ✓ Selected a random sample of 33 SSRs for T31 and T33 codes terminated 1990 or later with underpayments \$25,000 and greater.
  - ✓ Reviewed the sampled SSRs to determine whether the underpayments were brought forward, paid to recipients, or offset against existing overpayments on subsequent SSRs.
  - ✓ Provided sampled SSRs for SSA's review and discussed sampled SSRs with SSA personnel to confirm our analysis of underpayment amounts.
- Obtained a data file of current SSRs containing underpayments to determine the total amount and number of current SSRs terminated using the T31 and T33 codes.

We conducted our audit in Kansas City, Missouri and Baltimore, Maryland from January 2007 through April 2007. We determined that the data used for this audit was sufficiently reliable to meet our audit objective. The organizational component that is responsible for the SSI program is the Office of Income Security Programs under the Office of Disability and Income Security Programs. We conducted our audit in accordance with generally accepted government auditing standards.

### **Population and Sample Results**

We identified a population of 90,497 prior Supplemental Security Income Records (SSR) terminated 1990 or later with underpayments between \$250 and \$24,999 totaling \$120.4 million. Of these SSRs, 32,365 were terminated using the T31 code and 58,132 were terminated using the T33 code. Additionally, we identified 117 prior SSRs with underpayments \$25,000 or more totaling \$4.3 million. Of these SSRs, 3 were terminated using the T31 code and 114 were terminated using the T33 code.

Our analysis of 250 prior SSRs identified 203 SSRs, or 81 percent, with underpayments totaling \$244,241 that could have been paid or offset to existing overpayments before the SSRs were terminated or when new SSRs were created for the Supplemental Security Income recipients. Our analysis of the 250 SSRs also identified 52 SSRs, or 21 percent, with underpayments totaling \$67,049 that are not due to recipients and should be removed from the prior SSRs to avoid improper payment or offset to existing overpayments.<sup>1</sup> The following tables reflect the sample results and projections based on our audit.<sup>2</sup>

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<sup>1</sup> The total number of SSRs is greater than 250 because 6 SSRs had underpayment amounts in both categories – part of the underpayment could have been paid or offset and part of the underpayment was not due to the recipient and should have been removed from the SSR – and 1 underpayment was correctly paid on the prior SSR after our population was pulled and is not included in our projections. Initially, there were 11 SSRs with underpayment amounts in both categories. However, we eliminated five of these SSRs because the amount in one of the categories was less than \$20 which we considered immaterial.

<sup>2</sup> All projections in the following tables were calculated at the 90-percent confidence level.

Table 1: Underpayments Could Have Been Paid or Offset			
Population and Sample Size			
	T31	T33	Total
Population size	32,365	58,132	90,497
Sample size	125	125	250
Number of Cases			
Cases Identified in Sample	110	93	203
Projected Items in Population	28,481	43,250	71,731
Lower Limit – Quantity			67,680
Upper Limit – Quantity			75,783
Associated Dollar Amounts			
Amounts Identified in Sample	\$102,974	\$141,267	\$244,241
Point Estimate	\$26,662,070	\$65,697,168	\$92,359,238
Projection Lower Limit			\$76,427,158
Projection Upper Limit			\$108,291,317

Table 2: Underpayments Should Be Removed From Prior SSRs			
Population and Sample Size			
	T31	T33	Total
Population size	32,365	58,132	90,497
Sample size	125	125	250
Number of Cases			
Cases Identified in Sample	16	36	52
Projected Items in Population	4,143	16,742	20,885
Lower Limit – Quantity			16,686
Upper Limit – Quantity			25,083
Associated Dollar Amounts			
Amounts Identified in Sample	\$15,933	\$51,116	\$67,049
Point Estimate	\$4,125,274	\$23,771,798	\$27,897,072
Projection Lower Limit			\$17,414,112
Projection Upper Limit			\$38,380,031

During our analysis of the sampled SSRs, we separated the two categories reported above into sub-categories. For the 203 SSRs with underpayments totaling \$244,241 identified in Table 1, the underpayment amounts fell into at least 1 of 3 sub-categories: could be paid to recipients, could be offset to existing overpayments, or the recipient is deceased and underpayment could no longer be paid. We found 144 SSRs with underpayment amounts totaling \$191,142 that could have been paid to recipients (see Table 3), 54 SSRs with underpayment amounts totaling \$37,631 that could be offset to existing overpayments (see Table 4), and 21 SSRs with underpayment amounts totaling \$15,468 that can no longer be paid because the recipients are deceased and had no spouse (See Table 5).<sup>3</sup> The following three tables reflect the sample results and projections for these categories.

Table 3: Underpayments Could be Paid to Recipients			
Population and Sample Size			
	T31	T33	Total
Population size	32,365	58,132	90,497
Sample size	125	125	250
Number of Cases			
Cases Identified in Sample	74	70	144
Projected Items in Population	19,160	32,554	51,714
Lower Limit – Quantity			46,853
Upper Limit – Quantity			56,575
Associated Dollar Amounts			
Amounts Identified in Sample	\$72,663	\$118,479	\$191,142
Point Estimate	\$18,814,028	\$55,099,407	\$73,913,435
Projection Lower Limit			\$57,784,088
Projection Upper Limit			\$90,042,783

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<sup>3</sup> Sixteen SSRs contained underpayment amounts that fit into two of the three sub-categories. For example, part of the underpayment amount could be used to offset an existing overpayment and the remainder could be paid to the recipient.

Table 4: Underpayments Could be Offset to Existing Overpayments			
Population and Sample Size			
	T31	T33	Total
Population size	32,365	58,132	90,497
Sample size	125	125	250
Number of Cases			
Cases Identified in Sample	22	32	54
Projected Items in Population	5,696	14,882	20,578
Lower Limit – Quantity			16,417
Upper Limit – Quantity			24,739
Associated Dollar Amounts			
Amounts Identified in Sample	\$15,417	\$22,214	\$37,631
Point Estimate	\$3,991,754	\$10,330,633	\$14,322,387
Projection Lower Limit			\$10,382,849
Projection Upper Limit			\$18,261,926

Table 5: Underpayments Could No Longer Be Paid – Recipients Deceased			
Population and Sample Size			
	T31	T33	Total
Population size	32,365	58,132	90,497
Sample size	125	125	250
Number of Cases			
Cases Identified in Sample	20	1	21
Projected Items in Population	5,178	465	5,643
Lower Limit – Quantity			3,735
Upper Limit – Quantity			7,552
Associated Dollar Amounts			
Amounts Identified in Sample	\$14,894	\$574	\$15,468
Point Estimate	\$3,856,287	\$267,128	\$4,123,415
Projection Lower Limit			\$2,239,958
Projection Upper Limit			\$6,006,873

For the 52 SSRs with underpayments that were not due to the recipients and should have been removed from the prior SSRs totaling \$67,049 identified in Table 2, the underpayment amounts fell into at least 1 of 2 sub-categories: underpayment appeared to have been created in error or underpayment was paid to recipient or manually offset to an existing overpayment on a subsequent SSR. In both cases the outstanding underpayments are no longer due to the recipients but could still be improperly paid or offset to an existing overpayment. We found 27 SSRs with underpayment amounts totaling \$36,455 that appeared to have been created in error (see Table 6) and 26 SSRs with underpayment amounts totaling \$30,594 that were paid or offset on a subsequent SSR but were not removed from the prior SSR (see Table 7).<sup>4</sup> The following two tables reflect the sample results and projections for these categories.

Table 6: Underpayments Created in Error			
Population and Sample Size			
	T31	T33	Total
Population size	32,365	58,132	90,497
Sample size	125	125	250
Number of Cases			
Cases Identified in Sample	10	17	27
Projected Items in Population	2,589	7,906	10,495
Lower Limit – Quantity			7,283
Upper Limit – Quantity			13,708
Associated Dollar Amounts			
Amounts Identified in Sample	\$11,969	\$24,486	\$36,455
Point Estimate	\$3,098,954	\$11,387,431	\$14,486,385
Projection Lower Limit			\$6,390,485
Projection Upper Limit			\$22,582,285

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<sup>4</sup> One SSR contained underpayment amounts that fit into both sub-categories. Part of the underpayment amount was paid on a subsequent SSR and the remainder was created in error.

<b>Table 7: Underpayments Paid to Recipients or Offset to Existing Overpayment on Subsequent SSR</b>			
<b>Population and Sample Size</b>			
	<b>T31</b>	<b>T33</b>	<b>Total</b>
Population size	32,365	58,132	90,497
Sample size	125	125	250
<b>Number of Cases</b>			
Cases Identified in Sample	6	20	26
Projected Items in Population	1,554	9,301	10,855
Lower Limit – Quantity			7,549
Upper Limit – Quantity			14,161
<b>Associated Dollar Amounts</b>			
Amounts Identified in Sample	\$3,964	\$26,630	\$30,594
Point Estimate	\$1,026,320	\$12,384,367	\$13,410,687
Projection Lower Limit			\$6,350,116
Projection Upper Limit			\$20,471,258

We reviewed a random sample of 33 of the 117 SSRs with underpayments \$25,000 and greater. We reviewed the 3 SSRs terminated using the T31 code and 30 randomly selected SSRs terminated using the T33 code with underpayments totaling \$1.3 million. We reported our actual results and made no projections relating to these SSRs.

## ***Appendix D***

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### **Agency Comments**



## SOCIAL SECURITY

### MEMORANDUM

Date: August 22, 2007

Refer To: S1J-3

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

From: Larry W. Dye /s/

Subject: Office of the Inspector General (OIG) Draft Report, "Underpayments on Prior Supplemental Security Income Records" (A-07-07-17034)--INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the recommendations are 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 (OIG) DRAFT REPORT, "UNDERPAYMENTS ON PRIOR SUPPLEMENTAL SECURITY INCOME RECORDS" (A-07-07-17034)**

Thank you for the opportunity to review and provide comments on this draft report. We considered implementation of an automated system to bring forward underpayments from prior terminated Supplemental Security Income Records (SSR) at the time we implemented the Terminated Record Balancing and Debt Transfer (TREBDET) system in June 1999.

The TREBDET system was created to bring overpayment information from past SSRs to current SSRs. This system was designed as part of our effort to reduce debt and address some of the “high risk” aspects of the Supplemental Security Income (SSI) program. While consideration was given to automating underpayment reconciliation on prior SSI records, our resources were limited and the creation of the reconciliation process for overpayments was considered a greater priority. Additionally, after further analysis, we determined that an automated process for bringing forward underpayments onto current SSRs is error prone.

Our comments on the draft recommendations are as follows.

**Recommendation 1**

Implement a risk-based approach to review and resolve the prior and current SSRs with underpayments identified in this review.

**Comment**

We agree. We define “risk-based” as those underpayments most likely to result in the largest improper payments. We have already reviewed and resolved all 117 prior terminated records with underpayments over \$25,000 that were identified during the review. The resolution of the remaining underpayments on prior terminated SSR records will be addressed as our resources permit.

**Recommendation 2**

Periodically remind staff to review prior and current SSRs for outstanding underpayments when establishing new SSRs and conduct refresher training on the proper handling of underpayments on prior SSRs including the application of administrative finality rules.

**Comment**

We agree. We will issue a reminder to the field offices and conduct refresher training by the end of December 2007. The refresher training will include topics such as the review of current SSRs and underpayments on prior SSRs including the application of administrative finality rules.

### **Recommendation 3**

Implement system changes that ensure underpayments on prior and current SSRs are more easily identifiable by field office staff.

### **Comment**

We agree, although we do not currently have the resources available to implement this recommendation. However, we believe the refresher training mentioned in our response to recommendation 2 will assist field office staff in further identifying outstanding underpayments.

## ***Appendix E***

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# **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Mark Bailey, Director, Kansas City Audit Division (816) 936-5591

Ron Bussell, Audit Manager (816) 936-5577

### ***Acknowledgments***

In addition to those named above:

Deb Taylor, Auditor-in-Charge

Karis Crane, Auditor

Nick Moore, Auditor

Ken Bennett, IT Specialist

For additional copies of this report, please visit our web site at [www.ssa.gov/oig](http://www.ssa.gov/oig) or contact the Office of the Inspector General's Public Affairs Specialist at (410) 965-3218. Refer to Common Identification Number A-07-07-17034.

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The Office of the Inspector General (OIG) is comprised of our Office of Investigations (OI), Office of Audit (OA), Office of the Chief Counsel to the Inspector General (OCCIG), and Office of Resource Management (ORM). To ensure compliance with policies and procedures, internal controls, and professional standards, we also have a comprehensive Professional Responsibility and Quality Assurance program.

## **Office of Audit**

OA conducts and/or supervises financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management and program evaluations and projects on issues of concern to SSA, Congress, and the general public.

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OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as OIG liaison to the Department of Justice on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

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## **Office of Resource Management**

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